



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 4, 1944.

Dear Sir:

In anticipation of enactment of pending legislation (S. 1718) known as the George-Murray Bill, we transmitted with our letter of May 10, 1944, tentative drafts of a standard form of guarantee agreement and a form of loan agreement for use in connection with termination loans. Numerous valuable comments were made by the Federal Reserve Banks and others with respect to these forms, and these have all had careful consideration by the Services and the Board of Governors. The forms have now been revised in the light of these comments, and copies are enclosed herewith, together with a proposed set of instructions and explanatory notes with regard to the use of these forms.

We will appreciate receiving any comments and suggestions you may have with regard to the revised forms and the instructions and suggest that you submit copies of this letter and of its enclosures to the bankers or prospective borrowers in your district to whom you submitted copies of our letter of May 10 and to any other persons whose comments you feel would be helpful.

In addition to any comments you may make on the forms and instructions, we will be glad to know your view as to whether the maximum commitment fee should be one-half of one per cent per annum and shared with the Guarantor on the basis indicated, or should be one-fourth of one per cent with the entire amount retained by the Financing Institution.

The Contract Settlement Act of 1944 (S. 1718) will become effective July 21, 1944. Accordingly, any comments and suggestions which are made should be submitted as soon as possible and in any event should reach the Board not later than July 18. In view of the desire of the Services to have these forms ready as soon as possible after the



effective date of the new law, it will be very helpful if all comments, in so far as practicable, are made to relate to particular sections or paragraphs, all suggestions for changes are made in as specific language as possible, and the discussion is made concise.

We are confident that any persons to whom this letter and its enclosures are submitted will appreciate that the forms are still entirely tentative, that they must still be submitted to the Director of Contract Settlement for consideration, and that the Services are not in a position at this time to make any definitive statements as to the program which will be finally adopted.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written in a cursive style.

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(Copies sent to all Liaison Officers.)

(Draft of July 4, 1944)

INSTRUCTIONS AND EXPLANATORY NOTES
APPROVED BY THE DIRECTOR OF CONTRACT SETTLEMENT WITH
RESPECT TO TERMINATION GUARANTEE AND LOAN AGREEMENTS

GUARANTEE AGREEMENT

Opening Paragraph

(1) The guarantee agreement is issued pursuant to the authority contained in the Contract Settlement Act of 1944, the First War Powers Act, 1941, Executive Order 9112, the Act of June 11, 1942, and other pertinent provisions of law.

(2) Pursuant to Section 10(a)(1) of the Contract Settlement Act of 1944, the authorization issued to the Federal Reserve Bank or other appropriate documents executed by the contracting agency in connection with the guarantee will contain a statement that the Borrower is or has been engaged in performing an operation deemed by the Guarantor to be connected with or related to war production, and that the loan is for the purpose of financing the Borrower in connection with or in contemplation of the termination of one or more of its war contracts or operations.

Section 1(A)

(3) If one Financing Institution is authorized, as agent for a number of participants, to execute a guarantee agreement in their behalf, the participants should be referred to as "each bank, trust company or other financing institution which is or shall be a party to the loan described in Appendix I annexed hereto" or by some other appropriate reference showing the several nature of the agreement.

Section 1(C)

(4) Since the guarantee agreement covers only the loan described in Appendix I, any material alteration in the terms of the loan should be made only with the written consent of the Guarantor in order that the loan, as altered, will be covered by the guarantee.

Section 1(E)

(5) Subject to rulings of the Guarantor, the guaranteed percentage to be inserted should bear a reasonable relation to the risk involved.

Section 2(B)

(6) Counsel fees incurred by the Financing Institution after a purchase cannot be shared by the Guarantor because of the provisions of 5 U.S.C. 314.

Section 3

(7) It is contemplated that a purchase made by the Guarantor under this section shall be for cash. However, if the Guarantor owns an interest in any obligation which has been issued under a revolving credit arrangement, and if, at or before the maturity of such obligation, the Reserve Bank receives written demand from the Financing Institution for the purchase of the same or a lesser amount of a new obligation to be issued in place of such maturing obligation, the payment for the portion of the new obligation purchased pursuant to such demand will be made by the Guarantor by surrendering, at or before maturity, its interest in the maturing obligation, in the amount of the demand by the Financing Institution and without regard to the ten-day period specified in this section.

Section 5(A)

(8) Under the first sentence the Guarantor may, after a purchase and transfer, administer the loan either directly or through the agency of the Reserve Bank. It is contemplated that such administration will usually be conducted by the Reserve Bank.

Section 6

(9) All amounts paid or credited on the obligation after the date of the demand by the Financing Institution or the Guarantor, as the case may be, for a purchase under this agreement and prior to the date of such purchase will be applied, as provided in this section, according to the respective interests of the Guarantor and the Financing Institution as such interests exist immediately after the purchase.

(10) Subject to any special provision added under paragraph (33) hereof, the Financing Institution may make other loans to the Borrower for the purpose of financing war production or reconversion to civilian business or for other purposes, provided the proceeds of any terminated war contracts or inventory allocable to such contracts are not pledged as security for such loan. The Financing Institution as security for the side loan may take any other collateral it desires and provide that the side loan shall not be required to share with the guaranteed loan any banker's lien or right of setoff with respect to funds of the Borrower on general deposit with the Financing Institution or specifically pledged as security for such side loan.

Section 7

(11) A schedule of guarantee fees will be prescribed by the Board of Governors of the Federal Reserve System with the concurrence of the Director of Contract Settlement. The Guarantor will share in the entire amount of any commitment fee.

Section 8

(12) The words "statement * * * with respect to the financial condition, business or operations of the Borrower" in Paragraph (B)(2) include any "certificate" furnished by the Borrower in connection with the loan.

LOAN AGREEMENT

Opening Paragraph

(13) The note to be used should contain the provisions which appear in the form annexed as Exhibit A to the standard loan agreement, with the blanks appropriately filled in, and may contain such additional provisions, not inconsistent therewith or with the terms of the loan agreement, as the Financing Institution and the Borrower may agree. The note may, for example, contain provisions for place of payment, sale of collateral in the event of default, allowance for attorneys' fees, etc.

Paragraph 1

(13) The following terms are defined in Section 3 of the Contract Settlement Act of 1944:

"(a) The term 'prime contract' means any contract, agreement, or purchase order heretofore or hereafter entered into by a contracting agency and connected with or related to the prosecution of the war; and the term 'prime contractor' means any holder of one or more prime contracts.

"(b) The term 'subcontract' means any contract, agreement, or purchase order heretofore or hereafter entered into to perform all or any part of the work, or to make or furnish any material to the extent that such material is required for the performance of any one or more prime contracts or of any one or more other subcontracts; and the term 'subcontractor' means any holder of one or more subcontracts.

"(c) The term 'war contract' means a prime contract or a subcontract; and the term 'war contractor' means any holder of one or more war contracts.

"(d) The terms 'termination', 'terminate', and 'terminated' refer to the termination or cancelation, in whole or in part, of work under a prime contract for the convenience or at the option of the Government (except for default of the prime contractor) or of work under a subcontract for any reason except the default of the subcontractor.

* * *

"(g) The term 'contracting agency' means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201 of the First War Powers Act, 1941, and includes the Reconstruction Finance Corporation and any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, the Smaller War Plants Corporation, and the War Production Board." [The Director of Contract Settlement will from time to time issue a list of "contracting agencies" indicating those which are currently guaranteeing loans under this Act through the agency of the Federal Reserve Banks.]

* * *

"(m) The term 'final and conclusive,' as applied to any settlement, finding, or decision, means that such settlement, finding, or decision shall not be reopened, annulled, modified, set aside, or disregarded by any officer, employee, or agent of the United States or in any suit, action, or proceeding except as provided in this Act."

(15) It will be noted that the definition of "terminated war contract" contained in Paragraph 1 of the loan agreement is broad enough to permit borrowings against receivables and inventory under that part of a partially cancelled contract still remaining to be performed, and under Paragraph 5 assignment of all moneys due and to become due under the entire contract may be required and the provisions of Paragraphs 7(c) and 8 apply to all payments under the contract.

Paragraph 2

(16) The notes may be made payable on demand, or may be 90-day notes, or may have such other maturity, not more than three years after the date of the agreement, as the Financing Institution and the Borrower may agree, and the final maturity should be not earlier than eighteen months after the date of the agreement.

(17) Irrespective of whether or not the Financing Institution is under an obligation under the terms of the agreement to extend further credit, the second sentence of Paragraph 2 is intended to give the Borrower the right to renew, from time to time, notes which have been given in consideration of the loan, up to the final maturity date inserted in Paragraph 2 or until the notes are finally paid pursuant to Paragraph 8 or otherwise, whichever first occurs.

Paragraph 3

(18) The maximum interest rate, as prescribed by the Board of Governors of the Federal Reserve System with the concurrence of the Director, is 5 per cent per annum simple interest, and interest may not be charged at a greater rate either before or after maturity.

Paragraph 4

(19) The maximum commitment fee, as prescribed by the Board of Governors of the Federal Reserve System with the concurrence of the Director, is _____ of 1 per cent per annum, and, accordingly, the commitment fee, if any is charged, may not exceed this rate.

(20) No termination fee, service fee, or other fee of a similar character, except charges covering out-of-pocket expenses of a financing institution, may be charged.

(21) Out-of-pocket expenses do not include any overhead expenses.

Paragraph 5

(22) The obligation imposed upon the Borrower to make effective assignments includes the obligation to execute such documents in connection therewith as the Financing Institution may reasonably require and, in the case of subcontracts, to give such notice to the purchasers as may be necessary to perfect the assignments.

(23) The Financing Institution may, subject to the terms of Paragraph 1, refuse to permit addition to the list of terminated war contracts contained in Exhibit C of such contracts as are by their terms not assignable, or may require, as a condition of the addition of such contracts to the list, that the Borrower obtain an appropriate amendment permitting such assignment. It should be noted that prime contracts providing for payments aggregating less than \$1,000 are not assignable under the Assignment of Claims Act of 1940.

(24) The amount to be filled in in the blank space in the first sentence of this Paragraph will depend upon the credit standing of the Borrower and upon the practical problems of assignment which may exist in a particular case.

(25) In the case of a weak credit, the Financing Institution should include, in Exhibit D, a covenant reading substantially as follows:

"At any time upon request of the Financing Institution or the Guarantor, the Borrower will effectively pledge as further security for the loan all or any inventory applicable to the Contracts."

Any pledge pursuant to such a covenant should contain a provision for release of inventory so pledged to the extent of payment to the Financing Institution of the cost or proceeds thereof, as the case may be, in accordance with the terms of Paragraph 8 of the loan agreement.

(26) The number of days during which an encumbrance may be permitted to remain on inventory of the Borrower without creating a default, which is to be inserted in the last sentence of this Paragraph, will depend primarily upon the credit standing of the Borrower.

Paragraph 6

(27) In the event of a serious dispute between the Financing Institution and the Borrower as to whether the borrowing base is substantially overstated in value, for the purposes of this Paragraph or of Paragraph 8, the parties may, if they desire, request the Guarantor to consider the matter.

Paragraph 7

(28) The Financing Institution may deem it desirable to require under the first sentence of this Paragraph the furnishing of profit and loss statements, an analysis of surplus, and other similar statements, as well as statements as to the insurance required to be maintained by the Borrower under Paragraph 10.

(29) One copy of each of the statements to be furnished under subparagraphs (a), (b) and (c) may be retained by the Financing Institution, and two copies should be forwarded to the Reserve Bank, which will retain one copy and forward the other to the Guarantor or such person as the Guarantor may designate.

(30) Under the definition of payments, a number of different situations are contemplated:

(a) There may be a sale of inventory specifically approved by the proper authority. In such case, the payment will be the amount of the proceeds; the date of payment will be the date of receipt of the proceeds by the Borrower.

(b) There may be a retention of inventory specifically approved by the proper authority with a credit allowed on any claim filed. In such case, the payment will be the amount of the credit allowed; the date of payment will be the date of the allowance of the credit.

(c) There may be a sale of inventory not specifically approved by the proper authority, which will include a sale permitted under a blanket authority to dispose of inventory at not less than cost or at not less than a stated percentage of cost. In such case, the amount of the payment will be the amount of the proceeds or cost of the inventory, whichever is greater; the date of payment will be the date the proceeds of the sale are received by the Borrower.

(d) There may be a definitive election to retain inventory not specifically approved by the proper authority either where claim has been filed by the Borrower or where none has been filed. Such a definitive

election to retain may be evidenced by written notice to the proper authority, sale of the inventory without specific approval, failure to file claim within the time permitted by the Contract Settlement Act of 1944, or by other means. In such case, the amount of the payment will be the cost of the inventory or, if the act of election is a sale, the proceeds of the sale if that is greater than cost; the date of payment will be the date when the definitive act of election was made.

In the case of a prime contract the "proper authority" to approve dispositions or retentions of property is the contracting agency. In the case of subcontracts the "proper authority" may be the purchaser or the contracting agency or both depending on the circumstances.

Paragraph 8

(31) The Government does not undertake responsibility for assisting in the financing of civilian inventory under the provisions of the Contract Settlement Act of 1944. Therefore, the Financing Institution should prescribe a reasonably short period within which the payments required by Paragraph 8 are to be made. The Financing Institution may prescribe different periods for payments arising out of the several classes of events upon the happening of which payments are required to be made, and may prescribe a period of grace for small payments. If the credit of the Borrower is not strong, prompt payment should be required, particularly in the event of inventory retention.

Paragraph 11

(32) The standard form of loan agreement is designed for use in connection with a straight loan or a revolving credit, a firm commitment or a loan under which the Financing Institution is not obligated to extend further credit, a single bank credit arrangement or a multi-bank credit arrangement, and for a strong credit or a weak credit. It is recognized that the Financing Institution and the Borrower may wish to add in Exhibit D further provisions appropriate for the particular financing arrangement between them.

(33) It is expected that the Financing Institution will insist upon such further restrictive covenants as may be appropriate for the credit involved, including in the case of a weak credit the provision in paragraph (25) above, and the Guarantor will make its execution of the guarantee agreement conditional upon adding such further restrictive provisions as it may deem appropriate, irrespective of whether or not the Financing Institution has proposed the same.

(34) The Guarantor will have no objection to the insertion of a provision requiring the Borrower to apply first to the Financing Institution before obtaining any other loans. The Financing Institution may also insert an additional provision prohibiting other borrowings, without the consent of the Financing Institution, or placing a ceiling thereon.

(35) In order that additional terms may be clearly distinguished from the provisions of the standard form, all such additional terms should be set forth in Exhibit D or in a rider attached thereto.

Exhibit B - Paragraph 2

(36) If a breakdown between manufacturing and administrative overhead is available, it should be furnished by the Borrower, and in this case the words "and administrative" may be omitted from item (c) and an additional item relating solely to administrative overhead may be added. Similarly, where circumstances warrant, there may also be added a separate item relating to other reimbursable expenditures, provided that a breakdown of such item is furnished and approved. In any of the above cases, the additional items will be lettered (e), (f), etc. If a further breakdown of expenditures is desired, as between fixed-price and cost-plus-a-fixed-fee contracts or as between prime contracts and subcontracts or as between approved and unapproved subcontract settlements, this may be accomplished by similar procedure.

Exhibit B - Paragraph 3

(37) In order to discourage delay in filing claims, Paragraph 3 is designed to prevent the inclusion in the items of Paragraph 2 of any amounts with respect to terminated war contracts upon which no claim was filed within 120 days of the effective date of termination, irrespective of whether a claim has been filed thereafter, unless specific approval of the Financing Institution and the Guarantor is obtained.

(Draft of July 4, 1944)

APPENDIX I

TERMINATION LOAN AGREEMENT

Under Guarantee Agreement No. _____

(herein called "Financing Institution") will* grant credit to

of _____ (herein called "Borrower"),
up to a maximum principal amount of \$ _____ at any one
time outstanding, by lending to the Borrower at any time and from time
to time on promissory notes in the form annexed hereto as Exhibit A and
in accordance with the terms and conditions of this agreement.

1. Definitions. - All terms defined in the Contract Settlement
Act of 1944 and in the Guarantee Agreement shall have the same meaning
when used in this agreement. "Terminated war contract" shall mean a war
contract, in its entirety, which has been terminated in whole or in part.
"The Contracts" shall mean such terminated war contracts as may now be
listed on Exhibit C annexed, or as the Borrower may from time to time
add thereto without prompt objection from the Financing Institution
concurring in by the Guarantor.

*If the Borrower and the Financing Institution have agreed upon a non-
firm commitment, the words "in its sole discretion" may be inserted
before the word "grant". The second sentence of paragraph 2 applies
even in the case of a non-firm commitment and in such a case no figure
should be inserted in Paragraph 4.

2. Maturity. - The loan shall mature thirty (30) days after final payment of the amounts due, upon final and conclusive settlement, on all the Contracts or upon _____, 194____, whichever is earlier, and all notes issued hereunder shall thereupon become due and payable. If any note of shorter maturity is issued, the Borrower, if not in default, may renew the unpaid amount of such note from time to time until the maturity of the loan. The Borrower may at any time reduce the maximum principal amount available under the loan in multiples of \$_____.

3. Interest. - The Borrower shall pay interest as prescribed in Exhibit A.

4. Commitment Fee and Expenses. - The Borrower shall pay a commitment fee at the rate of _____% per annum on the average daily unused balance of the maximum principal amount available under the loan upon the dates specified in Exhibit A for payment of interest. The Borrower shall reimburse the Financing Institution for reasonable out-of-pocket expenses incurred in connection with the loan.

5. Collateral. - Prior to any borrowing hereunder, the Borrower will effectively assign to the Financing Institution as security for the loan all moneys due and to become due on the Contracts, except any such contract on which the moneys due and to become due are estimated in Exhibit C to be less than \$_____. At any time upon request of the Financing Institution or the Guarantor, the Borrower will furnish additional security by assigning to the Financing Institution the moneys due and to become due on any or all of its terminated war contracts which by using its best efforts the Borrower can assign and which have not been previously assigned hereunder. All proceeds of

assignments made hereunder and of any other collateral taken by the Financing Institution for the loan shall be applied to the indebtedness under the loan. The Borrower will not assign, except hereunder, moneys due or to become due on any of its terminated war contracts or mortgage, pledge, or otherwise encumber or suffer, for more than _____ days, to remain encumbered (except in the ordinary course of business or to secure advance or partial payments made to the Borrower by any contracting agency) any inventory allocable to such terminated war contracts.

6. Conditions of Borrowing. - The Financing Institution shall not be required to make or renew any advance hereunder (a) unless the Borrower furnishes to the Financing Institution a loan formula certificate in the form annexed hereto as Exhibit B, which shows a borrowing base, calculated in accordance with the percentages therein specified, of not less than the amount that will be outstanding after the proposed borrowing, or (b) if any event exists which constitutes or which, except for notice or lapse of time or both, would constitute a default specified in this agreement, or (c) to the extent that the Financing Institution has reason to believe that the borrowing base stated in the loan formula certificate is substantially overstated in value and has so notified the Borrower in writing.

7. Reports. - The Borrower shall maintain proper records and accounts, permit such inspection thereof, and furnish such statements and reports, including audit reports, as the Financing Institution or the Guarantor may from time to time reasonably request. In any event, within three (3) months after the initial borrowing and not less than quarterly thereafter the Borrower shall furnish to the Financing Institution periodic reports in triplicate made up as follows:

(a) A balance sheet, certified by an appropriate officer or member of the Borrower, as of a date not more than _____ days prior to the date of the report.

(b) A loan formula certificate in the form of Exhibit B, unless such a certificate has been furnished within thirty (30) days before the date of the report.

(c) A statement of the nature, amounts, and dates of all payments on any of the Contracts, whether or not assigned, in cash or by offset or otherwise (except any offset theretofore deducted in any loan formula certificate) received between the last date covered by the last report and a date not more than ten (10) days prior to the date of such a statement. Payments shall be deemed to include the proceeds of, or credit with respect to, any sale, retention or other disposition of inventory allocable to the Contracts, specifically approved by the proper authority, and the cost or proceeds, whichever is greater, of any such inventory which the Borrower has definitively elected to retain without specific approval by the proper authority.

8. Reduction of Notes. - The Borrower shall pay down the unpaid principal amount of the notes by an amount equal to: (a) All payments, as described in Paragraph 7(c), upon the date of any such payment or within such further time as the Financing Institution may prescribe; and (b) any excess of outstanding borrowings over the borrowing base shown in the most recent loan formula certificate, upon the date of furnishing such certificate; provided that such borrowing base shall be decreased to the extent that the Financing Institution has reason

to believe that it is substantially overstated in value and has so notified the Borrower in writing, in which event the Borrower shall pay, in addition, an amount equal to any excess resulting from such decrease, within ten (10) days after the mailing of such notice.

9. Maintenance of Working Capital. - The Borrower shall maintain net current assets, as determined in accordance with generally accepted principles of accounting and including in current liabilities all borrowings outstanding hereunder, of not less than \$ _____.

10. Insurance. - The Borrower shall maintain insurance on its property satisfactory to the Financing Institution.

11. Other Provisions. - The parties hereto agree to any additional provisions appearing in Exhibit D annexed.

12. Events of Default. - The occurrence of any one of the following events shall constitute a default hereunder:

(a) Any statement, representation, warranty, certificate, schedule or report furnished by the Borrower in connection with the loan shall prove to have been materially false at the date thereof.

(b) Nonpayment of the principal of any of the notes outstanding hereunder when due or of interest thereon within ten (10) days after the due date thereof.

(c) Breach by the Borrower of any of the provisions of this agreement.

(d) The Borrower shall be adjudicated a bankrupt or a trustee or a receiver shall be appointed for the Borrower or of a substantial part of its property in any involuntary proceeding, or any court shall have taken jurisdiction of the property of the Borrower or of a substantial part thereof in any involuntary proceeding for the reorganization,

dissolution, liquidation or winding up of the Borrower, and such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within thirty (30) days, or the Borrower shall file a petition or answer, not denying jurisdiction, in voluntary bankruptcy or under Chapter X or Chapter XI of the Federal Bankruptcy Act or any similar law, State or Federal, whether now or hereafter existing, or such a petition filed against the Borrower shall be approved and not vacated or stayed within thirty (30) days, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or trustee or liquidator of all of its property or a substantial part thereof, or shall have failed within thirty (30) days to pay any judgment or to bond or otherwise discharge any attachment which is unstayed on appeal.

If there shall occur any default as defined in items (a), (b), or (c) above, then upon the election of the Financing Institution or the Guarantor, evidenced by written notice to the Borrower, or if there shall occur any default as defined in item (d) above, then forthwith and without any election, the obligation, if any, of the Financing Institution to extend further credit shall terminate and all notes outstanding hereunder shall become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

IN WITNESS WHEREOF, the parties have caused this Agreement to

be executed on their behalf by their duly authorized agents, this _____
day of _____ 194__.

(Borrower)

By _____

(Financing Institution)

By _____
(Title)

EXHIBIT A
Form of Note

Place _____

Date _____, 194__.

On or before _____, 194__, for value received, _____
_____ hereby promises to pay to the order of
_____ of _____
(Financing Institution) (Address)

the principal sum of _____ DOLLARS
(\$ _____) in lawful money of the United States, and to pay
interest thereon from the date hereof at the rate of _____ per cent
per annum, prior to maturity, payable on the _____ day of each _____
and after maturity by acceleration or otherwise at the rate of _____ per
cent per annum.

This note evidences a borrowing made under and is subject to the
terms of a Loan Agreement dated _____, 194__, between the
undersigned and the payee hereof.

By _____
Authorized Officer

EXHIBIT B

LOAN FORMULA CERTIFICATE

Pursuant to the Loan Agreement between the undersigned and _____, dated _____, 194____, the undersigned hereby certifies to the best of his knowledge and belief as follows:

- 1. (a) Principal amount of borrowings now outstanding . . . \$ _____
- (b) Principal amount of proposed new borrowing \$ _____
- TOTAL \$ _____

2. The following amounts have been calculated with respect to terminated war contracts listed on Exhibit C as of _____, 1944 (not more than 30 days prior to the date of this certificate) in accordance with accepted principles of accounting and without duplications:

- (a) _____% of accounts receivable from Governmental contracting agencies of not less than \$ _____ \$ _____
- (b) _____% of accounts receivable from others of not less than \$ _____ \$ _____
- (c) _____% of reimbursable expenditures for inventory, including only direct labor, costs of materials, and manufacturing and administrative overhead of not less than \$ _____ \$ _____
- (d) _____% of reimbursable amounts for subcontract settlements paid or to be paid concurrently from any new borrowing for which this certificate is furnished of not less than \$ _____ . . . \$ _____
- TOTAL \$ _____

Less -

- (aa) Advance, progress, and partial payments and other offsets \$ _____
- BORROWING BASE \$ _____

3. No amount is included in the above items, other than (aa), which is based upon a terminated war contract upon which a claim has not been filed within 120 days from the effective date of termination nor is any amount with respect to any terminated war contract included in the above items which exceeds the amount of such item in the Borrower's most recent claim, if any has been filed. There has been no change in the amount stated in Paragraph 2 since the date therein specified which would materially decrease the borrowing base.

4. No event exists which constitutes, or which except for notice or lapse of time or both would constitute, a default specified in the Loan Agreement.

Dated: _____, 194____.

By _____
Authorized Officer

EXHIBIT C

TERMINATED WAR CONTRACTS

The Borrower warrants that the following are terminated war contracts as defined in the Loan Agreement between _____ and _____, dated _____ 194__ :

<u>Contract or Order Number</u>	<u>Date of Contract or Order</u>	<u>Name of Other Contracting Party</u>	<u>Unpaid Dollar Amount</u>
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EXHIBIT D

OTHER PROVISIONS OF LOAN AGREEMENT

(See Paragraph 11 of Loan Agreement)

(Draft of July 4, 1944)

TERMINATION GUARANTEE AGREEMENT

No. _____

The _____ (herein called "Guarantor"), acting through the Federal Reserve Bank of _____ as fiscal agent of the United States (herein called "Reserve Bank"), and the Financing Institution hereby agree as follows:

Section 1. Definitions

(A) "Financing Institution" shall mean

(B) "Borrower" shall mean _____

(Name)

of _____
(Address)

(C) "The loan" shall mean the financing arrangement between the Financing Institution and the Borrower which is described in Appendix I annexed hereto. In case of any conflict or inconsistency between the provisions of this agreement and the provisions of Appendix I or any other similar instrument, the provisions of this agreement shall control.

(D) "Obligation" shall mean the instrument or instruments evidencing the Borrower's indebtedness under the loan.

(E) "Guaranteed percentage" shall mean ____%.

Section 2. Guarantee as to Sharing of Losses and Expenses.

(A) All losses on the loan (i.e., all amounts of principal and interest which are due and unpaid), and all expenses as defined in paragraph (B) of this section, shall be shared ratably, on the date of settlement, by the Guarantor and the Financing Institution in accordance with the guaranteed and unguaranteed percentages, respectively. All net recoveries after the date of settlement shall be shared on the same basis. The date of settlement shall be the thirtieth (30th) day after the date on which either party, after maturity of the loan, receives from the other party a written request for such settlement, or any other date agreed on by the parties.

(B) Expenses shall mean all reasonable out-of-pocket expenses (including reasonable counsel fees incurred by the Financing Institution or the Reserve Bank prior to but not after any purchase under this agreement) which relate to the enforcement of the loan or the preservation of the collateral and which are incurred during the period of any default in the payment of principal or interest.

Section 3. Agreement to Purchase.

The Guarantor will at any time and from time to time prior to the date of settlement purchase such part of the obligation as may be

demanded in writing by the Financing Institution, by paying to the Financing Institution, on the tenth (10th) day after the receipt by the Reserve Bank of such a demand, the face amount of the part of the obligation to be purchased, as of the date of the demand, plus all unpaid accrued interest on such part, with appropriate adjustment for guarantee fees, computed as of the date of purchase; provided that in no event shall the total amount of the part of the obligation owned by the Guarantor exceed the guaranteed percentage.

Section 4. Voluntary Purchase by Guarantor.

The Guarantor may, at any time upon its demand, purchase the guaranteed percentage of the obligation, less any amounts previously purchased under this agreement and not repaid, and shall pay therefor on the basis stated in section 3. In such event, at the option of the Financing Institution or the Guarantor, the Financing Institution shall forthwith transfer possession of the obligation and collateral in the manner provided in section 5.

Section 5. Administration of Loan and Possession of Obligation and Collateral.

(A) The Financing Institution shall administer the loan until it transfers possession of the obligation and collateral to the Reserve Bank as provided below, and thereafter the Guarantor shall administer the loan. Whenever the Guarantor purchases any part of the obligation, the Financing Institution shall forthwith deliver to the Reserve Bank a

certificate evidencing the Guarantor's ownership interest in the obligation and collateral. In any such case, however, upon written demand by the Reserve Bank, the Financing Institution shall forthwith transfer to the Reserve Bank, without recourse or warranty except as to the genuineness of the Borrower's signature to any instrument, possession of the obligation and all collateral therefor and its rights to enforce such obligation and collateral. Thereupon the Reserve Bank shall issue to the Financing Institution a certificate evidencing the Financing Institution's ownership interest in the obligation and collateral. Either party administering the loan may, after five days' written notice to the other party, (a) dispose of collateral or proceeds thereof or permit substitution therefor, (b) bring any action to enforce the loan, or (c) take any action appropriate to settle claims arising in connection with the loan.

(B) Nothing in this agreement shall prevent the Financing Institution from offering the obligation as collateral for advances by a Federal Reserve Bank.

Section 6. Ratable Application of Collections.

All amounts at any time paid or credited on the obligation, from whatever sources realized, shall be applied ratably for the benefit of the Financing Institution and the Guarantor according to their respective ownership interests in the obligation.

Section 7. Fees Payable to Guarantor.

The Financing Institution shall pay to the Reserve Bank at the end of each monthly or quarterly period, as fixed by the Reserve Bank, an amount equal to ___ per cent (1) of any interest payable by the Borrower on the average daily amounts of that part of the unpaid principal of the obligation which the Guarantor was obligated during such period to purchase upon demand of the Financing Institution, and (2) of any commitment fee payable by the Borrower for such period.

Section 8. Effect of Violation of Agreement.

(A) If the Financing Institution shall violate, or fail to comply with, any of the terms of this agreement or any of the terms or conditions of the loan or shall through gross negligence make a material misrepresentation of fact in the application therefor, or in anything constituting a part of the application, it shall become liable to the Guarantor in an amount equal to the damages sustained by the latter by virtue of such violation, failure to comply, or misrepresentation; but the Guarantor shall not be relieved by such violation, failure to comply, or misrepresentation from any of its obligations to the Financing Institution under this agreement.

(B) In the absence of gross negligence on the part of the Financing Institution, (1) no invalidity or ineffectiveness of any collateral or of any assignment thereof accepted by the Financing Institution, and (2) no action or omission to act on the part of the

Financing Institution in reliance on a statement signed by an appropriate officer or member of the Borrower with respect to the financial condition, business or operations of the Borrower, shall constitute a violation of, or failure to comply with, any of the terms of this agreement or any of the terms or conditions of the loan on the part of the Financing Institution. No invalidity of any provision of the loan arising from statute or decision of any court shall in any way relieve the Guarantor hereunder.

Section 9. Officials Not to Benefit.

No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom, but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed on their behalf by their duly authorized agents this _____ day of _____, 194__.

(Guarantor)

By Federal Reserve Bank of _____
as Fiscal Agent of the United States

By: _____
(Title)

[SEAL]

(Financing Institution)

ATTEST:

By: _____