To All Banking Institutions in the

Eleventh Federal Reserve District:

In order that the smaller business concerns in every part of the country may participate more fully in the national defense program, the National Defense Advisory Commission has designated Mr. Donald M. Nelson, Coordinator of National Defense Purchases, as Director of Small Business Activities. In order to decentralize its activities in this respect the Commission in its letter of October 25, 1940, printed on the following page, asked the Board of Governors of the Federal Reserve System to act as its operating agent in carrying out this purpose. The Board of Governors has designated Governor Ernest G. Draper to supervise the activities of the Reserve System and to serve as its liaison officer with the Director of Small Business Activities.

The Board of Governors and the Federal Reserve banks have assured the National Defense Advisory Commission of their desire to cooperate with it in its endeavor to spread orders for defense needs to the extent practicable among the smaller business enterprises throughout the country. The purpose of this letter is to solicit your cooperation in carrying out the program.

In each of the twelve Federal Reserve banks and the twenty-four branches an officer has been designated to serve as the field representative of the Director of Small Business Activities and of the Board of Governors. The officers designated for this purpose in this District are:

E. B. STROUD, First Vice President
Federal Reserve Bank of Dallas
Dallas, Texas

W. D. GENTRY, Managing Director
Federal Reserve Bank Branch
Houston, Texas

E. B. AUSTIN, Acting Manager
Federal Reserve Bank Branch
San Antonio, Texas

J. L. HERMANN, Managing Director
Federal Reserve Bank Branch
El Paso, Texas

These officers will be ready at all times to consult with business men and bankers with respect to the procedure to be followed in obtaining Government contracts and subcontracts, and to advise with them as to means of obtaining needed credit if it is not available from the usual sources. By the use of the services of the Federal Reserve banks and their branches in their own trade territories, it is hoped that the convenience of small business enterprises throughout the country will be greatly facilitated and that business men will find it unnecessary to make trips to Washington to obtain information with respect to defense contracts.

The office of the Director of Small Business Activities will serve as a clearing house of information for the National Defense Advisory Commission and the War and Navy Departments, as well as for the smaller business enterprises themselves. It will endeavor to assist business men to learn of the future needs and requirements of the military and naval branches of the Government. At the same time it will endeavor to assist primary contractors who have been awarded defense orders to get in touch with the smaller business enterprises which can furnish special types of goods and services needed by the primary contractors. The Director of Small Business Activities also desires to encourage
the use of the customary banking channels to finance the credit needs of the smaller business enterprises that participate in meeting the requirements of this program.

It is the intention of the Director of Small Business Activities to inform the Federal Reserve banks from time to time of the material and supply needs of the armed services so that this information may be made available to prospective bidders in each Federal Reserve district. There will also be made available to the Federal Reserve banks information with respect to the last bidders on supply contracts for the War and Navy Departments so as to enable potential supply and material men to establish contact with the usual and established primary contractors.

To obtain needed information the Federal Reserve Bank of Dallas has been requested to solicit your cooperation in obtaining the data called for by the enclosed report form, additional copies of which will be sent to you upon request. The information furnished us on these forms will be kept confidential. It will be necessary to rely upon your bank for assistance in carrying forward this program, and it is hoped that you will be able to furnish most of the information called for by the form from your own files, and that you will call upon your customers for only such of the information as is not now readily available to you.

Among your customers there are no doubt some concerns which are already on the invitation bidding lists of the local army procurement officers, the Navy Department, or other branches of the armed service. Information with respect to such concerns should not be supplied on this form. It is the purpose of the present inquiry to reach only those smaller concerns which are not on the invitation bidding lists of one or more branches of the armed services, and which have not previously participated in Government contracts, but would like to furnish needed supplies either as primary or subcontractors and are in position to do so.

It is our hope that you will not hesitate to call upon this bank or any of its branches for information with respect to any phase of the defense program.

Yours very truly,

R. R. GILBERT
President
October 25, 1940

Board of Governors
Federal Reserve System
Washington, D. C.

Gentlemen:

The National Defense Advisory Commission believes that small and medium sized business enterprises, along with the larger business enterprises, occupy a place of vital importance in the national defense program. So that these small and medium sized concerns may participate more fully in the program, the Commission has designated the C.O.N.D.P as its Director of Small Business Activities.

The Office of the Director of Small Business Activities will serve as a clearing house of information for the National Defense Advisory Commission, the War and Navy Departments as well as for the smaller industries themselves. It will endeavor to assist the smaller enterprises in obtaining defense contracts and advise and assist them in obtaining such financial aid as may be required in the execution of defense orders.

If this program is to be carried out successfully the Commission believes that the cooperation and assistance of the Federal Reserve System is desirable. In this connection it is thought that the Board of Governors might act as operating agent for the National Defense Advisory Commission, designating one of its Board members to have charge of this work and that the Board request each Federal Reserve bank to designate a senior officer in each Reserve bank and branch to serve as field and technical representatives.

The Commission believes that the officers so designated can effectively participate in this phase of the defense program if they might assume the following duties:

1. To make confidential reports from time to time concerning business enterprises located in their respective districts desiring to obtain defense orders;

2. To acquaint local banks with the procedure to be followed in accepting assignment of claims against the government resulting from government contracts, as security for loans;

3. To encourage local banks to make loan commitments on condition that borrowers obtain government contracts and assign claims against the government resulting from such contracts as security for loans;

4. To furnish business enterprises with information on the procedure to follow and proper contacts to make relative to obtaining defense contracts;

5. To assist business enterprises which have obtained defense orders and are unable to obtain necessary credit from local commercial banks, to obtain loans from the Federal Reserve banks or R.F.C.

It is contemplated that Mr. Donald M. Nelson, Coordinator of National Defense Purchases, and Director of Small Business Activities, will meet in Washington with the designated officers of the Federal Reserve banks at a date to be announced shortly, in order to fully acquaint them with the details of this program.

It will be appreciated if you will advise the Commission at your earliest convenience whether the facilities of the Federal Reserve System can be so utilized.

Very truly yours,

WILLIAM H. McREYNOLDS
Secretary