



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

119

S-567

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 10, 1942.

Dear Sir:

The Board has received from the War Department a memorandum dated October 5, 1942, signed by Lieutenant Colonel Paul Cleveland, regarding the amendment of contracts for the purpose of inserting Article 14 of the standard supply contract. A copy of this memorandum is enclosed herewith for your information and guidance in connection with the execution of guarantee agreements pursuant to Executive Order 9112.

In accordance with the War Department's request that advice regarding this matter be transmitted to the liaison officers, there is enclosed an extra copy of the War Department's memorandum, and it will be appreciated if you will transmit this copy to the liaison officer of the War Department in your district.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



WAR DEPARTMENT
Headquarters, Services of Supply
Washington, D. C.

S-567-a

October 5, 1942

MEMORANDUM For the Board of Governors of the Federal Reserve System

SUBJECT: Amendment of contracts to insert Article 14 of standard supply contract.

1. Reference is made to report of liaison officer, Federal Reserve Bank Building, Kansas City, Missouri dated September 24, 1942, paragraph (3) of which raises the question as to whether contracting officers are empowered to extend to the prime contractor the benefits of the standard termination clause (Article 14) by issuing a supplemental contract in the form of a letter or other document and whether it would be in order for liaison officers and the Federal Reserve Banks to insist that this be done when, in their opinion, omission of the cancellation clause has a material effect on the goodness of the credit risk.

2. It is the view of the Legal Branch of the Office of the Director of Procurement that such a change is legal without additional consideration.

3. It is the view of this office that the insertion of this clause in existing contracts may, in many cases, be desirable and liaison officers and the Federal Reserve Banks are hereby authorized, in their discretion, to insist on contractors endeavoring to have this done. Also, liaison officers should endeavor to smooth the way for an amendment by contacting the proper contracting officers.

4. It is also the view of this office that subcontractors should in many cases insist, at the time the subcontract is executed, on the inclusion of a clause in the subcontract no less favorable than Article 14 if the prime contractor has an Article 14 in his contract.

5. Kindly transmit advice of the foregoing to all Federal Reserve Banks and the liaison officers.

(Signed) Paul Cleveland

Paul Cleveland
Lt. Colonel, A. U. S.
Acting Chief
Advance Payment and Loan Branch