

TO: Mr. P. Tozzi, Purchasing

DATE: September 24, 1970

FROM: Max Fink, M.D.

SUBJECT: Contract with Hydrosystems, PO #505442

In June we negotiated a contract with Compro-Hydrosystems to purchase a printer for our IBM 1800 system. The purchase price was defined in relation to the compatibility with the remaining components of the 1800 system. In order to assure this compliance to the equipment description, we added that the contract would be operative only if the software was fully compatible with our system.

During the summer, various communications between the manufacturer's staff and our own suggested incompatibilities in software. On September 16, 1970 they indicated that proper functioning according to their contract would require an additional expenditure of \$3,000 and some indefinite delays in making the systems compatible.

On September 18, Dr. Shapiro, at my request notified Hydrosystems (Mr. Spadefino) that the revised contract proposal was unacceptable. I requested cancellation of the contract that day with the understanding that the terms, both in time and cost, would not be met.

Hydrosystems re-opened negotiations today (September 23) by indicating that they were able to meet the contract as specified in June (without the program changes). This was unacceptable and Mr. Spadefino then indicated we would be liable for cancellation costs.

It is clear that the discussions of August and early September, culminating in the revised contract represented a renegotiation of contract (as of 9/16) which we did not accept (9/18) and which were not acceptable today (9/23).

Neither a cancellation penalty nor a request to fulfill the contract without additional costs are acceptable at this time.

Addendum. Our cancellation is not based on the price alone, but on the determination that the software problems were significantly greater than initially stated.

MF:kt

cc: I. B. Schwartz (Ref. 41-382-4)  
Mr. T. Bannon