

At a special meeting of the Federal Reserve Board held in the office of the Board at 11:30 a. m., Monday, November 30th, 1914.

PRESENT:

Mr. Hamlin

Mr. Williams

Mr. Delano

Mr. Warburg

Mr. Harding.

The Governor of the Board presided and Mr. H. P. Willis acted as secretary to the meeting.

The cotton loan plan was taken up for consideration in its final form and after full discussion was adopted. The plan as thus ratified is as follows:

COMPLETED PLAN AND SUBSCRIPTION AGREEMENT
FOR COTTON LOAN FUND.

It is proposed to create in the manner hereinafter provided a fund of approximately \$135,000,000, to be known as the "Cotton Loan Fund" and to be used for the purposes herein stated. Subscribers to this fund shall be divided into two classes to be designated respectively as Class "A" and Class "B" subscribers. With the exception of those in Missouri and Virginia, Class "A" subscribers shall consist of banks or other corporations, firms or individuals located or residing in other than the cotton-producing states of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Texas, Tennessee and Virginia.

All Class "A" subscriptions shall be contingent upon the receipt of subscriptions of that class aggregating \$100,000,000. Class "B" subscriptions shall be made by

banks or bankers located or residing in the cotton-producing states above mentioned, and as hereinafter more particularly explained, no Class "B" subscriptions shall be required except as a condition of a loan or loans to be made out of the fund to be created, and in such event subscriptions shall not be required to exceed 25% of the amount of the loan applied for.

Each subscriber shall, upon the payment in whole or in part of the amount subscribed for, receive a participation certificate transferable only on the books of the Cotton Loan Committee hereinafter mentioned, showing on its face the class of subscription represented thereby and specifying the terms under which the owner will be entitled to share in the distribution of the moneys realized from the loans made from the fund created. The Cotton Loan Committee may make such rules and regulations with respect to the transfers of certificates, as in its discretion, it may deem to be advisable; provided, however, that the registered holder of each certificate shall, for all purposes of said Committee, be deemed the owner thereof.

All Class "A" and Class "B" certificates shall bear interest at the rate of six per cent. per annum, payable February 1, 1915, and quarterly thereafter, or, in the discretion of the Cotton Loan Committee, May 1, 1915, and quarterly thereafter.

The Cotton Loan Fund shall be administered under the direction of a Committee to be known as the Central Committee and to be composed of the individual members of the Federal Reserve Board, who are hereby constituted such Committee with the powers and for the purposes herein specified. The Central Committee shall appoint a committee for the general administration of the fund to be known as the Cotton Loan Committee and shall delegate to such Committee such powers as, in its absolute discretion, may be necessary or advisable to properly carry out the purposes and safeguard the practical administration of this Plan. The Cotton Loan Committee to be named by the Central Committee shall consist of the following:-

W. P. G. Harding, Chairman, Washington, D. C.
 Paul M. Warburg, Washington, D. C.
 Albert H. Wiggin, New York.
 James S. Alexander, New York.
 James B. Forgan, Chicago, Ill.

Festus J. Wade, St. Louis, Missouri.
Levi L. Rue, Philadelphia, Pennsylvania.
William A. Gaston, Boston, Massachusetts.

The Cotton Loan Committee shall appoint committees in each of the cotton producing states hereinbefore named, the title of each such committee to include the name of the state in which it shall be required to act for the Cotton Loan Committee, and each State Committee shall appoint local committees in sufficient number to safeguard the practical workings of the plan. All committees appointed to be subject to the approval of the Central Committee and all committees to serve without compensation of any kind.

All loans made from the fund created shall bear interest at the rate of six per cent. per annum, payable in New York City funds to the Cotton Loan Committee on February 1, 1915, and quarterly thereafter, and all applications for loans must be made through banks or bankers who shall in each instance accompany the application for such loans with a subscription to Class "B" certificates in an amount equal to 25% of the amount of the loan applied for. The subscriber to Class "B" certificates applying for a loan for a customer will not be required to endorse the note of such customer and shall not be entitled or permitted to receive from such customer the payment of any commission on account of obtaining such loan. Such subscriber shall, however, in such form as the Cotton Loan Committee shall prescribe, guarantee the prompt and punctual payment by the borrower of interest on such loan and all warehouse charges and insurance premiums in connection with the collateral therefor; and shall undertake to collect such interest for and promptly transmit the same to the Cotton Loan Committee.

All loans made shall be first approved by the proper local committee, by the appropriate State Committee and by two members of the Cotton Loan Committee. When applications for loans have been approved as above provided the notes evidencing same, together with the collateral required under the term of this plan, must be forwarded to the office of the Cotton Loan Committee with instructions as to the disposition of the proceeds and must, as stated, be accompanied with the subscription of the bank or banker forwarding the application to an amount of Class "B" certificates equal to 25% of the amount applied for.

In order to make the subscriptions to Class "B" certificates immediately available, each subscription accompanied by an application for a loan, must be accompanied by a New York draft of the bank or bankers through which the application is made, drawn to the order of the Cotton Loan Fund, or in such manner as the Cotton Loan Committee shall designate, said draft to be for an amount equal to 25 per cent. of the loan applied for, and upon granting of such loan a Class "B" certificate for this amount shall be issued. In this manner 75 per cent. of each loan will be provided by the fund obtained from Class "A" subscribers and 25 per cent. from the Class "B" subscribers.

Each loan shall be evidenced by a note in form approved by the Cotton Loan Committee and, in addition to the Guarantee Fund hereinafter described, shall be secured by cotton on the basis of six cents per pound for middling in such quantity as to provide a margin of 20% above the face amount of the loan; provided, however, that, since 100 bales is the customary commercial unit for cotton, unless otherwise determined by the Cotton Loan Committee in particular instances, no loan shall be made upon the security of less than that quantity.

As evidence of the security offered, each note tendered with an application for a loan must be accompanied by receipts of approved warehouses and by evidence of proper insurance. All cotton accepted as security must be located in warehouses or other buildings under the ownership and control of some person, firm or corporation other than the borrower, and in approving such loans the Local and State Committee shall respectively pass upon the character of the warehouses, the form and sufficiency of the warehouse receipts and of the insurance and shall be satisfied that such cotton is free from all liens except that created by the loan or loans from the Fund to the borrower, and the said Committee shall likewise be satisfied that the cotton offered as security is of the grade or grades specified in the application, none of which shall be under "low middling."

All expenses such as warehouse charges and insurance premiums shall be borne by the borrower.

In addition to the security hereinbefore specified, every applicant granted a loan from the Fund shall pay to the Cotton Loan Committee a sum equal to three per cent. of the face amount of the loan granted, which sum the applicant shall authorize the Cotton Loan Committee to deduct or withhold from the proceeds of such loan. All sums so paid together with all interest earned from the investment thereof shall constitute a mutual borrower's Guarantee Fund to be drawn upon in the following order of priorities: first for the payment of expenses of administration, which it is estimated will in no event exceed $1/8$ of one per cent of the total fund for which provision is herein made; second to make up any deficiency in the amount available for payment of the Class A certificates with interest, and third to make up any deficiency in amount available for Class "B" certificates with interest, whether such deficiencies result from losses sustained by reason of any loans made from the said Fund or otherwise; the balance, including all interest earned thereon, shall be returned pro rata to the borrowers.

The Cotton Loan Committee shall control the Guarantee Fund so created, and may, in its discretion, invest all or any portion thereof in Class "A" certificates herein provided for.

All applications for loans shall be made not later than February 1, 1915, and, except as hereinafter provided, all loans made shall mature on February 1, 1916, or, at the option of the borrower, may be paid thirty days after notice. If payment is thus anticipated, interest must be paid to the interest date then next ensuing. The Central Committee may, however, in its discretion, authorize the Cotton Loan Committee to extend any or all loans for a period not to exceed six months after February 1, 1916, if in the judgment of said Central Committee conditions at that time justify such extension. The Cotton Loan Committee may, for the purposes of the administration of the Cotton Loan Fund, sell or pledge any and all notes received from borrowers.

Calls for payment of subscriptions to Class "A" certificates shall be made as nearly pro rata as possible. In the event that on February 1, 1915, applications for loans shall not have been received to the extent of the full amount subscribed, the fund shall nevertheless be closed at the amount for which applications for loans, mailed or delivered prior to February 2, 1915, shall be granted; and Class "A" subscribers

shall be released from the payment of any balance of their subscriptions not required to make up said amount. Provided, always, that the Fund shall not be considered to have been established for any purpose until Class "A" subscriptions shall have been received to the extent of \$100,000,000.

A monies become available for repayment to the subscribers, they will be applied against both Class "A" and Class "B" certificates, but the percentage of reduction in the case of Class "B" certificates shall be one-half of that in the case of Class "A" certificates until the amount of the latter outstanding shall be reduced to approximately the amount of Class "B" certificates then outstanding, after which the percentage of reduction shall be the same. For example, if a payment is made on the Class "A" certificates to the extent of ten per cent. of the aggregate face amount of such certificates then outstanding, a payment shall at the same time be made upon the class "B" certificates to the extent of five per cent. of the aggregate face amount then outstanding. Again, if a payment on the Class "A" certificates is made of an amount equivalent to 3-1/2 % of the aggregate face amount then outstanding, at the same time a payment on account of Class "B" certificates will be made of an amount representing 1-3/4% of the aggregate face amount of Class "B" certificates then outstanding, which method of payment shall be continued until the amount of the two classes of certificates outstanding shall be approximately the same, after which all sums distributed shall be divided pro rata among all certificate holders, regardless of the two classes.

Any member of the Central Committee may resign by delivering his resignation in writing to the other members, and any vacancy resulting from death, resignation, inability to act or any other cause shall be filled by the remaining members at a meeting called for the purpose, or in writing without a meeting. Until any such vacancy or vacancies at any time existing shall be so filled the remaining members shall constitute The Central Committee for any and all purposes, and shall be fully authorized to exercise all the powers and perform all the duties thereof. All powers vested in The Central Committee shall require for their exercise the assent or approval with or without a meeting, of at least a majority of the members thereof at the time. Any member of the Central Committee may act by proxy or power of attorney, executed to any person, whether or not a member of that Committee. No member of The Central Committee shall be personally liable under any circumstances for or on account of any matter or thing whatsoever, except his own individual willful malfesance, and no member shall be liable for the acts or

neglects of any other member. The purposes of The Central Committee shall be, and the Committee shall have full power and authority, to do or cause to be done any and all acts and things deemed by it necessary, proper or expedient in connection with the direction of the administration of the Cotton Loan Fund, and the enumeration herein of specific powers shall not under any circumstances be construed to limit the general powers and discretion intended to be conferred hereby upon The Central Committee in order fully to authorize it to do or cause to be done any and all such acts and things. The Central Committee may appoint an agent or agents to assist it in accomplishing the purposes and intents hereof, and for the neglects or omissions of such agent or agents (care believed to be reasonably having been exercised in his or their selection), no member of said Committee shall incur any responsibility whatsoever. The Central Committee may employ and may advise with counsel, and for anything done or suffered by it in accordance with the advice of counsel any member of the Committee shall not be liable to any one.

Dated November 30, 1914.

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The undersigned, designated as The Central Committee in the outline of Plan for the Cotton Loan Fund dated October 17, 1914, and in the annexed Completed Plan dated November 30, 1914, which has been approved by the Federal Reserve Board, hereby severally accept our appointment as members of said The Central Committee; and agree to assume the general direction of the administration of said Cotton Loan Fund as in said Plan provided.

Dated November 30, 1914.

W. G. McADOO, Chairman.
 J. S. WILLIAMS,
 CHARLES S. HAMLIN,
 PAUL M. WARBURG,
 F. A. DELANO,
 W. P. G. HARDING,
 A. C. MILLER.

NOTE: - CORPORATIONS MUST AFFIX THEIR SEALS.

SUBSCRIPTION AGREEMENT

The undersigned hereby assent to the foregoing Plan, dated November 30, 1914, for the creation of a Fund to be known as the Cotton Loan Fund, which has been approved by the Federal Reserve Board, and as Class "A" subscribers mentioned in said Plan, each for himself or itself and not for any other, hereby agree with each other, with all other subscribers and with The Central Committee in said Plan designated and appointed, to contribute to the said Fund, subject to the terms and provisions of said Plan, the sums hereinafter set opposite their respective names, and to pay said sums in New York funds at the office or agency in the City and State of New York, of the Cotton Loan Committee in said Plan mentioned, at one time or from time to time in instalments, to or upon the order of said Cotton Loan Committee, as called by it, provided, however, that the undersigned shall be under no obligation hereunder or by virtue hereof until said sums so agreed to be contributed and paid by Class "A" subscribers shall aggregate the sum of one hundred million dollars. This assent and agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall constitute but one and the same assent and agreement.

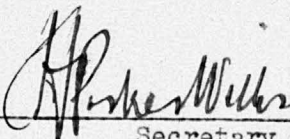
In witness whereof the undersigned individuals have hereunto subscribed their names and the undersigned corporations have caused these presents to be executed by their duly authorized officer or officers, and their respective corporate seals to be hereunto affixed this _____ day of December, 1914.

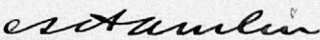
Names. Amounts. Addresses.

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At 1:00 p. m. the Board adjourned to meet at 2:30 p. m. to-day.

APPROVED:


Secretary.


Chairman.