

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

IN THE MATTER OF
TRANSAMERICA CORPORATION


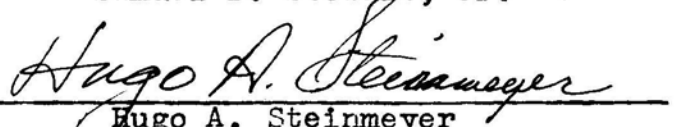
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MOTION TO DISQUALIFY MARRINER S. ECCLES AND
LAWRENCE CLAYTON

The respondent, Transamerica Corporation, by its undersigned attorneys, hereby moves, petitions and requests that Marriner S. Eccles and Lawrence Clayton be disqualified, on account of their personal bias and prejudice, from participating as officers in any hearing and from rendering, making or participating in the consideration of any administrative, judicial, or quasi-judicial decision or determination with respect to any issue of fact, law, procedure or policy that may arise in the course of the above entitled proceeding, or any other matter related thereto.

In support of said motion, the respondent herein respectfully submits to the said Board the affidavits of Sam H. Husbands dated November 30, 1948, and L. M. Giannini, dated November 29, , 1948, which are attached hereto and made a part of this motion.

Dated: December 1, , 1948.


Samuel B. Stewart, Jr.

Hugo A. Steinmeyer

TO:

Attorneys for Respondent, Transamerica
Corporation

The Board of Governors of
the Federal Reserve System

BEFORE THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM

San Francisco Calif
Quiblet
file date 11/30/48

IN THE MATTER OF
TRANSAMERICA CORPORATION

AFFIDAVIT OF SAM H. HUSBANDS

DISTRICT OF COLUMBIA,)
)SS.
CITY OF WASHINGTON.)

SAM H. HUSBANDS, being duly sworn, on oath states as follows:

I am Executive Vice President of Transamerica Corporation, the Respondent in the above entitled proceeding. I make this affidavit for filing in this proceeding in good faith to show the personal bias and the disqualification of MARRINER S. ECCLES and LAWRENCE CLAYTON to participate as officers in any hearing or to render or make any administrative, judicial or quasi-judicial decision or determination with respect to any issue of fact or issue of law that may arise in the course of said proceeding, or any procedure or policy or other matter in connection therewith. This affidavit is made and submitted to the complaining agency in support of the said Respondent's motion that the said agency determine such persons to be disqualified for personal bias and prejudice.

It appears from the facts stated in this affidavit that, while appearing to act in the public interest, Mr. Eccles for six years has misused his power as a Member and former Chairman of the Board of Governors of the Federal Reserve System, to foster regulations and promote legislation favorable to his family holding company and discriminating against Transamerica - legislation which the executive council of the American Bankers Association at its meeting in April 1948 characterized as "punitive legislation;" that while carrying on such discriminatory activities, he and his family, through the Eccles Investment Company, have had substantial stock interests in the First Security Corporation of Utah; that this is a bank holding company controlling banks with thirty-eight banking offices situated in Utah, Idaho,

and Wyoming, and as such is a competitor of Transamerica Corporation in the ownership of banks in the Twelfth Federal Reserve District.

It is respectfully submitted that the facts stated in this affidavit demonstrate that Mr. Eccles' sponsorship of the complaint in this proceeding is but his latest effort to use his position of public trust and power to promote further his selfish personal interests, and to advance his grudge against A. P. and L. M. Giannini. It is further urged that since Mr. Eccles already appears to have used his official position to have the complaint against Transamerica filed, for him now to sit in judgment on Transamerica evidence disproving the complaint would be nothing less than "court packing" by the prosecuting attorney. Such foreign ideas about government and justice have no place in America.

There is also submitted herewith an affidavit by L. M. Giannini showing that Mr. Clayton's prejudice and bias result from the fact that he is a disappointed seeker of a job with a bank in which Transamerica has an investment. These facts supplement the facts stated in my affidavit showing that Mr. Clayton has been an Eccles Lieutenant for twenty-one years, as an officer of an Eccles Bank and as assistant to Mr. Eccles when he was Chairman of the Board of Governors of the Federal Reserve System.

I have been personally and well acquainted with Marriner S. Eccles and Lawrence Clayton for a period of approximately fourteen years last past and I had numerous business contacts with them during the period of my service in Washington as an officer and as a director of the Reconstruction Finance Corporation.

During the earlier years of my connection with the Reconstruction Finance Corporation, my official responsibility extended to loans to banks and subscriptions for preferred stock in banks and it became my duty to be informed generally concerning the larger banking interests in various sections of the country. During that period I learned that the said Mr. Eccles and members of his family owned a large interest in the First Security Corporation

of Utah, which was a large bank holding company controlling upwards of twenty-five banks situated in Utah, Idaho and Wyoming. Many of these banks which were formerly operated as unit banks have subsequently been converted into branches of the major banks so that the interest of First Security Corporation is now in three banks with thirty-eight branches. That corporation competes with Transamerica Corporation in the ownership and operation of banks in the Twelfth Federal Reserve District and owing to the personal interest of Mr. Eccles and his family in said competing company, he is wholly disqualified because of such personal interest, to participate in any proceeding before the Board of Governors of the Federal Reserve System which might or could have the effect of promoting the interests of the First Security Corporation as a competitor of Transamerica Corporation and thereby advancing the personal interests of those, including himself, who are identified with the former.

About five or six years ago I first noticed official statements made by Mr. Eccles as Chairman of the Board of Governors of the Federal Reserve System which showed that Mr. Eccles had conceived the idea that where a corporation obtained a controlling interest in or power to control a bank, the business of such corporation ought to be subjected to the same restrictions and regulations as the business of banks and that it should be required to liquidate its other investments. Mr. Eccles made a statement to that effect pointing specifically at Transamerica Corporation in testifying before the Banking and Currency Committee of the House of Representatives on April 5, 1943, but up to that time, as he testified, the Board had never asked for any power and authority to impose such requirements on holding companies. Mr. Eccles, nevertheless, without obtaining legislation busied himself with efforts to force compliance with his views by bank holding companies and impose restrictions upon them and especially upon Transamerica Corporation though not authorized by law to do so. During the period of his activity in this direction, and when he was especially active in attempting to impose such views and requirements upon the Respondent, Transamerica Corporation, the said Eccles

along with other members of his family, was personally interested in the Eccles Investment Company in Utah. The said Eccles Investment Company was the owner of 44% of the voting stock of the First Security Corporation which held more than a majority of the stock in upwards of twenty-five banks in Utah, Idaho and Wyoming and the Browning Investment Company was the owner of an equal amount of the voting shares of the said First Security Corporation; thus the two companies owned 88% of the voting shares of the First Security Corporation and thereby controlled all of the banks owned or controlled by the said corporation. Each of the said companies possessed very large resources and held at the same time and still hold dominant investments (ineligible for banks) in a large variety of businesses other than banks.

Mr. Eccles took credit before a Congressional Committee for organizing First Security Corporation and is, therefore, responsible for classifying its shares into voting and non-voting shares in such a manner that it and its banks could be controlled by the Eccles Investment Company and/or the Browning Investment Company, as above stated. Although such facts relating to Eccles Investment Company and First Security Corporation were very pertinent to the principles involved in legislation sponsored by Mr. Eccles and drafted under his supervision, when he appeared before the Committee on Banking and Currency of the United States Senate, such facts were never adverted to by him, except under the following circumstances:

In a letter dated June 13, 1947, to Honorable Charles W. Tobey, Chairman, Senate Banking and Currency Committee, Washington, D. C. found on pages 172, 173 and 174 of the printed transcript of the hearings before said Committee, 80th Congress, First Session, on S. 829, the said Marriner S. Eccles stated that A. P. and L. M. Giannini (Directors of Transamerica Corporation) "mean to do all in their power to defeat regulation of bank holding companies just as they have openly and covertly fought off regulation of their giant Transamerica holding company for many years." This statement is untrue and was known or should have been known to be false by the said Marriner S. Eccles

at the time the same was made. The said statement of the said Eccles clearly appears to have been made in resentment and anger because L. M. Giannini had called to the attention of the Chairman and members of the said Committee a certain fact in connection with a bill then under consideration by such Committee, L. M. Giannini, by telegram, had pointed to a significant omission from the definition contained in the proposed bill purportedly sponsored by the Board of Governors of the Federal Reserve System and supported by testimony of Marriner S. Eccles. On account of such omission, the Eccles Investment Company, in which Mr. Eccles held a substantial personal interest, was not defined to be a bank holding company although owning 44% of the voting shares of the First Security Corporation which would be a bank holding company within said definition. This would have resulted directly from the deletion of a part of the definition of Bank Holding Company admittedly borrowed from the Public Utility Holding Company Act of 1935. Had said deleted portion been included said Eccles Investment Company would, automatically, have fallen within the definition of "Bank Holding Company" and would have been subject to the divestment provisions of the said proposed act with respect to a large volume of varied investments in nonbanking enterprises as would other bank holding companies. But under the proposed definition the Eccles Investment Company could continue to own 44% of the voting shares of the First Security Corporation and to exercise a controlling influence over it and the many banks controlled by it while retaining its extensive nonbanking investments.

During the course of said hearings before the Senate Committee, as appears from the printed transcript thereof at pages 169 to 174, inclusive, the said M. S. Eccles when asked by a Senator to explain the omission from said definition as pointed out by Mr. Giannini, called upon his counsel to supply the explanation and apparently acquiesced in said counsel's explanation. That explanation was inadequate and misleading because it adroitly led away from the omission and explained the power of the Board to take special discretionary action.

Thereafter, and after the hearings had been closed, said M. S. Eccles, as Chairman of the Board of Governors, filed a letter for the record in which he deduced an "implication" from the telegram of L. M. Giannini which had called attention to said omission that "I [Mr. Eccles] caused these changes to be made in order to protect the interests of the Eccles family investment company in its holdings of various nonbanking interests" and then says, "This is a deliberate and malicious falsehood." The said M. S. Eccles in the same letter and in the same paragraph thereof states that Eccles Investment Company owns "44% of the voting shares" of the First Security Corporation and in the following paragraph says: "It is obvious from the above that the Eccles Investment Company has neither the power to nor does it in fact control First Security." When it is considered that he was at the same time seeking to bring other companies automatically within the definition if they owned but 15% of the voting shares of a bank and that he pointed particularly to Transamerica Corporation which has only about half the percentage of voting control of Bank of America that the Eccles Investment Company possesses in the First Security Corporation, these statements demonstrate very clearly his bias and prejudice.

By his said statement concerning a "plain implication" characterized by him as "a deliberate and malicious falsehood," the said Marriner S. Eccles obviously meant and intended thereby to charge the Gianninis with purveying untruths and he did thereby openly impugn the veracity of L. M. Giannini. In order to counteract the effect of the obviously malicious and prejudicial statement of Mr. Eccles filed with the Committee for the record after the hearings had closed, Mr. Giannini replied to the said letter of the said Eccles and sent a copy of his reply to each member of the Committee and to each member of the Board of Governors of the Federal Reserve System. Thereafter, the soundness of the suggestion of L. M. Giannini with respect to the said omission, although otherwise never again brought to the attention of the Committee on Banking and Currency of the Senate, or alluded to in the hearings subsequently held before the Committee on Banking and Currency of the House of Representatives -- Mr. Eccles again appearing as a witness -- was recognized in a re-draft of the said proposed bill prepared by the Board's staff by the

inclusion of the said previously deleted clause in Section 3 thereof. This draft is now in the possession of the said Board.

With respect to the charge that A. P. and L. M. Giannini "have openly and covertly fought off public regulation" of Transamerica for many years, the truth is that A. P. Giannini, long before the passage of the Banking Act of 1933, which first regulated bank holding companies, advocated regulation of such companies through examination and the imposition of requirements with respect to their sound capitalization. It is true that they have on occasion firmly resisted bureaucratic assumptions of undelegated power, but it is not true that they have "fought off" any lawful public regulation.

For record evidence of the attitude of Mr. A. P. Giannini concerning the regulation of bank holding companies, I refer the Board to page 1542 of the printed transcript of hearings before the Banking and Currency Committee of the House of Representatives in 1930, on the general subject of branch, chain and group banking, wherein Mr. Giannini advocated as a measure of control of the development of groups that the Comptroller of the Currency be given the right to examine holding companies. The further testimony therein is as follows:

"THE CHAIRMAN. In other words, you would give the Comptroller access to holding companies?

"MR. GIANNINI. I would give him the right to examine them. That was the law in California before we became a national bank. Whenever the Bank of Italy was examined, the affiliates were examined, too, and I think that that is one of the things that should be done. But when you do that perhaps you should say that

the holding companies should have a capital investment no smaller than \$2,000,000 or \$3,000,000 and that for each new bank that they take on they must have additional capitalization, according to the deposits that they take over, in order to protect the public. By such regulation you are than giving the public better security than you do under the present unit system."

With respect to the said Lawrence Clayton, it appears from available biographical data that both he and Mr. Eccles are natives of Utah and about the same age. What their common interests, relations and associations may have been before their business careers began is not disclosed but the Federal Reserve Bulletin, shows the following: Mr. Clayton had ten years' experience in the banking business in the First National Bank of Ogden, Utah, one of the banks controlled by the First Security Corporation and which is identified with the business career of Mr. Marriner S. Eccles who was its President for many years and all during Mr. Clayton's employment there. From that bank Mr. Clayton was called to Washington by Mr. Eccles in 1934 to become Assistant to the Chairman (Mr. Eccles) of the Federal Reserve Board in which capacity he served for approximately eleven years. Then, after an absence of about two years during which time Mr. Clayton acted as President of the Clayton Securities Corporation of Boston, Massachusetts, he became a member of the Board of Governors of the Federal Reserve System by appointment from the First Federal Reserve District. It thus appears that for about twenty-one of the twenty-three years immediately preceding such appointment, Mr. Clayton was a resident of the Twelfth Federal Reserve District and was associated either in business with Mr. Eccles or in the capacity of his assistant. He was appointed under a law which, in order to secure broad representation of the various reserve districts and the exercise of

independent judgment by the board members based upon a thorough knowledge of conditions in each district, precludes the appointment of two persons from any single federal reserve district. If credit be given to Mr. Clayton for possessing instincts of ordinary loyalty to one who had been his senior associate for so long a period, a mere statement of these facts is enough to show a personal bias in favor of Mr. Eccles' predilections and prejudices such as to disqualify him to the same extent that Mr. M. S. Eccles is disqualified in this proceeding.

The circumstances appearing in official records to which attention has been directed in the preceding paragraphs hereof clearly show that said M. S. Eccles has become incensed at L. M. Giannini and A. P. Giannini and is strongly prejudiced against them and against the Respondent and is as much disqualified to sit in judgment in this proceeding as in similar circumstances one would be disqualified to sit as a juror or a judge in a case at law. And they further and equally show the prejudice and bias of the said Lawrence Clayton.

Inasmuch, therefore, as said M. S. Eccles is disqualified on account of personal interests and inasmuch as he has given abundant expression of malice and prejudice against Transamerica Corporation and against the said Gianninis, it is my sincere belief that the said Marriner S. Eccles and the said Lawrence Clayton are incapacitated in law and in morals to sit in judgment upon any of the matters and things encompassed within the said Board's complaint and notice as stated at the beginning of this affidavit.

For all the reasons herein assigned and shown, the Respondent respectfully requests that this Honorable Board exclude the said persons from any and all participation herein.


SAM H. HUSBANDS

Subscribed and sworn to before me
this 00 day of November
1948.


Notary Public

My com. ex. April 14, 1953

DEC 7 1948

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

IN THE MATTER OF
TRANSAMERICA CORPORATION

AFFIDAVIT OF L. M. GIANNINI

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

L. M. GIANNINI, being duly sworn, deposes and says:

I am a member of the Board of Directors and Executive Committee of the respondent, Transamerica Corporation, but I do not hold any official position in said corporation. I am President of Bank of America National Trust & Savings Association and devote substantially all of my time to the affairs of that Bank.

I make this affidavit for filing in this proceeding in good faith in support of the motion by Transamerica Corporation to disqualify Marriner S. Eccles and Lawrence Clayton, members of the Board of Governors of the Federal Reserve System, from participating as officers in any hearing and from rendering, making or participating in the consideration of any administrative, judicial or quasi-judicial decision or determination with respect to any issue of fact, law, procedure or policy that may arise in the course of the above-entitled proceeding or any other matter related thereto.

I have been personally acquainted with both Lawrence

Clayton and Marriner S. Eccles for many years. I have read the affidavit of Sam H. Husbands, which I am informed is to be filed herewith, respecting the background of association between Mr. Clayton and Mr. Eccles and I am generally familiar with the facts therein stated. However, the purpose of this affidavit is to supply information, not within the knowledge of Mr. Husbands, respecting certain negotiations between Mr. Clayton and myself and other officers of Bank of America National Trust & Savings Association, as a result of which I believe Mr. Clayton has developed, and has influenced Mr. Eccles in developing, a feeling of bitterness against me and against the corporations with which I am associated. This feeling, coupled with the matters stated in Mr. Husbands' affidavit, make it impossible for either of them to decide fairly or impartially any question affecting me or those corporations. These circumstances require, in all fairness, that each of them be disqualified from participating in any manner in any such decision.

For a number of years prior to the year 1941 there had been no animosity to or prejudice against Bank of America or Transamerica Corporation exhibited by either Mr. Clayton, Mr. Eccles or the Board of Governors of the Federal Reserve System. On the contrary, the Board had approached its dealings with Transamerica Corporation on a constructive basis and with an apparent desire to perform only those functions delegated to it by law and in the interest of sound banking in the United States.

In the year 1940, Mr. Clayton approached me and other officers of Bank of America, particularly Mr. Russell G. Smith, Executive Vice President of said Bank, with a suggestion that

he was anxious to leave government service and get into a position in which he could work out a permanent career for himself, and he asked to be considered for a position at a very substantial salary as a senior executive officer of Bank of America directly under me and responsible primarily to me. There ensued correspondence between Mr. Russell G. Smith and Mr. Clayton, photostatic copies of which are attached hereto and incorporated herein, identified as follows:

Exhibit 1 - letter from Mr. Smith to Mr. Clayton dated May 16, 1940.

Exhibit 2 - letter from Mr. Clayton to Mr. Smith dated May 25, 1940.

Exhibit 3 - letter from Mr. Smith to Mr. Clayton dated June 13, 1940.

In this connection Mr. Clayton told me that he thought Mr. Eccles would also be interested in making a connection with Transamerica Corporation or the Bank of America, if the employment of Mr. Clayton turned out satisfactorily.

This correspondence was followed by direct correspondence between Mr. Clayton and myself, photostatic copies of which are also annexed hereto and incorporated herein, identified as follows.

Exhibit 4 - letter from Mr. Clayton to me dated July 8, 1940.

Exhibit 5 - letter from me to Mr. Clayton dated July 19, 1940.

Exhibit 6 - letter from Mr. Clayton to me dated December 2, 1940.

Exhibit 7 - letter from me to Mr. Clayton dated December 11, 1940.

In February, 1941, while Mr. and Mrs. Clayton were dinner guests of mine at the Hotel Mayflower in Washington, D.C.,

he brought up again the matter of his possible employment in a senior position with the Bank of America. I then made it clear to him that I thought it was not possible to work out any such position as he had in mind without, as stated in my letter to him of December 11, 1940, "unduly ruffling the feelings of our present official personnel."

Mr. Clayton argued the matter with me, indicated that he was not at all happy about the decision, and made a strong effort to persuade me that the decision should be changed, but he was not employed.

Within one year thereafter, a significant change took place in the attitude of the Board of Governors of the Federal Reserve System. On February 14, 1942 the Board addressed a letter to Transamerica Corporation, a copy of which is annexed hereto, marked Exhibit 8. That letter made a request, which I am advised and believe was wholly unauthorized by law, that Transamerica Corporation advise the Board in the future before consummating any plans for the further expansion of its interests in banks and, even more significantly, stated that the Board, without having held any hearing on the matter or giving Transamerica Corporation any notice of its intentions, had entered into unanimous agreement with the Comptroller of the Currency and the Federal Deposit Insurance Corporation that all three federal bank supervisory agencies "should, under existing circumstances, decline permission for the acquisition, directly or indirectly, of any additional banking offices or any substantial interest therein by Transamerica Corporation, Bank of America N. T. & S. A., or any other unit of the Transamerica group."

This action was followed in May, 1942, by another unprecedented and discriminatory act of the Board of Governors, subsequently declared illegal by the Court of Appeals of the District of Columbia (Peoples Bank v. Eccles, 161 F. 2d 636 (1947); reversed on jurisdictional grounds only and without comment on the merits by a divided United States Supreme Court in 333 U. S. 426 (1948)). That action related to the imposition, without notice to Transamerica Corporation, of a condition upon the membership in the Federal Reserve System of a new California state bank, Peoples Bank of Lakewood Village, which would force that bank to withdraw from the Federal Reserve System with consequent irreparable injury to its business, upon notice from the Board in the event that Transamerica or Bank of America should acquire "any interest" in that bank.

Since February, 1942, the Board of Governors has adopted a consistently adverse and punitive attitude toward Transamerica Corporation. This attitude has been evident both in regulatory matters committed by law to the Board's jurisdiction and in persistent, if unsuccessful, efforts by the former Chairman, Mr. Eccles (whose executive assistant was Mr. Clayton at the time of the employment negotiations above described) to persuade the Congress of the United States to enact discriminatory legislation. The legislation urged, while exempting from additional control corporations in which Mr. Eccles was interested and the banks controlled by them, would have subjected Transamerica Corporation and those banks in which it owns stock, even insignificant minority interests, to restrictions, limitations and controls not applicable to their competitors similarly situated.

The character of such efforts and the extent of the disagreement between Mr. Eccles and my father, Mr. A. P. Giannini, is clearly indicated by the following telegram sent by Mr. A. P. Giannini to Mr Eccles on June 16, 1943:

"I HAVE INFORMATION THAT YOU RECENTLY STATED THAT I HAD BROKEN MY WORD WITH YOU, WHICH YOU SAY WAS GIVEN EARLIER IN THE YEAR AT OUR MEETING IN WASHINGTON. THIS STATEMENT IS ABSOLUTELY UNTRUE AND I RESENT IT. YOU KNOW THAT IN OUR FEBRUARY CONFERENCE IN WASHINGTON I STATED NOT ONLY THE SITUATIONS IN WHICH DESIRABLE INTEGRATIONS IN OREGON, CALIFORNIA, AND NEVADA HAD BEEN ADVERSELY ACTED UPON, BUT ALSO STATED THAT THERE WERE TWO EXISTING COMMITMENTS, ONE INVOLVING FORTY PER CENT STOCK CONTROL OF A BANK WHICH WOULD REQUIRE SIMILAR TREATMENT IN ORDER TO MAKE THE BOARD'S PROGRAM WORKABLE, AND THAT IT WAS UNDERSTOOD THAT IF THESE MATERIALIZED THEY WERE TO BE INCLUDED IN THE INTEGRATION PROGRAM WHEN I WAS NOT ASKED TO IDENTIFY THE BANKS, I ASSUMED THE BOARD REALIZED THAT BUSINESS CONFIDENCES WERE INVOLVED I DO NOT VIOLATE BUSINESS CONFIDENCES YOU KNOW TOO THAT THE CONFERENCE UNDERSTANDINGS WERE WRECKED LARGELY BECAUSE OF A SUBSEQUENT ATTEMPT TO BIND TRANSAMERICA ALONE TO YOUR SO-CALLED FREEZING POLICIES INSTEAD OF YOUR OBTAINING SIMILAR COMMITMENTS FROM OTHER HOLDING COMPANIES, WHICH YOU VOLUNTARILY AGREED TO UNDERTAKE PERSONALLY. I AM NOT CONCERNED WITH THREATS, WHICH I HAVE BEEN INFORMED HAVE BEEN MADE BY YOU, BUT YOUR INTRUSIVE ACTIVITIES IN TRANSACTIONS AFFECTING BANK OF AMERICA ARE HIGHLY DETRIMENTAL AND WILL BE VIGOROUSLY CHALLENGED. YOU ARE ADVISED THAT YOU WILL BE HELD ACCOUNTABLE FOR YOUR ACTS OUTSIDE THE SCOPE OF YOUR OFFICIAL DUTIES."

I am informed and believe that no reply to said telegram was ever received.

While the precise activities of Mr. Clayton either by way of influencing Mr. Eccles or supporting him in the six and a half year program of discrimination above outlined does not appear from any published records, it is significant that the change of attitude of the Reserve Board from one of fair administration under the law to one of violent opposition beyond its legal authority occurred very shortly after the conversations with Mr. Clayton, in which I made it clear to him that it was not

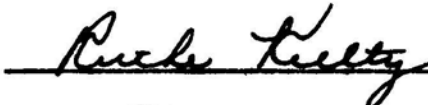
possible for Bank of America to give him the kind of employment to which he aspired.

That Mr. Clayton's bitterness has remained in the forefront of his mind during the period which followed my conversations with him in February, 1942, is indicated by a longhand letter which he wrote to Mr. A. P. Giannini, the Founder-Chairman of Bank of America and Chairman of the Board of Transamerica Corporation, on February 2, 1943, a photostatic copy of which is annexed hereto, marked Exhibit 9. For ease of reading, a significant paragraph of that letter is quoted here, as follows:

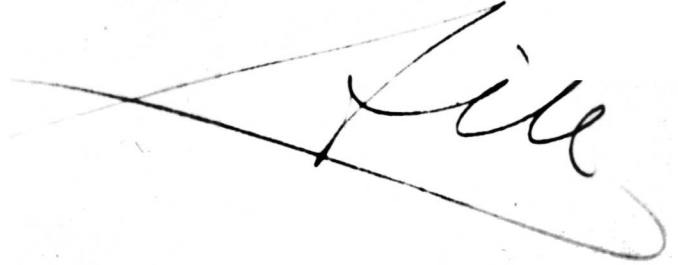
"Your Dr. Otto Jeidels called by here a month or more ago to see Dr. Goldenweiser and the Ch'm. He told them of his prospective appointment as Vice-Chairman, of Finance Committee, I believe. For a time I was tempted to drop Mario a line, kidding him about some language he used in a letter to me in Dec. '40, viz. the problem of bringing someone into the organization in a senior capacity 'without unduly ruffling the feelings of our present official personnel.' But I didn't and please don't pass this remark along, just tear up the letter, or this part of it. I quite realize that cases can be distinguished, but the opening was so obvious, I gave in to the impulse to the extent of spilling it to you, - a little teasing is all."

I respectfully submit that the facts herein recited, together with those recited in the above-mentioned affidavit of Mr. Husbands, require the disqualification of Lawrence Clayton and Marriner S. Eccles in this matter, as hereinabove requested.

Subscribed and sworn to before
me this 29 day of November, 1948.



RUTH KIELTY
Notary Public State of New York
Residing in New York City
NY Co Clk's No 48 Rec'd K C
Comm's so Expires March 30 1950



May 16, 1940

Mr. Lawrence Clayton,
419 East Leland Street,
Chevy Chase, Maryland.

Dear Larry:

After leaving Washington my Eastern trip was a little bit extended, and when I arrived back in San Francisco both Mario and A. P. were away. This will explain my apparent delay in writing to you.

At this time we do not feel that we can, in justice to our other officers here, meet the suggestions you made to me with regard to a position in the Bank of America. However, there might be something developed with Transamerica Corporation if you would be interested in a connection which would involve a representation for First National Bank of Portland, First National Bank of Nevada, and other banks in which Transamerica Corporation is interested, excepting the Bank of America. If you would be interested in a connection of that kind, which might have as its "anchor" membership on the Board of Directors of the bank in Portland and a salary of \$10,000 annually, I will talk to Mr. Grant and the other officers interested. I mention the salary which A. P. has indicated as the maximum which he thinks the position could pay, but such a connection, of course, might easily lead to a more definite banking connection in one of these institutions or even in the Bank of America.

If you would have any interest in that sort of a setup, please let me know and I will pursue the matter a little further.

Best regards.

Cordially yours,

R. A. S.
Executive Vice President.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

May 25, 1940

Dayton

Mr. Russell G. Smith
Executive Vice President
Bank of America, N. T. & S. A.
San Francisco, California

Dear Russ:

Pardon my delay in acknowledging your recent letter but the critical situation brought about by the German invasion has had us real busy here and has kept my mind off of everything except that and its implications for this country.

I was frankly disappointed with the suggestion you made after conferring with your associates since it was far short of what I outlined to you while you were here in Washington. Much as I would enjoy a connection, even indirect, with a banking organization which greatly appeals to me, I can scarcely bring myself to leave the position I now hold for one of apparently lesser proportions and greatly less salary. Apparently A. P. and Mario do not feel that I could be of any important service at this time which makes me wonder why A. P. reopened the matter at the time of his visit to Hot Springs.

As a matter of curiosity, there is one thing which I wish you would tell me, namely whether the proposition meant a location in San Francisco or in Portland.

With kindest regards to yourself and my other friends at headquarters, I am

Yours sincerely,

Larry

June 13, 1940.

Mr. Lawrence Clayton,
419 East Leland Street,
Chevy Chase, Maryland.

Dear Larry:

I realize that the set-up suggested in my recent letter to you with respect to a possible connection with Transamerica Corporation as a representative of some of its other banks was not exactly what you outlined to me. However, as I explained, it appeared to be the most available thing at the time. Of course, it was indefinite as to how soon it might lead to a more definite position in this bank.

I never discussed the details with Mr. Grant because I did not feel it desirable to do so unless you indicated an interest; therefore, no determination was ever made of just how the position would be set up as to your residence. The position would require some time in Washington, with alternate periods at Portland, Tacoma, Reno, and Phoenix.

We have just completed the issuance of our preferred stock, which has been a considerable chore but is now happily concluded.

Cordially yours,

R.G.S.

Executive Vice President.

EXHIBIT 4



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

July 8, 1940

Personal

Mr. L. M. Giannini, President
Bank of America, N. T. & S. A.
San Francisco, California

Dear Mario:

For some time past I have been expecting to be ordered to active duty at Ft. Lewis, Washington, but it now appears that due to the shortage of regular army equipment the training of reserve organizations is likely to be suspended for the current summer. If this proves to be the case I may not come west this summer, which I had hoped to do, not alone for the pleasure of a trip out there but for the opportunity of having a chat with you as well.

You no doubt have seen the correspondence which passed between Russ Smith and myself following his visit here last April. While the suggestions he made were not satisfactory to me they were nevertheless interesting. I have a strong feeling that if I could have talked personally to A. P., or better still with yourself, we might have come to an understanding. Be that as it may, I hope that your preoccupation with your heavy responsibilities there will not prevent your keeping me in mind in case any other possibility develops. You know already how I feel about your organization.

Just in case there should be some occasion to write me anything of confidential nature or of calling me on the telephone, I should advise that we have taken an apartment for the summer months at 2400 16th Street. This is the hotel where the Awalts and Prettymans had the cocktail party last winter that you and Mercedes and Louis attended. The telephone number is Columbia 7200, but we have a private phone - Hobart 8507.

Trusting you and yours are well and with warmest wishes to A. P., Louis, Russ, as well as your good self, I am

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry".

July 19, 1940

file
Mr. Lawrence Clayton,
2400 Sixteenth Street,
Washington, D. C.

Dear Larry:

It is always pleasant to hear from you, and I was glad to receive your letter of July 8.

I was not entirely familiar with the correspondence which passed between you and Russ following his visit to Washington last April, but I now understand the situation. Personally, I feel that it would be very nice to have you in the organization somewhere and shall certainly keep it in mind so that if an appropriate opening should develop, we can discuss it with you.

We all appreciate your uniform thoughtfulness of us and the constructive viewpoint you have taken with regard to our recent problems with the Comptroller's Office.

hr
I hope that we shall have an opportunity to see you out here some time in the not too distant future. We all send our regards to you and hope that you will remember us kindly to Harriner.

Sincerely,

L. M. G.

EXHIBIT 6



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

12/2/49

Dear Mario,

As the year-end approaches, I have naturally been thinking of the year ahead. The election results mean that Warriner will be kept on the job here. He evidently expects important things to develop during

the next four years. and I
would no doubt have an
interesting and instructive
term, myself, working
alongside of him. But I
feel strongly that I ^{would} prefer
to get back into private
business, believing that my
five years here has given
me experience and contacts
that I could turn to good
advantage.

Yours from A D and Ashby

I have heard suggestions that a change might be made at Portland, but that spot seems to have gotten involved in some possible stockholding re-arrangements. But in any event, there may be other points where you are considering changes or additions, - either at Head Office or Los Angeles, for instance.

You will recall, of course, the unsatisfactory correspondence

between Russ Smith & myself
last spring. I still can't
help feeling that if A. P. had
talked to me directly, there
wouldn't have been so much
misunderstanding as to what
I aspired to. Thus he made
the remark to Russ that I
had had the idea that I
should come in and run the
bank." Be that as it may, you
know me better than I
hold that opinion. But I
would like to help other



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

people run the bank by doing
my particular job in a
manner that would help
the whole team forward.

If you have anything
in mind that would be
mutually attractive, please
drop me a line. Just mark
the envelope "personal" and
it won't be opened by any-

me else.

Meanwhile, give my
best wishes to A.P., Louise,
Russ & the others whom I
know and remember me
warmly to Mercedes. F. Ruth
and the kids knew I was
writing, they would all
send their love. By the way,
Barbara and Sybilla both say
they would rather watch
you "rib" Louise than any-
thing in the world.

Hope this finds you and
yours well.

Sincerely,

Larry.

December 11, 1940

file
Mr. Lawrence Clayton,
Office of the Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

Dear Larry:

It is always nice to hear from you and I was glad to have your letter of December 2. I quite realize that Harriner is going to find his work there exceedingly interesting in the course of the next few years, but I can also sympathize with your view in regard to going into something that is more permanent.

You and I have canvassed pretty thoroughly the problems involved in your coming into this particular institution in a senior capacity without unduly ruffling the feelings of our present official personnel. The situation in that regard obviously would not be changed very much since we discussed it last, so I am wondering whether any plan now suggests itself to you. Of course, the matters of primary importance are the questions of your official status and the compensation that you would expect to receive. I understand that the suggestion Russ made to you last Spring did not come up to your expectations or perhaps within your minimum requirements. I really don't know what to suggest to you at this time.

Louis and all the rest of us enjoyed very much our visit to your home when we were last in Washington. I always enjoy my visits with you and the members of your family, who are so charming. Will you express to them all and accept for yourself my warmest personal regards and very best wishes for a happy Holiday Season.

Cordially yours,

L. M. G.

EXHIBIT 8

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON

February 14, 1942

Transamerica Corporation,
San Francisco, California.

Gentlemen:

The Board has recently received through the Federal Reserve Bank of San Francisco a copy of a letter from a member bank, control of which was recently acquired by your Corporation, stating that the member bank has under consideration the establishment of several branch banks and that the letter is written for the purpose of securing the necessary approval from the Federal Reserve Board. The member bank's letter set forth certain facts with respect to proposed branches at two locations and stated that the letter would be supplemented by such formal applications as Federal Reserve regulations may require.

The Board gave careful consideration to the information submitted and to other pertinent information in its files and reached the conclusion that it should not approve the establishment of the proposed branches on the basis of the information now before it. The Federal Reserve Bank of San Francisco was requested to advise the member bank accordingly.

Should your Corporation have any plans for the further expansion of its interests in banks, either directly or indirectly, through the mechanism of extending loans to others for the purpose of acquiring bank stock, or in any other manner, you are requested to advise the Board through the Federal Reserve Bank of San Francisco before any such plans are consummated.

The Board's position in this matter is in accord with the policy, upon which there is unanimous agreement by the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, that the Federal Bank supervisory agencies should, under existing circumstances, decline permission for the acquisition directly or indirectly of any additional banking offices or any substantial interest therein by Transamerica Corporation, Bank of America N. T. & S. A., or any other unit of the Transamerica group.

Please see that all persons in the Transamerica group who may be concerned with this policy are advised accordingly.

Very truly yours,

CHESTER MORRILL,

Secretary.

EXHIBIT 9

2/2/43

Dear A.P.,

Glad to have
yours of 1/30, also the
two separate letters, -
one from Capt. Puccinelli,
the other the draft
evidently signed by
you in the form en-
closed to me. Inci-
dentally it is impressive,
not only for the points
it makes, but as well

for its temperate tone.
It has indignance
without rancor. But
I think I know what
will happen. The addressee
will probably give it
the same courteous
and prompt acknowle-
dgment that he did of
your 1938 letter. By
the way, Harriner showed
me the copy of that letter
you sent him, also your
personal note to M.

Now as to my sug-
gestion that you ask

for a conference. I take it that you will be leaving Florida within the next thirty to sixty days. Why not write Harriner, giving some approximate date convenient for your return trip to California & ask him to set a definite date? I would suggest that you come alone, especially without a

lawyer, altho a senior
associate or two
wouldn't make the
conference unwieldy.

If this is done, I think
Warriner will suggest
here that only two or
three of the Board meet
with you and none
of our staff, especially
no legal staff. Strictly
legal arguments can
best be made by lawyers
with lawyers, don't you
think? But this

issue is one of policy,
at least at this stage.
If it appears impossible
to reach an agreement
between Board policy
and your (T-A & B-A)
policy, then you can
consider whether you
wish to test the legal
justification for the
Federal policy.

I am returning
herewith the letter

of Capt. Puccinelli, as
you may wish to send
it to others, among
your organization.

Your Dr. Otto Feidels
called by here a month
or more ago to see
Dr. Goldeweiser & the
Ch'm. He told them
of his prospective appoint-
ment as Vice-Chairman,
of Finance Committee,
I believe. For a time,
I was tempted to

drop Mario a line,
kidding him about
some language he used
in a letter to me in
Dec. '40, viz. the
problem of bringing
someone into the
organization in a
senior capacity
"without unduly
ruffling the feelings
of our present official
personnel." But I

didn't & please don't
pass this remark
along, just tear up
the letter, or this
part of it. I quite
realize that cases
can be distinguished,
but the opening was
so obvious, I gave
in to the impulse to
the extent of spelling
it to you; - a little
teasing is all.

Hope you are

having plenty of sunshine
down there. We have
had quite a severe
storm here, - ice and
snow still piled up
along the streets.

Kindest regards,
always.

Sincerely,
Larry