

C O P Y

FEDERAL RESERVE BANK OF SAN FRANCISCO

April 20, 1940

Mr. J. P. Dreibelbis,
Assistant General Counsel,
Board of Governors of the Federal Reserve System,
Washington, D. C.

Dear Mr. Dreibelbis:

It was kind of you to send me your memorandum of April 18, relative to your meeting with Messrs. Mulroney, Folger, and Wright.

I have taken great pains to give the Committee all the historical background of the provisions of the agreement relative to bank premises, so that no false starts would be made. We have prepared and supplied to the Committee exhaustive bank premise records from the examination reports of all member banks which have passed into the Transamerica system whose banking premises were criticised in the August 31, 1939, examination report. In addition to that, the Bank of America has supplied the Committee with practically all the information available to it on all the banking premises criticised in the examination report.

About two weeks ago, we felt that the Committee was ready to meet with the Bank to discuss specific cases. Chief Wright, however, desired to abstract information from the records of the examination reports of the remaining member banks taken into the Transamerica system, the banking premises of which were not the subject of criticism in the August 31, 1939, examination report. While I did not feel that this was pertinent to the responsibilities of the Committee, it seemed desirable to me to give no appearance of obstructing any investigation of the Chief National Bank Examiner's office, so Mr. West and I accepted the situation as one which would cause no harm other than a slight delay in proceeding with the program.

On several occasions recently I attempted to communicate with Mr. Wright, but was informed that he was out of town and would not be back for several days. There seemed to be some mystery concerning his whereabouts. I learned, however, from Mr. Day, who telephoned to me on other matters from Chicago, that he had encountered Mr. Wright and another examiner on the train while travelling from Los Angeles to Chicago. Mr. Day also told me that Mr. Wright appeared to have some views in regard to the responsibilities of the Committee which were not in accordance with the terms of the agreement.

Since receiving this information, I have taken the pains again to go over with the two remaining members of the Committee the legislative history, if you please, of that phase of the agreement, and to stress the fact that the Committee must not deviate from the instructions laid down, regardless of what may be thought to be a better way of dealing with the

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Bank's premises. I am glad you had the opportunity independently to give Mr. Wright your version, which coincides with what I would have told him had he come to me again and, in fact, with what I had already stated in full. The case of the Rollins property was fully gone into on the occasion of our first meeting, and was again discussed in a second meeting of the Committee, at which both Mr. Giannini and Mr. Smith were present. I think Mr. Wright's visit to Washington will be constructive in clearing away any doubts he may have had, and there should be no further delay in completing the work of the Committee.

I was interested to learn of the Bank's difficulty in supplying acceptable collateral to support the Capital and California Lands contracts. You may remember my insistence that the representatives of the Bank were exaggerating the financial condition of both those companies.

It is my understanding that Ladenburg Thalmann & Company, New York, Otis & Company, Cleveland, and John J. Bergen & Company, Ltd., New York, are joining in underwriting 300,000 shares. The remaining 300,000 presumably will be taken by the Transamerica Corporation through the lending facilities of the Reconstruction Finance Corporation. Mr. Lake, representing Ladenburg Thalmann, told me Wednesday evening that the shares are to be sold in small units, not to exceed 1,000 (\$50,000), to any one individual or interest without the approval of the Bank. The preferred stock will have voting power, which is doubled in the event of a 90-day default in dividends amounting to \$2; in other words, 15 months' delinquency.

Yours very truly,

(Signed) Ira Clerk,
First Vice President.