

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, July 19, 1934, at 11:30 a. m.

PRESENT: Mr. Thomas, Chairman, Executive Committee
Mr. James
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Martin, Assistant to the Governor

The Committee considered and acted upon the following matters:

Telegram dated July 18, 1934, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, advising that, at a meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated July 18, 1934, approved by four members of the Board, to Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"Re Mr. Young's telegram July 16. Board approves action taken by your executive committee at meeting on that date in deciding to follow recommendation of Industrial Advisory Committee of your district with respect to loans received from banks or other financing institutions that your bank allow out of interest received on portion of loans retained by you 1% per annum to participating banks or financing institutions which agree to service loans and report regularly to you on status of borrower, effective August 1, 1934."

Approved.

Letter dated July 18, 1934, approved by five members of the Board, to Mr. McKay, Deputy Governor of the Federal Reserve Bank of Chicago, reading as follows:

"Receipt is acknowledged of your letter of July 9, inclosing copy of letter from the Assistant Secretary of the Retirement System of

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"Federal Reserve Banks with reference to the case of James J. Mooney, Supervisor in the Washington office of the Leased Wire System.

"In view of the efficient service being rendered by Mr. Mooney, it is requested that you recommend to the Retirement Committee that Mr. Mooney be continued in service for a period of one year from March 1, 1934, in accordance with Section 3 sub-section (1) paragraph (a) of the Rules and Regulations."

Approved.

Memorandum dated July 12, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated July 7 from Mr. Helm, Deputy Governor and Cashier of the Federal Reserve Bank of Kansas City, which requested approval of a change in the personnel classification plan of the Oklahoma City branch to provide for the new position of "guard" in the general service-guards department. The memorandum stated that the committee had reviewed the proposed change and recommended that it be approved. The recommendation was approved by five members of the Board on July 17, 1934.

Approved.

Letter dated July 18, 1934, approved by five members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of July 5, 1934, inclosing a copy of a letter dated June 29, 1934, from Vice President McLaughlin of the Security State Bank & Trust Co., Ralls, Texas, advising that the bank, which on December 27, 1933, filed notice of intention to withdraw from the Federal Reserve System, does not desire at this time to withdraw from membership.

"In view of such advice, the Board considers the notice of intention to withdraw as having been canceled.

"It has been noted that the State examiner suggested that the bank strengthen its capital position by the sale of capital debentures, but there is no information as to what action has been taken in that respect. The Board feels that any bank in need of capital funds should take advantage of present opportunities to strengthen its capital structure and

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"provide an adequate amount of net sound capital to support the deposit liability."

Approved.

Letter dated July 17, 1934, approved by four members of the Board, to "The First National Bank of Belfast", Belfast, Maine, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Maine, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

"This letter will be your authority to exercise the fiduciary powers granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course."

Approved.

Letter dated July 18, 1934, approved by four members of the Board, to the "First National Bank in Fairfield", Fairfield, Iowa, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Iowa, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

"This letter will be your authority to exercise the fiduciary powers granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course."

Approved.

Letter dated July 18, 1934, approved by four members of the Board,

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to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Brady National Bank', Brady, Texas, from \$100,000 to \$50,000, pursuant to a plan which provides that none of the released capital shall be returned to the shareholders, but will be used to eliminate or reduce undesirable assets to be selected by a national bank examiner, all as set forth in your letter of July 11, 1934."

Approved.

Telegram dated July 18, 1934, approved by three members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that the Board has given consideration to the application of the "Mellbank Corporation", Pittsburgh, Pennsylvania, for a voting permit under section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The National Bank of Charleroi and Trust Company", Charleroi, Pennsylvania, and "The Second National Bank of Uniontown", Uniontown, Pennsylvania, and has authorized the issuance of a limited permit to the applicant for the following purpose:

"At any time prior to October 1, 1934, to amend the articles of association of each of such banks and to take other action necessary to authorize, as provided by law, the creation and issuance by each of such banks of common stock and/or preferred stock of one or more classes and in such amounts and with such incidents as may be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Cleveland."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Mellbank Corporation, a limited voting permit in accordance with the telegram.

Approved.

Letter dated July 18, 1934, approved by five members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

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"For some time it has been evident that the selected items included in the weekly report of condition of member banks in leading cities are not as informative as they should be, principally because loans are not classified as between open-market loans and customer loans and because the deposit figures relate not to actual deposits but to certain special categories necessitated by the present method of computing reserve requirements. In order to obtain data which will enable the System to better appraise the extent and character of current changes in the condition of the weekly reporting member banks, the form (St. 51a) used by them in submitting their reports has been revised in accordance with the sample inclosed. It is suggested that this form be printed locally, in accordance with the procedure heretofore followed, and that member banks be requested to submit reports in accordance therewith beginning Wednesday, September 5, 1934.

"It will be noted that the revised form provides for a balanced statement and also for certain information regarding debits to deposit accounts. The debit figures, also the data on deposits, will be used in connection with the study of the proposed change in member bank reserve requirements referred to in the Board's letter of this date. It is not intended for the present to change the form in which the figures are published."

Approved.

Letter dated July 18, 1934, approved by five members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"On March 23, 1934, Governor Black, in testifying before the Committee on Banking and Currency of the United States Senate, renewed on behalf of the Federal Reserve Board the recommendation of the Board for legislation establishing a system of member bank reserve requirements based not only on the volume of deposits but also on their turnover. This system of reserves was first recommended by the Federal Reserve System Committee on Member Bank Reserves in 1931.

"As you know, the Federal Reserve System Committee on Member Bank Reserves submitted its recommendations after extended research and investigation. In the course of that investigation it was necessary to estimate on the basis of existing data what the required reserves of all member banks as a whole would have been under the Committee's plan had it been in effect during earlier periods. It has now been decided to extend the scope of that investigation somewhat in an effort to obtain information for individual banks and for groups of banks regarding changes in reserves required under the committee's proposal compared

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"with changes in reserves required under the present law. It is desired to determine with respect to such banks (a) the extent to which required reserves under the proposed plan would fluctuate during different seasons of the year, compared with changes in present required reserves, (b) the extent to which required reserves under the present and proposed plans fluctuate with changes in business and credit conditions, and (c) the extent to which the burden of reserves would be increased, decreased, or shifted among banks by the proposal.

"In connection with this study we should like to have you enlist the cooperation of representative groups of member banks, as indicated below, in supplying the necessary data for determining what required reserves would have been under the Board's proposal over a period extending back through 1928. It would be very helpful also if the necessary data could be obtained for 1924--1927 for at least some of the banks.

"The groups of banks for which we should like to obtain the data are:

"1. Weekly figures from member banks that now submit weekly condition reports.

"2. Monthly figures from other banks in groups located in or serving communities or regions whose chief economic activities may be characterized by the production of specific commodities or by the dominance of a particular type of industry such as:

- a. Cotton growing
- b. Tobacco growing
- c. Wheat raising
- d. Corn growing
- e. Livestock
- f. Dairying and poultry raising
- g. Fruits and vegetables
- h. Mixed farming
- i. Lumbering and logging
- j. Oil producing
- k. Coal mining
- l. Iron ore mining
- m. Other mineral producing
- n. Industrial and commercial

"The data required for our purposes are indicated by the following inclosures:

- "1. Form 234 - For obtaining currently commencing with September 1934, monthly data from selected banks other than those that now submit weekly condition reports.

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- "2. Form 235 - For obtaining monthly data for back periods from such banks.
- "3. Form 235a- For obtaining weekly data for back periods from selected reporting member banks.
- "4. A statement explaining the forms.
- "5. A suggested form of letter to be sent to the member banks whose cooperation is to be solicited in securing back figures.

"In the case of weekly reporting member banks it is proposed to collect the required current data in connection with a revised form of weekly condition report about which you are being advised in a separate letter.

"It would be desirable to have whatever back data may be obtainable on Forms 235 and 235a in your possession in time for you to complete the compilations on these forms for individual banks and groups of banks by the end of October. The current data on Form 234 it is contemplated should be collected commencing with September 1934 and thereafter until otherwise advised.

"It is thought that if the required data for prior periods can be obtained for approximately 10 percent of the member banks in each district, properly distributed, such a sample will make possible a satisfactory test, representative of all member banks in the district. However, in selecting the banks whose cooperation is to be enlisted in the study, it would be desirable to take only such banks as had been licensed by the end of June, 1933, and whose past records are known to be well kept. In order to avoid any bias in selecting the banks it would be preferable, wherever practicable, to include all representative member banks in selected economic areas, and to confine the list of banks from which back data are requested to banks which are also being asked to supply current data.

"Such data as are collected should be transcribed at your bank to Forms 236 and 236a, copies of which are also inclosed, the information called for in columns 8 and 11 added and the calculations indicated on these forms made. You will be advised later in what form to transmit the data to the Board. It is essential that the figures of 'daily average required reserves during week (month) under present law' called for in column 8 and of 'average borrowings from Federal Reserve bank during week (month)' called for in column 11 be comparable with the figures in the other columns. Accordingly, special care should be taken in the case of the figures for any bank that absorbed or merged with one or more other banks during the period to insure that the figures supplied from the records of the Reserve bank represent the same banking units as do those furnished by the member bank.

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"It will be appreciated if you will furnish us, as soon as practicable, with a list of the reporting member banks and other banks in your district from which you propose to obtain back data, the banks to be grouped in the manner indicated on page 2 of this letter. Please show in this list the total deposits of each such bank at the end of 1933 and the population of the cities in which the selected banks are located, and the ratios of the aggregate deposits and population for all selected banks and cities to the totals for your district. The list will be examined and you will be advised whether we have any suggestions to make in regard thereto.

"A supply of the forms referred to herein will be sent you in due course."

Approved.

Letter dated July 18, 1934, prepared in accordance with the action taken at the meeting of the Executive Committee of the Board on July 9, and approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"As you know, section 5240 of the Revised Statutes provides that the Federal Reserve Board upon the recommendation of the Comptroller of the Currency shall fix the salaries of all bank examiners and make a report thereof to Congress. In connection with the preparation of the Board's annual report to Congress for the year 1933, it has been brought to the Board's attention that, since the enactment of the Banking Act of 1933, salaries proposed for national bank examiners have not been submitted to the Board in accordance with this provision of law. It is the opinion of counsel for the Federal Reserve Board that the provision of section 5240 in question, notwithstanding the amendments to that section contained in the Banking Act of 1933, is still in effect and a copy of the opinion of the Board's counsel on this subject is enclosed herewith for your information. Accordingly, it is believed that the practice existing prior to the enactment of the Banking Act of 1933 should be continued and in the circumstances an expression from you with regard to the matter will be appreciated."

Approved.

Letter dated July 18, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

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"Reference is made to the exchange of memoranda between Mr. Awalt and the undersigned, under date of July 3, 1934, in regard to a footnote to be placed at the bottom of the list of salaries of national bank examiners which will be published in the Board's annual report for the year 1933. It was suggested in my memorandum that an appropriate footnote should read as follows:

'Since the enactment of the Banking Act of 1933, salaries of national bank examiners have not been submitted to the Federal Reserve Board for approval.'

As you know, Mr. Awalt suggested that the wording, as set out above, be modified by substituting the words 'are not submitted' in lieu of 'have not been submitted'.

"The suggested change has been discussed by the Board and it feels that the footnote should be in the form suggested in my memorandum of July 3. In this connection, however, the Board requested its counsel to consider the legal aspects of the matter and a copy of counsel's opinion is being sent you with a separate letter of this date. It will therefore be appreciated if you will give the matter your early consideration."

Approved.

Letter dated July 17, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"This refers to your memorandum of July 6, 1934, stating that you have received inquiries from your examiners as to the manner in which a national bank should carry a liability to a Federal reserve bank upon an obligation transferred to such reserve bank by such national bank pursuant to the provisions of subsection b of section 13b of the Federal Reserve Act. It is understood that under date of July 9, 1934, you addressed a telegram to your chief national bank examiners advising in substance that such liabilities to the extent of the bank's obligations to the Federal reserve bank should be carried as 'obligations on industrial advances transferred to the Federal reserve bank' and, that on the asset side a corresponding amount should be carried in 'Loans and discounts' or if in the form of bonds, then in investments. You are advised that the Federal Reserve Board is in agreement with your office that a liability of a member bank of the Federal Reserve System upon an obligation to a Federal reserve bank under the provisions of subsection b of section 13b of the Federal Reserve Act should be carried on the books of the bank in the manner above stated."

Approved.

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Letter dated July 17, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"This refers to your memorandum of June 30, 1934, in which you request an expression of opinion by the Board on the question whether a renewal after June 16, 1933 of a loan made by a member bank to an affiliate prior to such date constitutes a 'loan or extension of credit of any kind or character to an affiliate' which is required to be secured by collateral in accordance with the provisions of section 23A of the Federal Reserve Act.

"The first paragraph of section 23A prescribes certain limitations in respect to extensions of credit by member banks to affiliates and investments by member banks in, or loans on, the obligations of affiliates. The second paragraph of that section provides in part that, 'Within the foregoing limitations, each loan or extension of credit of any kind or character to an affiliate shall be secured by collateral in the form of stocks, bonds, debentures, or other such obligations having a market value at the time of making the loan or extension of credit of at least 20 per centum more than the amount of the loan or extension of credit * * *'.

"It is the view of the Board that a renewal of a loan should not be considered a 'loan or extension of credit' within the meaning of the provisions in question, and it would appear that your inquiry must be resolved by determining the question whether a loan or extension of credit made prior to the effective date of section 23A is within the scope of the provisions of the second paragraph of that section. It will be noted that the provisions of the first paragraph of section 23A are prospective in their operations and that the limitations prescribed therein do not apply to loans, extensions of credit, repurchase agreements, investments, or advances against collateral security made prior to June 16, 1933, the effective date of the section. Although the phrase 'each loan or extension of credit of any kind or character to an affiliate', which appears in the first sentence of the second paragraph of section 23A, is sufficiently broad in terms to embrace a loan or extension of credit to an affiliate made prior to June 16, 1933, the use in the same sentence of the phrase 'Within the foregoing limitations', and the requirement in that sentence that the collateral shall have a certain value 'at the time of making the loan or extension of credit', indicate that the phrase 'loan or extension of credit of any kind or character to an affiliate' refers to loans or extensions of credit made after the effective date of such provisions. Accordingly, the Board is of the opinion that the provisions of the second paragraph of section 23A are inapplicable to a loan made by a member bank prior to June 16, 1933, and renewed after such date,

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"and that such a loan is not required to be secured by collateral under the provisions of that paragraph.

"For the purposes of the Board's records, it will be appreciated if you will furnish the Board with a copy of such communication as you may send to 'The Citizens National Bank of Los Angeles, California', or to your examiner in connection with this matter."

Approved.

Telegram dated July 18, 1934, approved by four members of the Board, to Mr. Frank Warner, Secretary of the Iowa Bankers Association, Des Moines, Iowa, reading as follows:

"Reference your letter July 12. If words 'before maturity' in Form number 22 are stricken out and there are inserted in lieu thereof the words 'before the expiration of the period above specified', it is Board's view that forms of time certificates of deposit submitted with such letter will not be inconsistent with applicable provisions of Regulation Q and if such change is made Board will offer no objection to classification of deposits evidenced by such certificates as time deposits for purposes of said regulation."

Approved.

Letter dated July 17, 1934, approved by five members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"In its telegram of June 23, 1934, Trans. 2015, the Federal Reserve Board advised you that it had issued a permit under Section 32 of the Banking Act of 1933 authorizing any member bank or banks to have correspondent relationships with any dealer or dealers in connection with underwriting and dealing in municipals and other obligations of the kinds exempted from the restrictions of Section 5136 of the Revised Statutes.

"In that telegram the Board stated that:

"* * * Instead of formal applications usually required, each member bank which exercises privilege granted herein shall promptly furnish to Federal Reserve Agent of district in which member bank is located such information concerning its operations under this permit as Federal Reserve Board may require, and Board will at an early

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"date advise as to information which must be submitted. Upon receipt of required information, each Federal Reserve Agent will be expected to review promptly facts involved in each correspondent relationship covered by this permit in his district, and to advise Board of any case in which facts are such as to indicate that permit should be revoked as to particular relationship. Each Federal Reserve Agent is requested to review all correspondent relationships covered by this permit in his district, and advise Board, not later than November 15, 1934, whether in his opinion it will be compatible with the public interest to renew this permit, stating reasons for his opinion. * * *".

"You are requested to advise all member banks in your district that each such bank availing itself of the privilege granted by the permit above referred to must submit to you promptly information describing the nature of the relationship and the following detailed information regarding each syndicate operation in which it participates:

- "1. A description of the issue, including the name of the issuer, the nature of the obligations (whether bonds, notes, or other obligations), the amount of the issue, the maturity, and the rate of interest;
- "2. The names of the other members of the syndicate or group which participated in the transaction;
- "3. The amount of the issue subscribed for by the reporting member bank;
- "4. The amount of the issue actually taken by the reporting member bank;
- "5. The price paid for the securities by the member bank, and the price at which they were sold to the public.
- "6. The extent to which the member bank's participation has been disposed of at the time of its report to the Federal Reserve Agent and the extent, if any, to which the member bank proposes to retain the securities for its own account.

"If in any case you feel that the information submitted is not sufficient to enable you to form a conclusion as to whether or not the permit in the particular case is in the public interest, you are requested to obtain such additional information from the member bank as you deem advisable.

"The information to be obtained is intended to supplement the information available to you from reports of examination and other sources and assist you in advising the Board as requested in the last two sentences quoted above from its telegram of June 23, 1934, Trans. 2015."

Approved.

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Letter dated July 17, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter dated June 29, 1934 with the inclosures, regarding the request by Mr. Richard H. Higgins for a ruling by the Board as to the applicability of Section 32 of the Banking Act of 1933 to his service at the same time as director of the Manufacturers Trust Company, New York, New York, and as director of the Guardian Assets Corporation, Dover, Delaware.

"It appears that the Guardian Assets Corporation was organized under the laws of Delaware on September 24, 1928, as an investment trust and that all the stock of the company is owned by a group of individuals. It has been stated that during the period from 1928 to 1930 inclusive, the corporation participated in a few small underwriting syndicates and joint accounts which resulted in a small profit, but that since the year 1930 the corporation has not participated in any such transactions, and has no intention of becoming again a participant in any such transactions, and has merely held for investment such securities as it then had in its portfolio making such changes from time to time as appeared advisable.

"Also, it has been shown in connection with the business of investing and reinvesting the company's assets during the past four years that the total sales prices of securities sold by it were in the following ratio to its total assets:

1930	Proportion of securities sold to total assets	28.4%
1931	" " " " " " " "	3.3%
1932	" " " " " " " "	5.4%
1933	" " " " " " " "	7.4%

"During the same period the proportion of the value of securities purchased by it to its total assets is shown to be as follows:

1930	Proportion of securities purchased to total assets	53.1%
1931	" " " " " " " "	3.2%
1932	" " " " " " " "	6.0%
1933	" " " " " " " "	8.2%

"The proportions of the company's portfolio with respect to the periods during which the same had been held at the end of the last 3 years is shown as follows:

	1931	1932	1933
Held 6 to 12 months	0.6%	1.4%	2.5%
" 12 to 18 months	23.6%	0	1.4%
" 18 to 24 months	24.9%	4.2%	1.5%
" over 24 months	42.7%	87.7%	89.9%

"According to the statement made by the Treasurer of the Corporation, it has never carried on any operations of a speculative

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"nature on any stock exchange or elsewhere.

"On the basis of the information submitted, the Board believes that the Guardian Assets Corporation may not be regarded as being 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the intendment of the provisions of Section 32. In the circumstances, the Board agrees with you and your counsel that a permit covering Mr. Higgins' service to that corporation and to the Manufacturers Trust Company is not necessary and unless there are other facts which you believe should be brought to the attention of the Board, it is suggested that you advise Mr. Higgins accordingly. "

Approved.

Letter dated July 18, 1934, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your two letters of May 1, 1934, regarding directors and/or officers of member banks in your district who are apparently serving other organizations in violation of the Clayton Antitrust Act or Section 32 of the Banking Act of 1933. It appears that in each case the person involved has been advised by you of the applicable statutory provisions and that in most cases you have sent a further letter to the person involved specifically calling his attention to the matter.

"The Board is unable to understand the attitude of these individuals, and is, of course, prepared to take appropriate steps to bring about a compliance with the applicable statutory provisions. It is noted that in one instance the person involved has been ill for some time and this is undoubtedly the explanation of the delay in his case. It is possible that other substantial reasons exist in the other cases, and it is suggested that you communicate again with each of such individuals calling his specific attention to the requirements of the applicable statutory provisions and requesting a prompt reply in order that the Federal Reserve Board may be advised in the premises."

Approved.

Letter dated July 17, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

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"The Board has received Mr. Clark's letter of July 5, 1934 regarding the applications of Mr. J. L. Bedsole and Mr. Milton L. Brown for permits under Section 32 of the Banking Act of 1933 to serve as directors of the First National Bank, and the First Securities Company, both of Mobile, Alabama, in which letter there was inclosed a copy of a letter to Mr. Clark from Mr. Bedsole concerning the business of the Mobile Bond and Mortgage Company which both applicants also serve. Although there is no request in Mr. Clark's letter for a ruling by the Board, it is assumed that the copy of Mr. Bedsole's letter was transmitted in order to obtain the opinion of the Board on the question whether the service of the two applicants to the First National Bank and to the Mobile Bond and Mortgage Company constitutes a relationship within the scope of Section 32.

"Mr. Bedsole has previously stated that the charter of the Mobile Bond and Mortgage Company provides that the company may issue certificates of participation in real estate loans, but that such privilege has never been used nor is there any thought on the part of the directors or officers of the company that it ever will be used. Mr. Bedsole also has stated that, while the Mobile Bond and Mortgage Company has sold some mortgages to investors, it has never issued bonds or other evidences of obligations secured by the mortgages which the Company holds.

"As you know, the Board has previously reached the conclusion that neither mortgages nor ordinary mortgage notes arising out of a direct loan on real estate are 'securities' within the intendment of Section 32 and that such obligations should not be classified as securities for the purposes of that section. On the basis of the facts submitted, the Board believes that the business of the Mobile Bond and Mortgage Company does not come within the scope of Section 32 and that a permit under the section to serve that Company and the First National Bank is not necessary.

"In the circumstances, unless there are other facts which you believe should be brought to the attention of the Board, it will be appreciated if you will notify the applicants accordingly."

Approved.

Letter dated July 18, 1934, approved by four members of the Board, to Mr. George S. Hovey, President of The Inter-State National Bank, Kansas City, Missouri, reading as follows:

"The Federal Reserve Board has received your letter of July 3, 1934, regarding the application of Mr. R. Hovey Tinsman for a permit under Section 32 of the Banking Act of 1933 to serve as a director of The Inter-State National Bank and as an officer of Prescott, Wright, Snider Company, both of

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"Kansas City, Missouri.

"In your letter you refer to the fact that the Board has decided that Mr. Tinsman is not eligible to continue as a director of your bank by reason of his serving as secretary and director of the above-named company, which appears to be a dealer in securities. You state that Mr. Tinsman is seriously considering resigning as a director and as secretary of the Prescott, Wright, Snider Company, but remaining in the employ of the company and ask whether, in such event, it will be agreeable to the Board for him to remain as a director of The Inter-State National Bank.

"Section 32 provides that no officer or director of any member bank shall be an officer, director, or manager of any corporation, partnership, or unincorporated association engaged primarily in the business of purchasing, selling or negotiating securities, unless in any such case there is a permit therefor issued by the Federal Reserve Board. If Mr. Tinsman ceases to be a director and an officer of the Prescott, Wright, Snider Company, and his relationship to that company is not in a managerial capacity, his service as an employee of the company and as a director of your bank will not come within the scope of the provisions of Section 32 and, in the circumstances, no permit under that section for the continuance of such relationship will be necessary.

"Your attention, however, is invited to the fact that Section 8A of the Clayton Antitrust Act prohibits a director, officer or employee of a national bank from serving as a director, officer or employee of a corporation other than a mutual savings bank which shall make loans secured by stock or bond collateral other than to its own subsidiaries. The Federal Reserve Board has expressed the opinion that the carrying of margin accounts involves the making of loans secured by stock or bond collateral within the meaning of Section 8A; and, accordingly, even though a person is not an officer or director of a company engaged primarily in the business of purchasing, selling, or negotiating securities, so that the provisions of Section 32 are not applicable to his service as an employee of such company and as a director of a national bank, the relationship falls within the prohibitions of Section 8A of the Clayton Act if the company makes loans secured by stock or bond collateral in connection with the carrying of margin accounts or otherwise.

"The Federal Reserve Board is authorized by Section 8 of the Clayton Act to issue permits covering relationships between not more than three banking institutions which are otherwise prohibited by the terms of Section 8 or Section 8A, if such relationships are not incompatible with the public interest. However, it is not the Board's practice to issue permits

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"authorizing relationships between national banks and institutions carrying margin accounts, because it appears that one of the principal purposes of Section 8A was to terminate such relationships and the issuance of permits authorizing relationships of that kind would be incompatible with the public interest as declared by Congress.

"Therefore, if the Prescott, Wright, Snider Company makes loans secured by stock or bond collateral in connection with the carrying of margin accounts or otherwise, the service by Mr. Tinsman as a director, officer or employee of that company and as a director of your bank will come within the prohibitions of Section 8A. In such circumstances, if Mr. Tinsman resigns as director and as Secretary of the company, but remains as an employee, although such steps will take his relationship with that company and your bank outside the scope of Section 32, the prohibitions of the Clayton Act will still apply."

Approved.

Letter dated July 17, 1934, approved by five members of the Board, to Mr. S. Waldo Coleman, San Francisco, California, reading as follows:

"The Federal Reserve Board has given consideration to your application for a permit under Section 32 of the Banking Act of 1933 to serve as director of The Bank of California N.A., and as president and director of the North American Securities Company, both of San Francisco, California.

"From the information submitted by you in connection with your application, it appears that the North American Securities Company is a wholly owned subsidiary of the North American Investment Corporation and that, since the beginning of the present year, the business of the former company has been confined solely to the wholesale selling of Commonwealth Investment Company shares to dealers. It further appears that the North American Securities Company purchases for its own account such shares and resells them to dealers, absorbing any profit or loss incidental to the purchase and sale of the same.

"The Federal Reserve Board believes that it was the intent of Congress in enacting Section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence in a manner which Congress deemed to be incompatible with the public interest the banks' credit and investment policies and their advice respecting investments to their correspondent banks and other customers. Consequently, the Board feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in

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"that section and that its authority to issue such permits should be exercised only in exceptional cases, for example, those which are included within the literal terms of the statutes but which are actually of a kind different from the relationships at which its provisions were directed.

"On the basis of the information submitted, the North American Securities Company appears to be 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of Section 52 and the relationship covered by your application apparently is within the class which the Board believes that section was designed to terminate. In the circumstances, the Board is unable to find that it would not be incompatible with the public interest, as declared by Congress, to grant your application.

"In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent."

Approved.

Letter dated July 18, 1934, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"The Board has reconsidered the application of Mr. H. B. Martin, Thompson Hotel Building, Elkins, West Virginia, for permission under the provisions of the Clayton Act to serve at the same time as a director of the Citizens National Bank of Elkins, Elkins, West Virginia, and as a director of the Bank of Adrian, Adrian, West Virginia, and upon the basis of the information before it, including that submitted by the applicant in his letter dated June 15, 1934, still feels that the granting of the permit would be incompatible with the public interest as indicated in its letter dated June 13, 1934."

Approved.

Letter dated July 17, 1934, approved by four members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

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"There is inclosed a Clayton Act permit covering the service of Mr. J. H. Thatcher, as director and officer of The First National Bank of Lamar, Lamar, Colorado, as director and officer of The First National Bank of Trinidad, Trinidad, Colorado, and as director of The First National Bank of Pueblo, Pueblo, Colorado. It is noted that in reply to question numbered 12 on application form 94, the applicant states that he is also serving as director and vice-president of the Henry Investment Company and The McMann Real Estate and Investment Company, both of Pueblo, Colorado.

"While the Board does not have detailed information regarding the character of the business of The Henry Investment Company and The McMann Real Estate and Investment Company, it appears possible that the provisions of Section 32 of the Banking Act of 1933 are applicable in connection with his service as director and officer of the three national banks, and as director and officer of the two investment companies. You are accordingly, requested to withhold delivery of the Clayton Act permit to Mr. Thatcher until you are satisfied that Section 32 does not apply to the relationship above described, in which event you are authorized to deliver the Clayton Act permit to the applicant, at the same time transmitting copies thereof to the banks involved.

"If you find that Mr. Thatcher's service with either or both of the two investment companies and the member banks involved comes within the provisions of Section 32, you are requested to advise him of the requirements of that section and notify him that he may file an application for a permit covering such service. Of course, if upon consideration of the facts involved, with the advice of your counsel, you are unable to determine whether Mr. Thatcher's service comes within the provisions of Section 32, the Board, upon receipt of full information, will be glad to rule upon the matter. In any event, the delivery of the Clayton Act permit should not be made until it has been determined that Mr. Thatcher's service with either or both of the two investment companies and the member banks does not come within the provisions of Section 32 or that his service with such institutions has been brought into conformity with the requirements of that section.

"Please advise the Board of your action in this matter."

Approved.

Letter dated July 17, 1934, approved by four members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

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"There is inclosed a Clayton Act permit covering the service of Mr. R. C. Thatcher as director and officer of The First National Bank of Pueblo, Pueblo, Colorado, as director and officer of The First National Bank of Lamar, Lamar, Colorado, and as director and officer of The Minnequa Bank of Pueblo, Pueblo, Colorado. It is noted that in reply to question numbered 12 on application form 94, the applicant states that he is also serving as director and president of the Henry Investment Company, Pueblo, Colorado.

"While the Board does not have detailed information regarding the character of the business of the Henry Investment Company, it appears possible that the provisions of Section 32 of the Banking Act of 1933 are applicable in connection with his service as director and officer of the two national banks, and as director and president of the Henry Investment Company. You are, accordingly, requested to withhold delivery of the Clayton Act permit to Mr. Thatcher until you are satisfied that Section 32 does not apply to the relationship above described, in which event you are authorized to deliver the Clayton Act permit to the applicant, at the same time transmitting copies thereof to the banks involved.

"If you find that Mr. Thatcher's service with the Henry Investment Company and the member banks involved comes within the provisions of Section 32 you are requested to advise him of the requirements of that section and notify him that he may file an application for a permit covering such service. Of course, if upon a consideration of the facts involved, with the advice of your counsel, you are unable to determine whether Mr. Thatcher's service comes within the provisions of Section 32, the Board, upon receipt of full information will be glad to rule upon the matter. In any event, the delivery of the Clayton Act permit should not be made until it has been determined that Mr. Thatcher's service with the Henry Investment Company and the member banks does not come within the provisions of Section 32 or that his service with such institutions has been brought into conformity with the requirements of that section.

"Please advise the Board of your action in this matter."

Approved.

Letter dated July 17, 1934, approved by four members of the Board, to an applicant for a permit under the Clayton Act advising of approval of his application as follows:

Mr. C. B. Carlile, for permission to serve at the same time as a director and officer of The First National Bank of Pueblo, Pueblo, Colorado, as a director of The First National Bank of Lamar, Lamar, Colorado, and as a director and officer of The Minnequa Bank of Pueblo, Pueblo, Colorado.

Approved.

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Letters dated July 17, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. S. R. Curtis, for permission to serve at the same time as a director and officer of The First National Bank of Yorktown, Yorktown, Virginia, and as a director of The First National Bank of Poquoson, Odd, Virginia.

Mr. William H. Nalty, for permission to serve at the same time as a director of The Hibernia National Bank in New Orleans, New Orleans, Louisiana, and as a director and officer of the Guaranty Bank and Trust Company, Hammond, Louisiana.

Mr. Russel M. Boothby, for permission to serve at the same time as a director and officer of the Farmers and Merchants National Bank in Benton Harbor, Benton Harbor, Michigan, and as a director of The State Savings Bank, Bridgman, Michigan.

Mr. Bruce Rardin, for permission to serve at the same time as a director and officer of The Charleston National Bank, Charleston, Illinois, and as a director and officer of the Rardin State Bank, Rardin, Illinois.

Mr. H. J. Tillemans, for permission to serve at the same time as a director and officer of The Farmers and Merchants National Bank of Minnesota, Minnesota, Minnesota, and as a director and officer of The Farmers and Merchants National Bank of Ivanhoe, Ivanhoe, Minnesota.

Mr. John Tillemans, for permission to serve at the same time as a director and officer of The Farmers and Merchants National Bank of Minnesota, Minnesota, Minnesota, and as a director of The Farmers and Merchants National Bank of Ivanhoe, Ivanhoe, Minnesota.

Approved.

Letters dated July 18, 1934, approved by four members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. C. C. Gautier, for permission to serve at the same time as a director of The Central National Bank of Greencastle, Greencastle, Indiana, as a director of The Central Trust Company, Greencastle, Indiana, and as a director of The

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Ladoga State Bank, Ladoga, Indiana.

Mr. Frank Donner, for permission to serve at the same time as a director of The Central National Bank of Greencastle, Greencastle, Indiana, and as a director of The Central Trust Company, Greencastle, Indiana.

Mr. Clyde R. Randel, for permission to serve at the same time as a director of The Central National Bank of Greencastle, Greencastle, Indiana, and as a director of The Central Trust Company, Greencastle, Indiana.

Mr. Chas. H. Barnaby, for permission to serve at the same time as a director of The Central National Bank of Greencastle, Greencastle, Indiana, and as a director of The Central Trust Company, Greencastle, Indiana.

Mr. Kenneth E. West, for permission to serve at the same time as an officer of The Central National Bank of Greencastle, Greencastle, Indiana, and as an officer of The Central Trust Company, Greencastle, Indiana.

Mr. H. L. Wells, for permission to serve at the same time as an officer of The Central National Bank of Greencastle, Greencastle, Indiana, and as an officer of The Central Trust Company, Greencastle, Indiana.

Approved, together with a letter, also dated July 18, 1934, and approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"There are inclosed copies of Clayton Act permits issued by the Board to the following directors and/or officers of The Central National Bank of Greencastle and The Central Trust Company, both of Greencastle, Indiana:

C. C. Gautier	Charles H. Barnaby
Frank Donner	Kenneth E. West
Clyde R. Randel	H. L. Wells

"The permit issued to Mr. Gautier also covers his service with The Ladoga State Bank, Ladoga, Indiana.

"You will be advised in a separate communication of the action taken by the Board with respect to the application of Mr. F. L. O'Hair to serve as director and officer of the two Greencastle banks and the Ladoga bank.

"In analyzing the application of Mr. Barnaby it was noted that the report of examination of The Central National Bank of Greencastle

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"showed a direct liability of Mr. Barnaby in the amount of \$14,400 classified as slow and reported by the examiner to be an old capital loan which should be refinanced or adequately secured. The examiner also reported that Mr. Barnaby habitually overdraws his account and that recently such overdrafts had amounted to as much as \$5,000. Although Mr. Barnaby is not an executive officer of the bank the Board feels that such extensions of credit are unwarranted; and it is assumed that in accordance with the statement made in your report covering the application of Mr. Barnaby you have discussed this matter with President O'Hair.

"The Board desires that when you submit your recommendations as a result of your annual review of these permits, you report fully as to the current status of Mr. Barnaby's borrowings and ascertain and advise whether he has discontinued the practice of overdrawing his account."

Letter dated July 18, 1934, approved by four members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. F. L. O'Hair, for permission to serve at the same time as a director and officer of The Central National Bank of Greencastle, Greencastle, Indiana, as a director and officer of The Central Trust Company, Greencastle, Indiana, and as a director and officer of The Ladoga State Bank, Ladoga, Indiana.

Approved, together with a letter, also dated July 18, 1934, and approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"There is inclosed for your files a copy of the Clayton Act permit issued by the Board to Mr. F. L. O'Hair of Greencastle, Indiana, to serve as director and officer of The Central National Bank of Greencastle, Greencastle, as director and officer of The Central Trust Company, Greencastle, and as director and officer of The Ladoga State Bank, Ladoga, all of Indiana.

"In considering this application it was noted that the national bank appeared to be in good condition, the trust company in fair condition, and the Ladoga bank in poor condition; and that all three banks are reported to be under safe management but have boards of directors characterized as weak and apparently dominated to some extent by the applicant. The reports of examination of the State banks reflected comparatively large holdings of sub-standard bonds, the depreciation in which represented a large part of the estimated losses of each bank.

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"It was also noted that Mr. O'Hair appears to be financially involved, the report of examination of the national bank as of March 5, 1934, showing a direct loan in the amount of \$8,050, of which \$4,050 was classified as doubtful and \$4,000 as a loss, the latter amount being subsequently charged off. His indirect liability to this bank at that date amounted to \$1,100 of which \$900 was classified as a loss. The Federal Deposit Insurance Corporation report of examination of The Central Trust Company as of November 29, 1933, indicated that the applicant's wife had a loan of \$10,000 in this institution secured by fifty-seven shares of stock of the national bank, which loan was classified as \$4,000 slow and \$6,000 doubtful. It is reported that Mr. O'Hair admitted that this was really his own obligation. This examination report also showed a loan of \$1,600 to the Syndicate Glass Company, in which the applicant appears to be interested, which loan was classified as \$800 slow and \$800 doubtful. It further appears that Mr. O'Hair had a contingent liability of \$30,000 at the Fletcher American National Bank of Indianapolis, Indiana, now closed, and that this liability has become actual because of the maker's reported insolvency. The applicant's loans appear largely dependent upon the future of the three banks involved inasmuch as the collateral held consists largely of his stockholdings in these banks.

"Notwithstanding these facts, Mr. O'Hair, who has apparently been the dominating influence in each of the banks for a number of years, is regarded by your office and the national bank examiner as a capable bank executive. The Greencastle institutions operate under the same roof, the applicant's father, now deceased, is reported to have been associated with these banks for years and it appears that they are generally regarded by the public as O'Hair institutions and that the Ladoga bank is also regarded as an O'Hair bank.

"In view of these circumstances, the Board felt that it would be preferable to grant the permit in order to avoid any misunderstanding by the communities which might prove detrimental to the best interests of the bank, but it suggests that you discuss with the applicant and the banks involved the circumstances which caused the Board to be reluctant to issue this permit.

"The Board also desires that when you submit your recommendation as a result of your annual review of this permit, you report fully as to the progress made by the applicant in liquidating his obligations to these institutions and in effecting an improvement in his financial affairs."

Letters dated July 18, 1934, approved by four members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

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Mr. Edwin Heap, for permission to serve at the same time as a director and officer of The First National Bank of Okeena, Okeena, Ohio, and as a director and officer of The Merchants Bank and Trust Company, West Harrison, Indiana, P. O. Harrison, Ohio.

Mr. Frank J. Mulcahy, for permission to serve at the same time as an officer of the Northwestern National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, and as a director of the Second Northwestern State Bank, Minneapolis, Minnesota.

Mr. Harry H. Sivright, for permission to serve at the same time as an officer of the Northwestern National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, as a director of The Central National Bank of Minneapolis, Minneapolis, Minnesota, and as an officer of The Fifth Northwestern National Bank of Minneapolis, Minneapolis, Minnesota.

Mr. George Vollmer, for permission to serve at the same time as an officer of the Northwestern National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, and as a director of The First National Bank of Breckenridge, Breckenridge, Minnesota.

Mr. O. P. Newberry, for permission to serve at the same time as a director and officer of The First National Bank of Gorman, Gorman, Texas, and as a director of the Continental National Bank of Fort Worth, Fort Worth, Texas.

Approved.

Letters dated July 18, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Harry W. Armstrong, for permission to serve at the same time as a director and officer of The Farmers National Bank of Watson-town, Watsonstown, Pennsylvania, and as a director of the Milton Trust and Safe Deposit Company, Milton, Pennsylvania.

Mr. P. P. Kerr, for permission to serve at the same time as a director of the McDowell County National Bank in Welch, Welch, West Virginia, as a director of the Berwind Bank, Berwind, West Virginia, and as a director of the Bank of War, War, West Virginia.

Mr. J. Louis McCarty, for permission to serve at the same time as a director of the McDowell County National Bank in Welch,

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Welch, West Virginia, as a director of the Berwind Bank, Berwind, West Virginia, and as a director of the Bank of War, War, West Virginia.

Mr. R. L. Page, for permission to serve at the same time as a director and officer of the McDowell County National Bank in Welch, Welch, West Virginia, as a director and officer of the Berwind Bank, Berwind, West Virginia, and as a director and officer of the Bank of Quinwood, Quinwood, West Virginia.

Mr. E. S. Thompson, for permission to serve at the same time as a director of The Fayette County National Bank of Fayetteville, Fayetteville, West Virginia; as a director and officer of the Berwind Bank, Berwind, West Virginia, and as a director and officer of the Bank of War, War, West Virginia.

Approved.

There were then presented the following applications for changes

in stock of Federal reserve banks:

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
The Citizens National Bank & Trust Co. of Englewood, Englewood, New Jersey.	90	
The Peoples National Bank of New Brunswick, New Brunswick, New Jersey.	120	
First National Bank in Rockaway, Rockaway, New Jersey.	60	
The National Bank of Cohoes, Cohoes, New York.	120	
The Peoples-First National Bank of Hoosick Falls, Hoosick Falls, New York.	120	510
<u>District No. 6.</u>		
The Fairfield American National Bank, Fairfield, Alabama.	6	
The First National Bank & Trust Co. of Vicksburg, Vicksburg, Mississippi.	30	
The Cleveland National Bank, Cleveland, Tennessee	<u>39</u>	75
<u>District No. 7.</u>		
The First National Bank of Clarion, Clarion, Iowa.	3	3

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 9.</u>			
Union Bank & Trust Company, Helena, Montana.	90		
Commercial Trust & Savings Bank, Mitchell, South Dakota.	<u>39</u>	129	
<u>District No. 10.</u>			
Cordell National Bank, Cordell, Oklahoma.	8		8
<u>District No. 11.</u>			
Commercial National Bank in Shreveport, Shreveport, Louisiana.	120		
Del Rio National Bank, Del Rio, Texas.	30		
The Denton County National Bank of Denton, Denton, Texas.	3		
First City National Bank of Floresville, Floresville, Texas.	3		
First National Bank in Houston, Houston, Texas.	90		
The First National Bank of Rotan, Rotan, Texas.	12		
The Citizens National Bank of Sour Lake, Sour Lake, Texas.	<u>6</u>	264	
<u>District No. 12.</u>			
First National Bank in Delano, Delano, California.	<u>15</u>		<u>15</u>
	Total		1,004
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 2.</u>			
The First National Bank of Lyndhurst, Lyndhurst, New Jersey.	120		
The Carlstadt National Bank, Carlstadt, New Jersey.	<u>120</u>	240	
<u>District No. 3.</u>			
The Sixth National Bank of Philadelphia, Philadelphia, Pennsylvania.	420		420
<u>District No. 4.</u>			
The Peoples National Bank of Steubenville, Steubenville, Ohio.	30		
First National Bank in Wellington, Wellington, Ohio.	<u>45</u>	75	

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<u>Applications for SURRENDER of Stock: (Continued)</u>		<u>Shares</u>
<u>District No. 10.</u>		
Commerce Trust Company, Kansas City, Missouri.		600
The Security National Bank of Clinton, Clinton, Oklahoma.	<u>56</u>	656
<u>District No. 11.</u>		
The First National Bank of Mercedes, Mercedes, Texas.	<u>15</u>	<u>15</u>
	<u>Total</u>	<u>1,406</u>

Approved.

Thereupon the meeting adjourned.

C. Lester Morice
Secretary.

Approved:

J. J. Thomas
Chairman, Executive Committee.