

A meeting of the Federal Reserve Board was held in Washington on Saturday, December 15, 1934, at 11:30 a. m.

PRESENT: Mr. Eccles, Governor
Mr. Thomas, Vice Governor
Mr. Hamlin
Mr. James
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The Board acted upon the following matters:

Telegraphic reply, sent on December 14, 1934, with the approval of five members of the Board, to a telegram of that date from Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, stating that the board of directors of the bank, at its meeting on that date voted to establish a rediscount rate of $2\frac{1}{2}\%$ on rediscounts of eligible paper for member banks and advances to member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act, as amended, effective the first business day following that on which approved by the Federal Reserve Board, and a rate of $2\frac{1}{2}\%$ on Government securities under repurchase agreement. The reply stated that the Board approved for the Federal Reserve Bank of Atlanta the rediscount rate of $2\frac{1}{2}\%$, effective December 15, 1934, and the rate of $2\frac{1}{2}\%$ on Government securities purchased with an agreement to resell.

Approved.

Telegram dated December 14, 1934, approved by four members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

12/15/34

-2-

"Your letter December seventh. Board approves appointment on permanent basis of M. W. Starbuck as examiner in Federal Reserve Agent's department your bank, whose appointment on temporary basis has been previously approved by Board. Since status of other examiners and assistant examiners listed in your letter remains unchanged and their appointments have already been approved by Board not necessary to submit their names for reapproval each year even though such has been practice in past. Board feels it desirable, however, that old commission cards be canceled and new cards issued your examiners and assistant examiners each year."

Approved.

Letter dated December 14, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"There is transmitted herewith for your consideration an application of the 'Newton Trust Company', Newton, Massachusetts, a member bank, for permission to establish and operate a branch at Weston, Massachusetts. The Newton Trust Company is now operating seven branch offices in the city of Newton, which has a population of approximately 65,000 and is located in Middlesex County near the city of Boston. The Newton Trust Company is considered to be a well-managed bank and in a generally satisfactory condition.

"The town of Weston, with a population of approximately 3,300, is located in the same county as the city of Newton and is about eight miles from the main office of the Newton Trust Company. The town was formerly served by a branch of the Waltham Trust Company which did not reopen following the banking holiday, and since that time there have been no banking facilities in Weston. The Waltham National Bank advanced sufficient funds to the Liquidating Agent of the trust company to enable payment of 50 per cent of the liability to depositors, of whom many were reported to have lived in Weston. Weston is approximately three and one-half miles from Waltham and the Federal Reserve Agent at Boston advises that it is in the natural trade territory of Waltham; that the Waltham National Bank is furnishing the town of Weston with adequate banking facilities; and that, in his opinion, the establishment of the proposed branch would be an unprofitable venture.

"The Board of Bank Incorporation of Massachusetts has authorized the Newton Trust Company to establish and maintain a branch office at Weston, and Counsel for the Federal Reserve Bank of Boston is of the opinion that the branch can be legally established. The Reserve Bank Committee, however, after consideration of the appli-

12/15/34

-3-

"cation, voted to

'..... decline to recommend that the application of the Newton Trust Company, Newton, Massachusetts, for permission to establish a branch office in the Town of Weston, Massachusetts, be approved, this committee being of the opinion that the Town of Weston is already adequately served by banking institutions in neighboring places, and that there is not sufficient need for banking services in Weston to justify the expense of establishing and maintaining a branch bank in the community.'

"In view of all of the circumstances, particularly the fact that the Waltham National Bank facilitated the distribution to the depositors of the Waltham Trust Company, which had a branch in Weston, and in view of the recommendation of the Federal Reserve Agent and the Federal Reserve Bank Committee, the Federal Reserve Board recommends that the application of the Newton Trust Company be not approved at this time. It has been observed that your office has been urging the Waltham National Bank to strengthen its capital position, and it is believed, therefore, that, if the Waltham National Bank does not adequately strengthen its capital position within a reasonable length of time, the application of the Newton Trust Company for permission to establish a branch at Weston might appropriately be reconsidered.

"The attached file includes a letter dated November 26, 1934, with accompanying data from the Federal Reserve Agent at Boston, report of examination of the subject trust company as of October 22, 1934, made by an examiner for the Federal Reserve Bank of Boston, and a copy of the memorandum prepared by the Board's Division of Examinations. It will be appreciated if you will return this file when it has served your purpose and when you advise the Board of your action on the application."

Approved.

Letter dated December 14, 1934, approved by four members of the Board, to "The Chester National Bank," Chester, New York, reading as follows:

"This refers to the resolution adopted on March 2, 1934, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Federal Reserve Board understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it

12/15/34

-4-

"is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Federal Reserve Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

Approved.

Letter dated December 14, 1934, approved by four members of the Board, to "The First National Bank of Salamanca", Salamanca, New York, reading as follows:

"This refers to the resolution adopted on July 10, 1934, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Federal Reserve Board understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Federal Reserve Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

Approved.

12/15/34

-5-

Letter dated December 14, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your memorandum of December 10, 1934, in regard to the capital reduction of 'The First National Bank and Trust Company of Saugerties', Saugerties, New York, which was approved by the Board on November 3, 1933, subject, among other conditions, to the following:

'That adequate provision will be made, either in the articles of association of the bank or otherwise, to prevent the retirement of the preferred stock from resulting in a reduction in the bank's capital below an amount substantially equivalent to that called for in the plan of rehabilitation referred to above.'

"You advise that the bank requests the removal of the foregoing condition; that your office believes the bank to be somewhat overcapitalized, and that adequate protection will be furnished the depositors if the restriction imposed by the Board is removed and the bank permitted to retire its preferred stock out of earnings, provided that its unimpaired capital accounts be maintained at not less than \$150,000.

"In accordance with your recommendation, the Board waives the application of its condition set forth above, with the understanding that your office will require the bank to maintain at all times a satisfactory ratio of sound capital and surplus to deposit liabilities."

Approved.

Letter dated December 14, 1934, approved by four members of the Board, 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 First National Bank of Sault Ste. Marie', Sault Ste. Marie, Michigan, from \$100,000 to \$50,000, pursuant to a plan which provides that the released capital, together with a portion of the bank's surplus and undivided profits, shall be used to eliminate estimated losses aggregating approximately \$105,400, as shown in the report of examination as of October 31, 1934, all as set forth in your memorandum of December 6, 1934."

Approved.

Letter dated December 14, 1934, approved by four members of the Board, 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 First National Bank of Herington', Herington, Kansas, from \$50,000

12/15/34

-6-

"to \$35,000, pursuant to a plan which provides that the bank's capital shall be increased by \$15,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate substandard assets, all as set forth in your memorandum of December 6, 1934."

Approved.

Letter dated December 14, 1934, approved by four members of the Board, 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 First National Bank of Walsenburg', Walsenburg, Colorado, from \$60,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$100,000 of preferred stock to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate substandard assets, all as set forth in your memorandum of December 3, 1934.

"Although your memorandum provides only for the use of the released capital to eliminate substandard assets, it is assumed that your office will require the elimination at least of all estimated losses as classified by your examiner in the report of examination as of July 26, 1934."

Approved.

Letter dated December 14, 1934, approved by four members of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to Mr. Evans' letter dated July 31, 1934, regarding the period within which the subsidiary member banks of BancOhio Corporation, Columbus, Ohio, are required to divorce their securities affiliate, BancOhio Securities Company.

"As you know, BancOhio Corporation has applied to the Federal Reserve Board for a permit to vote the stock of certain subsidiary national and State member banks under the provisions of section 5144 of the Revised Statutes of the United States, applicable to holding company affiliates of national banks, and under the provisions of section 9 of the Federal Reserve Act, which makes such section of the Revised Statutes applicable to holding company affiliates of State member banks. BancOhio Corporation owns all or substantially all of the shares of stock of a number of member banks, and also owns all or substantially all of the shares of stock of BancOhio Securities Company, a corporation engaged principally in the securities business. Accordingly, BancOhio Securities Company is an affiliate of the subsidiary member banks of BancOhio Corporation within the meaning of section 2(b)(2) of the Banking Act of 1933. In view of provisions of section 20 of

12/15/34

-7-

"the Banking Act of 1933 and of section 5144 (e)(3) of the Revised Statutes, hereafter described in more detail, the question has been presented by BancOhio Corporation as to whether the affiliation between BancOhio Securities Company and the subsidiary member banks of BancOhio Corporation is required under the law to be terminated within one year after June 16, 1933, the date of the approval of the Banking Act of 1933, or within five years after the filing of an application for a voting permit by BancOhio Corporation.

"Section 20 of the Banking Act of 1933 provides that after one year from June 16, 1933, no member bank shall be affiliated, in any manner described in section 2(b) of said act, with any securities company, whereas section 5144(e)(3) provides that every holding company affiliate in filing an application for a voting permit shall agree that it will, within five years after the filing of such application, divest itself of its ownership, control, and interest in any securities company and will cease participating in the management or direction of such company, and will not thereafter, during the period that the permit remains in force, acquire any further ownership, control, or interest in such company or participate in the management or direction thereof.

"BancOhio Corporation has urged that section 5144(e)(3) is a special provision which creates an exception to the general provision contained in section 20, and thus allows member banks who are affiliated with a securities company by virtue of common control by a holding company affiliate, a five year period in which to divorce such securities company affiliate.

"The agreement required by section 5144(e)(3), however, provides that the holding company affiliate shall divest itself of its ownership, control and interest in any securities company, and thus goes further than section 20 which merely requires a termination by a member bank of such an affiliation as falls within the provisions of section 2(b) of the Banking Act of 1933. A compliance with section 20 would not necessarily result in a holding company affiliate divesting itself of all 'interest in' a securities company, but under section 5144(e)(3), the holding company affiliate must agree to divest itself of such interest within five years from the filing of its application for a voting permit. Since section 5144(e)(3) has a sphere of operation different from that of section 20, the Board believes that the two provisions are not in conflict, and that the principle of statutory construction urged by BancOhio Corporation is inapplicable in interpreting the two sections. Even if the two sections were in conflict, it is believed that a correct application of that principle would lead to the conclusion that the provisions of section 20 should control; because in section 20 Congress dealt specifically with the question of security affiliates, whereas in section 5144 Congress dealt generally with the subject of holding company affiliates.

"Accordingly, it is the opinion of the Federal Reserve Board that there is nothing contained in section 5144(e)(3) of the Revised Statutes of the United States which relieves a member bank from compliance with the express mandate contained in section 20 of the Banking Act of 1933, and that in the case under consideration the one year provision contained in section 20 is applicable.

12/15/34

-8-

"It will be appreciated if you will advise BancOhio Corporation and its subsidiary member banks of the Board's ruling in this matter, and inform the Board concerning the steps which are taken to comply with the provisions of section 20."

Approved.

Letter dated December 14, 1934, approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Federal Reserve Board has authorized the issuance to the 'American Holding Corporation', Chicago, Illinois of a general voting permit under the provisions of section 5144 of the Revised Statutes of the United States entitling such corporation to vote, for all purposes, the stock which it owns or controls of the 'American National Bank and Trust Company of Chicago', Chicago, Illinois, subject to the conditions prescribed in the inclosed letter, which you are requested to forward to the American Holding Corporation, with any additional comments you may deem advisable in view of the circumstances involved. A copy of such letter is also inclosed for your files.

"It is requested that as soon as you receive from the American Holding Corporation three copies of the inclosed agreement marked Exhibit 1 executed in a manner satisfactory to counsel for the Federal Reserve Bank of Chicago, together with information satisfactory to you that the other conditions contained in the inclosed letter have been complied with, you advise the Board by telegram of such fact. Upon receipt of such advice from you, a voting permit will be issued and mailed directly to the applicant, and a copy of such permit will be forwarded to you. Two executed copies of the above-mentioned agreement marked Exhibit 1 should be forwarded to the Board for its records, and the third executed copy of such agreement should be retained for the records of your office.

"In view of the fact that the above-mentioned applicant may not be able, prior to the next annual meeting of its subsidiary member bank, to comply with the conditions prescribed by the Board in connection with the issuance of a general voting permit, you are authorized to issue, upon the request of the applicant, a limited voting permit entitling such applicant to vote the stock which it owns or controls of the subsidiary member bank mentioned in the first paragraph of this letter, for the following purposes only:

"To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank.

"Your authority to issue such limited voting permit is conditioned upon compliance, prior to the issuance of such permit, with the conditions set forth after the code word ANCILBAT, on pages 6 and 7 of the Board's letter to all Federal Reserve Agents dated November 10, 1934 (X-9018).

"If you deem it advisable, you may withhold advice of your

12/15/34

-9-

"authority to issue a limited permit until you are satisfied that the applicant will not be in a position to comply with the Board's requirements in connection with a general voting permit prior to the annual meeting of its subsidiary member bank."

Approved, together with a letter, also dated December 14, 1934, and approved by four members of the Board, to the American Holding Corporation, Chicago, Illinois, reading as follows:

"The Federal Reserve Board has considered the application of your corporation for a general voting permit under the provisions of section 5144 of the Revised Statutes of the United States entitling it to vote the stock which it owns or controls of the American National Bank and Trust Company of Chicago, Chicago, Illinois, and hereby authorizes the issuance of such a permit to your corporation, upon the following conditions:

"I. Prior to the issuance of the general voting permit authorized herein, American Holding Corporation shall execute and deliver to the Federal Reserve Agent, the official representative of the Federal Reserve Board, at the Federal Reserve Bank of Chicago (hereinafter referred to as the Federal Reserve Agent) three copies of the inclosed agreement marked Exhibit 1.

"II. Prior to the issuance of the general voting permit authorized herein, American Holding Corporation shall deliver to the Federal Reserve Agent three copies of Exhibit L, F.R.B. Form P-3, executed by American National Safe Deposit Company, Chicago, Illinois, and three copies of Exhibit N, F.R.B. Form P-4, executed by American Holding Corporation and consented to by American National Safe Deposit Company, both of which exhibits shall be in form satisfactory to counsel for the Federal Reserve Bank of Chicago.

"III. Prior to the issuance of the general voting permit authorized herein, American Holding Corporation shall charge off or otherwise eliminate from its assets, and shall cause American National Bank and Trust Company of Chicago to charge off or otherwise eliminate from its assets, (1) all estimated losses in loans and discounts, (2) all depreciation in stocks and defaulted securities, (3) all depreciation in securities not of the four highest grades, as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities, (4) all other losses, all such charge-offs or eliminations to be based upon the latest available reports of examination of such corporation and such bank by the appropriate supervisory authorities.

12/15/34

-10-

"The period within which a voting permit may be obtained by compliance with the above conditions is limited to four months from the date of this letter, unless application for an extension of time is made to and granted by the Federal Reserve Board.

"In connection with the requirements prescribed by the Board, it is understood, of course, that in any case where such requirements have already been complied with, no further action will be necessary in such respects except to advise the Federal Reserve Agent of the compliance.

"It will be observed that the agreements in Exhibit 1 contain broad provisions. These provisions are so phrased in order to cover future as well as present subsidiaries and affiliates of your corporation.

"When the inclosed agreement marked Exhibit 1 has been executed by American Holding Corporation, please forward three executed copies thereof to the Federal Reserve Agent and advise him of the action taken to comply with the other conditions stated herein. When the Federal Reserve Agent is satisfied that all of the conditions stated herein have been complied with, he will advise the Board of the action taken in this matter, and, when all of such conditions have been complied with, the Board will issue a voting permit to your corporation."

The agreement referred to in the above letter read as follows:

"AGREEMENT

"In consideration of the granting by the Federal Reserve Board, under authority of section 5144 of the Revised Statutes of the United States, as amended, and pursuant to an application heretofore filed with the Federal Reserve Board by the undersigned, of a voting permit entitling the undersigned to vote, for all purposes, each share of stock which it owns or controls of its subsidiary member bank, the undersigned hereby represents, undertakes, and agrees as follows:

1. That the undersigned will not make, and will take all necessary action within its power to prevent any of its subsidiaries and any other organizations with which the undersigned or any of its subsidiaries is affiliated from making, any loans or extensions of credit to, or purchases of securities under repurchase agreements from, the undersigned or any of its subsidiaries or any other organizations with which the undersigned or any of its subsidiaries is affiliated, or any investments in, or advances against, securities of the undersigned or any of its subsidiaries or any other organizations with which the undersigned or any of its subsidiaries is affiliated, except within the same limitations and subject to the same conditions and provisions as are applicable under section 23A of the Federal Reserve Act to such transactions involving member banks

12/15/34

-11-

"and their affiliates; except that this paragraph shall not apply to loans or extensions of credit by any organization to its own subsidiaries, or the purchase of securities under repurchase agreements by any organization from its own subsidiaries, or the investment by any organization in the securities of its own subsidiaries, where such transactions would not otherwise be subject to the limitations, conditions and provisions of section 25A of the Federal Reserve Act;

- "2. That the undersigned will cause each of its subsidiary banks to maintain an amount of paid-up and unimpaired capital and unimpaired surplus which, in the judgment of the Federal Reserve Board, will be adequate in relation to its total deposit liabilities, having due regard to the general principle that a bank's capital and surplus ordinarily should not be less than one-tenth of the average amount of its aggregate deposit liabilities and, in some circumstances, should be more than one-tenth of such amount.

"This agreement is executed in triplicate."

Telegram to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, stating that the Board has given consideration to the application of the "Continental Illinois National Bank and Trust Company of Chicago", Chicago, Illinois, for a voting permit under the authority of 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 "Continental National Bank and Trust Company of Chicago", Chicago, Illinois, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"(1) Prior to the issuance of the limited voting permit authorized herein, you shall satisfy yourself that the applicant has charged off or otherwise eliminated (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities, and (d) all other losses, as shown by the latest available report of examination by a national bank examiner.

"(2) Prior to the issuance of the limited voting permit authorized herein,

"(1) the Federal Reserve Agent shall satisfy himself

12/15/34

-12-

"that each of the subsidiary banks of the applicant has charged off or otherwise eliminated, (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities and (d) all other losses; as shown by the latest available reports of examinations by the appropriate supervisory authorities, except that the charge-offs and eliminations required by (b) and (c) above may be based upon current appraisals of marketable securities satisfactory to the Federal Reserve Agent;

"(2) the Federal Reserve Agent shall satisfy himself that the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Federal Reserve Board.

"(3) the Federal Reserve Agent and the Executive Committee of the Federal reserve bank shall approve the issuance of such permit."

and for the following purposes:

"To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Continental Illinois National Bank and Trust Company of Chicago, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with; and stated that the permit authorized shall be drawn so as to entitle Louis Eckstein, James R. Leavell, and D. R. McLennan, trustees, or their successors as such, to vote the shares of stock which the Continental Illinois National Bank and Trust Company of Chicago owns or controls of the Continental National Bank and Trust Company of Chicago.

Approved.

Telegram dated December 14, 1934, approved by four members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, stating that the Board has given consideration to the application

12/15/34

-13-

of the "Commercial National Bank in Shreveport", Shreveport, Louisiana, for a voting permit under the authority of 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 "Continental-American Bank and Trust Company", Shreveport, Louisiana, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"(1) Prior to the issuance of the limited voting permit authorized herein, you shall satisfy yourself that applicant has charged off or otherwise eliminated (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities, and (d) all other losses, as shown by the latest available report of examination by a national bank examiner.

"(2) Prior to the issuance of the limited voting permit authorized herein,

"(1) the Federal Reserve Agent shall satisfy himself that each of the subsidiary banks of the applicant has charged off or otherwise eliminated, (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities and (d) all other losses; as shown by the latest available reports of examinations by the appropriate supervisory authorities, except that the charge-offs and eliminations required by (b) and (c) above may be based upon current appraisals of marketable securities satisfactory to the Federal Reserve Agent;

"(2) the Federal Reserve Agent shall satisfy himself that the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Federal Reserve Board;

"(3) the Federal Reserve Agent and the Executive Committee of the Federal reserve bank shall approve the issuance of such permit.

"(3) Prior to the issuance of the limited voting permit authorized herein, applicant shall deliver to you Exhibit L, F.R.B. Form P-3, executed by North Shreveport Realty Corporation and bearing the seal of such corporation, and Exhibit N, F.R.B. Form P-4,

12/15/34

-14-

"executed by applicant and consented to by Columbia Compress and Warehouse Company, North Shreveport Realty Corporation, Peacock Surgical Company, Inc. and Continental Securities Corporation, which exhibit shall bear the seals of applicant and the consenting corporations, all of which exhibits shall be in form satisfactory to counsel for the Federal Reserve Bank of Dallas."

and for the following purposes:

"To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram stated that the requirements in condition (3) referred to above are made because Exhibit L now on file executed by the North Shreveport Realty Corporation does not bear the seal of such corporation, and because Exhibit N now on file does not bear the seals of the consenting corporations. The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Commercial National Bank in Shreveport, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with; and that the agent is authorized to amend the standard form of permit by adding after the name of the grantee the words "or its nominee".

Approved.

Telegram dated December 14, 1934, approved by four members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has given consideration to the application of the "American Investment Corporation", Ogden, Utah, for a voting permit under the authority of

12/15/34

-15-

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 "Commercial Security Bank", Ogden, Utah, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"(1) Prior to the issuance of the limited voting permit authorized herein,

"(1) the Federal Reserve Agent shall satisfy himself that each of the subsidiary banks of the applicant has charged off or otherwise eliminated, (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities and (d) all other losses; as shown by the latest available reports of examinations by the appropriate supervisory authorities, except that the charge-offs and eliminations required by (b) and (c) above may be based upon current appraisals of marketable securities satisfactory to the Federal Reserve Agent;

"(2) the Federal Reserve Agent shall satisfy himself that the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Federal Reserve Board;

"(3) the Federal Reserve Agent and the Executive Committee of the Federal reserve bank shall approve the issuance of such permit.

"(2) Prior to the issuance of the limited voting permit authorized herein, applicant shall deliver to you Exhibits L, F.R.B. Form P-3, executed by Idaho Bank and Trust Company, Heber Livestock Corporation, and Blackfoot Building Corporation, and Exhibit N, F.R.B. Form P-4, executed by American Investment Corporation and consented to by Idaho Bank and Trust Company, Heber Livestock Corporation, and Blackfoot Building Corporation, all of which exhibits shall be in form satisfactory to counsel for the Federal Reserve Bank of San Francisco."

and for the following purposes:

"To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters of a

12/15/34

-16-

"routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram also authorized Mr. Sargent to have prepared by counsel for the Federal reserve bank, and to issue to the American Investment Corporation, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with.

Approved.

Telegram dated December 14, 1934, approved by four members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has given consideration to the application of the "Union Bond & Mortgage Company", Port Angeles, Washington, for a voting permit under the authority of 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 "First National Bank in Port Angeles", Port Angeles, Washington, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"(1) Prior to the issuance of the limited voting permit authorized herein,

"(1) the Federal Reserve Agent shall satisfy himself that each of the subsidiary banks of the applicant has charged off or otherwise eliminated, (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities and (d) all other losses; as shown by the latest available reports of examinations by the appropriate supervisory authorities, except that the charge-offs and eliminations required by (b) and (c) above may be based upon current appraisals of marketable securities satisfactory to the Federal Reserve Agent;

12/15/34

-17-

"(2) the Federal Reserve Agent shall satisfy himself that the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Federal Reserve Board;

"(3) the Federal Reserve Agent and the Executive Committee of the Federal reserve bank shall approve the issuance of such permit."

and for the following purposes:

"To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram also authorized Mr. Sargent to have prepared by counsel for the Federal reserve bank, and to issue to the Union Bond & Mortgage Company, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with.

Approved.

Letter dated December 14, 1934, approved by four members of the Board, to Mr. William M. Schuyler, Associate Editor, The American Year Book, New York, New York, reading as follows:

"There is transmitted herewith for publication in the 1934 issue of the American Year Book a paper which has been prepared in the Board's Division of Research and Statistics outlining changes and developments in the Federal Reserve System during the year 1934.

"The Federal Reserve Board reserves the right to make any changes found to be necessary after a verification of the galley proof of the inclosed manuscript, and to introduce at that time any new items, especially with respect to personnel changes."

Approved.

12/15/34

-18-

Letter dated December 14, 1934, approved by four members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to the application of Mr. William P. Armstrong, Princeton, New Jersey, for permission under the provisions of the Clayton Act to serve at the same time as director and officer of Princeton Bank and Trust Company, Princeton, New Jersey, and as director of The Isbell National Bank of Talladega, Talladega, Alabama, which was not approved by the Board for the reasons set forth in its letter of August 10, 1934, to Federal Reserve Agent Newton at Atlanta, a copy of which apparently was not sent to you and, therefore, is inclosed herewith.

"In accordance with Section V (g) of Regulation L, additional facts and arguments were submitted through the office of the Federal Reserve Agent at Atlanta in letters from the applicant and The Isbell National Bank of Talladega in which it was stated that, although the applicant has not attended any of the monthly meetings held by the directors of the Talladega bank since his election as a director in January, 1934, he keeps in touch with its affairs by means of telegrams and correspondence and has agreed to meet with the directors three or four times a year. It was also stated that there is no other person in Talladega who can qualify as director of The Isbell National Bank and it appears that, because of Mr. Armstrong's successful experience, ability and associations, both banks regard his advice and counsel as valuable. In the circumstances, the Board has approved the application of Mr. Armstrong and there are inclosed the original and copies of the permit for transmittal by you to the applicant and the banks involved, and a copy for your files.

"The Board feels, however, that when a person accepts the responsibility of the office of director of a bank, he should attend a sufficient number of directors' meetings to enable him not only to keep in personal contact with the bank and its problems, but also to participate in his capacity as a director in the determination at such meetings of the policies of its board, and that if he is not in a position to discharge his responsibility in this respect, he should not continue as a director; and when the permit is sent to the applicant it is suggested that you inform him of the Board's views in this regard and advise him that the permit has been granted with the expectation that he will improve his attendance at directors' meetings of The Isbell National Bank of Talladega.

"A copy of this letter and a copy of the permit have been forwarded to the Federal Reserve Agent at the Federal Reserve Bank

12/15/34

-19-

"of Atlanta with the request that when he submits his recommendation as a result of his annual review of this permit, he report fully as to whether Mr. Armstrong is satisfactorily discharging his duties as a director of The Isbell National Bank of Talladega."

Approved.

Letter dated December 14, 1934, approved by four members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, inclosing the following Clayton Act permit for transmittal to the applicant, and suggesting that the agent advise the applicant that it is with the expectation that he will improve his attendance at directors' meetings of the Chester-Cambridge Bank and Trust Company, Chester, Pennsylvania, that the permit has been granted:

Mr. C. B. Houston, 2nd, for permission to serve at the same time as a director and officer of The Kimball National Bank of Kimball, Kimball, West Virginia, as a director and officer of The First Clark National Bank of Northfork, Northfork, West Virginia, and as a director of the Chester-Cambridge Bank and Trust Company, Chester, Pennsylvania.

Approved, together with a letter, also dated December 14, 1934, and approved by four members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, inclosing a copy of the permit referred to above, and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meetings of the Chester-Cambridge Bank and Trust Company, Chester, Pennsylvania.

Letter dated December 14, 1934, approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, inclosing the following Clayton Act permit for transmittal to the applicant; stating that, in all the circumstances, the Board has granted the permit; suggesting that, when the permit is

12/15/34

-20-

sent to the applicant, the agent advise him that it is with the expectation that he will improve his attendance at directors' meetings of The First National Bank of Gowrie, Iowa, that the permit has been granted; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meetings:

Mr. A. F. Daughenbaugh, for permission to serve at the same time as a director of The First National Bank of Gowrie, Gowrie, Iowa, and as a director and officer of the Somers Savings Bank, Somers, Iowa.

Approved.

Letter dated December 14, 1934, approved by four members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, inclosing the following Clayton Act permit for transmittal to the applicant; suggesting that the agent advise the applicant that the permit has been granted with the expectation that he will improve his attendance at directors' meetings of The First National Bank of Bailey, Texas; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meetings:

Mr. S. F. Leslie, for permission to serve at the same time as a director of The First National Bank of Bailey, Bailey, Texas, and as a director and officer of the Bonham State Bank, Bonham, Texas.

Approved.

Letter dated December 14, 1934, approved by four members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve

12/15/34

-21-

Bank of Dallas, reading as follows:

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. L. N. Wilemon, Midlothian, Texas, to serve at the same time as director of First State Bank, Maypearl, Texas, and as director and officer of 'The First National Bank of Midlothian', Midlothian, Texas, for transmittal by you to the applicant and the banks involved, and a copy for your files.

"In the consideration of this application, it was noted that Mr. Wilemon apparently had violated Section 22 (g) of the Federal Reserve Act through having an overdraft of \$48.52 in The First National Bank of Midlothian, as disclosed in the report of examination of that bank as of May 14, 1934, and that the alleged violation was reported to the United States District Attorney on November 9, 1934. The Board feels that in all cases involving violations of law, even though of a technical nature and involving small amounts, definite information should be obtained from the proper authorities regarding the disposition which was made of such cases before permits under the provisions of the Clayton Act are issued. You are requested, therefore, to ascertain the status of the charges, if any, against Mr. Wilemon; and in the event the case has been duly considered and closed without prosecution, you are authorized to release the permit to the applicant and to forward copies thereof to the banks involved, at the same time furnishing the Board with complete information concerning the disposition made of the matter.

"It was also noted that, although Mr. Wilemon attended all of the 24 meetings held by the directors of The First National Bank of Midlothian, he attended only 5 of the 24 meetings held by the directors of First State Bank during the past 2 years. The Board feels that a director should have a satisfactory record of discharging his duties and responsibilities by participating in the determination of the policies of a bank which he is serving including attendance at directors' meetings; and, in the event the permit is sent to Mr. Wilemon, it is suggested that you advise him that it is with the expectation that he will improve his attendance at directors' meetings of the First State Bank that the permit has been granted.

"It was further noted that the applicant, although reported to be capable, is said to lack force and to be dominated by President Dees, who is reported to be financially involved and whose obligations, together with those of his connections, were considered by the examiner to be an unjustified and hazardous concentration of credit. It is suggested that you endeavor, in cooperation with the appropriate supervisory authorities, to effect an improvement in the management and other matters with respect to The First National Bank of Midlothian which have been criticized

12/15/34

-22-

"by the examiner.

"The Board requests that, when you submit your recommendation as a result of your annual review of this permit, you report fully as to Mr. Wilemon's attendance at directors' meetings and as to the progress made in effecting an improvement in those matters with respect to The First National Bank of Midlothian which were subject to criticism by the examiner."

Approved.

Thereupon the meeting adjourned.

Chas. H. Brown
Secretary.

Approved:

W. S. Coles
Governor.