

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 23, 1936, at 12:15 p. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Broderick  
Mr. Szymczak  
Mr. McKee  
Mr. Ransom

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, and Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to the board of directors of the "Saratoga State Bank", Saratoga, Wyoming, stating that, subject to the conditions of membership numbered 1 to 5 contained in the Board's Regulation "H" and the following special conditions, the Board approved the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.

3/23/36

-2-

- "5. Prior to admission to membership such bank, if it has not already done so, shall charge off or otherwise eliminate the estimated losses of \$2,440 in the loan to C. A. Cook et al, and of \$230.19 in the loan to George C. Fausett, all as shown in the report of examination of such bank as of December 17, 1935, made by an examiner for the Federal Reserve Bank of Kansas City.
- "6. Prior to admission to membership, such bank shall reduce all loans which are in excess of the limits prescribed by the laws of the State of Wyoming, to amounts within such limits.
- "7. Prior to admission to membership the board of directors of such bank shall adopt a resolution authorizing the interchange of reports and information regarding such bank between the Federal Reserve Bank of the District in which such bank is located and all State or Federal supervisory authorities having jurisdiction over such bank."

Approved unanimously, together with a letter to Mr. Thomas, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Saratoga State Bank', Saratoga, Wyoming, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the State Examiner for the State of Wyoming for his information.

"It has been noted that the State laws provide that the directors of a State bank shall be 'not less than five nor more than nine'; that the articles of incorporation of the applicant bank definitely fix the number of its directors at five; and that the bank actually has nine directors at the present time. It is understood that the Attorney General for the State of Wyoming has advised the bank that, in view of this provision of its articles of incorporation, it will be necessary to effect an amendment to such articles before the bank lawfully may have a directorate in excess of five members. In the circumstances and as suggested by your counsel, you are requested, prior to the admission of the bank to membership, to obtain

3/23/36

-3-

"satisfactory evidence that it has taken appropriate action reducing the number of its directors to five or amending its articles to provide that its directors shall not exceed nine members. Moreover your counsel, likewise prior to admission to membership, should be satisfied that the acceptance of the conditions of membership prescribed for the applicant bank is based upon a validly adopted resolution of its board of directors, in the light of the action taken. Please furnish the Board with a copy of any amendment made to the articles of incorporation in this connection.

"It has been noted also that the State Examiner requested the bank to arrange for the replacement of Mr. Frank Munz as a director, unless he acquired sufficient additional stock to qualify him as a director by January 1, 1936, and it is expected that you will satisfy yourself that the necessary action has been taken regarding this matter.

"It has been noted further that the Wyoming Banking Department requires that the banking house and furniture and fixtures of the bank be depreciated annually in the amounts of \$350 and \$300, respectively, and that the bank agreed with that Department to charge off this depreciation at the end of the year 1935. In the circumstances, while these amounts have been classified as a loss by your examiner, it is assumed that their charge-off has been effected, and, accordingly, no requirement regarding this matter has been included in special condition of membership numbered 5.

"In view of the reported circumstances in connection with the loan to C. A. Cook et al, which is classified as an estimated loss in the report of examination as of December 17, 1935, it is expected that the elimination thereof, as provided by special membership condition numbered 5, will be effected in a manner other than by charge to the bank's capital structure."

Letter to the George A. Fuller Company, Washington, D. C., reading as follows:

"Reference is made to Vice President Distler's letter of February 24 in which were submitted certain proposed sub-contractors for consideration by the Board.

"I am authorized by the Board to advise you in accordance with Article 31 of the construction contract that Standard Floors, Inc., of Washington, D. C., is not objectionable to the Board for the purposes stated in your letter."  
(linoleum and linoleum tile)

Approved unanimously, the sub-contractor referred to having been approved



3/23/36

-4-

by the Board's architect, the Board's superintendent of construction, and Mr. Miller.

Letter to Honorable Sam Hobbs, House of Representatives, reading as follows:

"This refers to the application of the Anniston Soil Pipe Company for an industrial loan from the Federal Reserve Bank of Atlanta, concerning which you called at the Board's offices on March 10, 1936.

"We wrote the Federal Reserve Bank of Atlanta asking for the details with respect to the application and the reasons why the bank did not find it possible to approve the loan. At your request that you be advised by telephone upon receipt of a reply from Atlanta, Mr. Smead, Chief of the Board's Division of Bank Operations, called your office on Thursday, March 19, and in your absence communicated to your secretary the information received from the Federal Reserve Bank of Atlanta.

"The Federal Reserve Bank of Atlanta informs us that the application for a loan of \$44,000 was submitted on behalf of the Anniston Soil Pipe Company by The First National Bank of Anniston, Anniston, Alabama, under date of January 24, 1936. At that date the Company was indebted to the First National Bank in the amount of \$34,000, representing an aggregate of prior advances, secured by a mortgage on the Company's plant and equipment. It was proposed that if the Federal Reserve Bank would lend the Company an additional \$10,000, the aggregate of the \$44,000 indebtedness might be secured by a lien covering the assets held under mortgage by the First National Bank. The First National Bank further proposed to take the entire debt, \$44,000, into its assets, upon the commitment of the Federal Reserve Bank to take over from the National Bank at any time a proportionate participation based upon the ratio which the original advances might bear one to the other, that is, \$34,000 to \$10,000.

"The application was disapproved primarily because it did not appear that future operations could be conducted in sufficient volume with the Company's working capital funds to provide earnings sufficient for retiring the loan within a reasonable time. The balance sheet of the Company as of December 31, 1935, showed current assets of \$26,290.14, as compared with current liabilities of \$55,168.68. The Company operated successfully prior to 1932, but since 1932 losses aggregated approximately \$57,000. The nominal sales since 1932 have

3/23/36

-5-

"apparently been due in part to a lack of operating capital and to an almost total lack of demand for the Company's product. During 1935 the plant operated only a few weeks on half time, with total sales of only a little over \$300.00. While the bank appreciates that there is a growing demand for the Company's product, the Company has only one confirmed order for around \$1,200 and blanket orders subject to cancellation for around \$8,000. In view of the strong competition in this line, particularly in the section where the operations are conducted, the bank felt that any estimate as to probable volume of orders is unreliable, and it doubted whether new working capital funds of \$10,000 would serve to place the Company on a basis where it could operate profitably, although a substantial volume of the product might be manufactured and marketed by a concern adequately capitalized.

"Under the terms of Section 13b of the Federal Reserve Act the question whether a loan will be granted is one for the determination of the Federal Reserve bank. However, in making such loans the Federal Reserve bank must ascertain to its satisfaction that they comply with specific requirements of the law, one of which is that a loan must be made on a reasonable and sound basis. Since it appears that the Federal Reserve Bank of Atlanta concluded that the application should not be approved after careful consideration of all information submitted by or on behalf of the Anniston Soil Pipe Company, there appears to be no basis for further action by the Board of Governors of the Federal Reserve System."

Approved unanimously.

Thereupon the meeting adjourned.

Robert M. Moulton  
Secretary.

Approved:

W. C. C. C. C.  
Chairman.