

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, August 14, 1939, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Davis
Mr. Draper

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

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 7, 1939, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on August 9, 10 and 11, 1939, were approved and the actions recorded therein were ratified unanimously.

Letter to the board of directors of "The Reading Bank", Reading, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland:

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

Approved unanimously for transmission through the Federal Reserve Bank of Cleveland.

Letter to Mr. Evans, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

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"Receipt is acknowledged of your letter of July 22, 1939, in reply to the Board's letter of July 18, 1939, regarding the classification of the two unsecured notes of the Carter Investment Company found in the assets of the Wharton Bank and Trust Company, Wharton, Texas.

"In the letter of July 18, 1939, the Board expressed the opinion that the notes in question should be classified as loans.

"For our consideration as to whether or not the notes under discussion are securities or loans, you have submitted the definition of 'security' in section 3810 of the Securities Exchange Act. The Board feels that, although this definition might be quite proper and accurate for the purposes of the administration of the Securities Exchange Act, it would not be a proper or useful definition in regard to section 5136 of the Revised Statutes. The Board feels that loans made in good faith in the usual course of business and not in an attempt to evade the limitations and restrictions for the purchase of securities should be classified as loans.

"The Board is, therefore, of the opinion that the two unsecured notes of the Carter Investment Company, as described in your letters, should be classified as loans."

Approved unanimously.

Letter dated August 12, 1939, to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"In response to your letter of August 2, 1939, you are advised that the Board approves the payment of a fee of \$4,175.55, being the total amount of a bill for professional services and disbursements with respect to industrial loans under section 13B of the Federal Reserve Act in the matters of Salisbury Brothers Furniture Company, C. E. Wilson & Co., Inc., Anderson-Little Company, Inc., Fall River Bleachery, and J. C. Pushee & Sons, Co., all of the loans mentioned being in default.

"It is understood that the payment of this bill has previously been approved by the Board of Directors of the Federal Reserve Bank of Boston upon the recommendation of the bank's General Counsel."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. Steeles
Chairman.