

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 29, 1948. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. McCabe, Chairman (part of meeting)
Mr. Szymczak (part of meeting)
Mr. Draper
Mr. Evans
Mr. Vardaman
Mr. Clayton

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Smead, Director of the Division of Bank Operations
Mr. Vest, General Counsel
Mr. Nelson, Director of the Division of Personnel Administration

Mr. Brainard, Chairman, Federal Reserve Bank of Cleveland
Mr. Gidney, President, Federal Reserve Bank of Cleveland

It was stated that because of other pressing matters Messrs. McCabe and Szymczak were unable to come into the meeting at its beginning. Thereupon Mr. Draper was elected Chairman pro tem. in the absence of Mr. McCabe.

Mr. Gidney said that, while the situation was not urgent, he and Mr. Brainard would like to discuss plans for alterations at the Pittsburgh Branch building which would give that Branch much more satisfactory working space and which would provide facilities to accommodate the present and any prospective staff. Tentative plans, copies of which were referred to during the meeting, would

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involve a total expenditure of about \$1,005,000 which would include expenditures of about \$585,000 for enlargement of the building, \$295,000 for changes in the present floor plans, and \$125,000 for air conditioning.

Mr. Brainard said that the costs for the usable space would be very high but that he felt, when the general economic situation made it desirable to proceed with construction, the investment already made in the branch building warranted the additional expenditure in order to change the present building from one which was unsatisfactory to a building which would be relatively satisfactory for the operations of the branch.

Mr. Gidney said that consideration had been given to erecting an annex on land purchased across the street (William Penn Place) from the present branch building but that if the proposed addition to the existing building were made it would not appear likely that the bank would need to build an annex.

During the discussion Messrs. Brainard and Gidney were asked whether they had given consideration to selling the present Pittsburgh Branch building and erecting an entirely new office on the land across the street and Mr. Brainard said they had not done so, but that he thought it would be desirable to consider such a proposal. He said that if such a plan were contemplated he felt it would be essential,

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in order to permit construction of a building of suitable exterior and interior design, to acquire an additional small triangular piece of land known as the "Speer Estate" fronting on Liberty Street, involving about 4,000 square feet, which the Bank had not yet been able to obtain for a satisfactory price. He also said that Mr. Jordan, one of the directors of the Pittsburgh Branch, was very anxious that they acquire this additional triangular piece of land in any event, that the Cleveland Bank had not felt it should pay over \$125,000 for the property, but that it had been held for a much higher figure, and that he would like to explore the possibility of acquiring this additional land. In the discussion it was also suggested that if a new Pittsburgh Branch building were erected at a later date it should have adequate space to house all of the Branch's activities and in addition sufficient space to rent quarters to such other Government agencies as the Reconstruction Finance Corporation, Comptroller of the Currency, and Federal Deposit Insurance Corporation.

Mr. Gidney said that in exploring the possibilities of selling the present branch building and constructing a new office elsewhere, he would wish to look at possible sites other than the land now owned across the street from the present branch.

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After a discussion, unanimous approval was given to a motion by Mr. Vardaman that it be understood that the Board would look with favor on a program which contemplated (1) investigation by the Cleveland Bank of a comprehensive plan which would include the sale of the existing building and the construction of a new building which would be adequate to meet the foreseeable requirements of the branch, including the possibility of providing rental space, and (2) the possible acquisition of the triangular piece of property known as the "Speer Estate" fronting on Liberty Street and adjoining the other land owned across the street from the present building.

Mr. Gidney referred to the Board's letter of April 29, 1947, which stated that it would not expect to approve payment by the Federal Reserve Bank of Cleveland of a retainer fee to outside counsel after April 30, 1948, stating that that Bank would like to continue with the present arrangement for outside counsel but that, in accordance with the Board's request, it had worked out a plan which he felt would meet the situation which the Bank faced and which he hoped would be agreeable to the Board as a compromise arrangement.

The plan presented by Mr. Gidney involved the appointment of Mr. Blair, presently Secretary of the Cleveland Bank, as Counsel at his present salary of \$8,000 per annum with the understanding that he would put approximately half of his time into the work of becoming familiar with and handling legal matters for the Bank,

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and that the Bank would retain for a period of time the services of the firm of outside counsel, Squire, Sanders and Dempsey, at a fee which would be reduced from the retainer of \$7,500 paid for the past year.

During a discussion of the Cleveland proposal, the qualifications of Mr. Blair, and the relations which would exist between Mr. Blair and Squire, Sanders and Dempsey, Messrs. McCabe and Szymczak entered the meeting and Chairman McCabe took the Chair.

At Mr. Draper's request, Mr. Morrill reviewed the proposal made by Messrs. Brainard and Gidney, making in that connection substantially the following statement:

The Federal Reserve Bank of Cleveland has been giving careful consideration to the problem of providing inside counsel for the Bank and now proposes to appoint as Counsel Mr. Blair who has been in the Bank for some time in the capacity of Secretary and who has had good legal training and experience. This arrangement would be with a view over a period of time of giving him full responsibility for the legal work of the Bank. In the meantime the Bank would continue to retain Squire, Sanders and Dempsey with a reduced retainer at the rate of \$5,000 a year so that the services of the firm would be freely available to Mr. Blair on problems as they arise, especially in the industrial loan field. While Mr. Brainard was fully satisfied that Mr. Blair would demonstrate his ability to handle the legal work Mr. Gidney was not prepared to commit himself at this time. He also would wish to have the retainer arrangement with Squire, Sanders and Dempsey continue indefinitely. Some members of the Board feel that the problem has been under consideration for a long period

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of time and that there should be a definite understanding as to how long the retention of outside counsel would be continued. The suggestion has been made that the arrangement be terminated after one year and while it was the thought of Messrs. Brainard and Gidney that the legal work would be turned over to Mr. Blair as rapidly as he could demonstrate his ability to handle it, they questioned whether there should be a definite decision to terminate the arrangement with outside counsel in a year. It would be understood that an assistant to Mr. Blair would be brought in who would take over the secretarial work as rapidly as possible so that Mr. Blair could have as much time as might be needed to do the Bank's legal work.

Following a further discussion of the matter, and particularly of whether the arrangement with outside counsel should have a definite termination date, upon motion by Mr. Evans, it was agreed unanimously that the Board would give favorable consideration to a request from the Cleveland Bank that the Board approve the appointment of Mr. Blair as Counsel, and the retention of the firm of Squire, Sanders and Dempsey in a consulting capacity for one year from May 1, 1948, with a retainer at the rate of \$5,000 per annum, it being understood that at the end of that time the arrangement with outside counsel would terminate.

Messrs. Brainard and Gidney and all of the members of the staff except Messrs. Carpenter, Sherman, and Morrill then withdrew.

In accordance with a recommendation of the Personnel Committee, the salary of Mr. Nelson, Director of the Division of Personnel Administration, was increased from the rate of \$10,500 to \$11,500 per annum, effective May 2, 1948.

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Mr. McCabe stated that in accordance with the discussion at the meeting of the Board on April 23, 1948, he had talked with Mr. Leedy, President of the Federal Reserve Bank of Kansas City, and would like to bring Mr. Johns, Vice President of the Kansas City Bank, to Washington for a period of 60 to 90 days for work in the Chairman's office with the understanding that during that period his salary, traveling expenses to Washington and return, and living expenses while in Washington would be paid by the Kansas City Bank, but that if he should do any official traveling during his stay at the Board, his travel expenses would be reimbursed on the same basis as permitted by the Board's travel regulations for heads and assistant heads of the staff.

The arrangement proposed by Mr. McCabe was approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 28, 1948, were approved unanimously.

Memorandum dated April 27, 1948, from Mr. McCabe recommending the transfer of Otto H. Branic, an operator (duplicating devices) in the Division of Administrative Services, to the Chairman's Office as a messenger, with no change in his present basic salary of \$2,168.28 per annum, effective May 2, 1948.

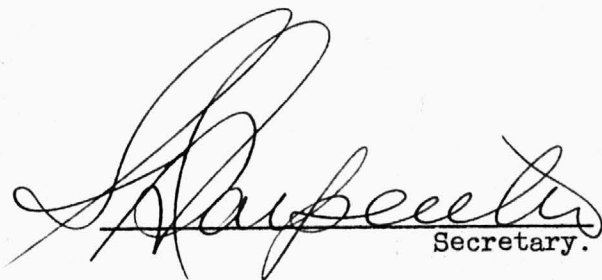
Approved unanimously.

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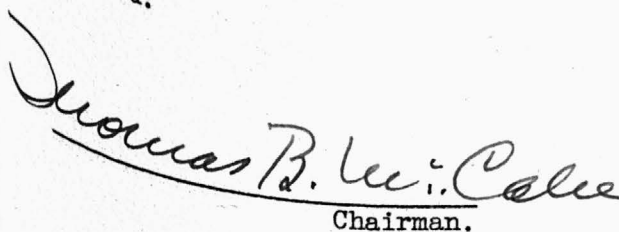
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Memorandum dated April 28, 1948, from Mr. Clayton recommending, for the reasons stated in the memorandum, that the Fiscal Section, Division of Administrative Services, be authorized to issue a check for \$125 to Rutherford J. Dooley, Chairman, Transportation Committee, District of Columbia Bankers Association, in connection with Mr. Clayton's attendance at a conference of that Association to be held at White Sulphur Springs, West Virginia, from June 2 to 6, 1948.

Approved unanimously.


Secretary.

Approved:


Chairman.