

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 23, 1952.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 22, 1952, were approved unanimously.

Letter to Mr. Sproul, President, Federal Reserve Bank of New York, reading as follows:

"The Board has taken note of the comments in your letter of July 7 in connection with the appointment of Dr. Williams as a consultant.

"As stated in its letter of June 27, the Board would not be willing to approve compensation under the existing arrangement beyond the end of the current calendar year. Therefore, should there be any proposal for the extension of that or any other arrangement similar to the terms under which Dr. Williams has served your Bank, the Board would hope that the matter could be discussed informally before any commitment was made by the Bank or the Board was called upon to pass upon the compensation involved."

Approved unanimously.

Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

"As recommended in your letter of July 8, 1952, the Board of Governors has approved the retirement by the Union County Trust Company, Elizabeth, New Jersey, of \$1,150,000 retirable value of preferred stock held by the Reconstruction Finance Corporation upon condition

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"that: (a) prior to, or simultaneously with, the retirement, the bank has issued, and received cash for, \$1,000,000 in capital notes purchased by an investor other than a commercial bank; and (b) the transactions are approved by the appropriate State authorities.

"It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken in effecting the retirement and issuing the capital notes."

Approved unanimously.

Telegram to Mr. Schlaikjer, Vice President, Federal Reserve Bank of Boston, reading as follows:

"You have requested advice regarding the following situation.

"An individual is to purchase land for \$20,000 borrowing \$18,000 to be used as part payment, loan to be secured in part by lease from purchaser to Shell Oil Company, Shell in turn to use own funds to construct \$20,000 filling station. Shell's lease is for a term of 15 years renewable for two five-year periods.

"Apparently lease obligates Shell to pay a sum substantially equivalent to or in excess of the value of the land, thus bringing the case within the last condition stated in footnote 18(a) of Regulation X. Consequently, Board considers the \$20,000 representing cost of construction, not to be an extension of credit to the lessor and the \$18,000 loan secured in part by the lease would be permissible representing as it does less than 50 per cent of the value of the land and the building."

Approved unanimously.


Secretary.