Minutes for November 12, 1964.

To: Members of the Board
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson
Gov. Mitchell
Gov. Daane
Minutes of the Board of Governors of the Federal Reserve System on Thursday, November 12, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Mitchell
Mr. Sherman, Secretary
Miss Carmichael, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Sammons, Adviser, Division of International Finance
Mr. Via, Senior Attorney, Legal Division
Mr. Young, Senior Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. McClintock, Supervisory Review Examiner, Division of Examinations
Mr. Lyon, Review Examiner, Division of Examinations
Mr. White, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on November 9, 1964, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.
Account for Reserve Bank of Malawi (Item No. 1). As recommended in a distributed memorandum dated November 9, 1964, from Mr. Young, Adviser to the Board and Director, Division of International Finance, unanimous approval was given to a telegram to the Federal Reserve Bank of New York approving the opening and maintenance of an account in the name of the Reserve Bank of Malawi. A copy of the telegram is attached as Item No. 1.

Foreign travel. Mr. Young (Adviser to the Board) reported that Mr. Sammons, Adviser, Division of International Finance, had been invited to address the opening session of the Eighth Operational Meeting of the Center for Latin American Monetary Studies to be held in Caracas, Venezuela, November 24-December 2, 1964. The request had been discussed with Governor Shepardson, who had indicated that he would favor acceptance of the invitation.

Authorization was then given for Mr. Sammons to participate in the meeting.

Messrs. Young and Sammons then withdrew from the meeting.

Bank of Powhatan (Item No. 2). There had been distributed a memorandum from the Legal Division dated November 10, 1964, with reference to a request from Assistant U. S. Attorney Samuel W. Phillips, Eastern District of Virginia, for access to reports of examination of Bank of Powhatan, Powhatan, Virginia, dated November 18, 1961, May 7, 1962, June 3, 1963, and August 3, 1963. The reports were requested
for use in connection with criminal action pending in the District Court entitled United States v. James Lovelace Tribble. The defendant, a former executive vice president of the bank, was charged with wrongful and unauthorized use of the bank's funds and with making an unauthorized extension of credit.

Pursuant to an order issued by the District Court on November 4, 1964, the defendant's counsel on November 6 had been permitted access to the four reports of examination of Bank of Powhatan. According to the memorandum, it was understood that on the basis of a request from the defendant's counsel, the Court was expected to issue a subpoena to the bank for the reports in question. It was the view of the Legal Division that, upon receipt of advice of the issuance of a subpoena for the examination reports, the only reasonable course of action for the Board to take, depending upon the scope of the subpoena, was to authorize production of copies of the reports in the possession of Bank of Powhatan. On the assumption that any subpoena issued would call for the production of the whole of each report in question, it appeared desirable to permit Assistant U. S. Attorney Phillips immediate access to the reports in order that he, possibly in conjunction with the bank's counsel, might prepare any opposition to production of the reports that appeared warranted.

Attached to the memorandum was a draft of telegram to the General Counsel of the Federal Reserve Bank of Richmond authorizing
Assistant U. S. Attorney Phillips to have access to the open section of the four reports of examination, such access to be had at the Richmond Bank and in the presence of an authorized representative of the Richmond Bank's Legal or Examinations Departments.

Mr. O'Connell commented on the request before the Board, noting that in this instance there was a likelihood that an attempt would be made to enter the reports as evidence. In his view, it was unlikely that the Court would refuse to admit them.

Governor Mills stated that in the past he had consistently taken exception to releasing information abstracted from examination reports where such information had a bearing on a customer of the bank. In this case, however, the bank itself was involved and he considered that information in the reports could probably be released under subpoena without violation of confidentiality.

While it was expected that a subpoena would be issued to Bank of Powhatan, the reports were the property of the Board; accordingly, Mr. O'Connell noted that the matter of the subpoena demand would probably be coming before the Board shortly for action.

The telegram to the Federal Reserve Bank of Richmond was then approved unanimously. A copy is attached as Item No. 2.

Request of Barnett National Securities Corporation (Item No. 3).

By order dated August 12, 1964, the Board approved the acquisition by
Barnett National Securities Corporation, Jacksonville, Florida, of
80 per cent or more of the voting shares to be issued by The San Jose
Barnett Bank, Jacksonville, Florida, a proposed new bank, with the
provisos that the acquisition of stock would be consummated not later
than three months after the date of the order and that the new bank
would be opened for business not later than six months after the date
of the order. On September 23, 1964, the Board approved a proposed
change in the location of the new bank.

Mr. O'Connell reported that Chief Examiner Sheffer of the
Federal Reserve Bank of Atlanta had called, advising that a letter
had been received from Barnett National Securities Corporation request-
ing extensions of time until December 31, 1964, within which stock of
the new bank might be acquired, and until May 20, 1965, for opening
of the bank. According to the Corporation, the request resulted from
the fact that the proposed site of the new bank had to be changed
after receipt of the Board's August 12 order and it was impossible
to design and construct a building within the prescribed time.

Mr. O'Connell indicated that the Corporation's letter request-
ing the extensions of time was expected to reach the Board today,
along with a letter from the Atlanta Reserve Bank recommending approval
of the request. He noted that the Corporation had advised the
Atlanta Bank that if it were not possible to receive Board approval
today for the requested extension of time for acquiring shares of
the new bank, the Corporation could, at some inconvenience, effect
the acquisition after selling certain securities.
Governor Robertson inquired whether there was any question as to the Corporation's financial responsibility, and Mr. O'Connell responded that he had no knowledge of any problem in that area.

Thereupon, the Board authorized the issuance today of an order granting the extensions of time that had been requested. A copy of the order, as issued, is attached as Item No. 3.

Messrs. O'Connell and Lyon then withdrew from the meeting.


Following discussion, during which a change in the wording of the conclusion was suggested by Governor Mills, the report was approved unanimously for transmittal to the Comptroller in a form in which the conclusion read as follows:

There is no evidence of competition existing between The First National Bank of Ebensburg and The First National Bank of Barnesboro. The proposal might have adverse competitive effects on the five small remaining unit banks in the area presently served by The First National Bank of Barnesboro.

Report on competitive factors (Rutherford-Teaneck, New Jersey). There had been distributed a draft of report to the Comptroller of the

During discussion it was noted that there was little competition between the two banks since they were separated by a number of natural and artificial barriers. After a change in the wording of the conclusion had been agreed upon, the report was approved unanimously for transmittal to the Comptroller in a form in which the conclusion read as follows:

The proposed merger of the Garden State National Bank of Teaneck and National Community Bank of Rutherford would eliminate only minor competition. While the proposal would result in an increase in the concentration of banking resources in the relevant area, the overall effect on competition would not be significantly adverse.

Application of Wheeling Dollar Savings & Trust Co. There had been distributed a memorandum from the Division of Examinations dated November 4, 1964, along with other pertinent papers, with respect to the application of Wheeling Dollar Savings & Trust Co., Wheeling, West Virginia, to purchase the assets and assume the liabilities of South Wheeling Bank and Trust Company, Wheeling, West Virginia. The Division recommended approval since South Wheeling Bank was faced with a management succession problem and was operating in an economic climate not conducive to growth, continued good earnings, or the attraction of management strength. It was thought that these factors would outweigh the adverse competitive effects and the inconvenience to customers.
located in the immediate area of the small bank that might be expected to result from consummation of the proposal.

At the Board's request, Mr. Egertson reviewed the facts of the case, the adverse competitive factor reports from the other Federal bank supervisory agencies and the Department of Justice, and the reasons underlying the favorable recommendation of the Division, his comments being based principally on the material that had been distributed.

Chairman Martin then called for the views of the members of the Board, beginning with Governor Mills, who stated that he would approve the application for the reasons advanced by the Division of Examinations. He considered this a close case, but there were reasons to believe that there would be a dispersion of the deposits of South Wheeling Bank following its acquisition by the larger bank, and as a result, there would not be the same impact on concentration as might otherwise occur. This would seem to be borne out by the fact that no premium was being paid for the stock of the smaller bank. Wheeling Dollar Savings & Trust Co. apparently had no illusions that it would obtain the full deposit total of the smaller bank. Governor Mills noted that there was also pending a proposal to establish a new bank in Wheeling, which would indicate that there was an element in the community that was of the opinion that a new bank could sustain itself. If the bank were established, further competition would be introduced.
Governor Robertson stated that he would disapprove the application. He also considered this to be a close case, and he recognized that there was a real management problem in South Wheeling Bank. However, in this instance he thought it important to take into account the diminution of competition that would result from consummation of the proposed transaction and also the need to provide banking facilities in an area that had deteriorated but had started redevelopment. In the long run this might be an area in which a bank would be needed and he considered that there was still a need for it at the present time. When a bank was chartered to provide service to an area he believed it had a responsibility to continue that service so long as it was needed. He did not consider significant the fact that banks other than Wheeling Dollar Savings & Trust Co. had not expressed an interest in acquiring South Wheeling Bank. He went on to say that he would not favor approving the measure as a way out for the smaller bank. The only problem was management and it was proposed that the present management would be transferred to the acquiring bank. After weighing the management problem against the diminution of competition and depriving the area of banking services for which there was a need, he would vote to disapprove the application.
Governor Mitchell expressed the view that trying to run a bank in a declining area was a formidable obstacle and apparently the stockholders of the bank were looking for some way to get out of business. Of course, it was possible that the urban redevelopment plan for the area would help the bank, but he considered this doubtful. He would feel better in this case if a smaller bank was proposing to acquire South Wheeling Bank. In his judgment, the real problem was not management but the fact that the bank was located in a declining area. In such circumstances there was a question whether it was preferable for the bank to liquidate its assets or to remain in business as long as possible. Of these two alternatives, he thought that letting another bank take over was a more orderly procedure. Accordingly, he would vote to approve the application and give as the reason the deteriorating environment of the bank rather than the management problem.

Mr. Shay suggested that it might be difficult not to mention the management problem in any statement accompanying an order approving the application.

Governor Mitchell stated that it was true that two chief officers of South Wheeling Bank had suffered heart attacks, but similar attacks had been suffered by others who had continued working. He felt that the Board's posture was not strong when it took health as the only basis for evaluating bank management.
In the discussion that followed, Mr. Solomon noted that there was an interrelationship between management and a bank's location. For example, it was more difficult to find management succession in a deteriorating area than in a good location.

Governor Mitchell commented that the question here related to the kind of banking structure that could be expected in an area that was going downhill. Without branch banking, the only way for a bank to succeed appeared to be for it to place its roots in a growing contiguous area. In this instance the proposed acquisition would result in elimination of a significant amount of competition and, therefore, it was important to have some strong reason for approval.

Mr. Shay mentioned that the other two Federal bank supervisory agencies and the Department of Justice had reported adversely on the competitive factors involved in the proposed transaction and, accordingly, he thought the Board's statement supporting approval should be as strong as possible. He believed that both the management problem and the deteriorating area should be mentioned.

During the ensuing discussion Governor Mitchell reiterated his preference for not giving management as a reason for approval.

Governor Balderston then stated that he would approve the application for the reasons presented by the Division of Examinations. He realized that it would be difficult to prepare a suitable supporting
Chairman Martin indicated that he favored approval of the application and commented that he believed the controlling factor was that the smaller bank wanted to go out of business. He thought in cases of this type a matter of judgment was involved as to what would best serve the public interest.

The application of Wheeling Dollar Savings & Trust Co. was thereupon approved, Governor Robertson dissenting. It was understood that the Legal Division would prepare for the Board's consideration an order and statement reflecting this decision, and that a dissenting statement would also be prepared.

Messrs. Shay, Via, Egertson, and McClintock then withdrew from the meeting.

Fees for outside counsel (Items 4 and 5). There had been distributed a memorandum from the Legal Division dated November 9, 1964, regarding a request from the Federal Reserve Bank of Kansas City for the Board's approval of the action of that Bank in paying $5,711.22 for legal services in connection with damages incurred during construction of the Oklahoma City Branch building.

According to the information furnished by the Reserve Bank, a water main had been broken, resulting in damages of $33,296.70. Upon refusal of any of the parties to admit liability, the Reserve
Bank in April of this year employed outside counsel to bring suit against the architects and engineers, the general contractor, and Kay Engineering Company, the mechanical and electrical subcontractors. Because of the difficulty in fixing responsibility and to avoid bringing the matter to suit, the Bank, on advice of its outside counsel, agreed to a compromise settlement under which Kay Engineering Company agreed to pay $22,500 to the Reserve Bank and, in addition, pursue other parties named as defendants in the suit in order to secure additional payments for purposes of reimbursing the Reserve Bank for the full amount of the damage. In conjunction with this compromise, the Reserve Bank agreed to pay, and paid, its outside counsel $5,711.22.

The Board's basic instructions regarding the employment of outside counsel at Reserve Banks were set forth in letters dated March 4, 1940, and February 28, 1949, which stated that a Reserve Bank may not, when retaining outside counsel, agree to pay a fee in excess of $2,500 without the prior approval of the Board.

In the instant case the matter had not been submitted to the Board at the time the Reserve Bank retained outside counsel, presumably for the reason that it was not anticipated the legal fee would exceed $2,500. Later, as the case developed and at the time the decision was made regarding the compromise settlement, it was known that the legal fees would involve considerably more than $2,500, but Board approval had not been requested.
Attached to the memorandum was a draft of letter to the Kansas City Reserve Bank that would indicate that prior approval of the Board should have been obtained, since the Board considered that its outstanding instructions applied not only with respect to fixed or contingent legal fees that might be agreed upon when counsel was initially employed, but also to fees determined later on the basis of compromise settlements. The letter would state further that the Board would not now interpose any objection to the action that had been taken by the Bank in paying the fee.

Mr. Young summarized the information contained in the distributed memorandum, after which Governor Mitchell raised a question as to the Board's position with respect to approval of fees on a contingent basis. In this connection, Governor Balderston recalled that the Board had been concerned in the past about a contingent legal fee agreement involving a tax matter at another Reserve Bank.

Mr. Hackley said that while he would hesitate to say that the Board had never approved a fee on a contingent basis, at least it could be said that the Board had discouraged such agreements. Mr. Young noted that no reference was made to contingent fees in the Board's 1940 and 1949 instructions with respect to employment of outside counsel.

Governor Mitchell then expressed the view that prior Board approval should be received in the case of agreements to pay legal
fees on a contingent basis, especially when it was possible that such fees might be in excess of $2,500.

Mr. Young stated that the Kansas City Reserve Bank had not furnished information as to the nature of the agreement at the time counsel was initially employed to bring suit to recover damages. It may have appeared that the fee involved was less than $2,500. The matter of a compromise settlement developed later and it was then known that the fee would be more than $2,500.

Governor Robertson suggested that the Reserve Bank had probably just overlooked the instruction at the time that it had entered into the agreement with outside counsel. In the circumstances, he would favor sending the letter as drafted, which would interpose no objection to the payment of the fee, but point out that the payment without prior Board approval constituted a violation of the Board's outstanding instructions.

Rather than engage in conjecture, Governor Mitchell said that he would prefer having the record clear as to the type of agreement that the Reserve Bank had actually entered into when counsel was first employed. He was not certain whether the violation of the Board's instructions had been inadvertent, and he thought that additional clarifying information should be obtained from the Reserve Bank.

Mr. Hackley said that he agreed with Governor Robertson that the Reserve Bank probably had overlooked the Board's instructions,
although the Bank had indicated that it had some question as to their
applicability in this instance. The proposed letter would not only
indicate that the Board would interpose no objection to the fee that
had been paid, but would make it clear that the Board's instructions
applied in the case of both fixed and contingent legal fees.

After Chairman Martin commented that the proposed letter
seemed to take care of the matter, it was approved. A copy is
attached as Item No. 4.

It was also understood that a letter would be sent to the
Presidents of all Federal Reserve Banks setting forth the Board's
interpretation of the question that had been presented. A copy is
attached as Item No. 5.

All members of the staff then withdrew except Messrs. Sherman
and Johnson and Miss Carmichael.

Salaries of Presidents and First Vice Presidents (Item No. 6).
There had been circulated a memorandum from the Division of Personnel
Administration dated October 29, 1964, relating to a request from
the Board of Directors of the Federal Reserve Bank of Chicago for
approval of an increase, from $27,500 to $30,000 per annum, in the
salary of First Vice President Helmer, effective January 1, 1965.

A similar request for an increase in Mr. Helmer's salary,
to be effective January 1, 1964, had been received in 1963. At that
time, the Chairman of the Federal Reserve Bank of Chicago was advised
that the Board had not approved the proposed increase because it would be inconsistent with the Board's letter of October 5, 1962, which set forth guidelines with respect to salary progression for Presidents and First Vice Presidents. The 1962 letter included a provision that a Reserve Bank may initiate meritorious adjustments, with the maximum increase for First Vice Presidents limited to $2,500, not oftener than at three-year intervals. Inasmuch as Mr. Helmer's salary had been raised to its present level, effective January 1, 1963, he would not be eligible for an increase until January 1966.

The Division of Personnel Administration recommended that the Reserve Bank be notified that the proposed increase in Mr. Helmer's salary would not be consistent with the established guidelines. Attached to the memorandum was a draft of letter to the Deputy Chairman of the Chicago Bank reflecting that recommendation.

In commenting on the request from the Chicago Bank, Mr. Johnson said that it seemed preferable to communicate without delay regarding the proposed change in Mr. Helmer's salary, thereby enabling the Bank's directors to take appropriate action.

Mr. Johnson reported that requests had also been received from the Board of Directors of the New York Reserve Bank for increasing First Vice President Treiber's salary by $5,000 and from the Board of the Philadelphia Reserve Bank for increasing First Vice President Hilkert's salary by $2,500, both effective January 1, 1965.
Under the guidelines, the increase proposed for Mr. Treiber would exceed the amount specified, and Mr. Hilkert would not be eligible for an increase until January 1, 1966.

The requests from the three Reserve Banks raised a question, Mr. Johnson indicated, as to whether the Board might wish to take a position at this time that would cover all requests conflicting with the 1962 guidelines, or whether each case should be considered individually. It would be his preference to consider each request individually.

Governor Mitchell observed that the Board's Committee on Organization, Compensation, and Building Plans had completed its review of salary proposals for Reserve Bank officers other than Presidents and First Vice Presidents for 1965. The Committee was impressed with the fine presentations and the consistent recognition of the 1962 salary progression guidelines. Without exception, the guidelines had been well received at all of the Reserve Banks. Governor Mitchell added that he was not aware of any reasons why exceptions should be made in the case of First Vice Presidents at the New York, Philadelphia, and Chicago Reserve Banks.

Chairman Martin stressed the desirability of adhering to the established guidelines, thus making possible a consistent approach to the matter of officer salary progression. He mentioned that question had been raised by the Chairman of the Atlanta Reserve Bank regarding
a possible increase in President Bryan's salary. The increase was being urged especially in view of Mr. Bryan's age and his retirement plans. Under the guidelines, President Bryan would not be eligible for an increase until January 1, 1966.

In the discussion that followed, it was the consensus that it would be preferable to adhere to the 1962 guidelines for salary progression with the understanding that Reserve Banks would be free to present to the Board any cases where it was felt that exceptions were warranted.

Unanimous approval was then given the letter to the Deputy Chairman of the Federal Reserve Bank of Chicago. A copy is attached as Item No. 6.

It was understood that Chairman Martin would advise the Chairman of the Federal Reserve Bank of Atlanta that, while the Board had considered the proposal for an increase in President Bryan's salary, such action would not be consistent with the established guidelines and that the Board was not prepared to approve the request.

David C. Bevan, a Class C director and Deputy Chairman of the Federal Reserve Bank of Philadelphia, whose reappointment as Deputy Chairman had been approved at the meeting on October 28, 1964, had indicated informally that he expected to submit his resignation as a director at the end of 1964.
Following comments by Governor Balderston, there was a discussion of possible successors to Mr. Bevan in the event that his resignation should be tendered. At the end of the discussion, Governor Balderston was authorized to explore this matter further.

The meeting then adjourned.

Secretary's Notes: On November 10, 1964, Governor Shepardson approved on behalf of the Board the following items:

Memorandum from the Division of Research and Statistics dated October 20, 1964, requesting authorization to collaborate with Cornell University on a consumer credit research project involving analysis of the University of Michigan Survey Research Center's annual Survey of Consumer Finances data on instalment borrowers for the years 1956-1964. It was understood that no direct expenditures by the Board were anticipated for this project.

Memoranda recommending the following actions relating to the Board's staff:

Appointment

Marcia G. Patz as Secretary, Division of Research and Statistics, with basic annual salary at the rate of $5,825, effective the date of entrance upon duty.

Establishment of additional positions

Position of Economist in the Consumer Credit and Finances Section of the Division of Research and Statistics.

Position of Economist in the Banking Markets Unit of the Division of Research and Statistics.

With the approval of Governor Robertson, a letter was sent to the Presidents of all Federal Reserve Banks on November 10, 1964, regarding Reserve Bank representation at the Board's Liaison Office. A copy of the letter is attached as Item No. 7.
Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board the following items:

Memorandum from the Division of Research and Statistics dated November 6, 1964, recommending that Peter Gajewski, Economist in that Division, be detailed to the Bureau of the Census on a reimbursable basis, in accordance with the request of the Bureau, for the period November 16-December 4, 1964, to enable him to attend an orientation class in preparation for an overseas assignment for the Agency for International Development that he is to undertake upon his resignation from the Board's staff in January 1965.

Memorandum from the Division of Research and Statistics recommending acceptance of the resignation of Ellen Joyce Tollen, Statistical Assistant in that Division, effective at the close of business November 13, 1964.

Secretary
SANFORD - NEW YORK

Your wire November 5. Board approves opening and maintenance of an account on books of Federal Reserve Bank of New York in the name of the Reserve Bank of Malawi, subject to the usual terms and conditions. It is understood that participation in this account will be offered to other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN
November 12, 1964.

Re U. S. v. James Lovelace Tribble. Board in receipt of telegraphic request from Assistant U. S. Attorney Samuel W. Phillips, Richmond, Virginia, for access at your Bank to reports of examination of Bank of Powhatan, Powhatan, Virginia, dated November 18, 1961, May 7, 1962, June 3, 1963, and August 3, 1963. Request relates to trial of above-captioned case commencing December 1 and to fact that defense counsel has had access to said reports pursuant to court order dated November 4, 1964. On the basis of conversations had between you and O'Connell of Board's staff, it is understood that Phillips' request is for purpose of preparing possible opposition to subpoena for these reports expected to be issued at defendant's request.

Board authorizes Phillips' access to the open section of the four reports of examination above identified, such access to be had at your Bank and in the presence of authorized representative of your Bank's Legal or Examinations Departments. Authorization herein granted contemplates, if requested by Phillips, preparation of copies of portions of the open section of any of the reports to which access is herein given. As discussed with O'Connell, confidential portions
TELEGRAM TO FARMER - RICHMOND (Cont'd) -2-

of each of the reports of examination should be removed prior to Phillips' examination. Request that you continue to keep Board currently advised of developments regarding Tribble case.

(Signed) Merritt Sherman

Sherman
In the Matter of the Application of

BARNETT NATIONAL SECURITIES CORPORATION,
Jacksonville, Florida,

for permission to acquire 80 per cent or more of the voting shares of The San Jose Barnett Bank, Jacksonville, Florida.

ORDER EXTENDING PERIODS OF TIME PRESCRIBED BY PROVISOS IN ORDER OF APPROVAL

WHEREAS, by Order dated August 12, 1964, the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(2)) and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), approved the acquisition by Barnett National Securities Corporation, Jacksonville, Florida, of 80 per cent or more of the voting shares to be issued by The San Jose Barnett Bank, Jacksonville, Florida, a proposed new bank, and said Order was made subject to the provisos that the acquisition so approved "shall not be consummated . . . (b) later than three months after said date [of Order], and that The San Jose Barnett Bank shall be opened for business not later than six months after said date [of Order]"; and
WHEREAS, Barnett National Securities Corporation has applied to the Board for extensions of time within which the approved acquisition may be consummated and within which the bank shall be opened for business, and it appearing to the Board that good cause has been shown for the extensions of time requested and that such extensions would not be inconsistent with the public interest;

IT IS HEREBY ORDERED, that the Board's Order of August 12, 1964, be, and it hereby is, amended so that the provisos relating to the time by which Barnett National Securities Corporation shall consummate the approved acquisition of stock, and the date by which The San Jose Barnett Bank shall be opened for business, shall read: "provided that the acquisition so approved shall not be consummated (b) later than December 31, 1964, and that The San Jose Barnett Bank shall be opened for business not later than May 20, 1965."

Dated at Washington, D. C., this 12th day of November, 1964.

By Order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman, Secretary.

(SEAL)
Mr. Henry O. Koppang, First Vice President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri. 64106

Dear Mr. Koppang:

This is in response to your letter of October 15, 1964, addressed to the Board's General Counsel, requesting the Board's approval of the action of your Bank in paying $5,711.22 for legal services in connection with damages incurred during construction of the Oklahoma City Branch building.

The Board's outstanding instructions to the Federal Reserve Banks regarding the employment of and fees to be paid outside counsel are contained in the Board's letter of March 4, 1940 (S-206). The Board considers that these instructions apply not only with respect to fixed or contingent legal fees that might be agreed upon when counsel is initially employed but also to fees determined later on the basis of compromise settlements. Accordingly, it is the Board's view that prior approval of the Board should have been obtained prior to the payment of the fee in question. While the Board will not now interpose any objection to the action taken by your Bank, it is suggested that care be exercised in any similar future situations to insure that adequate and timely information be provided to the Board and that necessary approvals be obtained.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Dear Sir:

A question was raised recently by a Federal Reserve Bank with respect to the need for the Board's approval of outside counsel fees where the amount of such fees is determined on the basis of compromise settlement reached subsequent to the original employment of counsel.

The Board's outstanding instructions to the Federal Reserve Banks regarding the employment of and fees to be paid outside counsel are contained in the Board's letter of March 4, 1940 (S-206; F.R.L.L.S. 9084.1), supplemented by S-1092 of February 28, 1949. The Board considers that these instructions apply not only with respect to fixed or contingent legal fees that might be agreed upon when counsel is initially employed, but also to fees determined subsequently on the basis of compromise settlements. Accordingly, whenever it appears that the services of outside counsel may involve an expenditure of fees in excess of $2,500, whatever the basis for such fees, the matter should be submitted to the Board for prior approval.

Very truly yours,

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.
Mr. James H. Hilton,
Deputy Chairman,
Federal Reserve Bank of Chicago,
Chicago, Illinois 60690.

Dear Mr. Hilton:

Reference is made to your letter of October 22, 1964, regarding Board approval of salary payments for the calendar year 1965 to President Scanlon and First Vice President Helmer.

In a letter dated October 5, 1962, the Board established guidelines with respect to salary progression for Presidents and First Vice Presidents of the Federal Reserve Banks including a provision that a Bank may initiate meritorious adjustments, with the maximum increase limited to $2,500 not oftener than at three-year intervals for First Vice Presidents. In view of the fact that Mr. Helmer's salary was raised to its present level, effective January 1, 1963, no further adjustment can be made until January 1966. The matter is being called to your attention so that the Directors may take appropriate action as soon as possible.

The salary proposal for President Scanlon is in keeping with the guideline and will be acted upon by the Board at the time salary proposals for Presidents and First Vice Presidents of all Reserve Banks are considered, early in December.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.
Dear Sir:

In accordance with the action taken by the Conference of Presidents on September 28, 1964, there is enclosed a suggested schedule for Reserve Bank representation at the Board's Liaison Office during 1965. The schedule has been restricted to six months when favorable weather may be expected. August has been omitted to avoid the time when many take their vacations. If you should desire to send more than one individual during 1965, arrangements can be made to accommodate more than one on any of the scheduled dates. Please submit the name of your representative or representatives by January 15, 1965.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.
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