

S-205  
Reg. L-10INTERPRETATION OF LAW OR REGULATION

(Copies to be Sent to all Federal Reserve Banks)

February 27, 1940

Mr. R. A. Young, President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Dear Mr. Young:

Receipt is acknowledged of your letter of February 12, 1940 regarding the applicability of the Clayton Act to Mr. \_\_\_\_\_ who is a director of the     A     Trust Company, Guilford, Maine, and a director of The     B     Trust Company, Bangor, Maine.

The     B     Trust Company has a branch in the "Town" of Dover-Foxcroft, the corporate limits of which touch the corporate limits of the "Town" of Guilford. Accordingly, the question presented is whether the     A     Trust Company and the branch of The     B     Trust Company are located in "contiguous or adjacent" towns within the meaning of exception numbered (5) in section 8 of the Clayton Act, in view of the fact that footnote 8 in Regulation L says that "The Board has interpreted the term 'contiguous' as referring to cities, towns, and villages whose corporate limits touch or coincide at some point \* \* \* ."

You have furnished detailed information regarding the two towns and a map which shows that a "Town" in Maine is merely a subdivision of a county, and is not, as in many other States, an area drawn so as to include a large cluster of houses. For example, the nearby "Town" of Garland has in it no large community, but contains nearly a dozen scattered groups of houses with different names such as Twin Brook, Gordon Corner, etc.

Although the corporate limits of the "Towns" of Guilford and Dover-Foxcroft touch, the communities in which the     A     Trust Company and the branch of The     B     Trust Company are located are actually eight miles apart, the intervening area being composed of wild land and scattered farms. Each has its own Chamber of Commerce, motion picture theatre, and hotel. Prior to 1915, Dover and Foxcroft were two separate "Towns" although a community of some size was located on the dividing line. In 1915, the two "Towns" were made into one and the names were hyphenated. The name now applies to the community, which has an area of a little more than one square mile, as well as to the "Town" which has an area of about 48 square miles.

Counsel for The B Trust Company in their opinion dated February 5, 1940, which you enclosed, state their belief that the Clayton Act should be construed in the light of the abuses it was designed to correct, and, to this end, should be construed to prohibit interlocking relationships "between two institutions existing in the same collection of people, whether that collection of people legally constitute an incorporated town or not, \* \* \* and even if they constitute two towns or cities or villages or even more, provided such a collection of people is residing in cities, towns, or villages contiguous or adjacent to each other so that altogether they make one collection of people." It is believed that the point is well taken. See footnote 8 in Regulation L.

As you point out, a ruling that the corporate limits control in all cases would be capable of more precise application than a ruling requiring each case of this kind to be determined individually in the light of the facts and circumstances involved. However, the Board is of the opinion that the word "town" in section 8 of the Clayton Act does not refer to a "Town" such as Guilford, and that the question whether two communities such as those herein discussed are "contiguous or adjacent" is similar to the question which would be presented in the case of two unincorporated villages in another State having a different system of subdivisions. In such a case, unless the two communities were, geographically, a single community, as Dover and Foxcroft were before their names were hyphenated in 1915, it would be necessary to apply the principles stated in footnote 8 of Regulation L for determining whether or not two places are "adjacent".

In view of the information which you have submitted the Board is of the opinion that the communities of Guilford and Dover-Foxcroft are not "contiguous or adjacent" within the meaning of the Clayton Act.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.