[MS-0398.040.009.020]

Bank of America

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Executive Vice President

Corporate Community Development 3246

October 8, 1991

Dear Friends:

This letter responds to concerns you raised during our meeting of September 24, at which we met with representatives from the city of San Diego and San Diego-based community organizations to discuss issues of mutual concern regarding the proposed merger of Bank of America Corporation (BAC) and Security Pacific Corporation (SPC).

We will attempt to address those concerns in as much detail as possible at this stage of the proposed merger. However, the planned consolidation is still in its early stages and many business decisions that could be relevant to our discussions won't be made until a later date.

Last summer, Bank of America NT&SA (BofA) received a rating of "outstanding" by the Office of Controller of the Currency. An "outstanding" rating was earned by 8% of the banks examined by this Federal regulator. We believe that the breadth and depth of our CRA program reflects our commitment.

Bank of America currently has a statewide Community Reinvestment Act lending goal of $5 billion over ten years. We believe that our staff's community lending expertise, and our aggressive program of needs assessment calls, will enable our CRA lending volumes to be distributed throughout the state, including San Diego County.

BankAmerica historically has not established lending targets for specific regions within California. In compliance with Community Reinvestment Act (CRA) guidelines, we strive for geographical diversity in our lending programs and believe that regionally targeted goals have the potential to limit that diversity.

In speaking about the bank's community development strategy, it is important to note the groundwork which is being laid to deliver services to the San Diego County area. The bank will continue its efforts with programs and resources which will be fine-tuned in regularly scheduled meetings with community groups to discuss performance, program enhancements and specific issues. In addition, Bank of America State Bank (BASB) has an eight member external advisory board of community development practitioners, locally represented by Art Goodman. This provides San Diego another

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opportunity to give direct and meaningful input on an on-going basis, for the development of BASB programs and products.

Going forward, BankAmerica looks forward to working with you, in tandem with the city and county, on specific programs in San Diego. At this time we do not anticipate establishing geographic lending targets. We believe it could constrain our ability to respond to unforseen local opportunities. Further, it will be extremely difficult to manage especially since it sets a precedence for every city and/or county to request equal treatment.

In response to other issues raised at our meeting:

Small Business Lending

BASB has the responsibility, within BankAmerica, for small business public/private sector partnership loans. These are loans which are guaranteed or assisted by Small Business Administration (7(A) and 504 real estate for owner users), California's regional loan guarantee program locally administered by California Southern Small Business Development Corporation, Farmers Home Administration (business & industry loans and community facilities/infrastructure) in rural markets, and specialized local programs.

BASB does not have a minimum loan size in recognition that smaller loans ($100,000 and less) are the most difficult to obtain. It works closely with local non-profit organizations to structure the appropriate credit for the small business need -- be it term loan or a line of credit or a combination.

Last year, BASB recognized that it was having delivery problems serving the San Diego small business lending market; it localized the solution by seeking and following the advice of San Diegans Art Goodman and Tony Vigil. The groundwork has now been laid for the bank to expand its market share in serving the small business lending market.

The SBA San Diego district numbers tell the story. Fiscal year 1990 shows the bank ranking 29th by dollar volume however in the first 8 months of fiscal year 1991, BASB rose to 17th. Of greater importance however is the fact that BASB has the lowest average loan size in the district ($100,300) and ranks 9th by number of loans made. Currently, BASB is the district's leading lender of SBA loans under $50,000. In addition, BASB has closed three loans/lines of credit with California Southern Small Business Development Corporation. In the San Diego area, approximately 60% of the BASB loans went to minority or women owned enterprises.

Again, we believe our commitment to San Diego, in terms of staffing with a local community development account officer for small business and economic development loans, and our record already evidenced in 1991 for SBA and California Southern loans is unmatched by any other statewide lender.

Multi-family Affordable Housing

Affordable housing in the multi-family market, includes both new construction and also the preservation of Housing and Urban Development (HUD) "at risk" projects. Bank of America is the only bank in California which offers financing to ensure that these properties, which are at risk of becoming market rate units as HUD rent restrictions expire, remain affordable. Of the four preservation projects financed through August 31, 1991, one was located in San Diego County. This project accounts for 38% of the bank's total low and very-low income dollar volume of our State-wide preservation market. Also in the preservation market, two more San Diego projects (815 units for $32MM) have HUD commitments for funding and are expected to close this year.

As part of the $5 billion CRA goal, BankAmerica has a standing goal to provide $50 million annually in multi-family affordable housing financing. We are well above that goal already in 1991, and feel that our total at the close of the year may approach $80 million to $100 million, with a significant portion going into Southern California. Upon consummation of a merger with Security Pacific, this goal will be increased significantly.

Our efforts in this area has been enhanced by the lending programs offered through Bank of America State Bank (BASB), the subsidiary which is BankAmerica's primary vehicle for multi-family affordable housing finance. BASB was recently given a CRA rating of "outstanding" by the Federal Deposit Insurance Corporation. Regardless of the merger outcome, we expect to expand BASB programs in California.

We believe we have been very aggressive in the San Diego market. We have a San Diego domiciled, affordable housing specialist with extensive experience in local public agencies and excellent knowledge of the local affordable housing market. He is active and well known within the community. He is a member of the San Diego Local Initiatives Support Coalition (LISC) Advisory Committee, an organization which provides grants, loans and builds technical capacity to non-profit organizations especially for distressed neighborhoods, and is a member of the San Diego Community Foundation's Community Development Advisory Committee.

No other state-wide lender has made this commitment to staff San Diego needs.

Home Loans: Community Reinvestment Act - Related

BankAmerica currently offers a major home loan program for lower-income areas, Neighborhood Advantage, that is available in selected census tracts throughout California, including areas in San Diego County. Neighborhood Advantage includes special underwriting criteria and other features:

- 30 percent less income needed to qualify.
- Available in lower-income census tracts where the median income is 80 percent or less of the median in the surrounding metropolitan statistical area.
- Loan-to-value ratios of up to 95 percent on loans of up to $191,250.
- Allows total housing cost-to-income ratio of up to 40 percent on loans up to 90 percent LTV.
- Waives the standard requirement for cash reserves at closing on loans up to 90 percent LTV.
- Credit history may be established by rents, utility payments, and other alternative sources.
- Non-recurring closing costs have been waived for a designated period (through December 13, 1991).

Neighborhood Advantage is part of the bank's mainstream business. Rather than make it available only through a limited number of CRA loan officers, Neighborhood Advantage is available throughout California in more than 800 branches; through a separate network of realty/sales officers that serve the real estate and builder community; and through at least 200 mortgage brokers certified to sell home loans to BofA.

Through September 13, 1991, home loans in lower-income census tracts in California totaled $305 million, on par with 1990 volumes. We believe this is a good performance in light of the recession that has pervaded the California economy this year. In addition, aggressive marketing efforts are underway to increase lending to minority communities.

Neighborhood Advantage is a geographic program intended to infuse new capital into lower-income communities, as well as to enhance home buying opportunities. Within the next six months, the bank intends to expand Neighborhood Advantage by allowing applicants to qualify by income, regardless of where the home they intend to buy or refinance is located.

Lower Income Checking

Bank of America's Limited Checking product, which is not limited to lower income individuals/households, includes these features:

- Available at all Bank of America branches in San Diego County.
- $25 minimum opening deposit; no minimum daily balance requirement.
- Monthly fee of $3.50.
- Eight checks and eight ATM transactions a month are provided with no limit on in-branch teller deposits (see Attachment A for more details).

We believe our Limited Checking product fully responds to the needs of lower income customers.

Consumer Credit

BankAmerica's consumer loan program for lower income customers, BASIC, provides special underwriting and product features for auto, personal, home equity (including home improvement), and manufactured housing loans (See Attachment B). This product is available at all Bank of America branches in San Diego County.

Charitable Giving to Community Development

Community development is not simply a matter of availability of bank loans. We believe strongly in the need for an infrastructure of community based non-profit organizations with development capacity. The capacity building for community based non-profits is a primary focus of BankAmerica's philanthropic program. In particular, capacity building has been has been a strategy that we have emphasized in San Diego.

In 1987, BofA introduced into the settlement of a class action law suit dealing with charges for bounced checks, a public benefit provision addressing very low income housing development. The provision was based on a successful model developed jointly by BankAmerica Foundation and LISC's national office in 1984. Recognizing the need to develop capacity locally in San Diego and the strong desire of San Diego Community Foundation to establish itself as a local affordable housing intermediary, BofA provided the Community Foundation with a $400,000, 0% loan to seed a revolving loan fund. At that time, BankAmerica Foundation also gave San Diego

Community Foundation a $15,000 grant to seed HOUSE, Inc., another affordable housing initiative.

To help raise the initial capital for a San Diego LISC program, BankAmerica made a grant of $100,000 -- a level twice that of San Francisco and Los Angeles for the same period -- in addition it donated the office space and equipment. This commitment stems from Bank of America's long standing relationship with LISC and our firm belief that the presence of the local LISC program acts as a catalyst for significant and sustained community based development capacity.

As another facet of our capacity building strategy, since 1989, we have supported four San Diego County participants in the year-long National Internship program of the Development Training Institute. Another example of trying to increase capacity is being a major funder of a comprehensive training program for housing non-profits offered by San Diego LISC and California Housing Partnership.

In addition to the need to assist the efforts to increase the capacity of community based organizations, the bank recognizes the difficulty and occasional inherent ineffectiveness in providing specialized credit to targeted borrowers. To that end, BofA also made a $10,000 grant to Southeast Economic Development Corporation to assist them in marketing their services of providing technical assistance and micro loans to fledgling businesses.

We believe our effort to strategically use philanthropic resources to raise capacity among community based development organizations is unmatched by any financial institution.

Technical Assistance To Community Development Organizations

Bank staff share their experiences, their expertise and their time with community development organizations. For example, Rod Maldonado sits on the loan committee of San Diego Southeast Economic Development Corporation he also is a regular speaker at the Small Business Administration's pre-business workshops. Last January, BASB conducted a one-day training for economic development practitioner on small business loans. On the affordable housing side, Mitch Thompson continues to work with non-profit developers, advising them on financial packaging and structuring often from the conceptual stage of a development. In addition to serving on the LISC advisory board, he will continue being an active participant with Non-Profit Housing and Community Development Federation.

Branch Closures

We are committed to maintaining BankAmerica's significant and historical presence in lower-income neighborhoods. However, the merger will require the closure of some branches. We are committed to the following guidelines as this process goes forward:

- To maintain or enhance the level of service and presence in lower-income areas by expanding our community marketing and outreach.
- When accounts of Security Pacific customers are transferred to BankAmerica, or when they are transferred from one BankAmerica branch to another, all relevant account and credit histories will be kept intact and transferred as well.
- We will provide a minimum closure notice of 120 days for branches in lower-income areas.

Employee Issues

As we have seen over the past few years, significant workforce restructuring is inevitable as banking, and the entire United States services industry in the U. S., becomes more efficient and competitive. As challenging as this merger may prove to be, it is a healthy response to an industry that is being weakened by fundamental over capacity. We believe the combined bank will offer enhanced services and products to customers at very competitive prices, and provide significant career opportunities for employees. During the transition, we are committed to being as sensitive and responsive as we can to the needs of displaced employees and our communities.

We are offering affected employees a very generous severance package that will provide three weeks' salary for every year of service with a minimum of three months and a maximum of eighteen months. In addition, we will extend medical benefits for affected employees for one year. Further, we are planning to offer displaced employees an expanded range of services to help them find new jobs. We will announce these programs to employees as soon as the details are worked out.

As we adjust the size of the new bank, we are committed to retaining and enhancing, wherever possible, all of the gains that women and minorities have made in our workforce over the years.

San Diego-based Community Reinvestment Act Officer

We will identify a senior level, San Diego-based officer who will seek out and evaluate community credit needs and make recommendations as to how those needs can be met. The officer will meet regularly with community organizations and report to Bank of America State Bank and BofA's Corporate Community Development

Department. This officer will compliment the actions of our two community development officers already domiciled in San Diego and who, as part of their responsibilities for public/private sector partnership transactions, have already established strong links with local community based organizations.

Fundamentally, we believe this merger is a healthy response to the overcapacity problem that is weakening the financial services industry. Customers will benefit in the form of competitive products and pricing, and California will benefit from the presence of a healthy, well-capitalized bank that can enhance the competitiveness and productivity of the states's economy.

The merger will create a healthy, well-capitalized institution with resources to offer meaningful CRA programs over the long term. The combined institution will be in a better position to compete with non-bank financial service companies and internationally owned institutions that have little or no CRA presence.

I hope this information is useful and I look forward to our next meeting. We value your input and hope you will enthusiastically endorse the planned merger of BankAmerica and Security Pacific. Please feel free to call me in the meantime if there are any questions.

Sincerely,

Donald A. Mullane

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