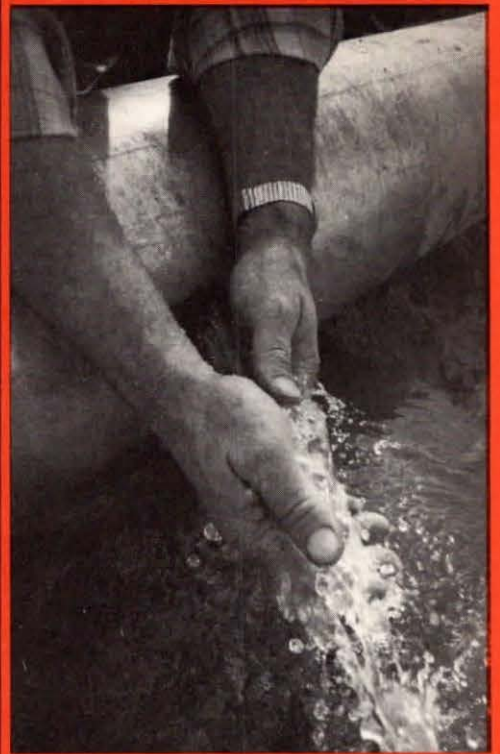
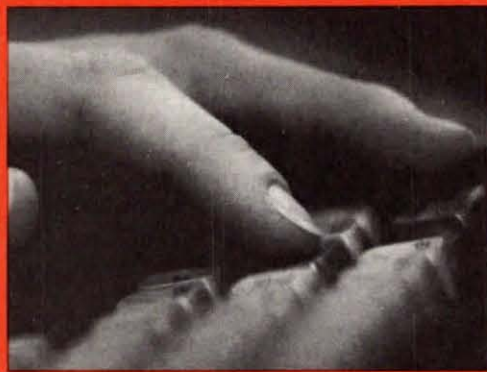


Community and the Bank 1977





Preface

As the cover of this fifth annual *Community and the Bank* suggests, the image of hands reaching out is crucial to Bank of America's concept of business and social responsibility. We believe people turn good intentions into realities and problems into solutions.

Bank of America is fortunate to have an abundance of people who share the vision of a better world and are willing to work toward its achievement.

Corporate social responsibility is an integral part of our daily operations and decision-making. As a business and social entity, the bank has established four basic tenets that underlie its approach to social responsibility:

- To operate an efficient business in order to provide a fair return to shareholders through dividends and profitable, well-planned growth.
- To deal in an honest, fair, and open-minded manner with customers, employees, suppliers, communities and all others who are affected by the bank's actions and decisions.
- To use resources to fulfill our responsibilities to our various constituencies and, thereby, to promote the common good.
- To express opinions responsibly on issues important to Bank of America, its parent corporation, subsidiaries and its various constituencies.

Again, it is the bank's people who subscribe to these tenets, and it is they who must live up to them in 1978 and the years beyond. We hope the pages which follow will suggest to you the many hands our people—from our boardrooms to our teller windows—are reaching out to improve the communities in which we live and work.

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The Bank's Corporate Responsibility System

Bank of America believes that the conduct of employees at the day-to-day operating level demonstrates how effectively a company exercises corporate responsibility.

The bank also believes that it must have in place a system that facilitates consistent, top-level attention to corporate social responsibility matters. Two standing committees serve this purpose by monitoring the bank's overall social performance and advising on programs and policies with specific corporate responsibility implications. These are the Public Policy Committee of the bank's Board of Directors and the bank's Social Policy Committee, both formed in 1972.

Further, the bank has assigned to the departments reviewed in this section certain responsibilities for helping to design, develop, and implement such policies and programs.

Public Policy Committee

This committee is composed of six members of the bank's Board of Directors and the Senior Vice President-Social Policy, who serves as the committee's secretary. Its functions are to:

- Identify and monitor broad environmental, political, and social trends that could have a direct or indirect impact on the bank's activities and performance.
- Advise bank management on long-range plans and programs for keeping the bank's activities in consonance with new social requirements.
- Report to the full board on the status and adequacy of the bank's overall public policy activities, with specific recommendations for improvements as necessary.

The bank appoints a majority of outside directors to this committee to ensure a broad perspective. Meeting monthly, the committee is chaired by Ruben F. Mettler, Chairman of the Board and Chief Executive Officer, TRW, Inc.

Items on the committee's 1977 agendas included the following, most of which are discussed elsewhere in this report:

| | |
|------------|---|
| January 10 | Privacy of customer and employee records. |
| February 7 | Financial reform initiatives in Congress. Senate Banking Committee study on multinational banking. |
| March 7 | Corporate responsibility concerns of church organizations. Human rights issues. |
| April 5 | Public Policy Committee plans for 1977. Land-use issues. |
| June 6 | Corporate governance. Review of the bank's energy program. |
| July 5 | Corporate governance. Review of the bank's Equal Opportunity programs. |
| August 1 | Corporate Priorities report for 1977, prepared by the firm of Yankelovich, Skelly and White, Inc., New York. |
| August 29 | Report on bank programs dealing with consumer affairs, housing and urban improvements, small business, and energy conservation. |
| October 3 | Consumer Compliance Report of the National Bank Examiners. Review of the bank's experience with its policy on club memberships and with the <u>Voluntary Disclosure Code</u> , adopted in November 1976. Arab boycott issue. Corporate governance. |
| November 7 | Urban real estate lending practices. |
| December 5 | Review of the bank's personnel policies and practices. |

Social Policy Committee

The Social Policy Committee brings together the expertise of senior managers from many of the bank's operating and administrative departments, including the California and World Banking Divisions, the two largest profit centers; the Personnel, Legal, and Secretary's Departments; the Loan and Controlling Departments; and the Communications and Public Relations Departments. Its chairman is James F. Langton, Senior Vice President-Social Policy.

This committee identifies emerging social policy issues and considers the changing needs of groups to which the bank must be responsive—employees, consumers, shareholders, communities, and others. It sets priorities and standards for responsible action and initiates changes in bank policies, positions, and practices. It also plans specific programs to help the bank meet its social responsibilities and monitors the implementation and effectiveness of these undertakings.

Items on the committee's 1977 agendas included the following, most of which are discussed elsewhere in this report:

| | |
|--------------|---|
| January 21 | Report on Equal Opportunity programs. Corporate responsibility concerns of church organizations. |
| February 18 | Review of Social Policy Committee's plans for 1977. Report on the Federally Insured Student Loan Program. |
| March 21 | Report on bank disclosures under the Home Mortgage Disclosure Act. Report on the Regional Urban Development Officer Program. Report on the Minority Purchasing Program. |
| April 18 | Report on bank disclosures under the Home Mortgage Disclosure Act. Report on consumer issues in electronic banking. New U.S. and California consumer legislation. |
| May 23 | Energy conservation program. |
| June 14 | South Africa and issues of human rights. |
| June 17 | Proposed policy regarding television advertising on programs with excessive violence. South Africa and issues of human rights. |
| July 18 | Report on bank disclosures under the Home Mortgage Disclosure Act. |
| August 2 | Corporate Priorities report for 1977, prepared by the firm of Yankelovich, Skelly and White, Inc., New York. |
| August 15 | South Africa and issues of human rights. Privacy issues. |
| August 23 | South Africa and issues of human rights. |
| September 13 | South Africa and issues of human rights. The Consumer Compliance Report of the National Bank Examiners. |
| September 26 | Report on a corporate code of conduct. |
| October 25 | South Africa and issues of human rights. Review of the bank's City Improvement and Restoration Program. |

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| November 1 | Discussion of a corporate code of conduct. |
| November 30 | Recommendations on the City Improvement and Restoration Program. |

Departments and Other Administrative Units

Social Policy Department

The Social Policy Department is directed by Senior Vice President James F. Langton, who also serves as chairman of the Social Policy Committee. This department functions as the staff for that committee and as a support group for the Public Policy Committee of the bank's Board of Directors. It identifies and researches consumer, community, employee, environmental, international and corporate issues and needs related to corporate responsibility. It also develops and coordinates implementation of changes made by the Social Policy Committee in policies, positions, procedures, and programs and evaluates them once they are in place.

Urban Affairs Department

Headed by Vice President Joseph C. Angello, this unit reports to the Senior Vice President—Social Policy and handles programs of many different kinds, including those for people with low incomes, disadvantaged members of minority groups, and the handicapped. It administers special lending programs for businesses of disadvantaged minority members, the handicapped, qualified veterans, and others. It also oversees the Minority Purchasing Program (see p. 14), the bank's employee volunteer programs (including the Loaned Executive Program), and its career guidance activities.

The department's staff includes eight Regional Urban Development Officers who work throughout California to increase business ownership opportunities for members of minorities. In addition, the staff of the City Improvement and Restoration Program (CIRP) functions as part of this department (see p. 7).

BA Investment Management Corporation (BAIMCO)

BAIMCO, a nonbanking subsidiary of BankAmerica Corporation headed by President Jack H. Leylegian II, employs a corporate social responsibility analyst to develop and analyze information relating to performance by other major corporations on issues of social responsibility. This analyst's findings aid BAIMCO's management in making investment decisions and in related matters. This analyst also coordinates the decision-making process for voting proxies of companies whose stock is held in accounts in the bank's Trust Department.

Communications and Public Relations

Directed by Senior Vice President John J. Bell, these departments are responsible for internal and external communication of information about BankAmerica and its activities.

The Communications Department, among its many activities, coordinates an affirmative action program to ensure that the bank's employee communications support BankAmerica's equal employment opportunity objectives. The program seeks to provide realistic role models for women and minority employees, promote understanding and acceptance of affirmative action programs, ensure balanced portrayal of women and minority employees in bank publications, and report the bank's progress in reaching its affirmative action goals. This department also operates a program for simplifying bank forms used in its lending, checking, deposit, and other services for consumers, and coordinates the bank's special meeting programs (see p. 27).

The Public Relations Department works to ensure the accurate and complete representation of the corporation's and the bank's activities in the news media and in the bank's external publications. It monitors developments in California, the nation, and the world to identify and evaluate issues and problems that might affect bank policies and activities in unanticipated ways. The department is instrumental in helping the bank to form positions on current issues and in conveying these positions to the public and interested groups.

Contributions Department

The Contributions Department, headed by Vice President C. J. Bocchieri, coordinates charitable contributions and the bank's support of the arts. The department administers the activities of BankAmerica Foundation and supports a host of activities and organizations in the fields of health, social service, education, culture, civic causes, and international affairs. A listing of the grants made by the foundation is included in the BankAmerica Foundation Annual Report (see p. 32 and Related Documents, p. 36).

Equal Opportunity Section

Personnel Administration, headed by Executive Vice President George A. Skoglund, includes a unit that develops affirmative action plans for women, minorities, the handicapped, and disabled veterans and Vietnam-era veterans. This section also monitors the bank's recruitment, selection, placement, and promotion activities to ensure that all qualified applicants and employees enjoy equal opportunities.

Marketing Publications

Part of Marketing Services, a department directed by Vice President Charles R. Stuart, Jr., this unit publishes reports designed to help consumers and small business owners understand bank services and plan their financial affairs.

Public Affairs Department

This department, under Vice President Fred J. Martin, Jr., coordinates the bank's political and government relations. With other departments, it helps develop bank positions on proposed federal legislation and analyzes and evaluates state and local initiatives and ballot measures. It arranges meetings between bank officers and legislative and other government officials, administers the corporation's political contributions

program with the advisement of the bank's Legal Department, and monitors legislation in states other than California.

Secretary's Department

As liaison with the corporation's shareholders, this department, directed by Irwin L. Gubman, supplies shareholders with information through regular publications and also responds to their individual inquiries. It coordinates the annual shareholders' meeting of BankAmerica Corporation and is the principal point of contact for shareholders seeking to submit proposals for consideration at the annual meeting.

The Secretary's Department acts as liaison between management and outside directors who, by policy, comprise dominant majorities of both the bank's and the corporation's Boards of Directors. The department also schedules and assists in developing presentations to key management and board meetings.

The department's Disclosure Office is responsible for furnishing information specified in the bank's Voluntary Disclosure Code (see p. 5). Also, it coordinates the disclosure activities of other departments and units of the bank charged with specific disclosure responsibilities.

Corporate Issues

According to independent research, the public's confidence in the integrity of the business community remained low during the year. Distrust of large institutions today centers in large part on suspicions of excessive secretiveness about corporate activities. Critics also express concern about the way corporations govern themselves, charging that boards of directors too often fail to exercise their oversight function and, instead, are dominated by senior management.

Political activities of corporations and the exercise of proxy-voting authority by trust organizations also were important corporate issues during the year.

Corporate Disclosure

Recognizing that one important way the business community can earn public trust is through appropriate disclosure, BankAmerica in November 1976 released its Voluntary Disclosure Code, which describes 70 specific categories of information to be disclosed about the activities of BankAmerica Corporation and, particularly, Bank of America. The code goes well beyond the information reporting requirements of the major government regulatory agencies. About half of the categories covered by the code, which include financial, social impact, and procedural information, represent material not previously disclosed by the corporation.

The bank has received a continuing flow of requests for copies of the code and for items of specific information described in it. During 1977, the Disclosure Office at World Headquarters responded to more than 525 separate requests for copies of the code as well as 300 requests for exhibits in a variety of categories. Overall, nearly 90,000 copies of the code have been sent to individuals, employees, major corporations, banks, universities, and regulatory agencies.

Of particular interest to the public were the corporation's EEO-1 (equal employment opportunity) report and affirmative action programs, its general loan policies, and Trust Department proxy voting and conflict-of-interest policies. The Disclosure Office also answered many inquiries during the year about the corporation's organization and board and management structures.

Because BankAmerica approaches disclosure in an innovative and vigorous way, representatives of several major U.S. banks and corporations, as well as bankers and regulators from abroad, sought information on the development of the bank's disclosure program.

At the request of the California Roundtable, an organization of 80 chief executive officers of leading California corporations and business associations, A. W. Clausen, Bank of America and BankAmerica Corporation president, headed a 1977 Roundtable task force that surveyed disclosure practices among major California corporations, including those represented by Roundtable members.

Corporate Governance

Bank of America believes that a strong and active board of directors is fundamental to responsible management of its affairs. The bank considers adequate disclosure of its policies on boards of directors and directors' duties as essential in responding to public concern about possible abuses and conflicts of interest. Accordingly, a section of the Voluntary Disclosure Code assures the availability of information about bank policy on its board of directors. Much of this information also is included in BankAmerica Corporation's 1978 proxy statement for the annual meeting of shareholders.

The bank observes five fundamental principles relating to board activities:

1. The institution must attract outside directors who will be active in developing policies, who will work to anticipate the impact of policies on the public, and who will help ensure that management addresses corporate problems in an open and candid manner. Because the bank believes each director should apply his or her own knowledge and experience in the interest of all its shareholders, it does not favor directors who are advocates of special interests.
2. The board must include an overwhelming majority of strong outside directors. At year-end 1977, 17 of the 22 directors of Bank of America were outside directors, as were 17 of the 21 directors on the corporation's board.
3. The foundation of a successful board is a strong and independent committee system. The Nominating and Executive Personnel and Compensation Committees are composed entirely of outside directors, and strong majorities of the bank board's Audit and Public Policy Committees are outside directors.
4. Directors must be willing to devote the time needed to discharge the expanded number of duties required by the pace and complexity of corporate affairs today.
5. Compensation of board members should be commensurate with the increased activities and responsibilities now demanded of directors, and sufficient to attract the most able directors. The bank's compensation of directors is competitive with that of other major commercial banks. Information on compensation of the corporation's directors is made available to shareholders in the annual meeting proxy statements, and information on the board of directors of both the bank and the corporation is furnished to others on written request under provision of the Voluntary Disclosure Code.

Also, it has been charged that the corporate proxy voting process is unresponsive to shareholders. BankAmerica believes the purpose of proxy voting is to give management the freedom to manage effectively while ensuring that it respects shareholder interests in such matters as the deployment of company assets, revision of by-laws, election of directors, and appointment of outside auditors. In BankAmerica's opinion, it is improper to use the proxy voting process as a device for corporate governance at the operating level, or as a device for direct shareholder-to-shareholder communication.

Trust Department Proxy Voting

Critics have alleged that trust organizations customarily vote proxies in favor of management, without adequately considering the wishes of the trust beneficiaries.

Where customers of the bank's Trust Department have authorized the department to vote proxies on their behalf, these proxy proposals are analyzed from the standpoint of the best interest of the customers. If a controversial proxy measure is involved, the final voting decision is referred to a special proxy committee.

In 1977, the Trust Department voted on 8,739 proxy proposals of 2,748 companies under authority granted to it. Of these, it voted in favor of 55 measures proposed by shareholders of 45 companies. It voted against 109 measures proposed by the managements of 78 companies.

Public and Political Affairs

Political Contributions

Federal law permits individuals and political action committees to make contributions to candidates for federal office, but prohibits national banks and corporations from extending such financial support. California law, however, permits corporations to contribute to candidates for state and local office and to support state and local ballot propositions, except where precluded by local ordinance.

Neither the bank nor the corporation has a political action committee that collects, accumulates, or distributes political contributions from employees. BankAmerica encourages employees, as private citizens and as they see fit, to support candidates and parties of their choice.

BankAmerica Corporation contributed \$53,495 to various political campaigns in California in 1977, reporting each of these contributions to the Secretary of State and to appropriate local government agencies in accordance with the full disclosure provisions of the law and as part of its disclosure program. BankAmerica also discloses its criteria for supporting candidates and ballot measures.

Federal Policy Task Forces

As a practical necessity, BankAmerica must be alert to legislative and regulatory developments that may affect its operations. To weigh these developments effectively, the bank in 1977 established eleven federal policy task forces to analyze current federal and state legislative matters that bear on the bank as a financial institution, employer, and corporate entity. The membership of each task force combines operating experience with the views and advice of the Legal and Public Affairs Departments.

The Public Affairs Department coordinates the work of the task forces and, with the Legal Department, presents the bank's developed positions to appropriate government officials. As part of its disclosure program, BankAmerica makes available statements of positions taken on legislative and

related issues, together with the names and functions of the principal staff members who developed and presented these positions.

Some task force activities in 1977 were as follows:

The Bank as Employer Task Force studied health care costs, pregnancy disability, pension planning and administration, labor reform, workers' compensation, mandatory retirement, and Social Security financing.

The Financial Institutions Structure Task Force reviewed a broad range of legislative proposals affecting the structure of the financial market, including the Consumer Cooperative Bank Act and the Safe Banking Act; the extension of Regulation Q of the Federal Reserve Act, the regulation that sets the interest rates that banks and savings and loan associations may pay on time and demand deposits; and Negotiable Order of Withdrawal (NOW) accounts (see p. 12).

The Glass-Steagall Task Force, named for the federal law that governs bank activities in securities markets, studied bank underwriting of municipal revenue bonds and the regulation of banks' securities-related activities. A position was taken and communicated to the U.S. Congress urging rapid action on a bill to permit commercial banks to underwrite municipal revenue bonds.

The Housing/Aid to Cities Task Force assessed proposed legislative solutions to the nation's urban problems. At the request of the Administration in Washington, the task force studied several of President Carter's proposals on urban policy. It also examined alternative mortgage instruments and such issues as municipal and related public finance.

The International Banking Task Force prepared testimony on bank lending to less-developed countries and studied such issues as the appropriate activities of foreign banks within the United States. Because Congress is expected to act to renew the Export-Import Bank's federal charter, which expires this year, this task force also studied the function of the Export-Import Bank in both the national and global contexts.

Other task forces were concerned with consumer issues (see p. 13), including privacy (see p. 11) and electronic banking (see p. 12), and energy (see p. 18). Task force also studied issues concerning agriculture and federal tax policy.

Housing and Community Improvement

The great majority of California's population lives in urban and suburban environments. With real estate prices and construction costs continuing to rise, ensuring an adequate flow of funds to the housing market was a significant concern in 1977. Maintaining the vitality of key urban centers—particularly the inner cities—was also a principal issue in 1977 as in previous years.

Urban Real Estate Lending

U.S. Congressional concern over urban lending practices nationwide led to passage three years ago of the Home Mortgage Disclosure Act. The act requires large financial institutions to issue annual reports showing the geographical location of properties on which they have made real estate and home improvement loans.

In March 1977, Bank of America released the second of these mandatory annual reports on this segment of its lending activity. The bank placed advertisements in the state's major newspapers announcing the availability of this report and sent news releases to more than 800 newspapers, television stations, and radio stations.

The bank's staff has extensively analyzed the urban real estate lending data assembled for the reports and has made a series of presentations of their analyses to the Social Policy Committee. This process has resulted in various loan and appraisal policy changes to facilitate lending in older neighborhoods throughout the state.

City Improvement and Restoration Program (CIRP)

This program was begun in 1975 as a vehicle through which Bank of America could apply its resources to help revitalize aging California cities on a profitable, efficient, well-managed basis. By paying attention to the cities and their problems, while serving a legitimate market with its services, the bank is contributing to the maintenance and restoration of urban areas. One of CIRP's principal objectives is to apply the bank's expertise as a major real estate lender and financial intermediary to help communities effectively use funding available to them through government agencies. The program embraces four activities:

- Rehabilitating existing housing stock and commercial buildings.
- Financing the purchase of older homes.

- Providing housing for low-income families.
- Improving commercial and central shopping districts.

In 1977, CIRP's third year in operation, the program's main direction was rehabilitation and mortgage financing for older homes.

Community Development Program

Under this CIRP program, begun in 1976, the bank enters into special contracts with California cities and counties to provide housing-related loans to homeowners at attractive interest rates. The cities, in cooperation with the bank, designate certain target areas as eligible for this preferential financing program. Using Community Development Block Grant funds provided by the U.S. Department of Housing and Urban Development, participating cities place a portion of these funds with the bank in the form of noninterest bearing deposits, enabling the bank to provide the low-cost credit. The contractual arrangement with the cities provides for a guarantee of all or a portion of the principal amount loaned under this program. The proceeds are used by the homeowners to improve and modernize their dwellings and, by eliminating various safety hazards, to bring them into conformity with applicable building codes.

In 1977, CIRP signed community development contracts with Kern County and eight cities—Compton, Milpitas, Oakland, San Fernando, San Jose, Santa Fe Springs, Santa Paula, and Susanville. By year's end, the program was operating in more than 25 communities, for which the bank had disbursed \$4.8 million for rehabilitation of 670 properties.

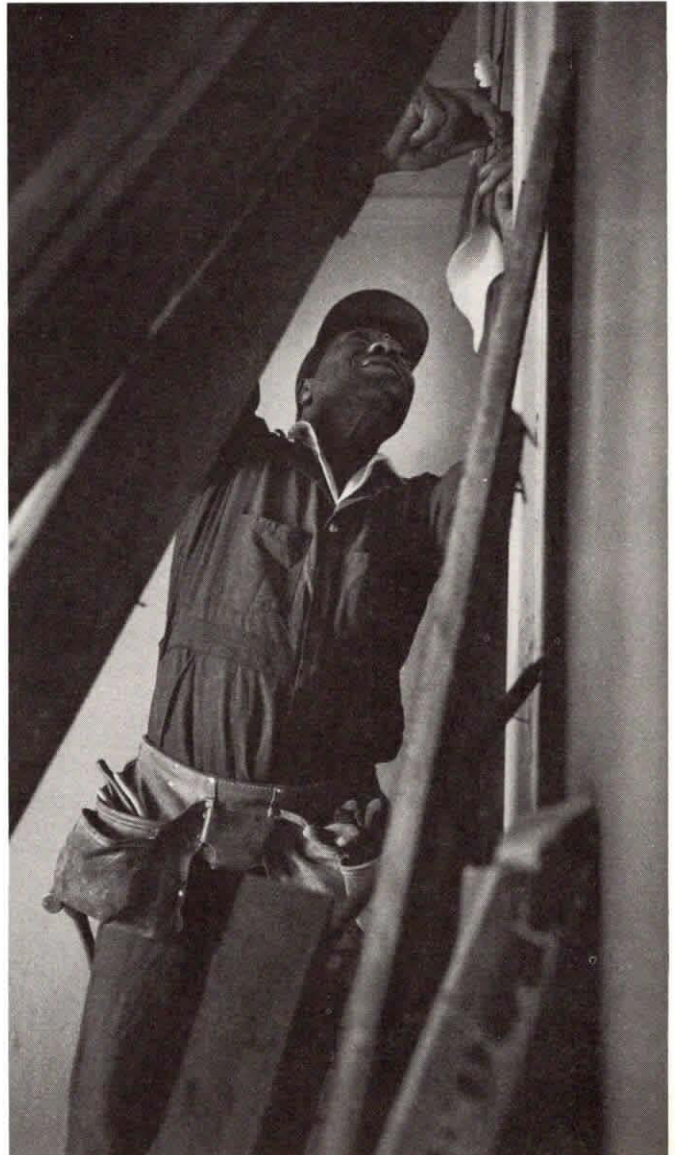
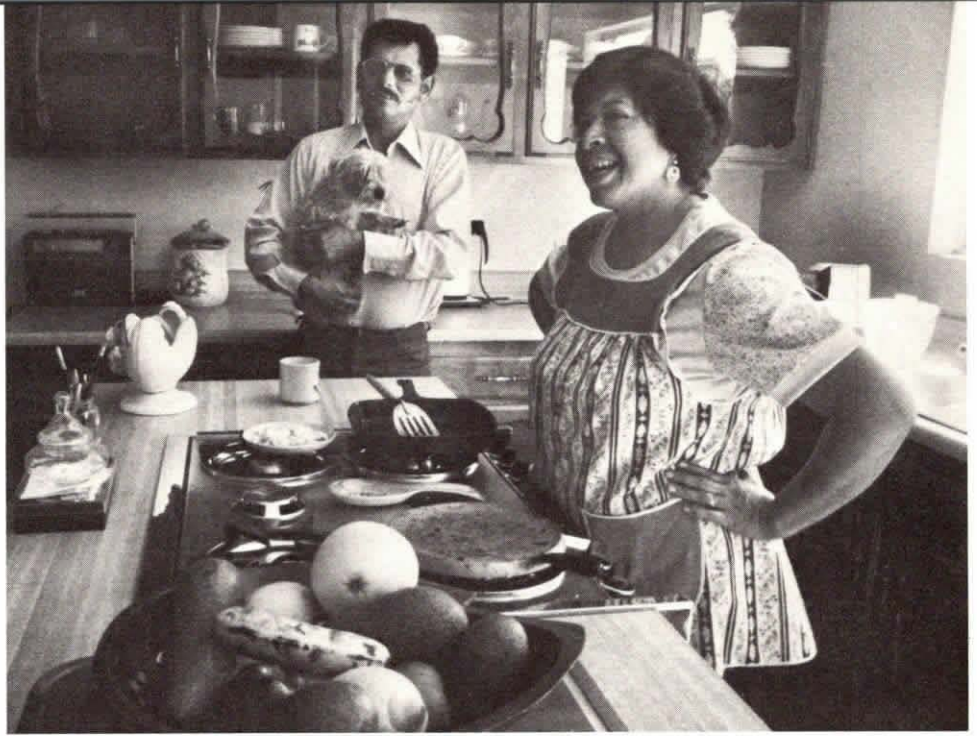
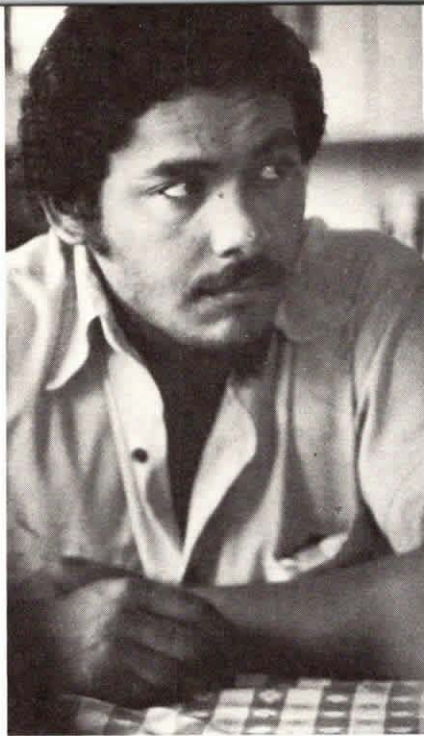
Special Lending Area Program

This program is designed to help municipalities preserve and improve older, established neighborhoods which are susceptible to urban decay. Cities, in consultation with the bank, select special lending areas on the basis of certain criteria, including a basically sound housing stock and a high proportion of owner-occupied residences. To enhance the benefits of the program, municipalities are attentive to the need for proper maintenance of public facilities and services and for enforcement of local zoning and building codes in these designated areas. For its part, the bank lends conventional mortgage funds to creditworthy individuals and families at the best prevailing rate for purposes of buying, refinancing, and refurbishing homes in these areas.

A 30-block area adjacent to San Jose State University is the site of a pilot project under the Special Lending Area Program. The pilot began in August 1977. As of December 31, the bank had loaned a total of \$336,350 for the purchase or rehabilitation of six homes in this area.

Commercial Improvement Loan Program

The bank is also working with selected California communities to utilize Community Development Block Grant funds provided by the federal Department of Housing and Urban Development to restore deteriorating business districts. Following negotiations initiated in 1977, the first contract under the program was signed with the City of Oakland. It calls for disbursement of \$500,000 of these Block Grant funds for



Recently, San Diego joined the list of cities participating in the CIRP.

Above: The City Manager of San Diego, Hugh McKinley (seated, left) and the chairman of the CIRP Committee, Bank of America Senior Vice President Kyle S. Smeby (seated, right) confer at the signing of the contract. E.D. Anderson, manager of CIRP (standing, left) and A. Woods, manager of the bank's National Sampson branch in San Diego (standing, right) look on.

Upper left: A San Diego homeowner listens to an explanation of options available under the CIRP umbrella.

Upper right: A San Diego home renovated through CIRP assistance.

Lower right: A workman at a BACIRP home in East Oakland.

rehabilitation of the city's Elmhurst District. These funds will be used to improve the appearance of businesses on a 20-block section of East 14th Street, the first stage in a long-range improvement program for this commercial thoroughfare.

Chico Housing Improvement Program (CHIP)

In 1975, Bank of America's main branch in Chico worked with the city of Chico to initiate a program to restore housing belonging to low-income and elderly persons. The bank committed \$102,000 for loans under advantageous terms to homeowners for construction materials. Labor is provided by students from California State University at Chico. By year's end, funds for 26 loans totaling \$31,822 had been made available under the program.

Marks-Foran Residential Rehabilitation Bond Program

The California Marks-Foran Rehabilitation Act of 1973 enables cities to issue bonds at tax-exempt interest rates in order to make low-interest, long-term rehabilitation loans. Legislation passed more recently enables the California Housing Finance Agency to insure such offerings.

Bank of America is now soliciting potential participants for Marks-Foran bond underwriting through its Bank Investment Securities Division. The bank is prepared to provide full assistance in designing and marketing bond issues for cities and also in lending the proceeds of the bonds. In 1977, the bank reached preliminary agreements with Oakland, San Jose, and Inglewood for participation in this program.

San Francisco Residential Assistance Program (RAP)

In 1973, the bank agreed to assist San Francisco with its Residential Assistance Program by submitting bids at public sale for up to \$20 million of bonds offered by the city under the Marks-Foran Act. In 1976, the bank purchased \$2.5 million of these bonds and committed itself to purchase the balance of \$17.5 million as loan demand increases. In 1977, the bank serviced 19 San Francisco RAP loans totaling \$212,349.

Other Housing Activities

Rehabilitation of Abandoned Homes

To complement its other urban restoration activities, the bank developed a housing rehabilitation program, the BA City Improvement and Restoration Program (BACIRP). BACIRP, a subsidiary of BankAmerica Corporation, was incorporated with the formal approval of the Federal Reserve Board. Its pilot project is to buy abandoned and substandard dwellings in East Oakland and to restore and sell them as a means of providing rehabilitated housing to low- to moderate-income residents.

At year's end, BACIRP had acquired seven homes, of which two have been completely renovated. The others were in various stages of rehabilitation. BACIRP, along with all other segments of the real estate and construction markets, has

experienced escalating property and construction costs which have narrowed the scope of its activities.

Oakland Homestead Program

This program is a joint enterprise of the city of Oakland and the bank. The Department of Housing and Urban Development (HUD) donates to the city of Oakland abandoned homes from areas in which it has jurisdiction. The city then identifies persons who wish to live in the homes and gives the houses to them as residences. The bank provides conventional loans to qualified recipients for rehabilitation purposes, using the homes as equity. Certain items for the homes, such as appliances, may be included in loan packages. Eight loans totaling \$80,000 have been made through the Elmhurst Branch in Oakland.

California Housing Finance Agency

This agency was established in 1975 to provide housing funds for low- and moderate-income California borrowers. In 1976, the bank was the senior managing underwriter for the agency's first bond offering, a \$100 million issue of Series A Mortgage Purchase Bonds. Proceeds from the sale—\$90.5 million—were allocated to financial institutions to enable them to provide federally-insured FHA and VA home purchase loans to individual borrowers. In 1977, the bank was senior managing underwriter for the agency's \$25 million offering of Series A Home Ownership and Home Improvement Revenue Bonds, and also purchased four issues of the agency's multifamily housing notes totaling \$46,675,000.

New Opportunity Home Loan Program (NOHL)

This program, initiated in the late 1960s, has made mortgages available to help low-income people buy single-family dwellings. In recent years, increasing material and labor costs coupled with rising land values have restricted the entry of low-income families into the housing market in many areas of the state. These inflationary factors greatly restricted NOHL activity in 1977 and the bank has transferred emphasis to other, more promising programs.

Between January 1 and September 30, 1977, the bank made 215 loans totaling nearly \$5 million under the program and outstandings as of the end of September were \$134 million. Since the program began, NOHL has provided \$208 million of financing for nearly 12,000 low-income purchasers.

General Lending and Underwriting Activities

At year-end 1977, 33 percent of the bank's domestic loan portfolio was real-estate-related—32 percent was in commercial and industrial loans. Loans to individuals for personal expenditures represented 20 percent of the portfolio, and loans to farmers, 3 percent. The balance—about 11 percent—was composed of loans to financial institutions, loans for purchasing or carrying securities, and other loans.

Residential Real Estate Lending

A resurgence in housing market activity generated higher volumes in the bank's residential real-estate-related lending in 1977. The bank made new long-term loans for residential real estate totaling \$2.65 billion, an increase of 74 percent from \$1.52 billion in 1976. New short-term construction loans totaled \$1 billion in 1977, an increase of 73 percent from \$578 million in 1976. The bank made more than 29,000 conventional single-family real estate loans totaling \$1.55 billion, or 58 percent of its long-term residential real estate lending in 1977; its 2,300 new VA and FHA home loans totaled more than \$77 million; and it made 27,000 home improvement loans totaling approximately \$212 million.

Vari-Rate Loans

Vari-Rate residential real estate loans were first offered by the bank in 1976. The interest on these loans can be adjusted upward or downward semiannually after the first year, according to a federal cost-of-funds index. There is, however, a ceiling on the total upward adjustment permissible during the life of a loan. These loans increase purchasers' mortgage options and also help to ensure that funds for residential real estate will be available in the future.

By year-end 1977, residential Vari-Rate outstandings totaled \$183 million.

Mortgage Pool Certificates

The bank developed a new source of funds for private real estate mortgages in 1977 by packaging conventional mortgages on single-family real estate into a \$150 million pool and marketing them through pool participation certificates. This was the first use in the private sector of the certificate concept developed by the Government National Mortgage Association.

This approach gave the bank the proceeds for possible investment in additional mortgages while providing it with a continuing source of income from servicing the certificates. The certificates are insured by a \$7.5 million policy with the Mortgage Guaranty Insurance Corporation (MGIC).

Underwriting Activities

The bank is California's largest underwriter of state and local general-obligation and joint-power-authority bonds for constructing or improving schools, sewer systems, streets and highways, hospitals, government buildings, and other basic community facilities. In 1977, state and local communities in California raised more than \$1.8 billion through the sale of 224 separate bond issues. The bank underwrote 58 of these bond issues at a combined value of \$856 million.

Consumer Affairs

At year-end 1977, Bank of America had nearly 1,100 branches to serve consumers throughout California—approximately three out of every ten banking offices in the state. The bank's customers maintained 3.6 million checking accounts and nearly 3.9 million regular savings accounts with the bank. At mid-year 1977, this represented market shares of 29 percent and 34 percent, respectively.

Among the consumer issues most significant for the bank at present are explanation and simplification of banking services and procedures, confidentiality of customer information, appropriate use of advertising, compliance with consumer protection laws, and implementation of policies that address the specific needs of women, minorities, the elderly, and the handicapped.

Explanation of Banking Services

For several years, Bank of America has been an industry leader in providing customers with factual, educational information that helps them select and use banking services effectively.

Facts about Bank Services

Bank of America was the first California bank to offer customers a brochure explaining in easy-to-understand language its services, charges, and procedures so they could use checking and savings accounts to best advantage. The Facts about Bank of America's Checking and Savings Programs has been updated four times in the four years since it was first issued.

In 1977, the bank introduced two more reports in this consumer information series. One, The Facts about Bank of America's Residential Real Estate Loan Programs, describes the bank's various home financing programs, the costs involved in loan application and closing processes, and safeguards protecting the consumer. The second, The Facts about Bank of America's Instalment Loan Programs, describes the types of instalment loans offered by the bank and explains interest rates and charges, application requirements, consumer laws, and methods of dealing with payment problems.

The bank has issued over two million copies of these reports to its branches for distribution to customers since 1974.

In compliance with amended state law, Bank of America began displaying its current time deposit rates prominently at all branches on July 1, 1977.

Consumer Credit Book

To help consumers better understand consumer credit and manage their personal finances more effectively, the bank published in 1977 a new 60-page, general reference guide, Consumer Credit. This guide:

- Explains instalment plans, single payment credit, and revolving charge accounts.
- Describes different types of direct loans.
- Compares services offered by different types of lenders.
- Gives detailed procedures for determining the cost of credit under most common billing systems.

The guide also includes sections on women and credit, credit laws, and sources of assistance when credit problems occur. It is available at all Bank of America branches in California, through which approximately 900,000 copies have been distributed to individuals, schools, community groups, and consumer organizations. Individuals may obtain single copies free of charge through any branch.

Bank Forms in Plain Language

In 1975, the bank began revising its most widely used customer forms to make them more readily understandable. At year-end 1977, the bank had translated the legal terminology formerly used in 41 agreement forms into plain language and was completing this process for 20 more. The new forms are used for checking, savings, and certificate accounts, consumer credit applications, notes and security agreements, and real estate, safe deposit, securities, and other bank services and transactions. In the case of most of these forms, the bank uses between 250,000 and 4 million copies of each annually.

Spanish Translations

About 15 percent of California's population is Hispanic in origin. If the bank negotiates a credit transaction for personal, family, or household purposes in Spanish, the customer is offered a Spanish translation of the credit documents, as required by California law.

Consumer Information Reports

In the two years since it began this series, the bank has given a total of more than six million copies of these reports to customers, high school and college classes, and consumer and community groups. The bank distributed more than 800,000 copies (including the Spanish translation) of one issue alone, How to Balance Your Checkbook. In 1977, the bank published:

- A Guide to Checks and Checking
- Income Tax Organizer
- Personal Money Planner
- Planning Home Improvements
- Steps to Buying a Home
- A Guide to Selling Your Home
- Solar Energy: Uses for Your Home.

Individuals may obtain single copies of these reports free of charge through any branch.

Consumer Credit Counselors (CCC)

The staff of this nonprofit, public service organization assists individuals needing financial counseling and teaches personal financial management skills. It has 12 regional and 8 satellite offices in California and is supported by both financial institutions, including Bank of America, and by retail businesses.

Last year, CCC helped develop and administer repayment plans for more than 3,250 clients with debts of more than \$12 million. It helped an additional 1,000 prepare plans, which they would manage themselves, for repaying debts totaling more than \$3 million. CCC makes no charge for advising on self-administered plans, but assesses a small fee when it helps to administer plans.

In 1977, Bank of America sent CCC brochures to all its branches for loan officers to give to customers. The bank also contributed \$57,100 in office space and funds to CCC.

Other Current Issues

Advertising

Bank of America believes that associating its advertising with excessive and unwarranted violence is undesirable. Although the bank has no intention of interfering with the rights of networks and stations to determine programming, it adopted a policy in 1977 whereby it instructs its advertising agencies not to schedule its advertising during such programming. The bank uses guidelines prepared by groups such as the National Citizens Committee for Broadcasting and the National Parent-Teachers Association to determine which programs do not conform to generally accepted standards of decency and good taste.

Also, the bank's World Banking Division approved "On-the-Spot Banking" as the principal campaign theme for its 1978 global advertising program, which addresses the corporate financial market through national and international publications. This theme builds on the World Banking Division's "Man-on-the-Spot" campaign of past years, but also reflects the fact that both men and women are engaged in international banking.

Privacy

Since 1974, the Social Policy Committee has appointed four task forces to study ways of ensuring the accuracy, timeliness, and confidentiality of information the bank keeps on customers.

Building on the work of its predecessors, the 1977 task force turned its attention to the report issued in July by the federal Privacy Protection Study Commission. This commission studied the adequacy of privacy safeguards in the private sector and recommended a broad range of measures to provide additional safeguards. Many of its recommendations may be incorporated in federal legislation.

Twenty-four of the commission's recommendations affect a bank's relations with its depositors and borrowers. Bank of America's privacy task force analyzed each of these recommendations and defined potential bank positions for review by the Social Policy Committee.

Electronic Banking

Automated banking services reduce the use of checks through computerized transfers of money. One electronic banking device is the automated teller machine. Bank of America has been testing models of these machines in several southern California branches for three years. Other electronic banking mechanisms and services are still in planning stages.

In 1977, the Social Policy Committee directed the bank's electronic banking planners to examine and address relevant issues raised by organized consumer groups and other concerned citizens.

To learn more about the issues involved, members of a bank task force participated in meetings with consumer groups and attended hearings of the Congressionally-mandated National Commission on Electronic Funds Transfer (EFT), which completed its final report in October after two years of study. Protection against error and fraud, maintenance of the confidentiality of computerized data, and ensuring the speedy resolution of mistakes are three of the many consumer issues discussed in the report, which the bank is using to help guide the design of its electronic banking services.

The NOW Account

The Negotiable Order of Withdrawal (NOW) account is, in effect, an interest-bearing demand deposit account that permits a consumer to draw checks on the account payable to third parties. Currently offered only to individuals and non-profit organizations in the New England states, NOW accounts have met with widespread acceptance from consumers and other public groups.

Bank of America has taken the position that legislation to introduce NOW accounts nationwide is desirable, provided that all eligible depository institutions—including commercial banks, mutual savings banks, savings and loan associations, and credit unions—are subject to the same rules and regulations in providing this service.

The bank believes that an equitable competitive environment requires simultaneous introduction of NOW accounts by all financial institutions after a one-year preparation period. During the two years following this preparation period, a uniform and gradually increasing interest rate ceiling should be imposed. At the end of that time, the ceiling should be eliminated and institutions permitted to pay interest at rates competitive with other market interest rates. Finally, the reserve requirement for NOW accounts should be uniform for all financial institutions.

The bank's position on this issue reflects its desire to provide all consumers with a full range of options for savings and checking services.

Compliance with Consumer Protection Laws

Beginning with enactment of the Truth-in-Lending law in 1969, federal and state legislators have passed a series of major consumer protection laws affecting banking. These laws were enacted to provide consumers with equal credit opportunity, access to credit history files for correction, a process for correcting billing errors, and uniform information on settlement procedures for real estate loans, as well as other rights.

In connection with these statutes, the U.S. Comptroller of the Currency, who regulates national banks, instituted a new Consumer Compliance Examination in 1977. This annual examination provides an external audit of each national bank's compliance with the full range of federal and state consumer laws.

The examiners analyzed Bank of America's written policies for carrying out these laws and examined branch records to assess operational compliance. The bank's Board of Directors and the Social Policy Committee reviewed the results of the confidential audit and directed operating units of the bank to use both the Consumer Compliance Examination information and the bank's own credit examination reports to ensure full legal compliance.

Equal Credit Opportunity

Federal regulations under the Equal Credit Opportunity Act (ECOA) prohibit discrimination in several areas. The most recent amendments were implemented in 1977. One provision affects consumer credit accounts which both spouses use or for which both spouses are jointly liable. Specifically, either spouse now may ask that information about such accounts be communicated to credit reporting agencies in both names, whether the account is listed as a joint account or in the name of one spouse only.

The bank notified its 3.1 million BankAmericard-VISA account customers of the provision, and, in reply, 326,783 customers requested reporting in both names.

Also, the bank conducted an internal audit of its other types of consumer credit accounts to make certain that the names of both spouses are listed on accounts when both spouses are primarily liable. Listing of both names enables the bank to respond to credit inquiries without having to ask for the name of a borrower's spouse, and ensures that the names of both spouses are reported to credit reporting agencies.

Services for Older Californians

In October 1975, Bank of America introduced Service 62. The service, available to anyone aged 62 or older, is designed especially to help customers living on fixed incomes. The program includes:

- A checking account with unlimited checkwriting privileges, no service charge, and no minimum balance.
- Personalized checks at no cost.
- BankAmerica Travelers Cheques without commission charges when purchased at a Bank of America branch in California.

- Optionally, direct deposit of Social Security and other recurring benefit payments, to reduce customers' concerns about lost or stolen checks.

Last year the bank dropped the requirement that Service 62 customers must save with the bank to be eligible for the package of services. At year-end 1977, the bank had 269,666 Service 62 accounts, approximately one for every ten Californians over 62.

Structural Accommodations for the Handicapped

Since mid-1975, in compliance with the law, the bank has designed all its new branches, as well as major expansions of existing facilities, with features to accommodate the needs of the handicapped and elderly customers. Parking areas have one wide stall, identified by the handicapped symbol, with an adjacent ramp for easy access to entrances. Entrance doorways are wide enough to accommodate a wheelchair and sidewalks around branches have handicap curb cuts. In addition, handicapped persons may use branch restrooms installed for handicapped employees.

Checks for Low-Visioned and Sightless Customers

Special Bank of America checks with embossed, larger-than-normal print help low-visioned and sightless customers conduct their own banking transactions. The bank has filled 531 orders for these checks since this service was first offered in 1975.

Identification of Consumer Issues

Bank of America uses various means to identify consumer issues at both national and local levels so that it may respond to them promptly and consistently. Sources of information include departments such as Social Policy, Public Relations, and Public Affairs, special task forces, a consumer affairs officer, and bank officer councils at local levels.

Consumer Affairs Officer

In 1974, the bank established a Consumer Affairs Officer position in the Social Policy Department to represent consumer interests in the bank's policy-making processes. This officer meets with representatives of public-interest, government, and consumer organizations; holds discussions with employees; and recommends changes in bank policy and practices to the Social Policy Committee.

Public Awareness Communications Exchange (PACE)

The PACE program responds to consumer and community needs at the grass-roots level by identifying specific projects for which the bank and its staff can provide volunteer support. PACE committees, comprised of branch managers, operations and lending officers, and regional officers working with the staff assistance of the Urban Affairs Department, provide a contact point between the bank and the community.

Since 1976, the pilot PACE committees in Sacramento and San Diego have met with community groups serving youth, older citizens, minorities, and others. In 1977, the bank expanded the program to Los Angeles and San Jose.

In the spring of 1977, at the request of teachers and school administrators, Sacramento PACE members piloted a sound/slide consumer education program on banking, credit, and money management to introduce students to basic bank services and instruct them in banking procedures. The bank now is converting the program to the 16mm film format and expanding it into a full consumer education presentation which will be available for distribution through bank branches statewide in the fall of 1978.

Using bank volunteers, PACE also assisted senior citizens with special tax filings for rebates. Also, they organized blood drives and prepared and delivered food baskets to the needy.

Small Business

Small private enterprises represent a significant part of the California economy. Also, small business ownership provides an important route by which the economically disadvantaged can enter the economic mainstream.

At a conservative estimate, the bank maintained more than 29,800 small business loan accounts with total outstanding of \$5.2 billion at year's end.

Small Business Administration (SBA) Loans

Bank of America cooperates with the federal Small Business Administration to provide financing to small businesses in California. Term loans are made with an SBA guarantee for up to 90 percent of the loan or \$500,000, whichever is less. In 1977, the bank loaned \$39 million to 571 small businesses under this program, bringing to nearly \$190 million the bank's total loans since the program began two decades ago.

The bank also participates in SBA's Minority Enterprise Lending Program, designed to extend small business financing to the handicapped, low-income minority-group members, and qualifying veterans. The bank's eight Regional Urban Development Officers (RUDOs), covering the entire state, evaluate loan applications and work closely with the borrower businesses, local business development agencies, and the bank's loan personnel. About 2,000 minority-owned businesses have received loans totaling \$106 million since the Minority Enterprise Lending Program began in 1968. Annual lending totals for the past five years are as follows:

SBA Minority Enterprise Loans

| Year | Number of loans | Amount loaned (in thousands) |
|------------------------------------|-----------------|------------------------------|
| 1973 | 227 | \$12,450 |
| 1974 | 302 | \$17,148 |
| 1975 | 278 | \$15,271 |
| 1976 | 297 | \$17,657 |
| 1977 | 269 | \$19,469 |
| Total outstanding at year-end 1977 | 994 | \$43,398 |

Minority Purchasing Program

This program, initiated by Bank of America in 1975 to ensure equal access for minority-owned businesses to provide the bank with goods and services, was fully operational statewide in 1977.

During the year, the bank paid \$1,423,000 to construction firms owned by minority groups. This figure accounts for 5 percent of the bank's total expenditures in the construction area. It paid \$355,000 to minority-owned companies for architectural services, or about 17 percent of its total expenses for such services. The bank placed office equipment and supply orders totaling \$972,842 with minority vendors during the year.

In 1977, the bank began to expand the program into other areas, such as purchasing of advertising, legal, electronic system, and management consulting services.

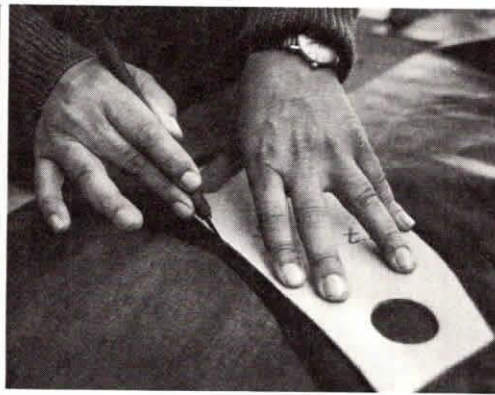
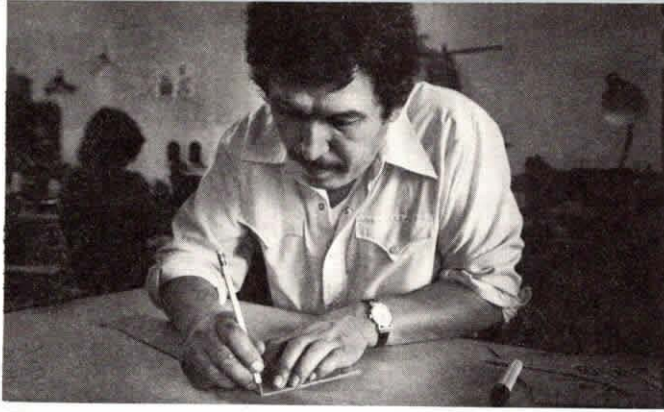
Small Business Reporters

For those interested in forming or expanding their own businesses or improving their management skills, the bank publishes a series of publications under the title Small Business Reporters that now covers nearly 40 different subjects. New reports in 1977 included Cash Flow/Cash Management and Property Management. Previous reports in the series that were updated and expanded during 1977 include:

- Restaurants and Food Services
- Hairgrooming/Beauty Salons
- Bars and Cocktail Lounges
- Independent Liquor Stores
- Mail Order Enterprises
- Financing Small Business
- Establishing a Dental Practice.

During the year, the bank distributed 330,000 copies of these reports to libraries, schools, universities, industry associations, consultants, business people, and the general public. Individuals may obtain single copies free of charge through bank branches.

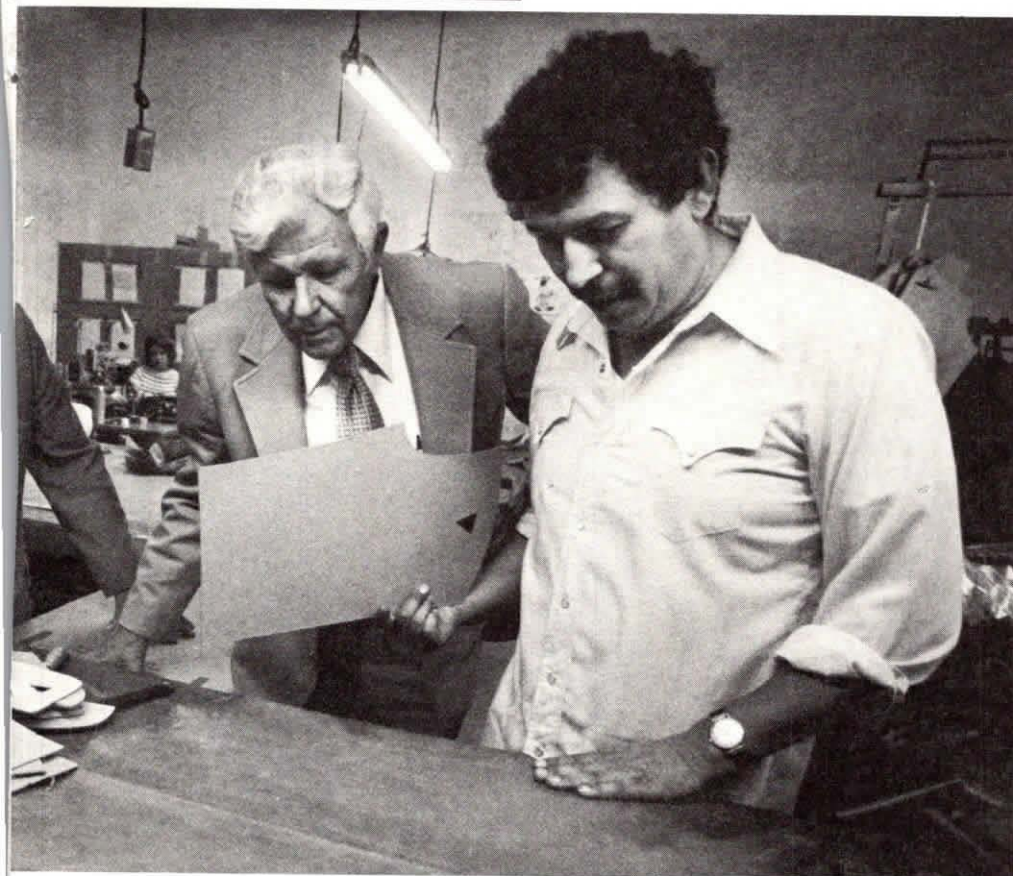




Bank of America's Regional Urban Development Officers give assistance to minority-owned businesses, especially in their critical first years when insufficient financing and inadequate management resources cause many small businesses to fail. By providing financing selectively and judiciously and by backstopping the management of fledgling enterprises, the bank improves the chances that these businesses will grow stably and mature profitably.

Just Leather, a leather garment business in Chula Vista, California, began as a curio shop in Oregon. In 1975, the owners, Mario and Nancy Estolano, expanded their operations to include a leather apparel shop in Laguna Hills, California, with the help of a Bank of America credit of \$145,000 arranged through the bank's branch at Imperial Beach. In 1976, they decided to establish a small manufacturing facility in Chula Vista. The manager of the Imperial Beach Branch, conferring with the Regional Urban Development Officer who was assisting the Estolanos with their operations and expansion plans, determined that the new venture was soundly based. As a result, the Estolanos' credit was increased to \$190,000. Just Leather continues to be highly successful under the Estolanos' tight control and the Regional Urban Development Officer remains on call to give guidance and advice as needed.

Bottom, from left to right: Nancy Estolano; Roy Quintero, Regional Urban Development Officer; Victor L. Spears, manager of the bank's Imperial Beach branch; and Mario Estolano.



Agriculture

Agriculture is a mainstay of the California economy and a significant contributor to national agricultural production. Cash receipts from California farming in 1977 were 10 percent of the national total; 65,000 farms cultivating 36 million acres produced more than 200 crops and commodities, a larger number than any other state; and gross farm income in California reached a record \$9.5 billion.

* The bank's expenses for these activities totaled \$57,000. In addition, 1,000 bank employees contributed a total of more than 7,200 hours to 66 local and regional junior livestock auctions held in the state in 1977. The bank advanced nearly \$5.5 million to young Californians for their livestock sales at these auctions and then collected the purchase prices from the buyers.

Lending

One of the nation's largest private lenders to agriculture, the bank loaned more than \$1.8 billion to California farmers in 1977, slightly less than in 1976. Livestock loans, which account for approximately 60 percent of the bank's agricultural loan portfolio, declined by 14.4 percent in 1977 because of depressed beef cattle markets and drought-related factors. But, by year's end, all agricultural loans outstanding had increased 6 percent over the previous year, to \$839 million.

To provide an additional credit option to farmers, in March 1977 the bank introduced variable-rate agricultural real estate loans. (In contrast to the usual, fixed-rate loans, the interest rate on the variable-rate loan fluctuates with a cost of funds index.) Variable-rate loans for agricultural real estate accounted for 16 percent of the total \$64 million loaned by the bank for agricultural real estate in 1977.

California Livestock Symposium

The largest livestock symposium in the country was held under bank sponsorship in Fresno in May 1977. Virtually all segments of the livestock and meat industry attended to exchange information and discuss means of improving livestock development and production. The program focused on management practices that can increase success and profitability in an environment of increasingly scarce natural resources. The bank contributed \$95,000 to support the symposium.

Support for Agricultural Youth

The bank encourages young people in California communities to participate in activities related to agriculture and home economics. These include activities sponsored by the 4-H Club, Future Farmers of America (FFA), California Young Farmers (CYF) Association, and the Future Homemakers of America-Home Economics Related Occupations (FHA-HERO). The combined statewide memberships of these organizations is nearly 170,000.

Bank of America sponsored 35 leadership conferences, awards programs, and competitions for these organizations in 1977. It assisted with the 4-H membership and contributions drives and presented eight awards to 4-H and FHA exhibitors at the California State Fair. It also presented awards at the FHA-HERO Prepared Speech Event and to the winning teams in the CYF Parliamentary Procedure Contest.



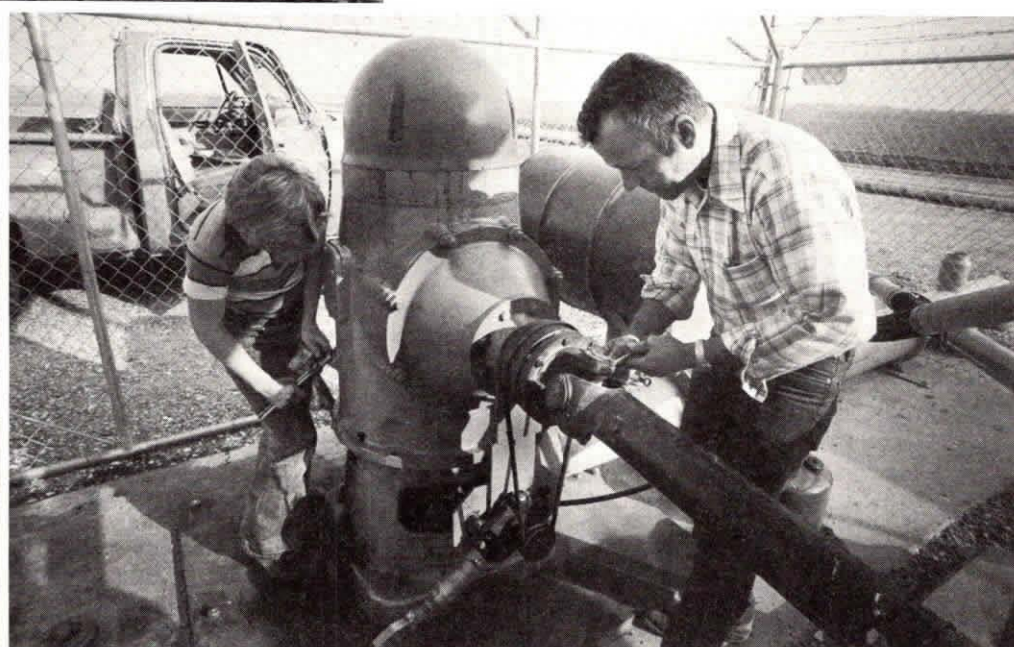


The second year of the recent drought in California—1977—was the driest year that Dennis Caywood experienced in 11 years of farming. A number of years before, Caywood had financed a water well from personal savings to assure extra supplies of water for his 750 acres of farmland in Fresno County, but the severity of the drought made his water resources inadequate. The bank approved a \$130,000 loan to Caywood in April 1977 for drilling a second well. Water of excellent quality was found and he was able to save and market the bulk of his crop.

Bottom, right: Dennis Caywood and his son perform routine maintenance on the new wellhead.

Left: Caywood checks the condition of onion sprouts in a field recently resupplied with water.

Opposite page: A single onion sprout.



Energy and the Environment

California is concerned with a great variety of environmental issues. Its land area—158,693 square miles—makes it the third largest state in the nation. The state extends for more than a thousand miles along the Pacific Coast and has more than 42 million acres of forest land. Large tracts of brush and grassy areas serve as valuable grazing land. National parks and monuments cover more than four million acres.

Issues of particular importance include the development and application of solar energy technology, the development of geothermal energy, pollution control, supply of natural gas, and recovery of material resources.

Solar Heating Loans

To supplement its regular loans for energy-related home improvements—insulation, double-pane windows, and upgraded conventional heating and cooling systems—the bank in 1977 initiated a program of "solar" loans to aid consumers installing solar heating systems in new or existing houses.

By 1976, the desirability of utilizing solar energy had increased greatly, as had the state of the art of solar technology. A bank energy task force, appointed by President A.W. Clausen in late 1976, began to prepare the bank to make loans for solar energy installations. After conducting a national search for a consultant group on whose technological expertise the bank could rely in evaluating applications for solar loans, the task force selected a company with recognized technical credentials.

By late 1977, the bank was making loans for installations for domestic water, swimming pool, and space heating by solar energy. In the four months between the introduction of these loans in September 1977 and year's end, the bank made more than 1,000 solar loans.

In addition, as part of its series of consumer information reports, the bank published Solar Energy: Uses For Your Home. The report discusses the operation of solar energy systems, cost considerations, methods of financing, and sources of additional information.

Solarized Branch

Construction of the bank's \$886,000 Palm Desert branch, its first solar-heated building, is nearing completion. The facility is scheduled to open in May 1978. The structure incorporates the latest techniques in solar energy technology and insulation to provide space heating and hot water. The solar system includes 29 rooftop solar collectors, an underground 2,700-gallon concrete storage tank, and a heat exchanger to transfer heat to the water tank for energy storage. Knowledge gained through the construction of this building will be used for other bank facilities throughout California.

Geothermal Energy Loans

The bank provided a \$9 million credit to Republic Geothermal, Inc., in 1977 to develop an alternative power source by tapping underground steam in the Imperial Valley. The loan is guaranteed by the Department of Energy under its Loan Guarantee Program, the first project of its kind to carry such federal backing. The bank worked closely with the Department of Energy to develop this program, which is designed to stimulate investment of private capital in the development of alternative energy sources.

Republic plans to drill 15 production and reinjection wells. The steam produced will supply the energy for the project's electrical power generating system, expected to be completed in the early 1980s.

Alaska Highway Pipeline Project

Bank of America is acting as financial advisor to Northwest Energy Corporation, a U.S. company in the group of U.S. and Canadian firms that will build the Alaska Highway Pipeline, a major project for transporting natural gas overland from Alaska's North Slope to the lower 48 states. North of the U.S./Canadian border, the route of the pipeline will branch into two legs to provide direct delivery of natural gas to the midwestern and western states. The largest single privately financed project in history, the pipeline will require an estimated \$10.3 billion in financing.

The governments of both Canada and the United States have approved the project's technological, environmental, socio-economic, political, and financial impact. The project will assist Canada by stimulating development of its natural gas reserves in the largely untapped MacKenzie Delta region. Also,



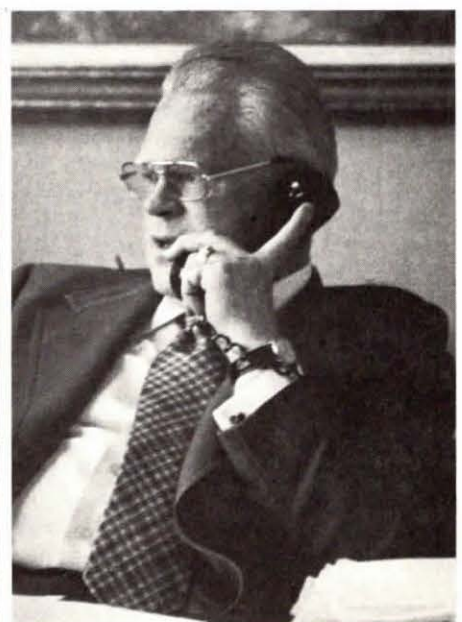


Top: Dr. Marjorie Evans, a consultant to the bank on matters related to energy, housing, and community improvement, discusses a project with two experts on solar-energy utilization systems. These men are members of the organization that advises Bank of America on the state of the art of solar technology and the viability of particular projects and systems.



Center and lower left: Construction of the bank's Palm Desert, California branch, to be heated by solar energy, was begun in 1977. The solar-energy collection panels, the only part of the heating system visible to the public, are combined in a design suited to the locale of the branch. The panels were installed in a single day.

Lower right: Carl J. Callaway, Senior Vice President, Loan Administration-North, played a principal part in developing sound appraisal and lending policies through which the bank now offers financing for solar-energy utilization installations.



the pipeline represents the largest new source of U.S. domestic natural gas on the horizon. Designed to deliver 2.4 billion cubic feet daily by January 1983—or 5 percent of projected U.S. needs—it will reduce U.S. dependence on imports of fossil fuels. The pipeline will contribute a net economic benefit to the United States in excess of \$5 billion. In the two countries, the project will employ more than 60,000 people.

The project represents a continental solution to the need for new energy supplies. Acting jointly, President Carter and Prime Minister Trudeau chose the proposal led by Northwest Pipeline Corporation of Salt Lake City from among the ones submitted, and recommended it to the legislative branches of their governments, which confirmed the choice late last year.

Pollution Control Financing

In 1977, the Bank Investment Securities Division served as senior managing underwriter for a \$4,620,000 issue of pollution control revenue bonds, the first offered on behalf of small businesses under a newly-enacted Small Business Administration (SBA) guarantee program. The offering is useful to both the SBA and agencies of various states as a prototype for future financing.

The issue provided the seven participating companies with long-term, low-interest, tax-exempt financing limited to \$5 million per company. The bank expects to underwrite similar offerings on a quarterly basis.

In-bank Conservation

Branches' consumption of water and energy was tightly controlled in 1977. Although the bank opened 20 new branches during the 1977 drought year, total water consumption by branches declined 12.2 percent. Also, under the bank's internal energy conservation program, gasoline consumption increased by only 0.8 percent, electricity consumption by 1.0 percent, and natural gas consumption by 1.2 percent. A system for accounting for water and energy consumption in the bank's high-rise facilities has been set up and will supply usage figures for 1978 and subsequent years.

Paper Recycling

The bank collected more than 2,150 tons of waste paper from its facilities statewide in 1977. Shredded and baled at two record-destruction centers on bank premises or shipped in bulk directly from collection sites, the paper was sold to secondary fiber companies for recycling.

Many bank letterheads are printed on 100 percent recycled paper stock and many of its forms and publications are printed on stock that is at least 75 percent recycled. Use of recycled paper depends in part on its availability, cost, and suitability for particular applications.

Education

Because California business is characterized by an unusual amount of highly technical industry, few opportunities exist, especially in urban areas, for the poorly educated and the unskilled. It is important, therefore, that students receive the encouragement, information, and aid necessary to complete their studies and enter the job market with skills that will be useful in a changing economy.

In 1977, many Californians were enrolled in institutions of higher learning: 1,334,000 at community colleges, 126,000 in the University of California system, 312,000 in California State Universities and Colleges, and 180,000 in private colleges, universities, and graduate schools.

Programs to Support Study

Student Loans

The bank continued its participation in the Federally Insured Student Loan Program during 1977, lending \$25 million to 20,431 students. Although this amount represents a reduction from the previous year both in dollar volume and in the number of loans made, Bank of America continued to make approximately 60 percent of all federally-insured student loans granted in the state during 1977. Summary figures for student loans over the past four years are shown below:

Student Loans

| Year | Number of loans made | Number of loans outstanding | Amount outstanding (in thousands) |
|------|----------------------|-----------------------------|-----------------------------------|
| 1974 | 38,895 | 171,795 | \$188,155 |
| 1975 | 43,743 | 167,688 | \$197,743 |
| 1976 | 28,702 | 142,936 | \$167,309 |
| 1977 | 20,431 | 130,593 | \$153,782 |

A new measure was signed into state law in 1977 allowing the State of California to enter the Student Loan Program as a guarantor. The bank currently is working with the State Loan Study Council to establish a new program employing this structure for student loans in California.

During 1977, the bank sold \$4 million in student loans from its portfolio to the Student Loan Marketing Association to free additional funds for future student credit needs. To date, loans totaling \$66 million have been sold to the association.

Loans to Medical Students

With the American Medical Association as guarantor, Bank of America provides loans for qualified medical students under two programs: a regular loan program, and a special Student Opportunity Loan Program for members of disadvantaged and minority groups.

In 1977, the bank disbursed \$975,212 to 672 medical students under the regular program. Figures for the past four years are as follows:

Regular Medical Student Loans

| Year | Number of loans made | Number of loans outstanding | Amount outstanding (in thousands) |
|------|----------------------|-----------------------------|-----------------------------------|
| 1974 | 374 | 1,929 | \$3,217 |
| 1975 | 427 | 2,246 | \$3,559 |
| 1976 | 683 | 2,803 | \$4,281 |
| 1977 | 672 | 3,301 | \$4,881 |

In 1977, the bank disbursed \$523,000 under the special program. These are the summary figures for the past four years' activity:

Special Medical Student Loans

| Year | Number of loans made | Number of loans outstanding | Amount outstanding (in thousands) |
|------|----------------------|-----------------------------|-----------------------------------|
| 1974 | 115 | 247 | \$ 512 |
| 1975 | 109 | 324 | \$ 785 |
| 1976 | 221 | 487 | \$1,288 |
| 1977 | 219 | 610 | \$1,684 |

Scholarships for Children of Bank Employees

Each year, through the National Merit Scholarship Corporation, BankAmerica Foundation awards eight four-year scholarships to children of bank employees from a fund maintained for the purpose. Awards range from \$250 to \$1,500 per year, depending on the cost of attending the chosen college and the financial situation of the student's family. The awards are renewable annually, and additional awards are made from the fund if money is available. In 1977, the foundation made awards totaling \$29,942 in this scholarship category.

Achievement Awards

The Achievement Awards Program, begun by Bank of America in 1948, is now one of the nation's most comprehensive award programs for senior high school students. Each year, more than 300,000 students from high schools throughout the state compete for more than \$210,000 in cash awards. Since 1948, participating students have won more than \$3 million.

Through a related program, Community College Awards, the bank makes awards totaling more than \$85,000 annually to participating second-year students from California's 105 community colleges.

Student Relations Representatives

To provide a regular channel of communication with the student population, the bank employs college students throughout the state to act as student relations representatives. These representatives discuss financial services, economic information, and career opportunities in banking with individual students, classes, and campus organizations.

Grants to Education

In 1977, BankAmerica Foundation awarded a \$1 million grant to the Stanford Graduate School of Business to establish the A.P. Giannini Professorship in Banking and Finance. The purpose of this chair is to research and develop course material on types of financial institutions, international finance, and monetary policy.

A second grant, for \$200,000, went to the University of Southern California. A major portion of this grant was designated to establish the BankAmerica Foundation Faculty Scholar Endowment Fund for the Graduate School of Business. The fund will benefit young scholars who show promise of making significant contributions to the educational and research activities of the school.

Matching Gift Plan: Education

BankAmerica Foundation's Matching Gift Plan for education has grown steadily since 1968. The foundation matches employees' contributions to colleges, universities, graduate and professional schools, and private elementary and secondary schools, up to \$7,500 per employee. Recipient institutions must be accredited, nonprofit, and tax-exempt. In 1977, the foundation matched 657 gifts totaling \$143,779, a 50 percent increase over 1976.

Programs for Career Guidance

Career Education Study Trips (CEST)

The bank began this program in 1973 to inform economically disadvantaged junior high school students in southern California about career choices. Since then, more than 2,500 students have visited over 40 companies, including Bank of America branches, to gain perspectives on potential careers in business and industry. In 1977, nearly 1,000 students, 45 bank officers, and 31 companies in San Diego, Los Angeles, and San Bernardino participated in the program.

Junior Achievement

Through this national organization, young people enjoy an opportunity to explore career paths in business and gain direct experience in business operations, economics, and human relations.

During a seven-month period, high school students meet with adult business advisors two hours a week. The students form companies that move through all phases of business organization and management: stock is sold, officers elected, banking services obtained, products manufactured and marketed, and the company finally liquidated.

The bank has participated in this program for 28 years. In 1977, it sponsored 15 Junior Achievement companies; approximately 60 bank employee volunteers participated in JA programs. A.W. Clausen, President of BankAmerica, chaired the advisory council of Junior Achievement of the Bay Area and also the Bay Area Junior Achievement fund drive. BankAmer-

ica Foundation contributed \$12,390 to various JA activities, principally in California, during the year.

Industry-Education Council of California (I-ECC)

Leading organizations in business, industry, labor, and education cooperate with the I-ECC to provide thousands of students throughout the state with opportunities to acquire skills and knowledge needed in business. Operating through 22 local councils, more than two dozen corporations and members of the California Roundtable sponsor programs that include workshops in actual business settings.

In 1977, BankAmerica Foundation contributed \$17,140 to support I-ECC. The chairman of the board of trustees of I-ECC for 1977 was Chauncey J. Medberry, Chairman of Bank of America and BankAmerica Corporation.

Los Angeles Urban League Training Center

Since 1968, in conjunction with International Business Machines Corporation and the Los Angeles Urban League, BankAmerica Foundation has helped to underwrite training programs for unskilled students in clerical, computer programming, keypunching, and other computer-related operations. The program is designed for students who would not otherwise be able to afford such training. In its nine years of operation, the Los Angeles Urban League Training Center has placed 1,089 graduates in jobs. In 1977, BankAmerica Foundation expended almost \$60,000 for facilities, maintenance, and refurbishment of the center's premises.

Regional Occupational Program (ROP)

The bank, other businesses, and school districts throughout the state cooperatively support the Regional Occupational Program. Selected high school juniors and seniors use bank facilities to learn keypunching, proof processing, clerical and accounting procedures, and teller skills while earning credit from their schools. Since it joined ROP, the bank has trained 438 students in special skills and another 270 students in general banking.

Youth Motivation Task Force (YMTF)

The Youth Motivation Task Force, in cooperation with the Los Angeles Unified School District, counsels economically disadvantaged junior high school students in southern California to help them understand the options and procedures for completing their education. In 1977, volunteers from 82 companies, including Bank of America, reached 46,000 students from 46 different schools. Some 200 bank volunteers have served with the organization since its inception in 1967.

Vocational Exploration Program (VEP)

Sponsored by the National Alliance of Businessmen and the AFL-CIO Human Resources Development Institute and funded through the federal Comprehensive Employment and Training Act (CETA), this program provides disadvantaged young people with the opportunity to explore various occupations. In 1977, the bank and the City of Los Angeles cosponsored an eight-week program in which 15 students participated.

World Banking

With 232 offices in 101 countries around the world at year-end 1977, Bank of America is a leading participant in the international financial community. Wherever the bank operates, its personnel are required to observe bank policies and all applicable U.S. laws and regulations, and to conform to the legitimate requirements of host countries.

Since it entered world banking markets in an energetic way a dozen years ago, the bank's principal service has been to arrange large-scale loans for major corporations, government agencies, and other wholesale banking customers seeking credits of significant size.

Now, there is a general pattern in industrialized countries of moderate growth, decreasing inflation, accommodative government monetary policies, and sluggish capital investment. As a result, liquidity in these countries is relatively high.

The bank will continue to assist its customers with major credits when the measures of risk and return warrant its participation, while emphasizing increasingly the broad range of financial services it can offer—a range demanded by many of its customers and by the maturing state of the global economy itself. Services to encourage and support international trade, construction, development of energy sources, and technological development will be vehicles of this support.

International trade is the lifeblood of the world economy and the reality of global economic interdependence. The exchange of products and expertise directly stimulates the economic development of participating countries. But if international trade is to be efficient, reliable, and profitable, it must be supported by institutions responsive to conditions in both domestic economies and international markets.

The bank believes that governments and public and private financial institutions must cooperate to assist less-developed countries with their current problems and, for the longer term, to ensure their continued growth and well-being, which is essential to international stability. It also believes that additional external borrowing is not an adequate answer to the current debt problems of the less-developed countries. These countries must pay more attention to effective management of their own economies—developing their internal productivity to reduce imports and prudently spacing the maturities of their borrowings.

In the next decade, many of the bank's wholesale customers will insist increasingly on sophisticated financial services in many areas: leveraged leasing, corporate cash management, private debt placement, Eurobond activities, investment fund management, merger and acquisition advisory activities, and many others. By meeting these emerging needs, the bank will contribute to the strength of the individual members of the international marketplace and the global economic community as a whole.

Employment Policies

BankAmerica Corporation had a total of 72,922 employees at year-end 1977, including 69,385 on the staff of Bank of America NT&SA and all its subsidiaries. There were 36,416 employees working in California Division branches, 10,608 in Administration, 4,060 in Data Processing, and 18,301 in World Banking. In California, Bank of America NT&SA and all its subsidiaries employed 54,099 people at year's end, including 3,015 in the World Banking Division.

In 1977, privacy, mandatory retirement, pregnancy leave, and hiring and promotion patterns for women, minority members, the handicapped, and veterans were major concerns for employers.

Equal Opportunity

The bank is firmly committed to ensuring equal employment opportunity for all employees—including women, minority members, and the handicapped—at all levels of the organization. This determination reflects Bank of America's longstanding policy of selecting and promoting only on the basis of individual qualifications and merit.

Over the years, the bank has made significant progress toward achieving equal employment opportunities for women and for minority group members. The bank realizes that selecting and preparing any individual—whether male, female, minority, or nonminority—for middle and upper management responsibilities requires effort over an extended period, and Bank of America supports affirmative action as a standing policy.

Women Officers

Bankwide, there was a 16.3 percent increase in 1977 in the number of women holding positions at the officer level. Women now hold 43 percent of all officer positions, compared with 27 percent five years ago. The following statistics on women officers are presented for four grade-level categories as well as in total:

Women Officers

| Grade | 1972 | | 1977 | |
|-------|---------|--------|---------|--------|
| | Percent | Number | Percent | Number |
| 10-13 | 48.5% | 3,768 | 74.4% | 3,768 |
| 14-16 | 13.5 | 1,415 | 35.3 | 1,415 |
| 17-19 | 1.3 | 267 | 11.5 | 267 |
| 20+ | 0.7 | 40 | 2.9 | 40 |
| Total | 27.0% | 5,490 | 43.0% | 5,490 |

These statistics include women officers of Bank of America NT&SA and those of its subsidiaries stated in the consent decree settlement described on p. 25.

Minority Officers

The number of minority-member officers in the bank increased by 15.1 percent in 1977 to 16.6 percent of total officer staff. In 1972, minority-member officers were 8.5 percent of total officer staff. The following statistics on minority officers include Bank of America NT&SA and all of its subsidiaries:

Minority Officers

| Grade | 1972 | | 1977 | |
|-------|---------|--------|---------|--------|
| | Percent | Number | Percent | Number |
| 10-13 | 11.7% | 1,158 | 22.5% | 1,158 |
| 14-16 | 7.4 | 706 | 17.2 | 706 |
| 17-19 | 4.2 | 227 | 9.6 | 227 |
| 20+ | 2.2 | 54 | 4.0 | 54 |
| Total | 8.5% | 2,145 | 16.6% | 2,145 |

Minority staff at year-end 1977 represented 30.5 percent of all bank employees.

The Handicapped

During the year, Bank of America worked with several social service agencies in its effort to employ and advance individuals who are blind, deaf, or have other disabilities. The bank made various structural and job-related accommodations for these employees to make their job environments easier to work in and to expand their job opportunities. Working with the California State Department of Rehabilitation, the bank developed a seminar for employment officers that focuses specifically on ways to overcome perceived problems in employing the handicapped.

Veterans

The bank extended its commitment to hire and promote veterans of the Vietnam era by pledging to employ them under the federal HIRE (Help through Industry, Retraining, and Employment) Program. In 1977, on behalf of this program, President Carter urged corporations to make a special effort, between October 1, 1977 and September 30, 1978, to hire 100,000 of the more than one-half million Vietnam-era veterans who presently are unemployed.

To identify potential employment applicants, the bank's employment officers in San Francisco and Los Angeles are cooperating with the National Alliance of Businessmen in contacting veterans' organizations throughout the state.

By year-end 1977, the bank had hired 64 veterans under the program, and has increased the number it originally pledged to employ.

Other Employment Policy Matters

Privacy

The bank has appointed four task forces since 1974 to review ways of ensuring the accuracy, timeliness, and confidentiality of information kept in bank files on employees. The 1977 task



Through the trusts for women employees, the credentials of Barbara Kokesh now include a master's degree in business administration from Stanford University. Ms. Kokesh already possessed a degree in musicology when she joined the bank's Systems and Equipment Research Department in 1973. On completing a ten-week systems and analysis training program, she was assigned to work with computer systems, a job she enjoyed but considered limited in career potential. She applied to Stanford and was accepted, and, under the trust arrangements, the bank provided her tuition for the MBA program for two years. After receiving her degree in 1977, a number of employers (including three other banks) offered her jobs, which she rejected because she felt that Bank of America permits her a broader scope. Presently she is completing the bank's account officer training program.

force studied the final report of the Privacy Protection Study Commission, established by the Privacy Act of 1974 to examine the adequacy of privacy controls in the private sector and make appropriate recommendations for strengthening them. The commission's report, issued in July, contained 34 recommendations affecting many aspects of the employment relationship. The task force analyzed each of these recommendations to help the bank form a comprehensive policy on privacy issues.

Mandatory Retirement

The California legislature in 1977 extended protection against age discrimination to employees age 65 and over, and also eliminated mandatory retirement in the private sector. The latter provision, which will not take effect until January 1, 1980 for employees covered by existing retirement plans, grants employees the right to continue to work beyond the normal retirement date prescribed by their employers, provided they can demonstrate their ability to do so and their employer is satisfied with the quality of work performed.

New federal legislation, effective January 1, 1979 for most employers will raise the upper limit for age discrimination protection from 65 to 70. However, it will permit the continued mandatory retirement at 65 of employees performing in a bona fide executive or high policy-making capacity and who are entitled to an annual pension of at least \$27,000 a year, exclusive of Social Security benefits. The federal legislation will not preempt more liberal state age discrimination laws, such as that of California.

Trusts for Women Employees

Lawsuits charging the bank with sex discrimination in employment were resolved in 1974 when the bank entered into a consent decree agreed to by all parties to the suits. Under the settlement terms, the bank provided \$3.75 million to establish four trusts to enable women employees—both officers and nonofficers—to pursue programs of training and study in preparation for greater future responsibility.

By the end of 1977, more than 1,100 women had pursued a variety of studies. Training programs included skills areas such as credit, operations, and international banking. In external programs, women participated in courses and seminars in several areas and 257 pursued undergraduate and graduate-level degrees.

Pregnancy Leave

In 1977, the bank modified its pregnancy leave policy conditions: pregnancy leave now is differentiated from other kinds of voluntary personal leaves. An employee on pregnancy leave is assured reinstatement to the same or equivalent position on her return if she notifies the bank that she is ready for reinstatement within two weeks of being certified by her physician as able to work. An employee who extends her leave beyond this period is considered to be on voluntary leave.

As with all voluntary leaves, the bank cannot guarantee the returning worker reinstatement in the same position, but it makes every reasonable effort to find a suitable, equivalent position.

Programs for Employees

Employees' expectations of enhanced opportunities for career and personal development continued strong in 1977, as did their desire for effective two-way communication between management and staff and a greater voice in decisions affecting them.

Career Development

Career development is a continuing process. It begins with early education and continues through retirement. To assist in this area, the bank has developed many career support programs.

Career Counseling, Planning, and Development

In 1974, the bank instituted a program of career counseling and planning and performance evaluation to help identify managerial talent and to improve communications between supervisors and staff. The program enables employees and their supervisors to agree on performance goals and development objectives in terms of both current and prospective positions. So employees can learn more about the kinds of jobs the bank has available, the bank prepared its Guide to Job Opportunities and Career Paths, which describes types of jobs in various bank departments and lists the prerequisites for each. Once an employee has formulated a career-path profile, supervisors consider the information in making decisions about promotions, transfers, and special assignments.

Job Opportunity Program

This program provides employees with current information on job openings in the bank. Designed in 1973 to improve the effectiveness of bank placement procedures, strengthen policies of internal promotion, and inform employees about current job openings, the program was expanded to national scope in 1977. Two regional bulletins, posted weekly, list various openings in bank facilities in the United States. The bulletins describe the duties, hours, requirements, grade, and salary for each listing. Each position remains open for at least a week after posting to give employees time to apply. Applications are held in confidence. In 1977, out of 1,239 positions posted, 417 were filled by Job Opportunity applicants.

Tuition Assistance

The bank offers a wide range of specialized training courses for employees. It also has a program to aid career development under which employees are reimbursed for up to 100 percent of tuition costs for successfully completed banking, finance, and career-related studies taken through the American Institute of Banking and accredited colleges and universities.

In 1977, the bank disbursed a total of \$550,878 to employees under the program, with 4,323 employees participating in



Linda C. Roberts, the Communications Department's meeting facilitator, assists groups throughout the bank through the Open Meeting and Interface Meeting Programs and other, informal programs. In a series of Open Meetings held in 1977 at the request of the Cashier's Division, she participated with members of the division to help resolve problems of work coordination and flow within their department. Following normal procedure, she recorded participants' comments anonymously on a flipchart, helped them review and refine their comments, worked with them to define major questions and potential solutions, and reported the final results of the group's deliberations to the department head who, in turn, was responsible for communicating the consensus to the entire staff. In connection with Open Meetings, the facilitator also coordinates a plan of action to address the findings with the department head or his or her designated representative. In addition to her formal Meeting Program duties, Ms. Roberts consults extensively with senior managers on ways to improve the effectiveness and productivity of job-related meetings of all kinds.



American Institute of Banking courses and 3,855 pursuing other career-related studies. Under the program, 107 employees earned bachelor of science degrees, 28 earned bachelor of arts degrees, and 33 earned master's degrees in business administration.

Outside Training in Banking Management

The bank awards tuition fees and expenses for employees pursuing management training through noncredit study outside the bank. Since the program began, the bank has approved applications in more than 30 different areas of study at a variety of educational institutions. During 1977, the bank granted funds totaling \$244,926 to 369 employees.

Banking on People

Bank of America cooperates with government agencies in hiring and training people with limited skills or job experience. Under the Banking on People program, participants complete a seven-week training program in preparation for administrative department positions. The bank hired 56 people under this program in 1977. The retention rate for these employees was 91 percent, compared with a bankwide retention rate of 74 percent for entry-level positions.

Staff members already employed by the bank also are eligible for skills development opportunities under the Banking on People program. In 1977, 259 employees enrolled in the English as a Second Language (ESL) Program and in courses in typing, (including statistical typing), stenograph, basic and business English.

Programs to Aid Communications

Realizing that a strong communications network is essential within any institution as structurally complex as Bank of America, the bank maintains an extensive system of publications and special programs to facilitate the exchange of views and information.

Employee Relations

Employee Relations Officers (EROs) conduct confidential counseling for employees and supervisors who need help in solving job-related problems. Because it is not always easy for an employee to contact Employee Relations during normal business hours, a special telephone arrangement was installed in 1977, whereby employees can call Employee Relations after business hours to schedule a discussion.

These officers also conduct reviews of bank departments in which they interview staff employees in various units on such subjects as perceptions of supervision, morale, communications, and personnel practices within the unit. The interviews, which provide supervisors with information concerning employee attitudes toward the working environment, are confidential and are conducted only with employees who want them. On completion of the interviews, Employee Relations Officers assess the findings and report back to the supervisors, keeping respondent identifications confidential. They

inform supervisors whether employees are satisfied with working conditions and recommend changes where interviews revealed potential problems.

In meetings and individual sessions, Employee Relations Officers talked with more than 20,000 employees in 1977.

Meeting Improvement Programs

To provide upward and lateral communication in face-to-face settings, the bank sponsors various meeting improvement programs: Open Meetings, Interface Meetings, and Meeting Management.

Open Meetings take place without a supervisor present. Employees meet with members of their own grade or work group to identify performance issues in their units and related concerns. Meetings take place on bank premises during working hours and are conducted by an experienced leader, called a meeting facilitator, from the bank's Communications Department.

Interface Meetings were developed to improve communications between bank units. In these sessions, employees from two or more units meet to identify issues that may be inhibiting the effectiveness of their working relationships and to develop plans for dealing with these issues.

Meeting Management provides training and services, including the services of a meeting facilitator, to help bank units and task forces conduct effective meetings, especially in decision making, planning, and problem solving.

Employee Opinion Surveys

Twice yearly, the bank conducts opinion surveys. Each time, the views of 25 percent of its employees are elicited on advancement opportunities, quality of supervision, pay schedules, employee benefits, affirmative action programs, and other areas of current interest. Senior management uses the survey results to evaluate existing programs and policies and develop new ones.

Open Line Program

This program was begun in 1972 to improve upward communication within the bank. Employees contact the Open Line Coordinator in writing to ask questions about bank policy and practice or discuss any problems they may have with supervisors. The coordinator handles all letters confidentially and mails replies from senior management to the employees' homes. If they prefer, employees may discuss their problems orally with a qualified person in the bank. Letters of general interest sent to the Open Line Program may be published, with due respect for confidentiality, in BankAmerican, the staff magazine.

The program received 1,106 letters in 1977, bringing the number received since the program began to 10,161. Of this total, 97 percent have been signed.

Suggestion Program

This program is designed to encourage employees to submit ideas and suggestions for improving bank policy, procedures,

and forms. Employees whose suggestions are implemented by the bank receive a cash award, ranging from \$50 to \$2,000. The program is publicized in all branches and departments and is open to BankAmericans and retirees below the level of vice president.

In 1977, 141 employees received awards totaling \$18,463.

Employee Publications

The bank maintains a range of publications for employees to foster better understanding of management's objectives and to respond to employees' expressed needs for information.

Last year, the bank introduced separate editions of its principal staff and management publications to meet the special information needs of employees in the World Banking Division.

BankAmerican, the staff magazine of the bank, includes articles about employee involvement in community activities and gives information about personal finance, retirement, health, career development, and community services. The bank also produces the Video BankAmerican, a quarterly videotape presentation used to report and discuss management objectives, employees' accomplishments and to provide information requested by employees.

Bank of America Employee Benefits Manual was revised last year by the Employee Benefits Department to provide all employees with a complete, accurate, and easily updated statement of BankAmerica Corporation employee benefit plans and programs.

The manual satisfies the disclosure provisions of the Employee Retirement Income Security Act (ERISA) of 1974, which requires an employer who provides pension or welfare benefits described in the law to issue a Summary Plan Description to participants and their beneficiaries. In addition, the manual describes other benefits not subject to the ERISA disclosure requirement—for example, vacations, auto insurance coverage, holidays, and disability and survivor benefits.

Benefit News was inaugurated in August 1977 by the Employee Benefits Department to provide employees with current information on benefits.

Health Care Programs

Alcohol and Drug Abuse Assistance

Employee Relations Officers are available to employees seeking information and counseling on alcoholism and other drug abuse problems. The bank regards alcoholism and other drug dependencies as progressive diseases that can be treated. Employee Relations arranges outside treatment as needed, maintaining contact with both the employee and the treatment source for as long as necessary. Accepting treatment is the individual's responsibility, in the bank's view. Within BankAmerica, requesting or accepting treatment does not have a detrimental effect on job security or promotion opportunities.

Heartscan

This is a preventive program designed to combat atherosclerosis, or obstructive artery disease, a condition underlying heart disease and strokes. In 1976 and again in 1977, Bank of America arranged for Heartscan to make its services available to bank employees and their spouses.

Heartscan has developed a twofold program: testing people to determine their ratings on the physiological risk factors related to obstructive artery disease, and educating them so they can reduce their ratings on these factors. None of the 342 bank employees who participated in the Heartscan program in 1977 had a history of heart disease. However, 18 percent had high blood pressure, 58 percent had skinfold measurements indicating an excessively high proportion of fatty tissue, 58 percent had excessively high risk scores, and 29 percent were found to need a physician's attention.

Emergency Health Care Classes

Bank of America nurses teach two classes in San Francisco in first aid and cardiopulmonary resuscitation (CPR), considered to have high potential benefit for employees, their families, and other members of the community as well. The CPR program covers procedures necessary to aid victims of drowning, heart attack, suffocation, choking, and other related crises. Participants who successfully complete the program are certified by the American Red Cross. In 1977, 51 employees received three-year certification in first aid and 124 received one-year certification in CPR.

Other Support Programs

Preretirement Seminars

In recent years, public attention has focused on problems that often cloud the period after retirement—living on fixed income, isolation, and the need to find meaningful activities to fill leisure time. To help employees make a positive adjustment to their retirement years, the bank inaugurated a Preretirement Seminar Program in 1974. The bank schedules one-day seminars for all employees two years before retirement—these cover attitudes toward retirement, financial planning, Social Security information, and information on trusts, benefits, life insurance, and medical plans. Five such seminars are held in California each year. Also, approximately six to eight weeks before retirement, employees and their spouses are invited to individual counseling sessions to discuss their benefit options.

The bank has more than 3,800 retirees in California and many more in other locations. Each year, a series of bank luncheons throughout the state helps retirees keep in touch with one another and with current bank personnel. Bank staff also make personal visits to retirees.

Giannini Foundations

Many years ago, A.P. Giannini, the founder of the bank, set up two foundations to provide financial aid to employees and

their family dependents and to retirees who are in need because of illness or other emergency. Grants made are outright gifts and do not have to be repaid.

All requests and recommendations for grants are reviewed by the awards committee of the foundations. In 1977, the two foundations made 17 grants totaling \$30,747.

Employee Volunteer Activities

Loaned Executive Program

Bank of America lends officers to qualified community agencies that need managerial and financial expertise. The Urban Affairs Department coordinates this program statewide, reviewing outside requests and matching specific requirements with the skills of available and interested bank officers. In 1977, the bank loaned executives at full salary to such agencies as the National Alliance of Businessmen, United Way, the YMCA, the American Institute of Banking, the Chamber of Commerce, Junior Achievement, the Public Works Clearing House, and the East/Northeast Voluntary Action Center of Los Angeles.

Volunteer Income Tax Assistance (VITA)

Under this program, cosponsored for the fourth year by the bank and the Internal Revenue Service, employee volunteers assisted lower-income, elderly, non-English speaking, and other taxpayers who requested help in preparing their tax returns. In addition to the VITA center in the Chinatown-North Beach area of San Francisco, a second center was established in San Francisco's Western Addition. Forty bank volunteers prepared 667 returns during the 10 weeks of tax counseling.

English as a Second Language (ESL)

During 1977, a corps of 35 bilingual Bank of America officers in the Los Angeles area volunteered to participate in the city's Adult School ESL program. They discussed banking services, explained the basic credit process, and counseled enrollees seeking employment. Last year, bank volunteers assisted over 800 students, bringing the total since 1974 to nearly 6,000.

Joint Action in Community Service (JACS)

JACS was formed to assist young people who have completed the federal Job Corps training program and are making the transition to employment. Bank of America volunteers offer counsel to enrollees on personal problems and job opportunities, referring them to other agencies that can help with specific needs. In 1977, 12 southern California bank volunteers assisted over 140 enrollees.

United Way Evening Volunteer Program

In 1977, 280 southern California BankAmericans participated in the United Way Evening Volunteer Program, assisting in assembling campaign kits for the 1978 United Crusade Campaign. These volunteers donated a total of over 1,400 hours of their time.

The Arts

Cities, towns, and education institutions throughout the state have active organizations for promoting music, theater, dance, painting, sculpture, and other graphic and performing arts. Support for these activities must come from many private sources, including business and industry, foundations, admissions fees, and dues from memberships in associations, as well as from city and county governments and the federal government.

Matching Gift Plan: Culture

In 1977, BankAmerica Foundation established a Matching Gift Plan to encourage BankAmericans to contribute to cultural activities of their choice. Each year, the foundation will match an employee's personal gift of cash or securities up to a total of \$7,500. The minimum eligible gift is \$25. In the first six months of operation, the plan matched 129 gifts totaling \$18,542 to historical societies, public broadcasting systems, museums and libraries, symphony orchestras, opera companies, and dance companies. Theater groups are being added to the list of eligible nonprofit institutions in 1978.

San Francisco Performing Arts Center Project

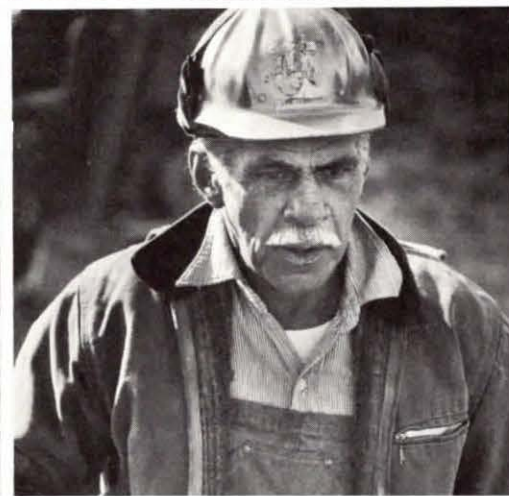
Ground has been broken for this project, which includes the San Francisco Opera House Extension, a 3,000-seat concert hall, a rehearsal facility adjacent to the hall, and a parking garage. The total cost of the project, excluding the garage, will be \$34 million, \$29 million of which has been pledged or contributed to date.

In 1976, BankAmerica Foundation approved an unrestricted grant of \$300,000 to the Sponsors of San Francisco Performing Arts Center, Inc., a nonprofit corporation. The first payment of \$60,000 was made in January 1977, with the balance to be paid in three annual instalments. In addition to the dollar amounts contributed by the foundation, the bank contributes administrative services. The president of the sponsors is Samuel B. Stewart, retired senior vice-chairman of the board of BankAmerica Corporation.

Support for Public Television

Each year, the bank contributes to the fund-raising campaigns of educational television stations. In San Francisco, three bank volunteers served as auctioneers for the annual KQED (Channel 9) auction series and the bank contributed \$7,200 to the auction—\$4,500 in cash and \$2,700 in costs. BankAmericans in Los Angeles served on the telephone committee during the KCET (Channel 28) auction. In San Diego, the bank sponsored one of KPBS's (Channel 15's) auction boards, at a cost of \$2,500, and 60 employees volunteered their time to answer telephones and accept bids.

BankAmerica Foundation in 1976 approved a capital grant of \$20,000 to KQED and in August 1977 paid the initial instalment of \$4,000. To KCET in Los Angeles, the foundation paid in July



A receiver dish for the new satellite interconnection system to link the nation's public television stations was assembled and partly calibrated on a level site at the top of San Bruno Mountain near San Francisco and then lowered down the slopes to its permanent position. Skilled technicians from a company based in Texas supervised the operation, one of the activities funded in 1977 through the consortium loan led by the bank for the Corporation for Public Broadcasting.

the first instalment of \$10,000 of a capital grant of \$25,000 approved earlier in the year. In addition, BankAmerica Foundation contributed \$5,200 to KCET in 1977 for operating expenses.

Consortium Loan for Public Broadcasting

In May, the Corporation for Public Broadcasting (CPB) and a consortium of banks headed by Bank of America signed an agreement which established a \$32.5 million line of credit for building a satellite interconnection system that will link the nation's public television stations. A wider choice of program materials, broader program distribution, flexible programming to suit the needs of geographic regions and interest groups, a full spectrum of sound, visual fidelity, and lower costs are some of the prospective benefits.

This system will supersede the present ground system provided by American Telephone and Telegraph Company and other common carriers. Its key elements include four transmission-responder units on Western Union's Westar satellite, an earth station in Washington, D.C., to originate programs, regional sending and receiving ground stations,

and approximately 150 local receiver terminals, 10 of them in California.

Galleries

Bank of America's World Headquarters Building in San Francisco houses three art galleries that offer artists opportunities to exhibit their works.

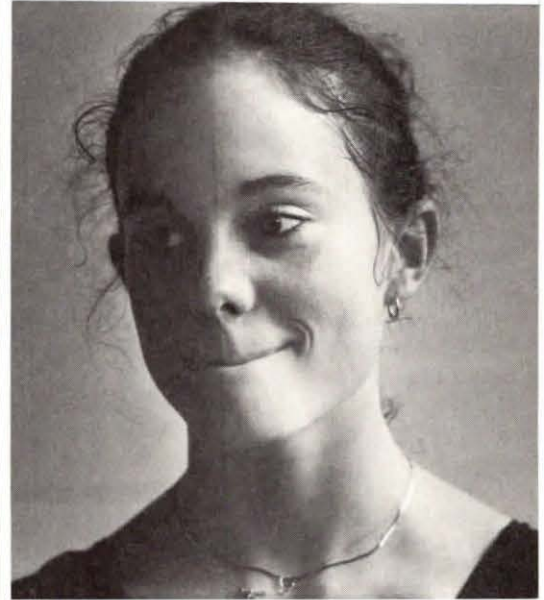
The exhibits in the Concourse Gallery primarily are photographic displays, although facilities for showing three-dimensional graphics, such as sculpture, in this gallery are planned.

Displays in the Plaza Gallery are substantial in scale—because of the large dimensions of the space and its glass and granite textures, eleven large pieces are a minimum, and twenty-five to thirty pieces do not crowd the area. A painter, sculptor, or other graphic artist who can prepare an individual show for this gallery already has a sizeable collection of works to his or her credit.

Collections that call for a more intimate setting are shown in the San Francisco Main Office Gallery.



On December 14, 1977, students from the San Francisco Ballet school performed selections from The Nutcracker in the Giannini Auditorium at World Headquarters in San Francisco as one of the bank's noontime programs. Students who participated in the performance rehearse in one of the school's facilities.



Noontime Programs

In March 1971, BankAmerica screened Sir Kenneth Clark's Civilisation for officers of the bank as a series of noontime presentations in the A.P. Giannini auditorium at San Francisco headquarters. That series was the beginning of a program which now serves all bank employees and retirees and the whole financial district as well. The program has induced other corporate groups to start similar noontime programs.

In 1977, more than 16,000 people attended programs in the Giannini Auditorium—classic movies, dance, travelogues, theater, and a variety of lectures exploring such diverse subjects as investing money, high fashion on a budget, opera appreciation, and handwriting analysis. The bank's chorus staged two musical productions. Claude Jarman, director of the San Francisco Film Festival, arranged a short series of films from the festival. In a series of lectures, representatives of the San Francisco Museum of Modern Art discussed the problems and promise inherent in collecting contemporary art. One program presented students from the San Francisco Ballet School in excerpts from Tchaikowsky's The Nutcracker, providing the students with an opportunity to perform before an audience.

Concerts in the Sky

In Los Angeles, Music Center Productions produced a series of 40 outdoor cultural events during the summer months that included dance, theater, and musical shows.

Music Center Productions is a community-service organization sponsored by Bank of America and Atlantic Richfield, with the assistance of the Musical Performance Trust Fund of the American Federation of Musicians.

These events took place at noon three times a week in the Plaza roof garden adjacent to the bank's southern California Headquarters in Los Angeles. The series presented 27 professional instrumental, choral, and dance groups and 11 community groups—choirs and school and military bands—to more than 20,000 people in 1977. The contemporary big-band sound of Michael Francis and the Megalocephalic Machine, Opera à la Carte in "The Best of Gilbert and Sullivan," and jazz, string, and woodwind ensembles all were highlights of this concert series.

Charitable Giving

BankAmerica Foundation is the bank's principal channel for philanthropic activities. Funded solely by the bank and its domestic subsidiaries, it makes contributions to tax-exempt organizations that have widespread community support. The foundation received \$3,359,300 in funding from Bank of America during 1977.

Grants paid by the foundation in 1977, by its categories of giving, were as follows:

| | |
|--|-------------|
| United Way* | \$1,428,274 |
| Education | 696,711 |
| Health | 244,910 |
| Culture | 283,814 |
| Civic activities | 170,828 |
| International† | 125,130 |
| Social service | 104,238 |
| <hr/> | |
| Los Angeles Urban Training League Center | 59,657 |
| <hr/> | |
| Total | \$3,113,562 |

*Includes grants to other federated campaigns.

†For development and cooperation.

Note: Figures subject to audit.

Many individual grants made by the foundation are described elsewhere in this report, and more detail is available in the foundation's Annual Report (see p. 36).

Fund for Volunteer Service

Through this fund, started in 1976, BankAmerica Foundation encourages employee involvement in charitable organizations working in juvenile delinquency, physical health, mental health, education, and community planning and development in these areas. The fund has three plans for providing direct and matching grants to social service organizations in which bank employees have a continuing, active involvement:

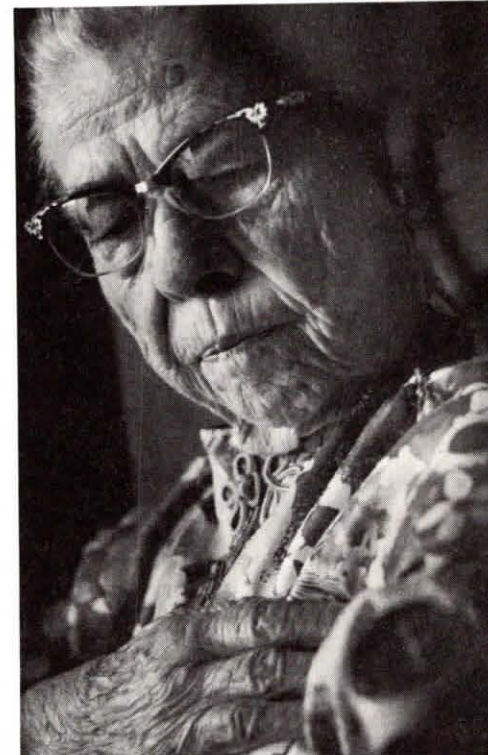
- Plan I provides direct grants of up to \$500 for special projects.
- Plan II provides 4-to-1 matching grants of up to \$1,200 for funds donated by three or more bank employees or collected as the result of fund-raising activities in which the bank employees participate personally.
- Plan III provides 1-to-1 matching grants for funds donated to eligible organizations by bank employees who are members of the governing boards of such organizations. In any one year, the maximum grant per organization is \$1,000 and total grants matching a single employee's contributions may not exceed \$5,000.

In 1977, the foundation made grants totaling \$8,945 under the three plans, as follows: I, \$4,495; II, \$2,400; III, \$2,150.

Federated Campaigns: United Way

In 1977, BankAmerica Foundation contributed over \$1.4 million, or 44.5 percent of its total grants, to United Way and other federated campaigns. This amount includes \$515,000 contributed to the Bay Area United Way and \$535,000 contributed to the United Crusade in Los Angeles. Also, Bank of America NT&SA assigned 14 employees as loaned executives for full-time service with United Way during its 1977 campaign.

BankAmericans in California personally gave more than \$1.7 million in the first United Way campaign conducted on a statewide basis, an increase of 20 percent over 1976 contributions.





Midpeninsula Health Service (MHS) in Palo Alto, California is an innovative health-care cooperative open to community members at low cost. It seeks to develop operating and payment methods more effective than those of prepaid and fee-for-services health-care systems by making consumers aware of costs, capabilities, and the potential impacts of new ways to provide comprehensive and flexible care. MHS stresses:

- Rapid hospitalization, testing, and surgical intervention when justified.
- Extensive use of nonphysician personnel, including members, and avoidance of costly procedures except where required.
- Responsible self-care and ambulatory and home care through the integrated skills of teams of nurses, social workers, therapists, and aides.
- Programs of health education and health services, including primary and specialty medical care, home and hospital medical care, nutrition and exercise counseling, laboratory and pharmaceutical services, classes for community members, and insurance counseling. Teaching and research within the MHS framework are encouraged to the extent compatible with quality care.
- Joint efforts between patients and health professionals in the provision of care.
- Cooperative operation and governance of the organization. Members participate strongly in both.

MHS is supported in part by the dues and receipts from its 2000 members and also by grants and contributions. In 1977, BankAmerica Foundation made a special grant of \$35,000 to the organization.

Opposite page, above: A home-care patient checks her blood pressure.
Below: An aide discusses home-care arrangements with the patient shown above.

This page, above: A physician listens to an infant's heartbeat.

Below: Members with chronic diseases meet for discussion and instruction.



Members of the Public Policy and Social Policy Committees

The Public Policy Committee of Bank of America's Board of Directors

Current members of the Public Policy Committee are:

Ruben F. Mettler, Chairman
Chairman of the Board and Chief Executive Officer
TRW, Inc.

*Andrew F. Brimmer
President
Brimmer & Company, Inc.

*J. A. Carrera
Vice Chairman of the Board and Senior Administrative
Officer—Retail Banking, Data Services & Premises
Bank of America NT&SA

Walter A. Haas, Jr.
Chairman of the Board
Levi Strauss & Co.

Franklin D. Murphy
Chairman of the Board and Chief Executive Officer
Times Mirror Company

*A. C. Rice
Vice Chairman of the Board and Executive
Officer—World Banking Division
Bank of America NT&SA

Secretary:
James F. Langton
Senior Vice President—Social Policy
Bank of America NT&SA

*New members of the committee in 1978.

Note: The following members also served on the Committee in 1977: C. J. Medberry, Chairman of the Board of Bank of America NT&SA and BankAmerica Corporation; Mrs. John W. Myers, Beverly Hills, California; and Peter O'Malley, President, Los Angeles Dodgers, Inc.

The Social Policy Committee of the Bank

Current members of the Social Policy Committee are:

James F. Langton, Chairman
Senior Vice President—Social Policy

John J. Bell
Senior Vice President
Public Relations and Communications

George W. Coombe, Jr.
Executive Vice President and General Counsel

*M. Elenbaas
Executive Vice President
Executive Officer—California Division

Irwin L. Gubman
Secretary and Assistant General Counsel

K.D. Martin
Senior Vice President and Controller

*Scudder Mersman, Jr.
Senior Vice President
World Banking Division

George A. Skoglund
Executive Vice President
Personnel Administration

Lloyd J. Sugaski
Executive Vice President
Executive Officer—Loans

Secretary:
Duncan M. Knowles
Assistant Vice President
Social Policy

*New members of the committee in 1978.

Note: The following members also served on the committee in 1977: J.A. Carrera, who left the committee in January 1978 on becoming Vice Chairman and Senior Administrative Officer—Retail Banking, Data Services & Premises; D.S. Langsdorf, formerly Executive Vice President, who retired in December 1977; and C.M. van Vlieden, formerly Executive Vice President, who also retired in December 1977.

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To Order Copies of Related Documents

Copies of the following publications may be obtained free of charge on request from Bank of America's Information Coordinator, Secretary's Department 3019, Box 37000, San Francisco, CA 94137:

- BankAmerica Corporation Annual Report 1977
- BankAmerica Corporation Voluntary Disclosure Code
- BankAmerica Foundation Annual Report 1977
- Community and the Bank
- Consolidated EEO-1 Report (on Equal Employment Opportunity).

Bibliography of Corporate Social Responsibility: Programs and Policies, an annotated listing of materials on public policy issues, is available through the bank's Editorial Services, Department 3124, Bank of America Center, Box 37000, San Francisco, CA 94137, for a \$2 handling and mailing charge.

For further information on any of Bank of America's corporate responsibility activities, contact:

Social Policy Department 3761
 Bank of America Center
 Box 37000
 San Francisco, CA 94137.