



F. C. MINNICK, MANAGER

HOTEL TWENTY-FOUR HUNDRED
SIXTEENTH STREET
WASHINGTON, D. C.

Dear Mariner:

The enclosed, which is about six drafts after the last one I sent you, is very close to an agreement. You will notice considerable change as the result of negotiation and some completely different treatment. This has the general approval of Jesse Jones, Les Conley, John Hanes, and my office. We may have some trouble yet with the

surveys and it has not yet
been cleared with the Secretary.

In the give and take
of the final battle I did
not get in all the corrections
you mentioned but I think
we have the points covered
indirectly - particularly as
the 10 to 1 ratio plus the right
of determining the net sound
capital by examination gives
us quite a weapon.

Hastily

Robert W. Evans

12/16/38
-1-

December 15, 1938

MEMORANDUM

Re: Bank of America

Reference is made to the various communications in recent weeks between the Comptroller's Office and the Bank of America N. T. & S. A. dealing with departmental criticism of the bank's management, including dividend policies and certain specified items, and with particular reference to the department's letters to the bank of September 23 and November 23.

After several conferences between L. M. Giannini, President, W. E. Blauer, Vice Chairman, and Russell Smith, Cashier, of the bank, Chief National Bank Examiner Folger, Assistant Chief National Bank Examiner Clarence Smith, and Examiner Sedlacek, some of which conferences were attended by Comptroller Preston Delano, Deputy Comptroller Upham, Under Secretary of the Treasury Hanes, Leo Crowley, Chairman of the Federal Deposit Insurance Corporation, Chairman Jones and Sam Husbands of the RFC, the following would seem to constitute an acceptable program for the adjustment of the items referred to herein.

1. Due to the widespread operations of the bank, its great number of branches, and close affiliation with Transamerica Corporation and its allied interests, the bank will effect and reasonably maintain a sound capital structure having a ratio to its entire deposits of one to ten. The bank agrees to furnish as much additional capital as may be required for this ratio, as determined by the Comptroller of the Currency after the result of the examination now in progress, including a review of the items classified as slow. The increased capital will be paid into the bank as early as practicable after the amount shall have been determined, but in no event later than June 30, 1939. No dividends will be declared thereafter unless the then sound capital structure bears a ratio to the entire deposits of substantially one to ten.
2. Real estate in the amount of \$1,578,005.49 now carried under the heading of "banking houses" will be immediately adjusted satisfactory to the Comptroller.
3. Stocks and bonds listed on inserts 48 to 50, inclusive, to Page 6 of the Administration Department Report, with the exception of the Earl Fruit Company bonds in the par value amount of \$505,000.00, will be adjusted to the satisfaction of the Comptroller by June 30, 1939.
4. The remaining balance of approximately \$1,500,000 of unrealized bond write-up will be eliminated by June 30, 1939.
5. The 16 loans made on 1277 shares of the bank's own stock will be immediately collected or corrected to the satisfaction of the Comptroller.

6. The A. O. Stewart line listed at approximately \$11,000,000, of which \$4,500,000 is classified as slow, will be made satisfactory to the Comptroller.

7. The bank will not acquire the assets or assume the liabilities of any other bank for the purpose of merger or consolidation without the prior written approval of the Comptroller of the Currency.

8. Any dividends declared will at the time of the declaration be deducted from the undivided profit account and carried as a reserve for dividends.

9. The statute which prohibits a national bank from lending upon its own stock will be strictly enforced, and the same principle will be applied to loans on Transamerica stock. The bank may extend temporary accommodations to stockholders of Transamerica Corporation in small amounts for their business purposes, accepting Transamerica stock as supporting security, when they can demonstrate their ability to repay the loan without relying upon the sale of the stock to pay it.

10. Any loans to Transamerica Corporation and its allied interests will have the prior approval of the Board of Directors of the bank and such approval will be recorded in the minutes of the board meeting.

11. Loans to Transamerica Corporation and its allied interests will be brought within the legal limit allowed to one interest as soon as possible, and not later than July 15, 1942, except as set forth in item (15) below.

12. The bank will not write up on its books the value of any of its assets, and no profit will be taken by the bank on any assets sold to a related company, unless such sale is a bona fide sale and without recourse on the bank. If any such sale is made other than for cash, the note or notes taken in payment or part payment therefor will be properly secured.

13. The bank will eliminate "other real estate" and the real estate contracts of Capital Company and California Lands, Inc., such elimination to be diligently pursued, and completed by December 15, 1943.

14. The bank agrees that any criticized items not covered herein will have prompt and effective attention, and that it will cooperate with the Comptroller of the Currency in an effort to bring all matters pertaining to the bank in line with his requirements.

15. It is understood that proposals by the bank with respect to real estate purchased from Transamerica Corporation by Merchants National Realty Corporation on or about July 14, 1937; with respect to the charged off assets repurchased by the bank from subsidiaries of Transamerica Corporation on or about July 14, 1937; with respect to stock of National City Bank of New York acquired by the bank on or about July 14, 1937, which items should, in the opinion of the Comptroller of the Currency, be removed from the bank's assets for cash; with respect to depreciation on bank building, and with respect to service charges on dormant accounts, are unacceptable to the Comptroller of the Currency and further negotiations will be conducted as to them, after completion of the examination now in process and in connection with increasing the capital stock.

16. Upon the bank's agreement to the program outlined herein, approved by its Board of Directors, it will be free to declare a semi-annual dividend in March, 1939, if its directors elect to do so, provided steps have been taken by the bank to increase its capital stock as set forth in item (1) herein.

17. The foregoing constitutes the principal items criticized in office letters of September 23 and November 23, 1938, and when the present examination now in progress is completed, the bank will endeavor to adjust any other matters of criticism not included herein to the satisfaction of the Comptroller of the Currency.

It is understood that failure on the part of the bank to satisfactorily carry out any of the foregoing proposals, unless specifically waived by the Comptroller of the Currency, in writing, will serve as a complete release on the part of the Comptroller of the Currency from any consent, implied or otherwise, to the foregoing program.