CCM-101

City of Cambridge

O-21.

IN CITY COUNCIL

January 8, 2001

COUNCILLOR BRAUDE

ORDERED: That the City Clerk confer with the Mayor and City Council to schedule a meeting of the City Council and area bank leaders as set forth in the attached order of April 24, 2000.

In City Council January 8, 2001.
Adopted by the affirmative vote of seven members.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D Margaret Drury

D. Margaret Drury
City Clerk

City of Cambridge

~~O-4.~~
Calendar Item #1

~~April 10, 2000~~
April 24, 2000

COUNCILLOR BRAUDE
COUNCILLOR DECKER
COUNCILLOR DAVIS
COUNCILLOR REEVES

WHEREAS: The Cambridgeport Bank is converting from a depositor owned, locally headquartered bank to the Port Financial Group owned by stockholders and based in Boston; and

WHEREAS: The initial offering period of stock to depositors has closed and according to the state Division of Banks, Port Financial will formally go public this week; and

WHEREAS: The Cambridge City Council voiced concerns in its order of March 6, 2000 and its public hearing of March 21, 2000 that the bank hold community hearings to answer depositor and stakeholder questions, make a specific commitment to return affordable housing lending levels to their high in the mid-1990's, set up a community foundation to guarantee continued commitment to Cambridge regardless of the future ownership of the bank and extend the initial offering period during which depositors may purchase stock; and

WHEREAS: The bank declined to appear at the public hearing and has failed to respond to any of the city's demands; and

WHEREAS: There are currently two remaining mutual savings banks in Cambridge, Cambridge Savings and East Cambridge Savings Bank; and

WHEREAS: There is no requirement that either of such banks hold public hearings or provide public notice prior to the vote of corporators, should either decide to go public; now therefore be it

ORDERED: That the City Council reaffirm its prior requests relating to public meetings, lending commitments and a community foundation by what is now called Port Financial Corp; and be it further

ORDERED: That the City Manager be and hereby is requested to seek from Port Financial and its officers information regarding the percent of depositors that participated in the subscription offering, the average level of participation by such depositors, the percent of stock purchased by depositors in Cambridge and a demographic breakdown of stockholders by city, state and number of shares purchased; and be it further

ORDERED: That the City Manager be and hereby is requested to seek legal opinions and report back to the City Council on the jurisdiction of Cambridge regarding further action which may be taken to address concerns about notice, affordable housing impact, community lending and charitable giving as it relates to Port Financial; and be it further

ORDERED: That the City Manager be and hereby is requested to seek legal opinions and report back to the City Council as to whether the city can require a community impact statement relating to protection of jobs and lending commitment to Cambridge from any Cambridge bank wishing to convert to stock or merge with another bank; and be it further

ORDERED: That the Neighborhood and Long Term Planning Committee and the Housing Committee hold a **"roundtable"** meeting of the leaders of the Cambridge banks and the non-profit housing agencies to discuss the banks' commitment to affordable housing, with personal invitations to the presidents of all Cambridge banks to attend.

In City Council April 24, 2000.
Adopted as amended by the affirmative vote of nine members.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D Margaret Drury

D. Margaret Drury
City Clerk

CAMBRIDGE CITY COUNCIL

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139
(617) 349-4280 • FAX: (617) 349-4287
TTY/TDD (617) 349-4242 • Email: jbraude@ci.cambridge.ma.us

Jim Braude
City Councillor

January 4, 2001

Dear Colleagues:

Early in 2000, we held a public hearing on the proposed conversion of the Cambridgeport Bank from a depositor-owned to stockholder-controlled institution -- with specific attention to concerns about continuing ties to the Cambridge community and continued commitment to the needs of the owners of the bank for decades, the depositors.

Based on publicly available information, below is a brief update on the bank since its change in status was approved last year:

Cambridgeport Bank, formerly a local Cambridge mutual bank is now known as Port Financial Corp.

The bank is no longer headquartered in Cambridge, where it was based since its founding in 1853, but at 1380 Soldiers Field Road, Brighton, MA 02135 (Phone: (617) 661-4900; Fax: (617) 779-4000).

It is now a publicly traded stock company following its conversion from a mutual in April 2000.

A majority of the stock of Port Financial, 52%, has been bought by institutions as of December 20, 2000. None of these institutional owners are based in Cambridge, and most are out-of-state. Before its conversion into a stock company, the mutual bank had been run for its depositors and area communities.

Insider ownership (executives of the bank) is under 1.77% according to the bank's federal filings; however, on October 19, 2000, the company adopted a stock option plan for top executives with 10% of total stock and a management incentive plan with 4% of stock. An Employee Stock ownership Plan was implemented in April with 8% of the bank's stock. Combined, these new employee and management plans could give insiders over 20% ownership of the bank, once vested, without them paying for the stock.

Our order of April 3, 2000 requested the bank to establish a community foundation and to hold community meetings and forums. No community foundation has yet been established to ensure that the interests of the Cambridge and other area communities are legally maintained and to compensate the bank's communities for their support. No community meetings or forums have yet been held, either.

Based on all of these developments and to protect Cambridge's interests, I believe it is imperative to schedule the roundtable meeting between the Council and area bank leaders as agreed upon in our order of April 24, 2000.

Sincerely,

Jim Braude

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Communications and Reports from City Officers #1

A communication was received from Councillor Jim Braude, transmitting an update on the Cambridgeport bank since its change in status was approved last year.

In City Council January 8, 2001

Communication

PLACED ON FILE

Order #21

Adopted