

Fumo Earns \$700,000 from Bank Firm; Could get Millions from Sale

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PHILADELPHIA (AP) — State Sen. Vincent J. Fumo earned more than \$700,000 last year as chairman of PSB Bancorp, a small bank company that ranks low in profits and efficiency, a newspaper reported.

The powerful Philadelphia Democrat could reap about \$20 million if the company — which operates 13 First Penn Bank branches and is on the market — is sold, The Philadelphia Inquirer said Sunday.

The newspaper said Fumo's pay and perks at First Penn, started in 1923 by Fumo's grandfather as Fumo Building & Loan, are far more generous than those enjoyed by executives of comparable banks.

Under Fumo's tenure, the bank has grown from one office with \$1.5 million in assets in 1976 to 13 branches in five counties with a half-billion dollars in assets. The newest branch, in the city's Chinatown section, opened Thursday.

PSB's board includes the manager of Fumo's South Philadelphia legislative office, his biggest campaign donor and a city councilman whose campaigns are heavily financed by Fumo's campaign funds.

The board doubled Fumo's compensation to \$709,800 in 2004, although he had stepped down as its chief executive the year before, remaining only as chairman. The average pay for chairman of comparable banks is \$30,000, the newspaper said.

"It's hard to conceive how this could serve the stockholders," said Harvard law professor Lucian A. Bebchuk, who has written a book on executive pay.

The board also gave Fumo 600,000 shares and options last year, doubling his stake to about 18 percent of the company. Those shares and options were worth about \$3.2 million at Friday's stock price.

David Delves, a Chicago-based corporate compensation consultant, called that "extreme."

PSB reported \$2.07 million in profit last year, down \$1 million from 2002 but slightly higher than profits in 2003. The paper said the bank is in the bottom 4 percent for efficiency in a comparison of operating expenses to income, according to federal data.

Although its assets and stock prices have been on the rise, PSB has paid no dividends to stockholders for nine years, the paper said.

Fumo, 62, whose role in a nonprofit group run by his aides is reportedly under federal investigation, declined to discuss his banking interests with the newspaper. His legislative spokesman, Gary Tuma, did not immediately return a telephone message left Sunday at his house by The Associated Press.

If the bank is sold, Fumo has a "golden parachute" estimated by analysts to be between \$4.2 million and \$6.4 million. He has also received \$950,000 in reduced-rate loans from the bank, the Inquirer said.

Fumo also made up to \$208,000 after investing in a smaller Bucks County bank that PSB acquired in 2001.

Federal authorities have been investigating how Fumo has helped direct funds to organizations including Citizens Alliance for Better Neighborhoods, a nonprofit community group run by his aides and associates. The charity received \$17 million from Peco Energy Co.