

# FIRST ULB CORPORATION

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March 19, 2009

Honorable Timothy F. Geithner  
United States Secretary of the Treasury  
Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington DC 20220

Dear Mr. Secretary:

I realize the challenges you are facing today are enormous. The fact that First ULB Corp (United Labor Bank) has applied to return the TARP funds of \$4.9 million will not even appear on the Treasury radar screen, however, I believe that it is important for me to explain why we wish to return these funds.

When TARP was first announced, our primary regulator suggested that as a well run and financially stable community bank we should apply for the TARP so that we could contribute to the economic recovery program. Our Board of Directors considered this recommendation and agreed that we could expand our business plan to include the new capital. We applied and received the TARP as a privately held company with the 5% preferred stock option that was exercised at the initial distribution. Our legal expenses that we incurred to coordinate with Treasury's counsel were in excess of \$36,000.00. After receiving the TARP funds it became apparent that the regulatory burden of TARP would exceed the value of the investment and that Treasury had applied a "one rule fits all" for the Treasury's management of TARP. It appears to us that these changes of oversight were due in large part to the use of TARP funds by larger institutions. I can assure you that United Labor Bank is not, nor has it ever been, comparable to AIG, Bank of America or CITI, in its risk profile, management or culture. Thus, with the reputation risk associated with TARP and changes in regulatory burden with potentially more stringent oversight to come, we have decided that we can meet our strategic goals without government assistance. However, with the TARP, we could have further expanded our lending and community financial growth.

This experience has been very expensive for First ULB Corp. In addition to our legal fees, we will also be required to redeem the 5% preferred stock at a cost to the Company of \$245,000.00. As a result of this exercise we have incurred expenses in excess of \$300,000.00 with zero value. That is a substantial sum for a community bank. This somehow seems to be counter productive to the administrations goals.



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My explanation of this disappointing exercise is not simply to complain but to ask you to consider the role of community banks during the much needed regulatory reform and restructure tasks that you are faced with. Most community banks carry the "*water bucket*" for community financial stimulation. There are numerous examples of community banks providing credit in a safe and sound manner to small and medium enterprises whom our larger brethren could not or would not help. Community banks are faced with essentially the same regulatory burden as institutions that are many multiples in sizes. I am not recommending less regulation, just the opposite; I am recommending better regulation, more intense if necessary but regulation that has been developed for the size and scope of the enterprise. I am aware that a great deal of effort is being placed on analyzing the systematic risk for large institutions. However, I am concerned that these regulations will be applied to community banks and they will suffer collateral damage as a result of these new guidelines and regulations. The enterprise risk for community banks is certainly different than regional, national or international banks and certainly different than bank holding companies.

This seems like the perfect time as we re-build confidence in the financial system to structure regulation that meets the risk of the enterprise and provides adequate and progressive supervision and regulation.

United Labor Bank will continue to be a solid financial partner to the communities that we serve. As part of re-building the confidence in the banking and regulatory process, we will continue to provide credit and banking services in a safe manner without government assistance or undue oversight.

We wish you the very best with your difficult tasks rebuilding America's and the world's confidence in our financial system.

Very truly yours,



Malcolm F. Hotchkiss  
President and Chief Executive Officer

OTS Docket #8855