



UNITED LABOR BANK f.s.b.  
E X E C U T I V E   O F F I C E S

March 24, 2009

To: ULB Customers & Shareholders

**T A R P!   What Happened to a Good Idea?**

Before reading this letter it would be helpful to read my letter to the Honorable Timothy F. Geithner, United States Secretary of the Treasury dated March 19, 2009, also posted on United Labor Bank's website.

When the TARP (Trouble Asset Relief Program) was first introduced the intended purpose was to invest money in healthy banks to increase their capital which could in turn increase their ability to lend. This intention was one of the administrations plans for re-igniting the economic engine of the country.

TARP investments were made in return for a form of equity known as preferred stock. This is different than common stock in the following manner. Preferred does not have voting rights, preferred does not dilute the common shareholder, preferred pays a cash dividend to holder of the stock and common may or may not pay a dividend. The TARP preferred stock paid a dividend of 5% annually to the government and provided an additional benefit to the government of a convertible portion to common stock. The TARP preferred stock has a window for repayment in 5 years. The dividends are payable quarterly to the treasury and failure to make the payments would constitute a default which would allow the Treasury to sanction the recipient by taking board seats and/or making management assignments.

So, let's review the original intent of TARP.....

- Issued to healthy banks to re-ignite the economic engine
- The TARP is issued in the form of preferred stock
- The stock yields a minimum of 5% and up to 6.5% interest to the government
- There is a repayment window for the stock
- It carries serious sanctions for failure to meet the contractual agreement

This all sounds like a pretty good deal for all parties involved. I would like to get a 5% return in today's environment secured by stock in a healthy company.

So, how did a seemingly great program morph into a BANK BAILOUT program?

I believe that there are several things that happened to the original intent of this program.



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- First, the Treasury changed the rules of engagement by allowing weak and zombie banks access to this program.
- Second, the Treasury applied a “one rule fits all’ to the program and as I stated in my letter to the Secretary, United Labor Bank is not in any way similar to the troubled banks who received the funds.
- Third, Treasury has changed the agreement by imposing after-the-fact restrictions and very expensive oversight on the use of the funds.
- And finally the PRESS has been a huge player in the failure of this program and I think that the following question demonstrates the proof of that statement. Has anyone seen the press list the actual terms of the agreement of TARP funds? That is a rhetorical question because if they had reported the actual term it would not have been “pitch fork” news. When can we get the complete story instead of partial stories for the purpose of selling news?

Why hasn't the Treasury defended the original program to the public? I have absolutely no idea. Why are so many of the healthy institutions either applying to return the TARP or cancelling their pending application? Because as healthy community banks they – and we – do not want to be associated with what has become a “Bank Bailout”.

All of the news recently has been about AIG and I think that we can agree that this has been a colossal business failure supported by another failure by Treasury to resuscitate a DOA company. I can only hope that in the near future calmer heads will prevail.

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