



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

July 7, 2009

To: Our Valued Clients

Well... I have written enough about the TARP, and there is much more to talk about as new challenges emerge for the US economy. The news from Washington is trying to convince us that the economic downturn is slowing. Although I am sure that those who are among the double digit un-employment are having trouble seeing the light at the end of this tunnel.

However, I would like to devote this letter to you concerning regulatory reform. The administration has published their 88 page proposal on regulatory reform titled "Financial Regulatory Reform: A New Foundation".

After reading the proposal from front to back several times, I have a few comments I would like to share with you:

First -- this proposal is the first shot across the bow for a well entrenched bureaucratic system that has become morbidly flawed.

Second -- after the first day of publication the opinions were flying from the existing regulators, legislators, and trade groups all supporting their particular programs or issues.

Third -- this proposal will undoubtedly look very different by the time it gets to Congress for approval.

I have my own opinions regarding several of the proposals within the publication. I am even in disagreement with the American Bankers Association (I know its heresy to disagree with the ABA) but I see some of these issues from a different perspective.

I am not going to politic my issues on this subject, but suggest that we all look at this from the global perspective. I think that most of us can agree that the regulatory system needs some help. This was evidenced by the financial events of the past two years, i.e. AIG, Madoff, Countrywide, IndyMac, etc. The regulatory agencies, SEC, OCC, OTS, FDIC and the FED have all had a part in these events that cost the 401(k)'s over two trillion dollars. These actions did not put enough people in jail and contributed to the double digit un-employment.

In a democracy it is almost impossible to get a 100% consensus on any issue and it is expected that self interested parties will work to promote their own agenda. However, at a time when so much is broken and the confidence in the financial system is so weak, I think that we should look at this proposal with an unbiased eye towards developing a better system. I am not proposing that we act like sheep; nevertheless, I submit to you that those who are screaming foul the loudest over this proposal are the same status quo that helped get us where we are today.



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As a community banker for over 25 years, I have seen the industry develop into a very complex system that has dramatically increased enterprise risk. I do think that the regulatory system has not kept pace with all of these changes. So, let's look at this proposal as not being perfect but as first steps to provide Americans and the world financial markets with a better system.

Malcolm F. Hotchkiss
President & Chief Executive Officer