

To All Members,

Most recently, the Federal Government and the State of Illinois have implemented sweeping changes to the lending practice for all lending institution, including "Credit Union". Because of these changes and our recent annual audit conducted by the Department of Financial Institution (DFI), we are now required to conduct a full review of all of the Policies, Procedure, Rules and Regulations regarding our present lending practices.

Unfortunately, a Cease and Desist (C&D) Order was issued by DFI on June 4, 2010. The Order addresses missing information on documents, loans levels, delinquencies and some internal practices.

The unfortunate part for our customers/shareholders is: "No New Loans" can be accepted or made. Nor can "Loan Extensions or Modifications (add-on's or increases to present loans, etc..) be made until the polices are updated, reviewed and approval is received from DFI. We fully understand that this may cause an inconvenience for many of you at this time, but we are bound by the regulators to have this done.

I have no intention of sugarcoating the circumstances surrounding this event. I can't or won't tell you that we haven't made mistakes. Mistakes have been made and those who have made them are being held accountable. I can assure you that the Board, the Management, the staff and DFI are working to resolve the issue quickly.

On Tuesday, June 22, 2010, members of the Board met with Brad Losch, Assistant Supervisor in Charge at DFI and his staff to review the policy changes we have made. During our meeting, an open line of communication was developed and we're working in-conjunction with them to resolve the C&D Order.

On Wednesday June 23, 2010, I received a "draft" copy of the "Document of Resolution" emailed from the DFI outlining our plan of action to resolve this matter.

For some of you, your first question may be, "Is my money safe? "YES"!!! The credit union and all its funds are safe and available. In short, the credit union is sovereign.

This has caused us to evaluate how things have been done in the past and insure it will not happen in the future. Our credit union will be stronger, smarter and more in tune with today's ever changing financial market.

We are asking that you be patient with us during this time. We are not sure how long this may take, but we are diligently working to have this completed as soon as possible.

Please understand that we are here and will continue to be here to service your every need, within the above guidelines.

Thank you for your patience and continued support.

*Cecil E. Smith*  
*Chairman of the Board*  
*Elgin Employee Credit Union*