



Illinois Metropolitan Investment Fund

Investing together for
our communities

July 6, 2015

Dear IMET Liquidating Trust Participant:

Participant Update - July 6, 2015

The following provides an update on the FFF Repo B fraud (the “FFF Fraud”) and recovery efforts and addresses other recent Participant questions regarding IMET.

1. What is the status of the court-appointed receivership over assets seized?

On April 23, 2015, the Court appointed Patrick D. Cavanaugh as the Overall Receiver (“Overall Receiver”) who is tasked with marshalling assets of Nikesh Patel and his related companies and other defendants. The Overall Receiver has since retained Steven Towbin of the law firm Shaw Fishman Glantz & Towbin LLC as counsel to assist the Overall Receiver in the performance of his duties as provided by the April 23, 2015 order.

Due to the appointment of the Overall Receiver, Pennant is no longer in control of the asset recovery process, and the investors have obtained far greater transparency into the recovery efforts on an ongoing basis. The Overall Receiver is a neutral third party that reports directly to the Court and has a fiduciary duty to the receivership estate. The Overall Receiver (and not Pennant) is now responsible for making future distributions of recoveries to the FFF Fraud victims, including IMET.

Michael Nanosky (the “Nanosky Receiver”) remains in place in order to manage the 5 hotel assets and the hotels will be attempted to be sold through a public on-line auction scheduled for July 20-22, 2015. The Overall Receiver, in consultation with the Nanosky Receiver, has decided to retain Pennant’s counsel, Greenberg Traurig, to assist the Overall Receiver and the Nanosky Receiver with the sale of the 5 hotel properties and dealing with the liens on said properties. The Overall Receiver considered hiring other counsel, but decided that retaining Greenberg Traurig in this limited capacity would be most beneficial to the Receivership Estates, among other things, due to the immediacy of the auction and due to Greenberg Traurig’s knowledge of the complex issues related to the liens and hotels.

2. What is the status of the hotel sales?

By far, the largest asset of the Receivership Estate recovered to date is the five hotel properties (the “Alena Hospitality Portfolio”).

Jerry Duca
Village Administrator
Village of Frankfort
Chairman

Christy Powell
Superintendent of Finance
& Personnel
Geneva Park District
Vice Chairman

Gary Szott
Director of Finance/Treasurer
Village of Bloomingdale
Treasurer

John Harrington
Director of Finance/Treasurer
Village of Minooka
Secretary

Scott Anderson
Director of Finance/Treasurer
Village of Buffalo Grove
Trustee

Chris Minick
Director of Finance
City of St. Charles
Trustee

Eileen Santschi
Accounting Manager
South Suburban Mayors and
Managers Association
Trustee

Laura F. Allen
Executive Director

Debra A. Zimmerman
Associate Director

The Alena Hospitality Portfolio consists of the following:

- Doubletree by Hilton in Orlando, Florida. This hotel is a 242-room facility that is completed and operating at a profit.
- Crowne Plaza in Lake Buena Vista, Florida. This hotel is a 242-room facility that is close to completion.
- Crown Plaza in Saddlebrook, New Jersey. This hotel is a 148-room facility that is close to completion.
- Renaissance in Downtown Orlando, Florida. This hotel is a 290-room facility that needs significant additional work prior to completion.
- Four Points Sheraton in Peoria, Illinois. This hotel is a 320-room facility that needs significant additional work prior to completion.

The Nanosky Receiver continues to run the Doubletree Hotel and is maintaining the other non-operating hotels prior to sale. The Nanosky Receiver has retained Auction.com (“Auction”) and Hospitality Real Estate Counselors (“HREC”) to assist with the sale of the hotels via a public auction process.

As noted above, the auction is scheduled for July 20-22, 2015, with a final court approval of the anticipated sales to follow the auction. Auction and HREC have engaged in an extensive marketing campaign designed to attract a large and diverse population of potential buyers for the Alena Hospitality Portfolio – from institutional to non-institutional investors and from international money to groups that are local to each market. In implementing such a campaign, the overriding goal of Auction and HREC has been to create as much competition for each of the hotels as possible in an effort to drive bidding at each auction in a manner that generates the highest price possible, and, subsequently, to close on each transaction in the shortest time possible.

An Offering Memorandum has been prepared and is available to prospective purchasers. A marketing flyer describing the 5 hotels has also been prepared and distributed widely. Extensive press coverage has begun, including articles highlighting the sale in numerous on line and print publications and newspapers in Florida, New Jersey and Illinois.

Auction and HREC’s primary activities leading up to the public auction include, among various other responsibilities, maintaining large amounts of due diligence information on the Alena Hospitality Portfolio for potential buyer review, working with the hotel brands to better understand and market the options available to potential buyers, sending e-mail blasts and banner ads and related follow-ups to members of certain hospitality industry groups, and conducting tours of the property.

3. Will each hotel be sold individually or are the hotels being marketed as a group?

The properties will be individually sold and a separate reserve is placed on each hotel individually.

4. What kind of marketing response have Auction and HREC received for the Alena Hospitality Properties?

The bullets below summarize the activity on each of the hotel properties vis-à-vis the five Auction webpages:

- **DoubleTree Orlando East-UCF Area**
2,150 web hits (up from 1,613)
147 vault entrants (up from 120)
- **Full-Service Hotel -- Orlando-Lake Buena Vista**
2,262 web hits (up from 1,648)
143 vault entrants (up from 108)
- **Full-Service Hotel -- Orlando Downtown**
2,446 web hits (up from 1,826)
131 vault entrants (up from 89)
- **Full-Service Hotel -- Saddle Brook (NJ)**
2,260 web hits (up from 1,711)
133 vault entrants (up from 106)
- **Full-Service Hotel -- Peoria Downtown (IL)**
1,844 web hits (up from 1,409)
68 vault entrants (up from 59)

5. What is the status of the liens claimed against the hotel properties?

The largest holder of mechanics liens is an entity called True Line Contracting and Remodeling (“True Line”). The True Line mechanics liens total approximately \$8 million. The Overall Receiver believes that the True Line lien claims are materially inflated. There are approximately \$3.6 million in non-True Line liens on the hotel properties. The Receiver also believes that many of these liens are also of questionable validity.

On June 23, 2015, the Overall Receiver filed a Motion for Entry of an Order (i) Authorizing the Sale of the Hospitality Properties Free and Clear of All Interests; (ii) Approving the Terms of the Nanosky Receiver's Agreements with HREC Investment Advisors and Auction.com, LLC; (iii) Authorizing the Payment of Sale Related Costs; (iv) Approving the Sale Procedures; (v) Staying other Proceedings Adjudicating Interests in the Hospitality Properties; (vi) Setting a Bar Date in Connection therewith; (vii) Scheduling Hearing to Approve Sale Results; and (viii) Related Relief. True Line and another lien claimant, CVC Hospitality, Inc., have advised the Court that they object to the Overall Receiver’s motion. True Line and other lien claimants must file their responses/objections to the Overall Receiver’s motion by July 8, 2015. The Overall Receiver may file a reply in support of his motion by July 10, 2015. Judge St. Eve has indicated that she will rule on this issue in advance of the auction sale of the Alena Hospitality Properties.

6. What is the status of the commercial property at issue other than the 5 hotels?

Point Cypress Drive in Orlando, Florida. This property was listed for sale with Stirling Sotheby’s International Realty on December 29, 2014. The original offer received for this property that was scheduled to close in June 2015 fell through, and a new buyer is currently being sought by the retained broker.

7411 International Drive in Orlando, Florida. Pennant’s counsel initially advised that this property was likely acquired with the proceeds of a fraudulent loan. In addition, IMET has been advised that extensive lavish improvements have been made to the property using funds possibly acquired through the FFF Fraud. We also understand that Patel may have transferred title to this property to his lawyer before his assets were frozen, and that the ownership of this property is currently disputed. This property continues to be investigated by the Nanosky Receiver due to these issues. It is hoped that these issues will ultimately be resolved expeditiously and that the property may be sold for the benefit of victims of the FFF Fraud.

7. What is the status of the residential property?

It appears that Patel owns at least two residences free and clear of any liens or other claims.

The first residence is located at 9120 Kilgore in Orlando, Florida. According to the tax records of Orange County, this property's approximate value is \$1.7 million. Patel and his family currently reside at the Kilgore address and have advised counsel for Pennant that they will oppose any effort to sell the property under Florida law protecting personal residences known as the 'homestead exemption.' The Overall Receiver in conjunction with the Nanosky Receiver is investigating this claim.

The second residence is located at 9850 Laurel Drive in Windermere, Florida. The Laurel Drive property sold on April 13, 2015 for over \$2.6 million, of which \$897,798.11 was distributed to IMET in the third distribution to IMET. On April 20, 2015, IMET's Liquidating Trust made a distribution of \$1,630,291.49 (which comprised the second and third distributions IMET received) to eligible Participants.

8. Is IMET continuing to work with other victims?

Yes. IMET is working closely with counsel for the University of Wisconsin Credit Union ("UWCU") who is the largest victim of the FFF Fraud through Pennant. UWCU is represented by the law firm of Michael Best & Friedrich LLP in Milwaukee, Wisconsin. UWCU filed a limited motion to intervene in the Pennant litigation on June 17, 2015.

IMET is also working closely with counsel for Harvard Savings Bank which is the third largest victim. Harvard Savings Bank intervened in the pending Pennant lawsuit on February 27, 2015. Harvard Savings Bank is represented by the law firm Taft Stettinius & Hollister LLP in Chicago, Illinois.

Additionally, IMET is conferring with the United States Department of Labor ("DOL"). The DOL is interested because there were a number of Employee Stock Ownership Plans ("ESOPs") that were substantial victims of the Fraud.

Together the group of IMET, UWCU, Harvard Savings Bank and the DOL represents approximately 80% of the victims of the First Financial Fraud. This working group of victims has been able to pool their efforts to obtain the appointment of the Overall Receiver, as well as important information and greater transparency in the recovery efforts.

9. What is the status of the Receiver's payment to Greenberg Traurig out of the proceeds of the recovered assets without an order of Court?

On January 14, 2014, the Nanosky Receiver disclosed in his monthly report that he made a payment of \$562,761.35 to Greenberg Traurig, Pennant's counsel in this matter. The Receiver informed the Court that this payment was made "at Pennant's request, to pay outstanding legal bills Pennant owed to its counsel." On January 20, 2015, IMET filed an objection to this payment to Pennant's counsel on the grounds that it was made without providing the Court advance notice, without seeking Court approval, and without providing the Court any information whatsoever concerning the legal fees for which the payment was made. IMET objected due to its concern that assets seized for the benefit of victims of the First Farmers fraud have been improperly transferred out of the Receivership Estate for the benefit of Pennant, and asked that the Court restore the payment to the Receivership for the benefit of the victims of the Fraud.

On January 26, 2015, the Court heard IMET's objection and entered and continued it while instructing the parties to meet and confer regarding (1) the amount of funds already disbursed to Greenberg; and (2) formulating a procedure for approval of future payments to attorneys and other professionals from the recovered assets. The Court ordered that there shall be no further distributions that are not explicitly provided for in the

Receivership Order without a Court order. Pennant's counsel represented that the funds received from the Receivership by Greenberg in excess of any future Court allowance would be returned to the Receivership.

Since this hearing, the Court appointed the Overall Receiver, who is now solely authorized to make distributions out of the receivership estate. On May 15, 2015, Greenberg Traurig filed an Application for Approval of Attorney's Fees and Costs, which sought approval for over \$1.7 million in attorney fees and costs on behalf of Pennant, including the \$562,761.35 already paid. Greenberg Traurig has since agreed to supplement its filing to provide more information regarding the fees and costs incurred. Pursuant to the April 23, 2015 Order appointing the Overall Receiver, the Overall Receiver is charged with filing a written recommendation or objection to Greenberg Traurig's application for approval of payment for attorneys' fees and costs. The Overall Receiver's recommendation and objection is due to be filed with the Court by August 28, 2015. IMET is preparing its own objection to such payment which it will share with the Overall Receiver. IMET Participants who want to have the ability to provide input to the Overall Receiver concerning such interim fee applications of attorneys and other professionals must notify the Overall Receiver in writing of its desire to provide comments, in accordance with paragraph 41 (footnote 2) of the Overall Receiver April 23, 2015 Order. Written notice to the Overall Receiver shall be given to Patrick Cavanaugh at the following address:

Patrick D. Cavanaugh
High Ridge Partners
140 South Dearborn Street
Suite 420
Chicago, IL 60603
312-456-5636 (phone)

10. What is the status of Pennant's Claim Against the USDA?

On October 16, 2014, Pennant filed a claim with the USDA seeking to have the USDA honor its guarantee on the FFF loans. Pennant argued that the USDA should be responsible for all losses because the USDA approved FFF as an eligible lender in its Business and Industry Loan Program. Pennant further argued that the federal regulations governing the USDA guarantees requires the USDA to guaranty such loans unless Pennant had knowledge that First Farmers was engaged in fraud.

The USDA denied responsibility on its guarantees. The USDA claimed that because the loans were fraudulently issues and the borrowers are fictitious, the guaranties do not apply. On November 19, 2014, Pennant requested a hearing to appeal the denial by the USDA to the National Appeals Division of the USDA. Pennant continued to argue that the USDA is responsible to cover all losses through its guaranties. The USDA asserted that the National Appeals Division has no jurisdiction over Pennant's demand for payment by the USDA because the FFF loans are not legitimate USDA obligations.

On March 12, 2015, the National Appeals Division denied Pennant's appeal. Pennant is now deemed to have exhausted its administrative remedies and will be able to file a lawsuit against the USDA in federal court. Under the Overall Receiver Order, the Overall Receiver is vested with authority to pursue such a claim against the USDA for the benefit of the FFF fraud victims, including IMET. After the Alena Hospitality Properties are sold, we expect that the Overall Receiver will turn its attention to potential litigation against the USDA.

11. What is the status of IMET's claim against Trisha Patel?

Trisha Patel, Nikesh Patel's wife, recently filed a motion seeking to be dismissed as a defendant in the Pennant litigation. The Court set a deadline of July 24, 2015 for interested parties to either respond to Trisha Patel's motion to dismiss or to file an amended complaint against Trish Patel. IMET intends to file an amended complaint against Trisha Patel based on additional information IMET has received relating to the activities of Trisha Patel and her involvement in the FFF Fraud. The Overall Receiver is also investigating conveyances made to Trisha Patel and may well file a separate complaint against Trisha Patel.

12. What is the performance benchmark for the IMET Convenience Series?

The performance benchmark for the IMET Convenience Series is the Federal Funds Target Rate ("Fed Funds"). The portfolio is designed with the objective of meeting or exceeding the selected performance benchmark of Fed Funds gross of fees. Fed Funds is considered a benchmark for lower risk investments and, therefore, reflects an appropriate standard for the Convenience Series portfolio's rate of return. The Convenience Series' investment strategy is designed so it may maintain a stable \$1.00 per share price, although there is no guarantee that it will do so.

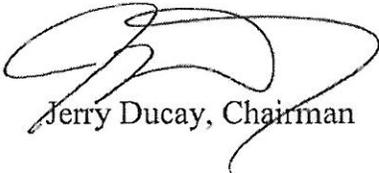
Other local government investment pools ("LGIPs") such as the State pool, are considered peers of IMET. These other LGIPs are not utilized as the Convenience Series benchmark.

13. Has IMET's Convenience Series investment authority been amended recently in the Convenience Series Investment Policy?

The IMET Convenience Series investment policy was updated back on May 16, 2014 to reflect statutory changes that were made to the IL Public Funds Investment Act to allow for investments in municipal bonds. However, IMET's Board of Trustees have, to date, elected not to invest any of the Convenience Series assets in municipal bonds.

We will continue to provide you with regular updates concerning the recoveries of assets for the benefit of the FFF fraud victims and developments in the Pennant lawsuit in which IMET has intervened as additional information becomes available. If anyone has any questions concerning the above or any other matter as it relates to the FFF Repo B, don't hesitate to contact Laura Allen of IMET (815-735-3534) or Randall Lending of Vedder Price (312-609-7564).

Sincerely,



Jerry Ducay, Chairman