



Illinois Metropolitan Investment Fund

Investing together for
our communities

September 9, 2015

Dear IMET Liquidating Trust Participant:

Jerry Ducay
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

IMET PARTICIPANT UPDATE SEPTEMBER 9, 2015

Please see below for an update regarding the First Farmers Financial litigation and the asset recovery process.

Court Approval of the Hotel Properties Sale

On September 3, 2015, the court entered an order approving the sale of the five hotel properties which were auctioned on July 20-22, 2015 (the "Alena Hospitality Portfolio"). As we previously advised, the gross sales price at auction for the Alena Hospitality Portfolio was \$86,775,000. The Court found the marketing efforts related to the Alena Hospitality Portfolio to be commercially reasonable and also found the sales of such hotels for the prices obtained at the auction to be in the best interests of the Overall Receivership Estate. Although it is too soon to predict the net amounts that may be returned to IMET's participants from the auction proceeds, IMET expects that significant portions of losses sustained will be recovered as a result of the anticipated sales.

Resolution of Lien Claims

Following the auction, the Overall Receiver continued to negotiate with certain lienholders who asserted lien claims against the hotel properties in order to maximize the amount of recoveries for victims. Although a number of persons and entities asserted lien claims against one or more of the properties, by far the largest lien claimants were CVC Hospitality, Inc. ("CVC"), which asserted a lien claim of \$1,309,541.38, and True Line Contracting and Remodeling Services, Inc. ("True Line") which asserted a lien claim of \$8,453,921.15.

On September 2, 2015, the Overall Receiver reached a settlement with CVC in the amount of \$1,150,000 and True Line in the amount of \$2,490,000. These settlement figures include the claims of all sub-contractors hired by CVC and/or True Line who also filed claims against the Overall Receivership Estate. These lien settlement amounts will be paid at the closings of the hotels from the sale proceeds. These settlements will likely end the lien litigation currently pending in five jurisdictions and litigation fees associated with such litigation.

The Overall Receiver also negotiated a settlement with the United States Small Business Association ("SBA") to pay off the SBA's priority first lien of \$4,599,089.07 in full (without interest) at the closing of the sale of the hotel property located in Peoria, Illinois. The Court approved this agreement on August 5, 2015, after finding that federal law prevented the Receivers from selling the property free and clear of the SBA's lien without the SBA's permission.

Greenberg Traurig Fee Petition

The Overall Receiver has been attempting to reach a resolution with the law firm of Greenberg Traurig LLP (“Greenberg”) relating to the fee petition Greenberg filed. As we previously advised, Greenberg was seeking from the Overall Receivership Estate approximately \$1.8 million in legal fees for services it performed representing Pennant in recovery efforts for the period of September 2014 through April 2015. On August 31, 2015, Greenberg withdrew its fee petition without prejudice to refiling if an agreement is not reached with the Overall Receiver. IMET is working very closely with the Overall Receiver and has opposed Greenberg’s fee petition on a number of legal and factual grounds.

USDA Claims

IMET and other investors in the First Farmers fraud are working together to potentially retain counsel to pursue claims against the United States Department of Agriculture (“USDA”) on a contingency basis. Such an arrangement will minimize out of pocket costs to the investors while preserving their claims against the USDA. The claims against the USDA relate to the USDA’s approval of First Farmers Financial as an eligible lender for its Business & Industry Guaranteed Loan Program and for failing to honor its guaranty under applicable law.

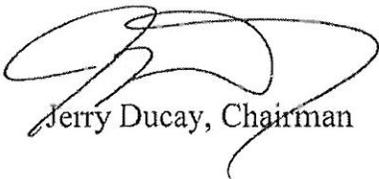
Anticipated Further Distributions

While the sales of the Alena Hospitality Portfolio are expected to close in the next 60-90 days, the distribution of the net proceeds to IMET and other investors in the First Farmers Financial Repo B is expected to be delayed until 2016. The Overall Receiver has advised IMET and other investors that the Overall Receivership Estate may face claims by the United States government against the Defendants, including Nikesh Patel and his various entities. The United States has indicated that various agencies, including the Internal Revenue Service (“IRS”), the SBA and the USDA, may have claims against the Overall Receivership Estate. The amount and basis for such claims is still unclear. Under the Federal Priority Statute, the claims of the United States may take priority over other claims, including investor claims such as IMET. However, as to the IRS’ potential tax claim, the IRS Tax Division has taken the position that if the source of the tax liability can be traced to wrongful conduct for which investors were defrauded, the investors should have priority. In any event, the Overall Receiver has advised the defrauded investors that he cannot make further distributions until the issues with the United States are either adequately reserved for or resolved as the Overall Receiver may face personal liability to the United States if he makes a distribution in derogation of the rights of the United States.

On July 2, 2015, the Overall Receiver filed a motion to set a bar date for the United States to file any claim it may have against the Overall Receivership Estate. The United States objected to the entry of a bar date and was granted leave to intervene in the federal district court case pending in the Northern District of Illinois. On September 8, 2015, the Court set a bar date of January 26, 2016 for claims by the SBA and the USDA. The Court has not yet set a bar date for claims by the IRS, United States Department of Labor, or the United States Department of Justice. The Overall Receiver continues to try to reach a resolution with the United States regarding bar dates for the Department of Labor, Department of Justice and IRS and if claims are filed by any US agency, will attempt to resolve or reserve for such claims.

Should you have any questions, don’t hesitate to call Laura Allen at IMET or IMET’s outside counsel, Randall Lending of Vedder Price (312-609-7500).

Sincerely,



Jerry Ducay, Chairman