

IMET Background:

IMET (Illinois Metropolitan Investment Fund) was formed as a non-profit under the Illinois Municipal Code in July 1996 as a cooperative endeavor to assist Illinois public entities with their investment dollars. It currently serves 284 municipal and related governmental bodies. The Village has been a member of IMET since 2010.

The IMET convenience fund is a short-term money market instrument collateralized via FDIC insurance, the Federal Home Loan Bank LOC program, and government securities at 110% on bank deposits. IMET supporters are:

DuPage Mayors and Managers Conference

Illinois Government Finance Officers Association

Illinois Municipal League

Northwest Municipal Conference

South Suburban Mayors & Managers Association

Will County Government League

DEFAULTED LOAN:

In September 2014, IMET became aware that one of its investments, a Federal Farm Loan (purchased through a repurchase agreement) had gone in default. IMET requested recovery from the US Dept. of Agriculture for the default. The USDA denied recovery because it did

not have any record of loan. The loan in default represented approximately 2.7% of IMET investments.

The loan in default was issued by First Farmers Financial Bank(FFF) an approved lender in the USDA federal farm loan program. The loan documents had forged signatures of the USDA' s loan officers. At which time, IMET immediately began criminal proceedings against First Farmers Financial Bank - CEO. The individual admitted to the fraud and has been cooperating with the authorities. In the fourth quarter of 2014, IMET reserved 2.7% of each members account balance in a liquidating trust. IMET sold all other investments in Federal Farm Loan's purchased through a repurchase agreements and amended its investment policy to exclude investments of this type in the future.

In the fourth quarter of 2014, the Village of Homer Glen had \$837,449 of its account balance transferred into the newly formed liquidating trust.

#### RECOVERY PROCESS:

As of today, IMET has returned approximately 5% (\$41,660) of the stolen funds back to the Village. The money's were derived from liquidating the CEO of First Farmers Financial Bank (FFF) personal assets (boats, cars, jewelry).

IMET anticipates recovery of another 60% to 70% of the stolen funds through the auction of real estate holdings. IMET has a contract on one of the commercial pieces and is also seeking to liquidate two other luxury residences. In mid-July, IMET will auction five hotels previously owned by the CEO. IMET hired a company named HCRE to market the hotels worldwide through auction.com. Prospective buyers are currently able to perform their due diligence and also be vetted by HCRE – to allow for an expeditious closing.

The remaining recoveries will come from insurance and litigation.

IMET has filed a claim with its insurance company for its \$5 million fidelity bond. The bond includes coverage for fraud from forgery.

IMET has filed a claim against Pennant Management insurance company for its \$30 million fidelity bond. Pennant Management was the financial adviser/broker.

IMET continues to seek recovery through an ongoing lawsuit against the USDA. The USDA statutes cover losses from lender fraud/forgery. First Farmers Financial Bank (FFF) was an approved lender under the USDA's farm loan program.

#### FUTURE RECOVERIES:

IMET's law firm has 200 subpoenas out to First Farmers Financial Bank (FFF) businesses and personal contacts to "claw back" funds paid from the fraud case.

IMET may pursue a lawsuit against the parent corporation of Pennant Management (the financial advisor/broker).

## CLOSING

Currently, IMET's portfolio is comprised of approximately 450 CD's with balances below the \$250,000 FIDC limit, federal treasury's and an insured money market account. It's a very conservative with a low-risk portfolio offering above average rates and full liquidity.

As stated by the IMET executive director, based on the active recovery process and through liquation of seized assets and pending litigation, IMET anticipates significant recovery.

Does the board have any questions?