

Q&A FOR IMET 3/10/15 ANNUAL MEETING

BACKGROUND QUESTIONS

How and why did IMET hire Pennant?

IMET hired Pennant as its investment advisor in June 2012. Prior to hiring Pennant, IMET engaged in a detailed RFP process. IMET's Request for Proposal was a 20 page document requesting extensive information from interested investment advisors.

Pennant was one of approximately a dozen to respond to the RFP. Pennant provided IMET with a 229 page RFP response. This response contained substantial information on Pennant, the repurchase agreement investment program which Pennant was recommending, and on Pennant's affiliated companies.

Pennant is a SEC-registered investment advisor and has been in business since 1992. At the time of the RFP, Pennant had \$5.53 billion in assets under management. Pennant is a wholly owned subsidiary of US Fiduciary Services, Inc. Pennant's affiliates include GreatBanc Trust Company, an ERISA trust company which has been in business since 1989 and is chartered in both the state of Illinois and Wisconsin.

IMET and its Vendor Selection Committee conducted substantial due diligence into Pennant, its related companies and the Repo Program which Pennant was recommending. IMET was attracted to Pennant's Repurchase Agreement Program because all of the loans in the program were represented to be backed by the full faith and credit of the United States through either the

USDA or SBA. IMET's Board also considered the RFP and the recommendations of IMET's Vendor Selection Committee.

In June 2012, IMET decided to proceed with Pennant as an Investment Advisor for its Convenience Fund. IMET initially entered into an agreement with GreatBanc Trust Company. IMET later entered into a separate investment advisory agreement with Pennant.

Did IMET involve outside counsel to assist in its review of Pennant's Repurchase Agreement Program?

Yes. Outside Counsel was retained to assist in the review of Pennant's Repurchase Agreement Program and the underlying contractual documents.

When did IMET begin investing in Pennant's Repurchase Agreement Program and when did IMET begin investing in the First Farmers Repurchase Agreements?

IMET began investing in Pennant's Repurchase Agreement Program in September 2012. At the time IMET began investing, Banes Capital, Coastal and Solomon Hess were the CounterParties and the loans were guaranteed by the Small Business Administration ("SBA") and the United States Department of Agriculture ("USDA"). In March 2013, Pennant introduced ESI as another CounterParty. IMET's investments in the repurchase agreements with these CounterParties performed as represented.

Approximately 7 ½ months after IMET began investing in Pennant's Repurchase Agreement program, Pennant introduced First Farmers as the Fifth CounterParty and represented that the First Farmers loans were guaranteed by the USDA. Pennant represented that the First Farmers repurchase agreements were essentially the same as the prior repurchase agreements with the other CounterParties and that they were backed by the full faith and credit of the United States.

What investments did Pennant recommend to IMET?

Pennant's investment recommendations to the Convenience Fund were limited to repurchase agreements on loans guaranteed by the U.S. government, such as loans guaranteed by the SBA and USDA. Only IMET's Convenience Fund invested in the Repurchase Agreements recommended by Pennant including the First Farmers Repo.

Is the First Farmers Repo a permitted investment under the Illinois Public Funds Investment Act?

Yes, they are permitted investments.

Why was the First Farmers Repo believed to be valid and what due diligence was conducted?

First Farmers was a USDA approved Lender and had been in business for more than seven years. Pennant met with Nikesh Patel and other representatives from First Farmers in the First Farmer's offices in Orlando.

Each of the 26 loan transactions comprising the First Farmers Repo were funded based on loan "packages" which were represented by Pennant to have complied with the USDA "Good Delivery Requirements." The loan documents appeared to be facially valid. The loan packages contained all necessary signatures, including those of USDA officials in either its Gainesville, Florida or Athens, Georgia office, as well as purportedly legitimate borrowers for the underlying loans.

Pennant provided to IMET attorney opinion letters from a well-established national law firm which opined that the investments in USDA guaranteed loans through First Farmers provided Pennant with a perfected security interest on behalf of its clients.

Pennant as IMET's investment advisor represented that it had conducted extensive due diligence on First Farmers before it recommended First Farmers as a counterparty. Pennant supposedly looked into the backgrounds of First Farmer's founder, Nikesh Patel and three of its executives. Pennant also purportedly hired a private investigation firm comprised of former FBI agents to confirm with the USDA that First Farmers was an approved USDA lender and was part of the USDA's Business and Industry Lending Program.

When was IMET notified about the potential impairment of the FFF Repo?

IMET was notified of the potential impairment late in the day on September 29, 2014. IMET was later notified that the USDA guarantees on the loans were forged. Participants were subsequently notified of this matter in a series of communications starting in early October 2014.

What communications occurred between Pennant and IMET concerning repurchase agreements prior to the First Farmers Repo default?

IMET had regular and ongoing communications with Pennant prior to the First Farmers Repo default. Such communications did not reveal any irregularities or issues with the collateral.

PENNANT LITIGATION QUESTIONS

When and why did IMET engage Vedder Price?

IMET hired Vedder Price in November 2014 to assist IMET in the First Farmers Repo matter.

In particular, Vedder Price is assisting IMET in the recovery of assets and representing IMET's interest in the pending litigation which Pennant brought against First Farmers and other Defendants.

What is the status of IMET's Intervention Complaint?

On November 20, 2014, IMET filed its Motion to Intervene in Pennant's case against First Farmers, Nikesh Patel, Trisha Patel, and related entities involved in the fraud. This lawsuit is pending in the United States District Court for the Northern District of Illinois before the Honorable Judge Amy St. Eve. On November 24, 2014, the Court granted IMET's Motion to Intervene in the Pennant Litigation.

IMET is working closely with Pennant's counsel and the Receiver in the recovery of assets.

What is the status of IMET's Lawsuit Against First Farmers?

On November 24, 2014, IMET filed a direct complaint against First Farmers, Nikesh Patel and Trisha Patel and the Patels' related entities. IMET's complaint alleges causes of action of fraud, unjust enrichment, piercing the corporate veil, and violations of the Illinois Consumer Fraud and Deceptive Practices Act against FFF, the Patels, and the Patel Entities.

The Defendants in the lawsuit have been cooperating in recovery process.

A federal criminal complaint has been filed against Nikesh Patel on the grounds of fraud and obtaining monies under false pretenses. Patel is facing substantial jail time and has indicated that he wants to cooperate fully in the recovery efforts. Patel's cooperation could be a factor that the criminal judge may consider when imposing a sentence.

Is IMET working with any of the other victims?

Yes.

IMET is working closely with counsel for the University of Wisconsin Credit Union who was the largest victim of the First Financial Fraud through Pennant. UWCU is represented by the law firm of Michael Best & Friedrich LLP in Milwaukee, Wisconsin.

IMET is also working closely with counsel for Harvard Savings Bank who lost approximately \$18 million in the Fraud. Recently, Harvard Savings Bank intervened in the pending Pennant lawsuit. Harvard Savings Bank is represented by the law firm Taft Stettinius & Hollister LLP in Chicago, Illinois.

Additionally, IMET is working closely 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 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 and put pressure on Pennant to obtain important information and to obtain greater transparency in the recovery efforts.

What subpoenas have been issued in the Pennant Lawsuit?

Pennant has issued subpoenas to over 20 banks and financial institutions where they know some First Farmers/Patel/Fisher assets are or were present. In addition, Pennant's counsel has advised us that it is in the process of issuing approximately 150 subpoenas to other third party entities and individuals who may have received funds from First Farmers/Patel/Fisher. Pennant intends to gather information and possibly seek to clawback amounts transferred to such entities and individuals.

What additional information has Pennant received?

Pennant has obtained approximately 100,000 documents, consisting of over 1,000,000 pages of material from Patel, First Farmers, Alena and other entities and individuals, including both Defendants and third parties.

Did the Receiver pay Greenberg Traurig out of the proceeds of the recovered assets without an order of Court, and if so, what is IMET doing about it?

Yes, the Receiver did make a payment to Greenberg Traurig out of the recovered assets and IMET immediately filed an objection to such payment.

On January 14, 2015, the Receiver filed his monthly report for the Receivership Estate. The Receiver reported making 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, IMET has worked together with counsel for other victims and Pennant’s counsel to come up with a procedure for payment of fees and expenses going forward. IMET has recommended that the scope of the Receivership be expanded. On March 4, 2015, Judge St.

Eve expressed that she agrees with IMET's recommendation and asked all the parties to come up with a recommended procedure to effect these changes.

STATUS OF RECOVERIES AND USDA CLAIM QUESTIONS

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 First Farmer's loans.

Pennant has argued that the USDA should be responsible for all losses because the USDA approved First Farmers as an eligible lender in its Business and Industry Loan Program.

Pennant further argues 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 has denied responsibility on its guarantees. The USDA claims 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 continues to argue that the USDA is responsible to cover all losses through its guaranties. The USDA has asserted that the National Appeals Division has no jurisdiction over Pennant's demand for payment by the USDA because the First Farmers loans are not legitimate USDA obligations.

The National Appeals Division has requested extensive information from both Pennant and the USDA regarding Pennant's payment demand and the First Farmers fraud. All matters have been fully briefed and the parties are waiting for a ruling from the National Appeals Division. The timing of a ruling by the appellate panel is unknown.

If Pennant's Appeal is denied, Pennant will be deemed to have exhausted its administrative remedies and will be able to file a lawsuit against the USDA in federal court. Pennant has provided IMET with copies of all of the USDA filings.

What is the status of the sale of the 5 hotel properties which have been seized?

By Far, the largest asset of the Receivership Estate are the five hotel properties--one of which is completed, two which are substantially completed, and two which need substantial work.

The hotel properties consist of the following:

- Doubletree by Hilton in Orlando, Florida. 242 Room facility. Completed and operating at a profit.
- Crowne Plaza in Lake Buena Vista, Florida. 242 Room facility. Close to completion
- Crown Plaza in Saddlebrook New Jersey. 148 Room facility. Close to completion.
- Renaissance in Downtown Orlando, Florida. 290 Room facility. Substantial Work Needed.

- Four Points Sheraton in Peoria, Illinois. 320 Room Facility. Substantial Work Needed.

The Receiver is running the Doubletree Hotel and is maintaining the other non-operating hotels.

The Receiver received and considered seven written offers for the hotel properties. Five of these offers came from affiliates of Patel and were rejected. Two other offers were considered by Pennant and the Receiver. Both of these offers were viewed to be credible. Pennant and the Receiver accepted the higher offer and a fully executed LOI has been entered.

Are there any liens or other claims against the hotel properties?

The only hotel property that has a mortgage is the Peoria Property. There is a \$4.5 million mortgage in favor of the SBA.

There is also a \$9 million subordinate mortgage on the Peoria property in favor of a Patel-related entity. It appears that this loan was funded with proceeds of the fraud and Pennant is in the process of attempting to get this mortgage released. None of the other hotel properties has any mortgage.

The hotel properties also have a number of mechanic's liens and other encumbrances. The largest holder of mechanics liens is an entity called True Line/Vision. The True Line/Vision mechanics liens total approximately \$8.5 million. However, it appears that True Line/Vision has an affiliated with Patel and may have received payments from the proceeds of the Fraud.

Pennant has asserted a number of counterclaims and set-offs against True Line based on its believed affiliation with Patel. Pennant and the Receiver believe that the True Line/Vision lien claims are materially inflated.

There are approximately \$3.6 million in non-True Line/Vision Liens on the hotel properties. The Receiver also believes that many of these liens are of questionable validity.

Is there any other commercial property at issue other than the 5 hotels?

Yes, we are aware of at least two other commercial properties acquired by the Defendants.

The first property is located at *7411 International Drive in Orlando, Florida*. This property is still being investigated.

The second property is located at *Point Cypress Drive in Orlando, Florida*. This property was listed for sale with Stirling Sotheby's International Realty on December 29, 2014. The asking price is \$1.45 million.

Does Patel have any Residential Property?

Yes. It appears that Patel owns at least two residences free and clear.

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.

The second residence is located at *9850 Laurel Drive in Windermere, Florida*. According to the tax records of Orange County, this property's approximate value is \$3.9 million. This property was listed for sale at \$4.5 million on December 29, 2014. Pennant and the Receiver are currently in negotiations relating to the sale of this property.

What cash accounts have been seized for the benefit of the Receivership Estate?

Over a dozen bank accounts and other cash assets of the defendants have been seized, which total over \$8.3 million. Grant Thornton is helping trace the cash trail of the approximate \$174 million of monies received by First Farmers in connection with the Fraud.

What is the Status and Estimated Value of the Loans Owed to Patel and his Related Companies?

At the time the Fraud was uncovered, Patel and First Farmers were owed approximately \$17 million on six Loans. This is a significant asset for the Receivership Estate. We understand that each of the six loans are performing. Four of the six loans are USDA guaranteed loans, but guaranteed portions have been sold to third parties.

Additional loans other than these six have been uncovered through review of the books and records produced by defendants and third parties. Investigation of these loans and transfers continues.

What assets have been frozen of Tim Fisher and his related entities?

In connection with Pennant's Amended Complaint and related filings, on November 13, 2014, the Court froze all assets of Fisher and his entities. Fisher is believed to be Patel's partner at First Farmers. In particular, the Court froze certain real property located at 2853 Pinelawn Drive, La Crescenta, California 31214.

The Court also froze three film production companies which Fisher controls--Translucent Entertainment, Alena Production, and ASL Pictures. Investigation continues into the assets of these production companies.

Has Tim Fisher agreed to turn over the assets which have been frozen to Pennant?

Yes. Counsel for Tim Fisher has advised Pennant that they intend to turn over all the assets that have been frozen.

Where is the money recovered being held?

As noted earlier, approximately \$8.3 million in cash assets were seized, and are being held in various bank accounts.

Do the Defendants have any other equity interests that may contribute to recoveries?

Yes. First Farmers and/or Patel may have acquired equity interests using funds of fraud in the following:

- Investment in a health products company

- Investment in a restaurant/bar

These equity interests are being investigated.

Did Pennant use any of the victims' monies to make charitable contributions and if so, can those monies be clawed back?

It appears that Patel and First Farmers may have used proceeds from the Fraud to make charitable contributions. Pennant is investigating these contributions and whether clawbacks are appropriate.

What other assets have been liquidated or will be in the future?

- A 2014 Super Air Nautique G23 sports boat for \$87,500
- Several high end wrist watches for total of \$135,000
- Gold coins totalling \$25,000
- A 2014 Rolls-Royce for \$290,000
- A 1998 Mercedes Benz SLK Roadster - \$2,500
- A 1983 Mercedes Benz SLK Roadster - \$9,000
- A Lamborghini which was in the process of being restored - \$55,000
- 2014 Cadillac Escalade and 2012 Range Rover – An offer was received of \$120,500 for both.

How will assets be distributed to the fraud victims?

Pennant and the Receiver have indicated that the assets liquidated will be distributed to the Fraud Victims on a pro rata basis.

What is the current estimate on recoveries?

Pennant advised the Court on January 26, 2015 and again on March 4, 2015, that based on certain assets already recovered, it anticipates a net recovery of 60-70% of the monies invested in the FFF Repo by the victims.

The 60-70% estimate does not include:

- potential recoveries from the USDA;
- potential recoveries from the Fidelity Insurance Bond of both Pennant and IMET;
- potential recoveries from Pennant, Great Banc and/or U.S. Fiduciary in connection with any claim brought by IMET;
- potential recoveries from the Fisher Assets;
- potential recoveries from various earnest monies, retainers and extension fees that is being investigated; and
- potential recoveries from other third parties who received monies from Patel or First Farmers.

How long will it take until this matter is resolved?

There is no way to gauge the length of time it will take to resolve this case. Fortunately there are assets that have been seized that are in the process of being monetized to recover some of the investment.

Has Pennant retained anyone to assist its Counsel in the recovery of assets?

Pennant has retained the services of Grant Thornton to conduct a comprehensive review of all monies that went from Pennant to First Farmers and where those monies went from First Farmers. Pennant provided IMET with a copy of this report.

INSURANCE QUESTIONS

Does Pennant have insurance to cover potential Participant Losses?

Pennant has a D&O, E&O and fidelity bond policy, which may provide coverage for victims' losses.

Has Pennant submitted a claim to its insurance carrier regarding IMET's potential claim against Pennant?

Yes, Pennant has advised us that a claim has been submitted.

Does IMET have insurance to cover potential Participant losses?

IMET has a \$5 million Fidelity Bond policy. On February 23, 2015, IMET submitted a Proof of Loss to its Fidelity Bond carrier based on various forgeries of the USDA officials, material alterations of official documents, and other fraudulent and dishonest acts committed by First Farmers in connection with IMET's purchases of the First Farmers Repo through Pennant. IMET is currently awaiting a response from its carrier regarding the Proof of Loss submitted. IMET also has other insurance which may provide certain coverages.

ADDITIONAL QUESTIONS CONCERNING PENNANT

Will IMET sue Pennant?

On November 13, 2014, IMET entered into a tolling agreement with Pennant to preserve its ability to bring a lawsuit against Pennant and to avoid having the statute of limitation run while IMET focuses its efforts on the recovery of assets. IMET may ultimately decide to sue Pennant or its affiliated companies for any deficiencies in recovery.

Is Pennant's counsel sharing information concerning the recovery process?

Yes, Pennant's counsel is sharing certain information regarding the recovery process with IMET and other victims.

What type of additional information has IMET requested from Pennant?

Pennant provided IMET with several memos outlining all of the efforts of Pennant and the Receiver in the recovery of assets. Pennant has also provided IMET with documents relating to its USDA submissions, insurance information, copies of appraisals and valuations conducted on the hotel properties, and the executed LOI for the sale of the five hotel properties.

The Receiver is also publicly filing regular reports which set forth in detail recovery efforts taken to date.

Can Participants see copies of the documents that Pennant has shared with IMET?

Yes. Pennant has shared a lot of documents with IMET pursuant to the terms of a Non-Disclosure Agreement that Pennant has required. Participants who want to see copies of these documents will be required to execute a Non-Disclosure Agreement.

GOING FORWARD

What changes has IMET made to ensure its investments are as safe as possible?

IMET has terminated its relationship with Pennant and liquidated all other investments in repurchase agreements. IMET has and will continue to evaluate its practices and policies in order to continue to protect the Convenience Fund's participants.

At present, IMET has limited the Convenience Fund's investments to collateralized bank deposits. IMET reviews its investment policies on an annual basis. The investment policies are posted on IMET's website on the Resource Files page, and they are also distributed at the Annual Meeting in the Comprehensive Annual Financial Report.

The types of investments permitted in the fund remain consistent with those investments permitted under the IL Public Funds Investment Act. IMET's priorities have always been and continue to be the safety, liquidity, and competitive yield for its investors, the Participants.

