Illinois Metropolitan Investment Fund

Investing together for our communities

September 24, 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 24, 2015

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

IMET Files USDA Lawsuit

IMET along with five of the largest investors in the First Farmers Financial Repo B (University of Wisconsin Credit Union, Harvard Savings Bank, Encore Bank, Citizens Bank, and Blackhawk Bank) retained Rene A. Torrado, Jr. of the law firm Corboy & Demetrio to pursue claims against the United States Department of Agriculture ("USDA") on a contingency fee basis. This 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 approved lender for its Business & Industry Guaranteed Loan Program and the USDA's failure to honor its guaranty under applicable law. Mr. Torrado filed the lawsuit against the USDA on September 11, 2015 in the United States District Court for the Northern District of Illinois (Case No. 1:15-cv-08019). The USDA is expected to file a responsive pleading in mid October 2015.

Sale of Hotel Properties

On September 8, 2015, Judge St. Eve entered an order approving the sale of the five hotel properties free and clear of all liens. The Overall Receiver was able to reach a settlement with TrueLine and CVC, the two largest lien claimants, at significantly reduced amounts. These lien settlement amounts will be paid at the closings of the hotels from the sale proceeds. These settlements are expected to end the lien litigation currently pending in five jurisdictions and litigation fees associated with such litigation.

Letters Being Sent to U.S. and State of Illinois Senators from Participants Relating to USDA Claims

A number of IMET participants have written letters to U.S. Senators Mark Kirk and Dick Durbin along with State contacts asking for assistance in pressuring the USDA to honor the guaranties on the First Farmers Financial loans. By authorization and approval of IMET participant, Hinsdale Township High School District 86 (HTHSD86), IMET is pleased to provide the attached sample letter that is similar to the letter HTHSD86 sent to legislators recently. If you would like a copy of this letter in Word format, please contact Laura Allen at lallen@investIMET.com.

1220 Oak Brook Road | Oak Brook, IL 60523 | Phone 630-571-0480, ext. 229 | Fax 630-571-0484 | www.investIMET.com

Status of Pennant Management, Inc.

A number of participants have inquired about the current status of Pennant. It is our understanding that Pennant is no longer operating as an investment advisor. To the best of our knowledge, Pennant's affiliate Great Banc is still operating as is its parent, U.S. Fiduciary Services. IMET currently has a tolling agreement with Pennant, Great Banc and U.S. Fiduciary Services and IMET is evaluating pursuing claims against these entities.

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

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Village of HOMER GLEN

Community and Nature . . . in Harmony

14933 S. Founders Crossing
Homer Glen, Illinois 60491

Phone (708) 301-0632
Fax (708) 301-8407

September 25, 2015

The Honorable Richard Durbin
United States Senate
711 Hart Senate Building
Washington, D.C. 20510

Dear Senator Durbin:

As you may know, hundreds of Illinois municipalities, school districts, and other governmental entities have been adversely affected by the fraudulent action perpetrated by First Farmers Financial (FFF) through the Illinois Metropolitan Investment Fund (IMET)'s investment advisor, Pennant Management, Inc. These municipalities and school districts, including ours, invested in IMET's Convenience Fund on the basis that the FFF investment was guaranteed by the U.S. Department of Agriculture.

It is our understanding that the USDA, among other things, failed to implement industry standard internal controls that would have prevented IMET from suffering any such losses due to FFF's fraudulent activity and gross misconduct. We also believe that had the USDA simply bothered to confirm and verify the financial statements FFF submitted to the USDA and otherwise comply with its mandatory duties as set forth in 7 C.F.R. 4279.29 in approving FFF as a "non-traditional" lender eligible to originate USDA loans, FFF would not have been permitted to appear on the USDA's list of approved lenders. In allowing FFF to be approved as a USDA-approved lender, the USDA misled investors to believe that the USDA had followed its required procedures and conducted proper due diligence of FFF in its approval process. And now, the USDA is trying to wash its hands of the wrongful activity of FFF by walking away from the very program it guaranteed.

The failure of the USDA to stand behind its financial products alerts all investors to the fact that they should not rely on the USDA loan guarantee program. The repercussions of such knowledge will likely result in a reduction of capital available for loans, adding insult to injury for the businesses the program is supposedly trying to help. Moreover, investors will assume an increased risk in any USDA financial product, which harms local governments and school districts like us trying to deliver quality education to our students. Not only were we financially wronged by FFF, we now suffer at the hands of the USDA.

The financial situation in the State of Illinois is dire. Budget impasses, gridlock, talk of cutting funding or moving pension obligations back to local governments, among other things, together force us to confront an uncertain financial future. That fact impacts everything we do as we fulfill our missions.

Recovery efforts are underway and IMET management has estimated that approximately 53.5% will be recovered. Any confidence of being made whole now rests with the courts and additional recovery efforts, but we cannot endure the years it will likely take for the legal process to run its course. We incur expenses each day. That is why we are asking you as honorable U.S. Senators to act on your constituents' behalf to encourage the USDA to satisfy its loan guarantees in full. We urge you to take the appropriate action and make all Illinois governmental entities affected by the FFF fraud whole as quickly as possible.

Sincerely,

Village of Homer Glen, President

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United States Senate
524 Hart Senate Office Building
Washington, DC 20510

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Recovery efforts are underway and IMET management has estimated that approximately 53.5% will be recovered. Any confidence of being made whole now rests with the courts and additional recovery efforts, but we cannot endure the years it will likely take for the legal process to run its course. We incur expenses each day. That is why we are asking you as honorable U.S. Senators to act on your constituents' behalf to encourage the USDA to satisfy its loan guarantees in full. We urge you to take the appropriate action and make all Illinois governmental entities affected by the FFF fraud whole as quickly as possible.

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September 25, 2015

The Honorable Mark Kirk
United States Senate
230 S. Dearborn St., Suite 3900
Chicago, IL 60604

Dear Senator Kirk:

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Recovery efforts are underway and IMET management has estimated that approximately 53.5% will be recovered. Any confidence of being made whole now rests with the courts and additional recovery efforts, but we cannot endure the years it will likely take for the legal process to run its course. We incur expenses each day. That is why we are asking you as honorable U.S. Senators to act on your constituents' behalf to encourage the USDA to satisfy its loan guarantees in full. We urge you to take the appropriate action and make all Illinois governmental entities affected by the FFF fraud whole as quickly as possible.

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United States Senate
230 S. Dearborn St., Suite 3892
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Dear Senator Durbin:

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