



*Community and Nature . . . in Harmony*

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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

United States Senate  
WASHINGTON, DC 20510-1304

January 20, 2016

President  
Village of Homer Glen  
14933 Founders Crossing  
Homer Glen, IL 60491-6712

Dear Friend:

Thank you for contacting me about the Illinois Metropolitan Investment Fund (IMET). I appreciate hearing from you and share your concerns about this issue.

On October 8, 2014, the Illinois Metropolitan Investment Fund announced it had been the victim of alleged fraud perpetrated by First Farmers Financial (FFF). IMET had invested \$50 million in repurchase agreements with FFF through Pennant Management. These agreements were supposedly backed by U.S. Department of Agriculture (USDA) business and industry development loans. Although FFF had been approved as a USDA lender, the USDA said it had no record of any such loans being made by FFF. Because these loans were false and never guaranteed, USDA has maintained that it cannot replace the lost funds.

IMET has sued the U.S. Department of Agriculture for losses sustained in this fraudulent transaction, and Pennant Management has led a civil suit against First Farmers Financial (FFF) to recover lost funds. Recently, several hotels owned by former FFF Chief Executive Officer Nikesh Patel were sold at auction. The proceeds from this auction will be used to defray losses incurred as a result of FFF's fraudulent actions.

I understand your concerns and will continue to monitor this situation as it receives further attention by the appropriate law enforcement and regulatory agencies.

Thank you again for contacting me. Please feel free to keep in touch.

Sincerely,

A handwritten signature in cursive script that reads "Dick Durbin". The signature is written in black ink and is positioned centrally on the page.

Richard J. Durbin  
United States Senator

RJD/gr