



Illinois Metropolitan Investment Fund

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our communities

IMET PARTICIPANT UPDATE

MARCH 3, 2017

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& Personnel
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Village of Buffalo Grove
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Chris Minick
Director of Finance
City of St. Charles
Trustee

Brian Murphy
Village Administrator
Village of Plainfield
Trustee

Sofia Anastopoulos, CFA
Executive Director

Debra A. Zimmerman
Associate Director

Dear IMET Liquidating Trust Participant:

The following is to update you on certain developments relating to the First Farmers Financial repo matter.

USDA Amended Proof of Claim

As previously disclosed, the USDA filed an initial Proof of Claim for approximately \$105.7 million on January 11, 2017. Approximately \$96.5 million of the USDA's claim related to a contingent contribution claim, whereby the USDA is asserting that in the event that the USDA is found liable to the IMET and other investors who are seeking to hold the USDA liable for the USDA's negligence in approving First Farmers Financial, LLC ("FFF") and Nikesh Patel as approved lenders, the USDA should be able to proceed with a contribution claim against the Overall Receivership Estate (the "Contribution Claim"). Approximately \$9.2 million of the USDA's claim related to a pay out the USDA made on a loan originated by FFF to Lancaster Energy Partners, LLC which was guaranteed by the USDA (the "Lancaster Claim"). The USDA asserted in its Lancaster Claim that the Overall Receiver should be liable because the USDA's pay out was caused by FFF's failure to secure collateral, negligent servicing and/or misapplication of funds with respect to the Lancaster loan.

After engaging in extensive discovery and negotiations with the Overall Receiver, the USDA recently agreed to withdraw its Lancaster Claim in its entirety. On February 10, 2017, the USDA filed an Amended Proof of Claim that eliminated its Lancaster Claim. The Amended Proof of Claim now only relates to the Contribution Claim. The USDA has revised the amount of its Contribution Claim to \$172.7 million to reflect the amount sought by all of the investors and Pennant in the litigation filed against the USDA in the Northern District of Florida.

This is a significant development as now the only remaining issue to resolve regarding the USDA is the Contribution Claim which is linked to the investors' own lawsuit against the USDA which is pending in Florida. The USDA continues to assert that its Contribution Claim is entitled to priority over the Investor claims against the Overall Receivership Estate pursuant to 31 U.S.C. Section 3713, which provides priority to certain federal government claims and may impose personal liability against receivers and others who satisfy other claims in advance of federal government claims.

Update on IRS Claim Subordination

As we previously advised, on July 21, 2016, the Overall Receiver submitted a formal request to the IRS that the IRS subordinate its potential tax claim in favor of the direct investor-victims in the FFF fraud. The IRS has been considering the Overall Receiver's request and recently advised the Overall Receiver that it will now require tax returns to be filed by Nikesh Patel, FFF and certain related entities prior to making a determination on subordination. According to the Overall Receiver, this is a change in the IRS' position as the IRS previously advised that tax returns would not be required to be filed before the IRS could make a determination on subordination. There are approximately 20 returns that will be required, a number of which date back to 2013. Nikesh Patel and his counsel are working to complete the returns in coordination with the Overall Receiver so the subordination issue can be resolved.

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

Sincerely,

Christy Powell
Chairman