



Illinois Metropolitan Investment Fund

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our communities

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Village of Minooka
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General Services
Village of Buffalo Grove
Trustee

Chris Minick
Director of Finance
City of St. Charles
Trustee

Lynn McCammon
Finance Director
Village of Winfield
Trustee

Sofia Anastopoulos, CFA
Executive Director

Debra A. Zimmerman
Associate Director

IMET PARTICIPANT UPDATE

December 12, 2018

Dear IMET Liquidating Trust Participant:

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

Update on Cash on Hand

As of November 30, 2018, the Overall Receiver had a cash balance on hand of \$79,231,000. The vast majority of funds are being held in interest bearing money market accounts.

IRS Subordination Update

On June 25, 2018, the IRS filed two separate claims against the Overall Receivership Estate totaling \$33,989,671.80. The IRS advised the Overall Receiver that it needed to formally file such claims in order for the IRS to make its final determination as to whether it will subordinate its claims in favor of the aggrieved investors. Recently, the IRS told the Overall Receiver that instead of agreeing to subordinate its entire claim in favor of the investors, it will only agree to subordinate a portion of the claim based on its analysis that certain monies recovered by the Overall Receiver are not directly tied to investor monies. The IRS has preliminarily agreed to subordinate \$68,585,900 of the Cash on Hand held based on its analysis of the recoveries made by the Overall Receiver, subject to further approval by the DOJ. That means that of the approximately \$79.2 million in Cash on Hand, only \$68,585,900 will go to the victims and the remaining amounts will go to the IRS. Separately, counsel for UWCU (the largest victim of the FFF fraud) and IMET (the second largest victim of the FFF fraud) are attempting to meet with the IRS and Department of Justice later this month or next month to try to convince the IRS to agree to subordinate its claim to the entire amount of Cash on Hand of the Overall Receiver in order to increase the amount to be distributed to investors. As we have previously advised, the Overall Receiver will not make any distributions until the issue of the IRS's claim is resolved.

Update on USDA Lawsuit

As previously advised, on September 18, 2017, the United States District Court for the Northern District of Florida granted the USDA's Motion to Dismiss the lawsuit brought by IMET and other investors against the USDA. IMET and other investors have appealed this decision to the Eleventh Circuit Court of Appeals. The Eleventh Circuit Court of Appeals has requested oral argument from the parties on February 1, 2019. IMET's counsel in the USDA litigation expects that the Eleventh Circuit Court of Appeals will issue a decision approximately sixty to ninety days after hearing oral argument, although there is no guarantee that the court will provide a ruling at such time.



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Banes Lawsuit

The Overall Receiver continues to pursue a fraudulent transfer claim against the BCM High Income Fund, LP and BCM High Income GP, LLC (collectively "Banes") which received over \$22 million from First Farmers Financial for three phony loans which First Farmers had originally sold to Banes. The case is currently pending in the United States District Court for the Northern District of Illinois before the Honorable John Robert Blakey. The parties have agreed to mediate the claim using Peter Borowitz, a former finance and restructuring attorney with significant mediation experience, as the mediator. Discovery is currently stayed pending the mediation as the parties attempt to resolve the case before conducting depositions. The mediator has been provided written submissions from both the Overall Receiver and Banes and, upon completion of his fact finding, will begin the evaluation phase where he will contact the parties by phone to discuss the merits of each claim in order to hopefully reach a resolution.

UCF Escrow Litigation

The Overall Receiver continues to pursue a claim against Robert J. Guidry Investments, LLC ("Guidry") for \$1.5 million held in escrow after Guidry failed to close on its purchase of the UCF Orlando hotel following an auction for the sale of this hotel. The Overall Receiver was able to later sell this hotel to a different buyer, but is seeking the return of the monies held in escrow. The parties provided an extensive joint stipulation of facts to the Honorable Judge Robert Blakey. Depending on whether or not Judge Blakely determines that undisputed facts remain, Judge Blakely will either hold a minitrial to hear additional evidence or will determine whether the Overall Receiver or Guidry is entitled to the monies held in escrow based on the parties' written submissions and closing arguments.

Should you have any questions concerning the above or the recovery process, don't hesitate to call IMET's counsel, Randall Lending, of Vedder Price P.C.

Sincerely,

Christy Powell
Chairman



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