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Illinois Metropolitan Investment Fund

IMET Liquidating Trust Participant Update - Disclosure #42

August 7, 2019

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

Cash on Hand

As of August 6, 2019, the Overall Receiver had a cash balance on hand of \$81,580,726. The vast majority of funds are being held in interest bearing money market accounts.

IRS Subordination

As previously advised, on June 25, 2018, the IRS filed two separate tax claims against the Overall Receivership Estate totaling \$33,989,671.80 relating to unpaid federal tax liability of First Farmers Financial. The initial position of the IRS was that it was entitled to be paid on its federal tax claim from the Overall Receivership Estate before investors based on the Federal Priority Statute, 31 U.S.C. Section 3713. Counsel for the Overall Receiver, IMET and University of Wisconsin Credit Union (which is the largest direct investor victim) have had a number of conferences with the IRS concerning its claim to try to get the IRS to agree to subordinate its tax claim in favor of the investor victims. Rather than agreeing to a complete subordination in favor of the investor victims, the IRS has agreed to partially subordinate its claim in favor of the investor victims as discussed below.

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the IRS priority tax claim, subject to court approval and the court's consideration of any investor objection. The terms of the agreement are still being documented in the form of a joint stipulation which is expected to be presented to the court on September 10, 2019. Under the terms of the proposed settlement, the IRS has agreed to subordinate its tax claim in favor of the investors up to a maximum of approximately \$78.6 million of the funds held by the Overall Receiver. Further, prior to any distributions are made to investors, the IRS is to be paid approximately \$5.7 million plus an amount equal to all interest received by the Overall Receivership Estate from and after September 1, 2018 through the date of the distribution to the IRS (estimated to be approximately \$1.7 million).

Should you have any questions about the proposed IRS settlement or the court hearing, please contact IMET's counsel, Randall Lending. As we previously advised, the Overall Receiver will not make any distributions until all issues relating to the IRS's claim are resolved.

USDA Lawsuit

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 appealed this decision to the Eleventh Circuit Court of Appeals and on May 15, 2019, the Eleventh Circuit denied the investors' appeal and affirmed the decision of the trial court. IMET and the other investors have elected to not appeal this decision any further.

Estimated Distribution Timing

Before any distribution can be made, the Overall Receiver needs to reach final resolution of the IRS's priority claim and the USDA's contingent contribution claim against the Overall Receivership Estate. As noted above, the IRS priority claim has been resolved subject to final documentation with the IRS and approval by the Court. As to the USDA's contingent contribution claim, given that IMET and other investors will not be appealing the Eleventh Circuit decision, the Overall Receiver will be seeking a stipulation from the USDA that the USDA withdraws its contingent contribution claim as moot.

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IRS and USDA claims are resolved, the Overall Receiver can start making distributions. The Overall Receiver intends to make such distributions in the third and/or fourth quarters of 2019.

Banes Lawsuit

On March 19, 2019, the Honorable John Robert Blakey of the United States District Court for the Northern District of Illinois approved a settlement of the Overall Receiver's fraudulent transfer claim against the BCM High Income Fund, LP and BCM High Income GP, LLC (collectively "Banes"). Pursuant to the terms of the settlement, Banes agreed to pay the Overall Receiver the amount of \$4.5 million dollars, to be paid in two installments of \$2.25 million dollars. The first installment was received by the Overall Receiver on April 24, 2019. The second installment is to be paid on or before October 21, 2019 (180 days after payment of the first installment).

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. A hearing is set before Judge Blakely on September 10, 2019, to allow the parties to make additional arguments and answer questions the Court may have. Under the terms of the operative agreement at issue, the prevailing party may be entitled to recover its attorney's fees.

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. at 312-609-7564.

Sincerely,
Christy Powell
Chairman

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