



IMET PARTICIPANT UPDATE

MAY 10, 2017

Dear IMET Liquidating Trust Participant:

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

Christy Powell
Superintendent of Finance
& Personnel
Geneva Park District
Chairman

Eileen Santschi
Accounting Manager
South Suburban Mayors and
Managers Association
Vice Chairman

Gary Szott
Director of Finance/Treasurer
Village of Bloomingdale
Treasurer

John Harrington
Director of Finance
Village of Minooka
Secretary

Scott Anderson
Director of Finance & General
Services
Village of Buffalo Grove
Trustee

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

Update on Criminal Proceedings Against Nikesh Patel and Timothy Fisher

As we previously advised, on December 6, 2016, Nikesh Patel pled guilty to five counts of wire fraud. Mr. Patel recently obtained new legal counsel to represent him in the criminal matter. As a result, the sentencing hearing for Mr. Patel initially set for April 6, 2017 has been postponed to June 29, 2017 at 9:45 a.m. at the United States District Court for the Northern District of Illinois, 219 S. Dearborn Street, Chicago, Courtroom 2325.

On November 17, 2016, Timothy Fisher pled guilty to one count of money laundering. Mr. Fisher's legal counsel was recently injured in a car accident. As a result, the sentencing hearing for Mr. Fisher initially set for May 4, 2017 has been postponed to August 3, 2017 at 9:45 a.m. at the United States District Court for the Northern District of Illinois, 219 S. Dearborn Street, Chicago, Courtroom 2325.

At the sentencing hearings for both Mr. Patel and Mr. Fisher, victims of their fraud, including IMET and its participants, may be permitted to make statements regarding the impact of their crimes. If you would like to make such a victim impact statement at the sentencing hearings of Mr. Patel and/or Mr. Fisher, please contact Felice D. Weiler, the Victim Witness Coordinator for the United States Attorney's Office at 312-886-4196 or Patrick King Jr., the Assistant United States Attorney handling the prosecutions at 312-353-5300.

Sale of Charter and Edu-Pro Properties

On May 1, 2017, the Overall Receiver filed a motion seeking authorization to sell two properties, referred to as the Charter and Edu-Pro Properties, free and clear of liens, claims and encumbrances for the benefit of the overall receivership estate. Previously, on October 20, 2016, the Court had approved a settlement relating to the two properties whereby Charter School Development Services, Inc., Edu-Pro Management, LLC and Vincent Desai agreed to pay the Overall Receiver \$5,000,000 on or before March 6, 2017, which they failed to do after more than four months of searching for investors and attempting to finance the settlement amount. As a result, the Overall Receiver took control of the two properties and has now received an offer for \$5,000,000 for the properties. The Court will consider the Overall Receiver's motion to approve the sale on May 11, 2017.

Banes Litigation Update

On May 1, 2017, the Overall Receiver filed a Complaint and Motion for Preliminary Injunction in the United States District Court for the Northern District of Illinois against the BCM High Income Fund, LP and BCM High Income GP, LLC (collectively referred to herein as "Banes"), two entities to which Nikesh Patel and First Farmers paid over \$22 million in investor funds. The Overall Receiver alleges that the transfer of funds from First Farmers to Banes was a fraudulent transfer and seeks to recover for the benefit of the overall receivership estate the more than \$22 million transferred. The Overall Receiver is also seeking an injunction to prohibit redemptions from the Banes funds at issue. This case was reassigned to Judge St. Eve, who is presiding over the receivership and related litigation. On May 4, 2017, counsel for Banes and the Overall Receiver agreed to abide by a prior 'Standstill Agreement' that prohibits all redemptions from the Banes funds outside the ordinary course of business. Banes is expected to file a response to the Overall Receiver's Motion for Preliminary Injunction by June 5, 2017, and the Overall Receiver is expected to file a reply in support of his Motion for Preliminary Injunction by June 26, 2017. A status hearing before Judge St. Eve is scheduled for June 29, 2017.



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USDA Litigation Update

On August 31, 2016, IMET and six other direct investors victimized by the First Farmers' fraud filed a lawsuit against the USDA in the United States District Court for the Northern District of Florida (Case No. 16-cv-00294-MW-GRJ). IMET and the other investors alleged that the USDA was negligent, among other things, in approving First Farmers as a certified lender under the USDA's Business and Industry Guaranteed Loan Program.

On December 5, 2016, the USDA filed a Motion to Dismiss asserting, among other things, that the Court lacks subject matter jurisdiction to hear the claim, that the complaint fails to state a claim upon which relief can be granted and that the venue in Florida is improper. IMET's outside counsel in the matter, René A. Torrado, Jr. of Corboy & Demetrio P.C., began to conduct written discovery to uncover additional relevant facts prior to filing the investors' response to the USDA's Motion to Dismiss. On January 13, 2017, the USDA filed a Motion to Stay Discovery, seeking to stop the discovery which was being conducted by IMET and the other investors. Mr. Torrado took the position that the investors need discovery from the USDA in order to effectively respond to the USDA's Motion to Dismiss.

On March 17, 2017, the Court granted in part and denied in part the USDA's Motion to Stay Discovery. The Court agreed to permit limited discovery on the jurisdictional/immunity issues raised by the USDA, which is to be completed by June 15, 2017. Mr. Torrado, on behalf of IMET and other investors, is required to file a response to the USDA's Motion to Dismiss by July 5, 2017. The USDA's reply in support of its Motion to Dismiss must be filed within 10 days after the investors' response is filed. After such briefing is completed, the Court will rule on the USDA's Motion to Dismiss.

IRS Claim Subordination Update

The IRS has advised the Overall Receiver that it will require tax returns to be filed by Nikesh Patel, First Farmers and certain related entities prior to making a determination on whether it will subordinate its claims in favor of the investors. There are approximately 20 returns that will be required, a number of which date back to 2013. The Overall Receiver is working with Nikesh Patel and his accountant, who is in the process of preparing such returns, so that the subordination issue can be resolved.

Update on Overall Receivership Cash on Hand

As of May 4, 2017, the Overall Receiver had a cash balance on hand of \$74,707,635.01. As previously reported, distributions by the Overall Receiver cannot be made until the Overall Receiver resolves potential priority claims of the USDA and the IRS. As set forth above, the Overall Receiver continues to work on resolving these claims.

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