

IMET Investments

Please read the attached press release from the City of Elmhurst along with the disclosures from IMET. The press release states that City funds in the amount of \$806,937 are frozen as a result of fraudulent activity in IMET funds. Of the \$806,937 that has been affected, \$121,561.85 is the Library's money. There is no immediate issue with funding as the Library has enough liquid assets to sustain. The City will continue to monitor IMET's fund recovery efforts. I will provide further explanation at the meeting.



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For Immediate Release
November 6, 2014

IMET Discloses Fraud; City Will Pursue Fund Recovery

Elmhurst, Ill. — On September 29, 2014, the Illinois Metropolitan Investment Fund (IMET), a cooperative endeavor created to assist Illinois municipalities with their investments, was informed of irregularities in certain guaranteed loans. IMET documentation identifies these irregularities as a result of fraud by an approved lender of the United States Department of Agriculture (USDA).

The City of Elmhurst is one of 293 governmental entities that invest funds in IMET that has been affected by the fraudulent activities. On October 29, 2014, IMET reported that City funds in the amount of \$806,937.93, approximately 3% of its total IMET investment, are currently frozen.

IMET has advised the City of Elmhurst of its intent to recover the funds. The City will monitor IMET's fund recovery efforts and pursue all efforts to recover the full amount. During this process, the City does not have access to these funds.

City of Elmhurst officials have reviewed IMET's efficacy and standing as a viable financial tool which is secure, properly collateralized, and in compliance with the City's investment policy and state statutes. There will be no impact on current City operations due to the potential loss of funds.

IMET has made multiple disclosures regarding this incident which can be found at the following links:

Link #1 - [IMET Convenience Fund Disclosure](#)

Link #2 - [IMET Convenience Fund Disclosure](#)

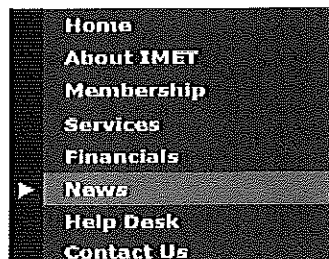
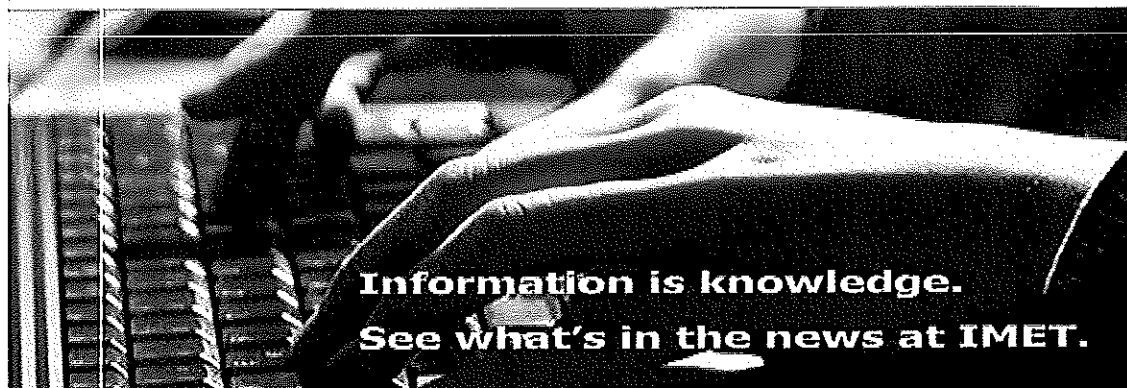
Link #3 - [IMET Convenience Fund Disclosure](#)

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October 10th, 2014

IMET Convenience Fund Investment Disclosure

Dear IMET Participant:

As you may know, IMET's Convenience Fund invests in repurchase agreements involving loans that are guaranteed by the United States Department of Agriculture (USDA). Each such guarantee of the USDA is an obligation supported by the full faith and credit of the United States.

On September 29, 2014, IMET was informed of defaults on certain guaranteed loans totaling \$50,442,142.78 caused by fraud on the part of a USDA approved lender. This amount is only approximately 2.8% of the net asset value of the Convenience Fund. IMET's agent for the loans, Pennant Management, is making a demand on the USDA within the next few days to collect on the USDA guarantees of these loans. We expect the USDA to act on the demand for them to repurchase these loans together with accrued interests pursuant to their guarantees within 30 days after the written demand, as required by the USDA regulations.

Pursuant to Board action as of September 30, 2014, we have segregated the portion of your investment in these loans (based on your pro rata interest in the Convenience Fund) in a restricted account, where it will remain until IMET concludes its guarantee demand with the USDA. You will receive a restricted account statement along with your other monthly statement(s).

We will keep you apprised of any material developments concerning this matter.

If you have any questions regarding this issue or the fund, please contact Executive Director, Laura Allen, at (630) 571-0480 ext. 229 or Associate Director, Deb Zimmerman, at (618) 665-4638.

Laura F. Allen
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(630) 571-0480 ext. 229

Debra Zimmerman
Associate Director
(618) 665-4638

Illinois Metropolitan Investment Fund
1220 Oak Brook Road
Oak Brook, IL 60523

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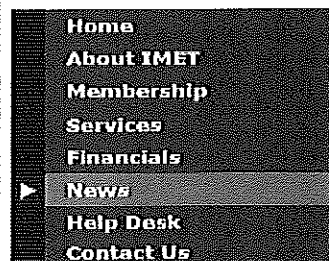
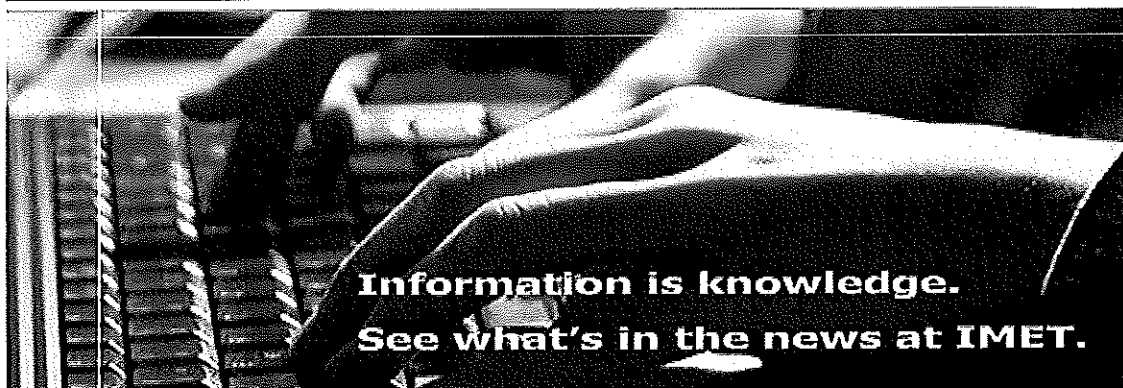
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October 15th, 2014

IMET Convenience Fund Investment Disclosure #2

Dear IMET Participant:

As a follow up to our communication to all participants on October 8, 2014, we have further information we wanted to share regarding the Convenience Fund's investments in repurchase agreements provided by First Farmers Financial, LLC (FFF), which loans totaling \$50,442,142.78 are in default. We have learned that while all of the documentation provided by FFF to Pennant Management were facially regular and complied with the USDA's Good Delivery Requirements, FFF forged the loan documents on behalf of fictitious borrowers, forged the signatures of USDA officials on the guarantees and pocketed the loan proceeds. FFF was, at all relevant times, a USDA-approved non-traditional (non-bank) lender operating in the states of Florida and Georgia. We understand that FFF was held out by the USDA as one of the top five lenders of these types of loans in the United States last year.

At issue is whether the USDA will honor a guarantee with a USDA official's signature forged by FFF, its approved lender. Pennant Management, the asset manager who facilitated the acquisitions of the repurchase agreements for IMET, has informed IMET that in accordance with USDA regulations it will file a demand on the USDA to collect on the forged USDA guarantees delivered as part of the loans. According to Section 762.103(a) of the USDA regulations, "The loan guarantee constitutes an obligation supported by the full faith and credit of the United States." Moreover, Section 762.103(c) of the USDA regulations provides, in part, "The guarantee and right to require purchase will be directly enforceable by the holder (IMET) even if the loan guarantee is contestable based on the lender's fraud or misrepresentation." In addition, in instances in which a guarantee by the USDA is delivered, according to Section 62.144(c) of the USDA regulations, if the lender does not elect to repurchase the loan from the holder after a written demand by the holder, the holder must inform the USDA that demand was made on the lender and that the lender refused. Within 30 days after written demand to the USDA from the holder, the USDA will forward to the holder (IMET) the unpaid principal balance, with accrued interest to the date of repurchase. In light of the fact that the USDA guarantees sought to be enforced were forged by the lender, outside counsel for Pennant believes that the guarantee issues are not likely to be resolved within such 30 day period.

Outside legal counsel for Pennant is hopeful that the USDA will honor the guarantees (even though the USDA did not sign the guarantees in this case) based on the spirit of the USDA regulations noted above. However, there is a real possibility that the USDA will not honor the guarantees since the USDA's obligation to make good on the guarantees under the USDA regulations arguably are predicated on the USDA having signed the guarantees and the USDA did not approve the loans or sign the guarantees. If the USDA does not honor the guarantees, IMET would seriously consider proceedings against the USDA to enforce the guarantees in light of the fraud perpetrated by their approved lender. Furthermore, IMET would vigorously pursue civil claims against FFF and other parties involved in the transactions responsible for principal and interest amounts IMET seeks to recover on the repurchase agreements. It is our understanding that FFF used a significant amount of the proceeds to purchase commercial properties, such as hotels, and other investments which could provide a source for recovery. Pursuing such claims could take a significant amount of time and expense to resolve and likely would result in IMET recovering less than the full principal and interest amounts owed on the loans.

The portion of the Convenience Fund allocated to these repurchase agreements were segregated in a restricted account as of October 1, 2014 (which reflected their net asset value as of the close of business on September 30, 2014) and redemptions from that restricted account are suspended pending the resolution of the above matters or until further notice from the Trustees.

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We understand that Nimesh Patel, the chief executive officer and principal owner of FFF, was arrested by the FBI on a charge connected to the one or more of the loans and released on a \$100,000 bond. Federal prosecutors in Chicago brought the case against Mr. Patel.

We will keep you apprised of any material developments concerning this matter.

If you have any questions regarding this issue or the fund, please contact Executive Director, Laura Allen, at (815) 735-3534 or Associate Director, Deb Zimmerman, at (618) 665-4638.

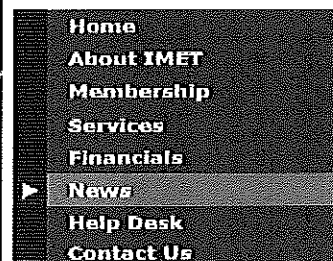
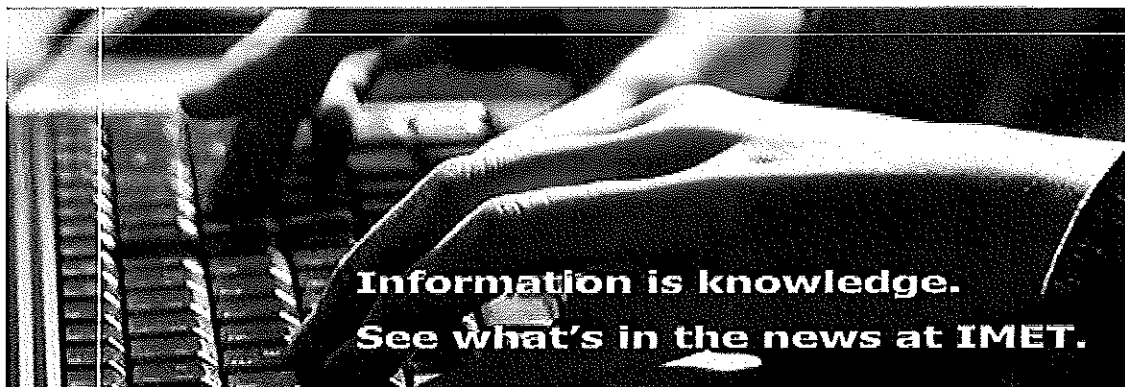
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October 29th, 2014

IMET Convenience Fund Investment Disclosure #3

Dear IMET Participant:
October 29, 2014

As a follow up to our communication to all participants on October 15, 2014, we have further information we wanted to share regarding the Convenience Fund's investments in loans provided by First Farmers Financial, LLC ("FFF"), which loans totaling \$50,442,142.78 are in default (the "FFF Loans"). As we previously informed you, we learned that all of the loan documents for the FFF Loans provided by FFF to Pennant Management, the advisor who facilitated the acquisitions of the FFF Loans for IMET, were facially regular and complied with the USDA's Good Delivery Requirements. However, FFF forged the loan documents on behalf of fictitious borrowers, forged the signature of USDA officials on the loan guarantees and pocketed the loan proceeds.

On October 16, 2014, Pennant Management, on behalf of IMET and others, filed a demand in accordance with the requirements of 7 CFR 4279.78(b) on the USDA with respect to the forged USDA guarantees delivered as part of the FFF Loans seeking to have the USDA purchase the guaranteed portions of the FFF Loans. On October 21, 2014, the USDA denied Pennant Management's request for the USDA to purchase the FFF Loans because the documents do not reference any valid loans that have been guaranteed under the USDA's Business and Industry Guaranteed Loan program. Attached hereto is a statement prepared by Pennant Management which sets forth a response to frequently asked questions with respect to the FFF Loans and other fraudulent loans made by FFF which, when combined with the FFF Loans, total approximately \$176 million, and measures being taken to recover such loan proceeds. IMET's Convenience Fund's exposure to these fraudulent loans is \$50,442,142.78 with the remaining \$126 million owned by other investors.

As previously disclosed, the portion of the Convenience Fund allocated to FFF Loans was segregated by IMET in a restricted account reflecting the net asset value as of the close of business on September 30, 2014 and redemptions from that restricted account were suspended thereafter pending further notice.

On October 24, 2014, IMET's Board unanimously determined that it is in the best interests of the Convenience Fund and its participants as of September 30, 2014 ("Eligible Participants") to remove the value of the FFF Loans on the books and records of IMET's Convenience Fund, and to seek to recover, liquidate and distribute any proceeds received from the FFF Loans to the Eligible Participants. In order to accomplish the foregoing, the Board approved the establishment of a liquidating trust (the "Liquidating Trust"). In connection therewith, effective as of September 30, 2014, it is anticipated that IMET will transfer the FFF Loans into the Liquidating Trust. Under the terms of the Liquidating Trust, the Trustee will hold for the account of each Eligible Participant its proportionate share of such FFF Loans and distribute to each such Eligible Participant proceeds from such FFF Loans that are reduced to cash, which may be subject to a reasonable reserve for payment of the expenses of the Trust and any liabilities, including contingent liabilities and unliquidated claims, if any.


In connection with the establishment of the Liquidating Trust, the Board unanimously approved IMET causing a redemption, as of the September 30, 2014, of an aggregate number of shares of the Convenience Fund from Eligible Participants equal to the total amount outstanding under the FFF Loans as of September 30, 2014 (\$50,442,142.78) in order to preserve the net value of \$1 dollar per share of the remaining shares in the Convenience Fund. This redemption will take place shortly.

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Please let us know if you have any questions regarding any of the matters set forth herein or in Pennant Management's "First Farmers Repo FAQ" attached hereto. We did not prepare Pennant Management's attachment and take no responsibility for its accuracy or adequacy for your purposes. We will distribute to the Eligible Participants at a later date answers to the most frequently asked questions that are submitted by Eligible Participants to IMET. In addition, we will keep you apprised of any material developments concerning this matter in the meantime.

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