



Illinois Metropolitan Investment Fund

Investing together for
our communities

February 18, 2016

Jerry Duca
Village Administrator
Village of Frankfort
Chairman

Dear IMET Liquidating Trust Participant:

Christy Powell
Superintendent of Finance
& Personnel
Geneva Park District
Vice Chairman

IMET PARTICIPANT UPDATE **FEBRUARY 18, 2016**

Gary Szott
Director of Finance/Treasurer
Village of Bloomingdale
Treasurer

The following provides an update regarding the First Farmers Financial litigation, Case No. 14 cv 7581 (the "Litigation") and the asset recovery process.

Fair Valuation of IMET's FFF Repo Investment

John Harrington
Director of Finance/Treasurer
Village of Minooka
Secretary

The IMET Board of Trustees has revised its estimate of the net realizable value of the anticipated recoveries from the FFF Repo investment. This estimate is based upon detailed information IMET recently received from the Overall Receiver, including an estimated recovery for each asset in the Overall Receivership Estate in the Litigation. Based on the information received from the Overall Receiver, the IMET Board of Trustees estimates a recovery of 47.6% of the original value of the FFF Repo of \$50,442,143. This percentage includes amounts which have already been distributed to Participants.

Scott Anderson
Director of Finance/Treasurer
Village of Buffalo Grove
Trustee

Chris Minick
Director of Finance
City of St. Charles
Trustee

It is important to note that there can be no assurance that the amount IMET ultimately receives will equal the estimated net realizable value of 47.6%. The values of many of the assets in the Overall Receivership Estate and other potential recoveries by the Overall Receiver are difficult to estimate with precision and many factors may increase or decrease the amount realized for these assets. In addition, there are claims that have been or may be asserted by the IRS, the SBA, the USDA, and/or various state taxing authorities which, if proven, may take priority over IMET's claim and therefore reduce the amount ultimately distributed to IMET. Further, there are additional claims which are not included in the 47.6% estimate that may increase the amount IMET may recover, including but not limited to, potential recoveries from: IMET's lawsuit against the USDA (Case No. 15 cv 8019); IMET's potential claims against third parties; potential recoveries IMET may obtain from insurance; potential recoveries that the Overall Receiver may obtain in litigation against third parties; and potential recoveries that the Overall Receiver may obtain from the assets in the overall receivership estate to which the Overall Receiver has been unable to assign a value.

Eileen Santschi
Accounting Manager
South Suburban Mayors and
Managers Association
Trustee

Laura F. Allen
Executive Director

Debra A. Zimmerman
Associate Director

Update on Doubletree UCF Hotel Sale

The Overall Receiver is continuing to move forward with the remarketing and sale of the Doubletree UCF Hotel in Orlando, Florida. As noted in prior disclosures, the Doubletree UCF is the only hotel of the five hotels recovered which was fully completed and operational. This hotel is also operating at a profit.

On January 8, 2016, the Court approved the Overall Receiver's proposed bidding procedures and auction process for the sale of the Doubletree UCF Hotel. The Overall Receiver has accepted an initial bid of \$25 million, which is subject to a competitive sale process. A due diligence database is currently available for review by other qualified purchasers. All potential purchasers must register to participate in the public auction by February 19, 2016. The public auction will take place on February 23, 2016. The Court will hold a hearing to approve the sale on February 29, 2016 at 3:00 p.m.

The Overall Receiver is currently engaged in litigation to recover the \$1.5 million earnest money deposit on the original Doubletree UCF Hotel sale that fell through in October 2015 from the original buyer.

Favorable Court Ruling on Greenberg Traurig Fees

As we previously advised you, on September 30, 2015, the law firm of Greenberg Traurig, LLP ("GT") filed an Amended Fee Petition seeking the Court's approval to award GT \$1,938,737.27 in attorneys' fees and costs for services rendered by GT and other providers at Pennant's request during the period of September 2014 through August 2015. GT argued, among other things, that it should be paid from the proceeds of recoveries in the Overall Receivership Estate because GT was responsible for seizing and securing the five hotels and other assets for the benefit of the investors, including IMET.

IMET and the Overall Receiver, among others, objected to the payment to GT of these legal fees on a number of legal theories and factual grounds, including that GT was representing the interests of Pennant and Pennant had the obligation to pay GT under the Pennant/GT engagement letter. IMET also argued that GT should not be entitled to any payment from the proceeds of the Overall Receivership Estate because GT had a conflict of interest and did not obtain advance court approval to be paid out of such proceeds.

On December 14, 2015, the Court heard extensive oral argument concerning the GT Amended Fee Application. GT argued that the \$1.938 million that it was seeking to be paid for services rendered from September 2014 through August 2015 already reflected a significant discount from its "rack rates" and also reflected a specific reduction of \$732,288.11 in legal fees in which GT has voluntarily withdrawn from its application. In total, GT incurred almost \$2.7 million in fees through August 2015, but was only seeking recovery of \$1.938 million from the Overall Receivership Estate. GT told Judge St. Eve that all of the amounts it was seeking to be paid from the Overall Receivership Estate were for services that benefitted all of the investors and that Pennant was unable to pay GT such fees. IMET argued that GT was not entitled to be paid any legal fees from the assets of the Overall Receivership Estate as GT was hired by Pennant.

At the hearing on December 14, Judge St. Eve denied GT's Amended Fee Petition and agreed with IMET's arguments. Judge St. Eve found that GT was not entitled to the legal fees due to a number of reasons including that Pennant specifically retained GT and contractually agreed to pay GT.

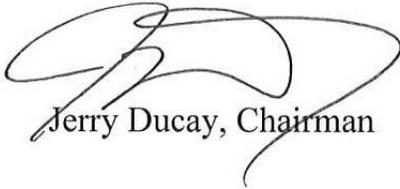
Separately, Judge St. Eve considered and granted the Overall Receiver's Motion to Retain GT as Special Counsel in a very limited capacity (i.e. to help in closing the hotel sales, to help in lien issues and for transition services). The Overall Receiver specifically requested that GT continue to help out on these limited items. Judge St. Eve ruled that GT was entitled to be paid for the very limited services that the Overall Receiver requested of GT.

On January 15, 2016, GT filed a Motion for Reconsideration of the Court's denial of the majority of its request for fees. On February 10, 2016, the Court denied GT's Motion for Reconsideration. The only remaining issue is now the amount of fees GT is entitled to as special counsel for the Overall Receiver.

This is a very significant and favorable ruling for IMET as it prevents almost \$2 million from being paid out of the Overall Receivership Estate to GT.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry Ducay", with a large, sweeping flourish extending to the right.

Jerry Ducay, Chairman