

IMET Liquidating Trust Participant Update

May 16, 2019

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

Update on Cash on Hand

As of May 13, 2019, the Overall Receiver had a cash balance on hand of \$81,575,182.01. The vast majority of funds are being held in interest bearing money market accounts.

IRS Subordination Update

As we 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 ("UWCU" which is the largest 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 subordinate most of its claim in favor of the investor victims. We advised you on March 7, 2019, that the IRS had agreed to subordinate approximately \$68.6 million of the Cash on Hand in favor of the investors. Counsel for IMET and UWCU have continued to press the IRS for further subordination and on April 1, 2019, the IRS agreed to increase the amount of its subordination in favor of the investors to \$74.3 million which means that approximately \$5.7 million more will be distributed to the

investors than from its prior position. Counsel for IMET and UWCU continue to press the IRS for further subordination. As we have previously advised, the Overall Receiver will not make any distributions until all issues relating to the IRS's claim is resolved.

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"), which received approximately \$22 million from First Farmers Financial for three phony loans which First Farmers had originally sold to Banes. The parties agreed to settle the claim with the assistance of mediator Peter Borowitz, a former finance and restructuring attorney. 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).

Update on 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 have appealed this decision to the Eleventh Circuit Court of Appeals. On May 15, 2019, the Eleventh Circuit denied the investors' appeal and affirmed the decision of the trial court.

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. Judge Blakely is now in the process of determining whether to hold an evidentiary hearing on the issues or to decide the case based on the parties’ written submissions.

Nikesh Patel Criminal Appeal

On December 6, 2016, Nikesh Patel (“Patel”) pled guilty to five counts of wire fraud. On March 6, 2018, after attempting to flee the country to Ecuador, Patel was sentenced to 25 years in prison for his role in the First Farmers fraud. On March 28, 2018, Patel filed a notice of appeal of his sentence to the United States Court of Appeals for the Seventh Circuit. On April 16, 2019, the Seventh Circuit affirmed Patel’s sentence, finding that it was neither procedurally nor substantively unreasonable.

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