Dear IMET Participant:
October 15, 2014

As a follow up to our communication to you all on October 8, 2014, we have further information we wanted to share with you regarding the Convenience Fund's investments in repurchase agreements totaling $50,442,142.78 that are in default. We have learned that while all of the documentation provided by First Farmers Financial, LLC (FFF), the USDA approved lender for each of the loans, 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 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, 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 762.144(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 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 and in fact may take much longer.

Outside legal counsel for Pennant Management 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 interests 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 interests amounts owed on the loans.

The portion of the Convenience Fund allocated to these loans 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.

We understand that Nikesh 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.