



Joseph M. Ferguson
Inspector General

OFFICE OF INSPECTOR GENERAL *City of Chicago*

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February 25, 2016

Rahm Emanuel
Mayor
City of Chicago
121 N. LaSalle, Suite 500
Chicago, IL 60602

Re: Significant Activity Report

Mayor Emanuel:

One February 24, 2016, Laurance H. Freed, the president of Joseph Freed & Associates LLC (JFA), was convicted on 8 counts including bank fraud, mail fraud, and making a false statement to a financial institution (*18 U.S.C. § 1344, 1341, and 1014*). Freed's conviction is in connection with a City of Chicago Tax Increment Financing (TIF) note issued for the redevelopment of a former Goldblatt's Department Store located at 4718 N. Broadway. *United States v. Joseph Freed* 13-CR-951 (U.S.D.C. ND IL).

In 2002 the City of Chicago issued two TIF notes, with a combined principle of \$6.7 million, to Uptown Goldblatts Venture LLC, a company formed by JFA to redevelop the former Goldblatt's store in the city's Uptown neighborhood. JFA double pledged one of these TIF notes, first securing a \$15 million loan from Cole Taylor Bank and then falsely using the same TIF as free and clear collateral in agreements with a bank consortium for a revolving line of credit worth up to \$105 million. In 2009, Uptown Goldblatts fraudulently advised Cole Taylor that it would obtain a release and termination of the double pledge. The termination wasn't possible, since the consortium had already declared JFA in default and had stopped negotiating with Freed.

In addition to fraud committed against the above banks, Freed also signed false affidavits to obtain TIF payments from the City, knowing that the bank consortium and Cole Taylor were entitled to the payments.

The conviction carries a combined maximum sentence of 230 years in prison. United States District Court Judge Robert M. Dow did not immediately schedule a sentencing hearing. Judge Dow set a status hearing for March 24, 2016, at 9:30 a.m.

JFA's vice president, Caroline Walters, pleaded guilty earlier this month to one count of making a false statement to a financial institution. Walters is scheduled to be sentenced by Judge Dow on June 10, 2016, at 9:00 a.m.

Questions or requests for additional information may be directed Rachel Leven, OIG Public Communications Coordinator, at (773) 478-0534.

Respectfully,

A handwritten signature in blue ink, appearing to read 'J. Ferguson', is positioned below the word 'Respectfully,'.

Joseph M. Ferguson
Inspector General
City of Chicago