



Joseph M. Ferguson
Inspector General

OFFICE OF INSPECTOR GENERAL *City of Chicago*

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September 2, 2016

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

Re: Significant Activity Report

Mayor Emanuel:

On September 1, 2016, United States District Court Judge Robert M. Dow sentenced Caroline Walters to a 6 months term of imprisonment, 2 years of supervision, and \$575,000 restitution, in joint and several liability with co-defendant Laurance H. Freed, 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. Caroline Walters* 13-CR-951 (U.S.D.C. ND IL). The conviction resulted from a joint investigation and prosecution of the matter by Office of Inspector General working with the United States Attorney for the Northern District of Illinois and the Chicago Field Office of the Federal Bureau of Investigation.

In February 2016, Walters, the vice president and treasurer of Joseph Freed & Associates LLC (JFA), pled guilty to a single count of making a false statement to a financial institution, (18 U.S.C. § 1014). Walters lied to Cole Taylor Bank in 2009 about the double-pledging of a public financing note issued by the City of Chicago. The note was one of two publicly financed TIF notes issued by the City in 2002, with a combined principle of \$6.7 million, to Uptown Goldblatts Venture LLC, a company formed by JFA to redevelop the former Goldblatt's Department Store in Uptown. Uptown Goldblatts later pledged both of the TIF notes as free and clear collateral in agreements with a bank consortium for a revolving line of credit worth up to \$105 million.

Walters told Cole Taylor that JFA would resolve the double pledge as part of its negotiation with the bank consortium to modify and extend its loan when in fact, and as Walters now admits, she knew that the consortium had declared JFA in default and had terminated the negotiations.

Following a two and a half week jury trial in February 2016, Walters' co-defendant, developer Laurance H. Freed, JFA's president, was found guilty on three counts of bank fraud (18 U.S.C. §

1344), one count of mail fraud (18 U.S.C. § 1341), and four counts of making a false statement to a financial institution (18 U.S.C. § 1014). Freed's sentencing has not yet been scheduled.

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', with a stylized flourish at the end.

Joseph M. Ferguson
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