



U.S. Department of Justice

United States Attorney
Northern District of Illinois

Zachary T. Fardon
United States Attorney

Everett McKinley Dirksen United States Courthouse
219 South Dearborn Street, 5th Floor
Chicago, Illinois 60604
(312) 353-5300

FOR IMMEDIATE RELEASE

February 4, 2016

VICE PRESIDENT OF CHICAGO REAL ESTATE FIRM ADMITS LYING TO LENDER IN THE REDEVELOPMENT OF A NORTH SIDE DEPARTMENT STORE

CHICAGO — The vice president of a Chicago real estate firm pleaded guilty today to lying to a bank about a public financing note that was issued for the redevelopment of a former Goldblatt's Department Store in the city's Uptown neighborhood.

CAROLINE WALTERS, the vice president and treasurer of Joseph Freed & Associates LLC, admitted in a plea agreement that she lied to Cole Taylor Bank about a public financing note issued by the city of Chicago that had been pledged to two different banks as collateral. Walters falsely told Cole Taylor that her company would resolve the other pledge, which had been made to a bank consortium after Cole Taylor's interest in the note was already secured. At the time Walters made the statement, she knew that the bank consortium had declared JFA to be in default and was no longer negotiating with them, according to the plea agreement.

Walters, 55, of Palatine, pleaded guilty to one count of making a false statement to a financial institution. The conviction carries a maximum sentence of 30 years in prison and a maximum fine of \$1,000,000 or twice the gross gain or gross loss resulting from the offense, whichever is greater.

U.S. District Judge Robert M. Dow scheduled a sentencing hearing for June 10, 2016, at 9:00 a.m.

The guilty plea was announced by Zachary T. Fardon, United States Attorney for the Northern District of Illinois; Michael J. Anderson, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; and Joseph M. Ferguson, Inspector General for the City of Chicago.

Walters was indicted in 2013 along with JFA's president, LAURANCE H. FREED. Freed, of Chicago, has pleaded not guilty to seven counts of bank fraud, one count of mail fraud, one count of wire fraud, and six counts of making a false statement to a financial institution. His jury trial is scheduled to begin on Feb. 8, 2016, in Judge Dow's courtroom.

According to Walters' plea agreement, the city of Chicago in 2002 issued two publicly-financed Tax Increment Financing notes to Uptown Goldblatts Venture LLC, a company formed by JFA to redevelop the former Goldblatt's Department Store in Uptown. The TIF notes had a combined principal of \$6.7 million. Uptown Goldblatts then secured a \$15 million loan from Cole Taylor, conditioned on Uptown Goldblatts' assignment to Cole Taylor of its rights to one of the TIF notes.

Four years later, two other JFA-affiliated entities – DDL LLC and Freed Illinois Holdings LLC – entered into agreements with a bank consortium for a revolving line of credit worth up to \$105 million. Uptown Goldblatts became a borrower under the revolving loan agreement through a subsequent deal with LaSalle Bank, which was one of the banks in the consortium and which had recently been acquired by Bank of America. In the LaSalle deal, Uptown Goldblatts pledged the two TIF notes as collateral and also represented that the notes were owned free and clear of any other secured interests. The deal did not mention that one of the notes had already been pledged to Cole Taylor.

In 2009, Uptown Goldblatts and Cole Taylor amended their loan agreement to reflect that Uptown Goldblatts would obtain a release and termination of the double pledge. Walters also personally told Cole Taylor that JFA would resolve the issue as part of its negotiation with the bank consortium to modify and extend its loan, according to the plea agreement. At the time Walters made the statement, however, she knew that the consortium had declared JFA in default and had terminated the negotiations, the plea agreement states.

The government is represented by Assistant U.S. Attorneys Renato Mariotti, Matthew F. Madden and Jessica Romero.

#