



# ACTIVEST

September 16, 2019

Dear Investor:

As a leading municipal investor, your investors look to you to achieve quality current returns, capital preservation and limited exposure to uncompensated risk. However, as you know, these goals can be undermined by short-sighted finance that enables and encourages unnecessary risk-taking, low accountability, and inadequate disclosure practices.

We at Activest and the Action Center on Race & the Economy (ACRE) share your commitment to responsible management of the assets that have been entrusted to you by your investors. It is for this reason that we must draw attention to one of your holdings, the Chicago, IL 7.045% 2029 Bonds - CUSIP: 167486ZZ, which funded \$225 million in settlements and judgments against the City of Chicago.

This Judgment Obligation Bond, or [Police Brutality Bond](#), was issued to cover the cost of municipal legal settlements as a result of police misconduct, civil rights violations, wrongful death cases, and other adverse judgments. In 2018, US municipalities raised \$1.6 billion in municipal debt for such settlements, up from \$826 million in 2017 and \$281 million the year before. Based on ACRE's research, the City of Chicago represented \$709 million of this amount.

As reported by [Governing Magazine](#), the increased occurrence and size of police-related judgments has resulted in multiple deleterious fiscal impacts on municipalities, including higher insurance rates, general fund impairments, and dropping of police liability coverage. Further, while some cities make information available about the nature of these settlements, most cities do not. The result is a culture of low-disclosure and limited accountability that makes it difficult for municipal investors to understand material financial concerns, such as [contingent liabilities](#) and ongoing remedies to prevent future police misconduct, as required per [Rule 15c2-12 of the Securities Exchange Act](#).

While transparency alone cannot solve the fiscal burden of police misconduct, it is a necessary first step in the right direction. Disclosure of these uses in Offering Memorandums, Disclosure Filings, Comprehensive Annual Financial Reports, and Litigation Updates is mostly absent, which leaves a substantial gap in related reporting. Due to this lack of disclosure, numerous municipal investors are unknowingly taking on uncompensated risk by holding bonds whose proceeds are funding, and thereby enabling, police misconduct. Under Chicago's current disclosure practices, investors have no way to distinguish whether they are holding bonds whose proceeds could be used to pay police-related settlements.

Accordingly, we request your participation as a holder of this issue, in our upcoming transparency and disclosure request of all Chicago's litigation and judgment bonds.

This letter is a request for a meeting with you to discuss your ownership of the Chicago, IL 7.045% 2029 bonds and to communicate why we believe your involvement in this bondholder engagement campaign is both crucial and necessary to improve the disclosure related to police brutality bonds and associated expenses. Please direct your response to this letter, and any questions you may have about it, to Ryan Bowers, Co-Founder, Activest ([rbowers@activest.org](mailto:rbowers@activest.org); 215.384.6972).

Sincerely,

Ryan Bowers  
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Napoleon Wallace  
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Saqib Bhatti  
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Action Center on Race and the Economy