

# **Bond Case Briefs**

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## **Teetering Chicago Suburb Sued by Investors After Bond Default.**

- **City of Harvey owes bondholders more than \$2.5 million: suit**
- **Oppenheimer, Susquehanna seek payment from struggling city**

A financially struggling Chicago suburb was sued by investment firms for defaulting on \$32 million of debt, claiming the town violated its contract with bondholders.

The Oppenheimer Rochester High Yield Municipal Fund, Oppenheimer Rochester AMT-free Municipal Fund and Susquehanna Government Products sued Harvey, Illinois, its mayor and Cook County officials for the city's failure to make more than \$2.5 million of payments on bonds sold in 2007, according to a copy of the lawsuit filed in Cook County court.

The Sept. 4 suit alleges that the Cook County tax collector hasn't been depositing property-tax revenue collected for the city into a separate account to pay principal and interest on the bonds, as the city had guaranteed. Instead, the revenue has been distributed to the city first, in violation of the bond contract, according to the suit. The funds are supposed to be transferred to the city only after the debt is paid, the suit says.

Tom Corfman, a spokesman for Cook County Treasurer Maria Pappas, didn't immediately respond to a request for comment, nor did spokespeople for the companies that filed the suit.

Harvey, about 20 miles south of Chicago, has long been wracked by poverty and crime and was sued by the Securities and Exchange Commission four years ago for misusing money raised by selling bonds for an ill-fated hotel project.

The city missed six bond payments in fiscal year 2017, according to Moody's Investors Service, which described the municipality as "structurally insolvent" in a May report. Its available fund balance was negative \$56 million at the end of April 2017, according to Moody's.

By Aug. 1, Harvey was more than \$2.5 million in arrears on principal and interest payments due on the bonds sold in 2007. That includes more than \$1.2 million owed to the plaintiffs, according to the suit.

Harvey Mayor Eric Kellogg didn't immediately respond to an email seeking comment on the suit, and his voicemail box was full. In 2016, Kellogg agreed to never participate in another municipal bond-offering in order to settle the SEC's charges of defrauding investors in connection with the hotel project.

### **Bloomberg Markets**

By Elizabeth Campbell and Martin Z Braun

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