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Barclays Drops Prison Bond Deal at Last Minute After Furor.

- **Bond proceeds intended to build two prisons in Alabama**
- **Decision to pull out of deal is highly unusual in muni market**

Barclays Plc pulled out of its role as the lead underwriter of a municipal-bond sale that was set to build prisons for CoreCivic Inc. after criticism that the bank was backtracking on a pledge to no longer provide financing to for-profit jail companies.

KeyBanc Capital Markets, another manager, also said it was resigning from the transaction.

The \$634 million bond issue was set to be sold as soon as last week through a Wisconsin agency to raise money for a CoreCivic-owned company that was planning to build two prisons in Alabama. The facilities were set to be leased and run by the state's Department of Corrections.

The bank's lead role in the deal drew controversy because it appeared to be at odds with Barclays' announcement two years ago that it would no longer provide new financing to private prison companies, whose model of profiting from incarceration has drawn controversy for years. Other banks, including Bank of America Corp., JPMorgan Chase & Co. and Wells Fargo & Co., also said at the time that they were severing ties with the industry.

The banks' last minute decision to abandon the deal was highly unusual and may reflect the growing clout of investors who are pouring into socially minded investment funds, creating a lucrative and growing business that financial institutions are eager to court.

Bloomberg News was first to report Barclays' involvement in the muni-bond deal earlier this month.

"We have advised our client that we are no longer participating in the transaction intended to provide financing for correctional facilities in the State of Alabama," Barclays said Monday through a spokesman in an emailed statement. "While our objective was to enable the State to improve its facilities, we recognize that this is a complex and important issue. In light of the feedback that we have heard, we will continue to review our policies."

KeyBanc Capital Markets has "resigned" from the transaction, a bank spokesperson said via email. A representative for Stifel Financial Corp., another underwriter, didn't immediately respond to a request for comment.

The banks' retreat may not derail the project, though the departure of the lead underwriter will almost certainly delay the financing. Alabama Governor Kay Ivey, a Republican who has spearheaded the overhaul of the prisons, said in a statement that the state was disappointed by the decision but would move forward with the projects.

CoreCivic spokesperson Amanda Gilchrist said in an emailed statement on Monday that the company is proceeding with efforts to "deliver desperately needed, modern corrections infrastructure to replace dilapidated, aging facilities."

“The reckless and irresponsible activists who claim to represent the interests of incarcerated people are in effect advocating for outdated facilities, less rehabilitation space and potentially dangerous conditions for correctional staff and inmates alike,” she said.

The taxable municipal bond sale was expected to provide about 68% of the financing totaling \$927 million, according to investor roadshow documents dated March 31. Those plans included the potential sale of \$215.6 million in debt issued through a private placement and an equity contribution from CoreCivic.

Barclays had defended its work on the deal, saying it wasn't at odds with its 2019 decision because the money was financing facilities that would be run by Alabama. The state's officials said the deal with CoreCivic will help it improve conditions within its prison system after the state and its corrections department were sued by the U.S. Justice Department in December for failing to protect male prisoners from violence and unsanitary conditions.

Governor Ivey said in the statement that the new facilities would be safer and provide more secure correctional environments.

“These new facilities, which will be leased, staffed, and operated by the state, are critical to the state's public infrastructure needs and will be transformative in addressing the Alabama Department of Corrections' longstanding challenges,” the statement said.

Barclays nevertheless drew fire from advocacy groups and the public portion of the debt sale was reduced last week, a step that usually indicates that a bank is having difficulty lining up buyers for securities.

Last week, the American Sustainable Business Council and partner organization Social Venture Circle, which represents 250,000 businesses to advocate for responsible practices and policies, announced that they would refund Barclays' membership dues. Barclays joined the group in 2019.

“We applaud Barclays' decision to not underwrite the Alabama private prison bonds,” said David Levine, president of American Sustainable Business Council in a statement on Monday. He said that he invites the bank and other financial institutions to “chart a responsible and beneficial path forward for investing and rebuilding our communities, and our economy.”

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