

APPROVE ENTERING INTO AN AGREEMENT WITH KIRKPATRICK PETTIS FOR CONSULTING SERVICES**THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:**

Approve entering into an agreement with Kirkpatrick Pettis ("KP") to provide consulting services to the Office of School Financial Services at a cost not to exceed \$500,000.00. KP was selected on a non-competitive basis because of its unique experience in the Chicago and national financial advisory and underwriting communities. KP served as special financial advisor to the Board on the Grant Anticipation Notes (GANs) and has also worked with the Park District assisting them in obtaining bond-rating upgrades and designing unique and marketable revenue structures for the Park District's harbor system and parking system. A written agreement for KP's services is currently being negotiated. No services shall be provided by KP and no payment shall be made to KP prior to the execution of a written agreement. The authority granted herein shall automatically rescind in the event a written document is not executed within 60 days of the date of this Board Report. Information pertinent to this agreement is stated below.

SPECIFICATION No.: 02-250057

CONSULTANT: Kirkpatrick Pettis
Kirkpatrick Pettis
Suite 1829
20 N. Wacker Dr.
Chicago, Illinois 60606
Bill Morris
(312) 364-9030

USER: Office of School Financial Services
125 S. Clark Street, 14th Floor
Chicago, IL 60603
Kenneth C. Gotsch
(773) 553-2700

TERM: The term of this agreement shall commence on the date the agreement is signed and shall end 12 months thereafter. This agreement shall have one option to renew for a period of one year. Costs for the renewal periods shall be negotiated prior to renewing the contract period.

EARLY TERMINATION RIGHT: The Board shall have the right to terminate this agreement immediately at any time for any or no reasons.

SCOPE OF SERVICES: KP shall provide the following services: Performance of financial advisory ("FA") services including general advice on debt management issues including rating agency presentations, coordination of issuance of periodic bond issues and investment of proceeds, and other specific services at the request of the Chief Fiscal Officer. The role played in bond issuance will be either "Primary" which involves assuming primary responsibility for the bond issuance, or "Secondary" which involves assuming oversight responsibility for bond pricing and primary responsibility for the investment of proceeds pursuant to assignment by the Chief Fiscal Officer. Upon specific authorization by the Chief Fiscal Officer, KP may provide underwriting services for bond issues for which KP has not rendered any FA services and will be in compliance with Rule G-23 of the MSRB. KP shall also provide consulting services to the Office of School Financial Services on a broad range of financing issues including, but not limited to, the funding of the Capital Improvement Program ("CIP") and other financing initiatives as requested by the Chief Fiscal Officer or his designee.

DELIVERABLES: KP will provide reports and written analyses as requested by the Office of School Financial Services to support decision-making regarding various financing alternatives.

OUTCOMES: KP's services shall result in the issuance or restructuring of bonds or the establishment of one or more financing mechanisms that will allow the Board to finance the CIP in an efficient and cost effective manner.

COMPENSATION: KP shall be paid as follows: \$200.00 per hour: for consulting services. For a specific bond transaction FA services, Consultant shall be paid \$.60/\$1,000 of bond proceeds with a minimum of \$50,000 per bond transaction. For investment management services for bond proceeds and debt service funds, consultant shall be paid \$.30/\$1000 of bond proceeds realized from the bond issue for which services were performed with a minimum of \$25,000, provided any payments will be within statutory limits. The total compensation under this agreement shall not exceed the sum of \$500,000.

REIMBURSABLE EXPENSES: KP shall be reimbursed for the following expenses only upon prior written authorization from the Chief Fiscal Officer: travel and other related expenses deemed extraordinary. The total compensation amount reflected herein is inclusive of all reimbursable expense.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written agreement. Authorize the President and Secretary to execute the agreement. Authorize the Chief Fiscal Officer to assign the financing tasks to KP and to execute all ancillary documents required to administer or effectuate the agreement.

AFFIRMATIVE ACTION: Pursuant to Section 6.2 of the Revised Remedial Plan for Minority and Women Business Enterprise Contract Participation (M/WBE Plan), the Per Contract and Category Goals method for M/WBE participation will be utilized.

LSC REVIEW: Local School Council approval is not applicable to this report

FINANCIAL:

	Fiscal Year 2002	\$100,000.00	Charge to:
Classification:	0200-210-000-7892-5410	\$ 25,000	Operating
	0230-210-000-1135-5410	\$ 75,000	Operating
	Fiscal Year 2003	\$400,000.00	Charge to:
Classification:	0200-210-000-7892-5410	\$ 50,000	Operating
	0963-???-000-1135-5400	\$350,000	Proceeds of various bond funds

(If bond sales or other financing transactions result from the work of this Consultant, then the budget classification for each bond sale or financing vehicle will be a unique classification and will be established in the respective fiscal year budget. If some other financing mechanisms are utilized, then the Board may use proceeds from those vehicles to pay for this financial Consultant. If no bond sales result and no proceeds are used to pay financial advisors, then the above budget classification will be used.)

GENERAL CONDITIONS:

Inspector General – Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

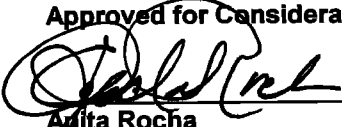
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness – The Board's Indebtedness Policy adopted July 26, 1995 (95-0726-EX3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics – The Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved for Consideration:


Ajita Rocha
Acting Chief Purchasing Officer

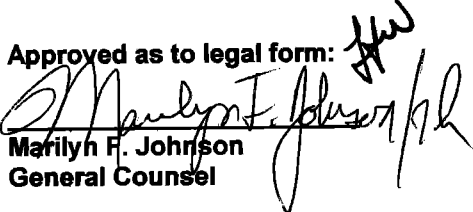
Approved:


Arne Duncan (by PAI)
Chief Executive Officer

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form: ^{HW}


Marilyn F. Johnson
General Counsel