

July 23, 2008

**APPROVE SETTLEMENT AGREEMENT WITH UNITED STATES FIDELITY & GUARANTY COMPANY****THE GENERAL COUNSEL RECOMMENDS THE FOLLOWING:**

Approve a settlement agreement and partial release between the Board and United States Fidelity & Guaranty Company ("USF&G") regarding payment of final costs for the completion of heating and air conditioning renovation work at the Edward Beasley Magnet School for the years 2003 and 2004.

Information pertinent to this settlement agreement is as follows:

**ENTITIES:**       **United States Fidelity & Guaranty Company**  
                           c/o Susan Joslow, Bond Claim Counsel  
                           111 Shilling Road  
                           Huntsville, Maryland  
                           Insurance Surety on the performance bond issued to:

**Walter S. Joslyn Construction, Inc.** for the Beasley Project

**HISTORY:** In November of 2001, Walter S. Joslyn Construction, Inc. ("Joslyn") was awarded a contract for the installation of heating and air conditioning roof-top-units at Beasley. When Joslyn failed to complete the last 5% of the project due to insolvency, a claim and lawsuit were filed demanding that USF&G complete the remainder of the project. USF&G substantially completed the project expending \$600,000 of its own funds. The proposed settlement agreement resolves a dispute regarding the remaining funds of the original Joslyn contract. But for that dispute, USF&G would be entitled to 100% of the remaining funds because it completed the project. This proposed agreement provides for a 50% division of the remaining funds between the Board and USF&G to resolve that dispute.

**DESCRIPTION OF SETTLEMENT:** The original contract amount totaled \$1,601,009.60. Of that amount, Joslyn was paid \$1,307,993.04, for a remaining balance of \$293,016.64. The Board asserts that certain roof-top-units installed have required excessive maintenance since installation. USF&G agrees to accept only 50% of the remaining balance, \$146,508.32, as an offset for the future costs of maintenance.

**AUTHORIZATION:** Authorize the General Counsel to execute a settlement agreement as to legal form between the Board and USF&G.

**LSC REVIEW:** LSC approval is not applicable to this report.

**AFFIRMATIVE ACTION STATUS:** Not applicable.

**FINANCIAL:** Payment within prior appropriation.

**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.

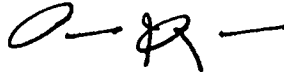
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board member during the one year period following expiration or other termination of their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

Indebtedness – The Board's Indebtedness Policy adopted June 26, 1996 (96-0626-PO3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics – The Board's Ethics Code adopted June 23, 2004 (04-0623-PO4), 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,



PATRICK J. ROCKS  
General Counsel *PK*

WITHIN APPROPRIATION:



PEDRO MARTINEZ  
Chief Financial Officer