

July 27, 2011

**AUTHORIZE SETTLEMENT OF CLAIM BY LEXINGTON INSURANCE COMPANY**

**THE GENERAL COUNSEL RECOMMENDS THE FOLLOWING:**

Authorize a settlement and release between the Board and Lexington Insurance Company regarding the Board's claim for payment for water damage sustained at Sumner School from broken water main on September 29, 2009.

Information pertinent to this settlement agreement is as follows:

**ENTITIES:**     **Lexington Insurance Company**  
                  Policy: LXI-1951

**HISTORY:** In 2008, Sumner School sustained extensive water damage due to a broken water main. Damage included extensive flooding of basement, where boilers were located. The Board 's claim included cleanup, temporary heat, electrical repairs, gym floor, and replacement of boilers.

**DESCRIPTION OF SETTLEMENT:** Lexington Insurance Company determined loss to be \$2,053,127.63. The Board retains a \$500,000 deductible, and received advances in the amount of \$1,155,190.19. Lexington proposes final settlement payment of \$397,937.44.

**AUTHORIZATION:** Authorize the General Counsel to negotiate and execute a settlement agreement as to legal form between the Board and Lexington Insurance Company.

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

**AFFIRMATIVE ACTION STATUS:** Not applicable.

**FINANCIAL:** Not applicable

**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.

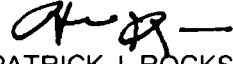
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board member during the one year period following expiration or other termination of their 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 May 25, 2011 (11-0525-PO2), 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).

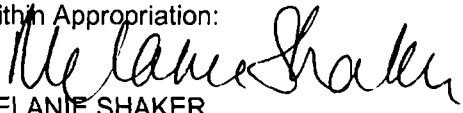
APPROVED,



PATRICK J. ROCKS  
General Counsel

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With in Appropriation:



MELANIE SHAKER  
Interim Chief Financial Officer