

**APPROVE SETTLEMENT OF INSURANCE-COVERAGE LAWSUIT,
BOARD v. HARTFORD STEAM BOILER INSURANCE CO., No. 07 C 5801 (N.D. Ill.)**

THE GENERAL COUNSEL REPORTS THE FOLLOWING SETTLEMENT:

DESCRIPTION: On September 12, 2005, an underground electrical cable failed, causing a partial power outage at Chicago Vocational High School. Shortly after power was restored, another outage occurred, and when an electrician attempted to repair it, an explosion and fiery flash occurred, injuring him and causing about \$250,000.00 in damages to two large components of the school's 1930s-era electrical-distribution system. Changes to the City's Building Code required the replacement of all major components of the school's electrical-distribution system, at a cost of about \$2 million. The Board's equipment-breakdown insurance provider, Hartford Steam Boiler Insurance and Inspection Company ("HSB"), reimbursed the Board for the cost of repairing the damaged underground cable. However, HSB denied any coverage for the second failure and resulting costs, contending that its "Ordinance and Law" coverage, which has a \$1 million per-accident limit, did not apply to the second failure. A lawsuit was filed in the Circuit Court of Cook County on the Board's behalf, seeking a judgment declaring that the policy covered those losses. HSB removed the case to the United States District Court, where it is now pending. Outside counsel, working with the Law Department, has negotiated a settlement, subject to Board approval, wherein HSB will pay the Board the sum of \$625,000.00, in exchange for a waiver of any further claims for damage or loss related to the incidents.

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

AFFIRMATIVE ACTION STATUS: Affirmative Action review is not applicable to this report.

FINANCIAL: Hartford Steam Boiler Insurance will pay the Board \$625,000.00 in settlement of this lawsuit.

AUTHORIZATION: Authorize the General Counsel to execute the Settlement Agreement(s), and all ancillary documents related thereto.

GENERAL CONDITIONS:

Inspector General - Each party to the agreement shall acknowledge, 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.

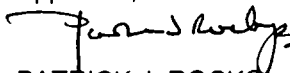

Conflicts - The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restrict the employment of or the letting of contracts to, former Board Members during the one year period following expiration or other termination of their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

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

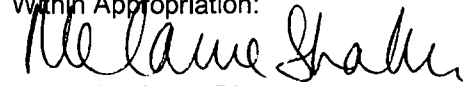
Ethics - The Board's Ethics Code adopted May 25, 2011 (11-0525-PO2) as amended from time to time, is hereby incorporated in to and made a part of the agreement.

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 

Within Appropriation:


MELANIE SHAKER
Interim Chief Financial Officer