

**APPROVE PARTICIPATION IN VARIOUS STATE ATTORNEYS GENERALS'
SETTLEMENTS ON MUNICIPAL BOND DERIVATIVES TRANSACTIONS**

THE GENERAL COUNSEL REPORTS THE FOLLOWING SETTLEMENT:

DESCRIPTION:

The U.S. Justice Department's Antitrust Division brought charges against several financial institutions of bid-rigging, price-fixing and anticompetitive practices in Municipal Bond Derivatives Transactions from mid-1998 to early 2003. Thereafter, numerous governmental and quasi-governmental entities filed civil suits in state and federal courts across the country against the same financial institutions, including Wachovia Bank for engaging in the same or similar conduct from 1998 through 2004 and possibly even later. The cases were transferred to the United States District Court for the Southern District of New York, and consolidated for pretrial purposes, under the name *In re Municipal Bond Derivatives Litigation* (MBD Litigation). The MBD Litigation has proceeded to the point where Lead Counsel for the plaintiffs has negotiated a settlement with Wachovia under which Wachovia has agreed to pay \$37 million for the benefit of the proposed settlement class ("MBD Settlement"). This settlement is subject to final approval by the court following a fairness hearing, and the amount of each class member's potential payout is presently unknown.

Separately, the Attorneys General of several states, including Illinois, investigated the claims, determined that not all Derivatives transactions were tainted, and negotiated a settlement with Wachovia. The settlement with Wachovia Bank includes restitution through the creation and disbursement of a \$54.5 million settlement fund ("AGs' Wachovia Settlement"), and an agreement by Wachovia to not directly or indirectly engage in the same or similar conduct in the future. (Notably, Well Fargo merged with and into Wachovia Corporation in 2010, and Wachovia Bank was merged with and into Wells Fargo Bank. Thus, Wachovia Bank no longer exists.) The Illinois AG's office has identified one Board of Education bond issue in which tainted transactions may have occurred between January 1, 1998 and December 31, 2004. The Board's share of the settlement fund, if it agrees to participate in the AGs' Wachovia Settlement, will be \$48,220.10, based on claims received to date. The AGs continue working on settlements with several other financial institutions that are alleged to have engaged in tainted Municipal Bond Derivatives transactions during approximately the same period of time.

Participating in the AGs Settlement with Wachovia will require the Board to waive its right to pursue claims against Wachovia for any Derivatives transactions that occurred between January 1, 1998 and December 31, 2006, and also, to waive its rights to participate in the MBD Settlement. Because the possibility exists that additional claims may be uncovered and that the AGs will reach settlements with additional financial institutions, the General Counsel seeks further authority for waiving any claims raised in the MBD Litigation against Wachovia or any other financial institution, and executing any further releases required for full participation in any future AGs' Settlements relating to Municipal Bond Derivatives Transactions. The General Counsel will include any further settlements and claim-waivers on his Delegated Authority reports.

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

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

FINANCIAL: None (Board will receive \$48,220.10 on the AGs' Wachovia Settlement)

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 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.

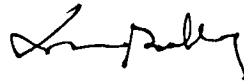
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their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

Indebtedness – The Board's Indebtedness Policy adopted 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,



JAMES L. BEBLEY
General Counsel