March 19, 2012

TO: All KUSD Employees

RE: CDO Investment Lawsuit

FROM: Mary K. Snyder, President, KUSD Board of Education

Dear Staff:

On behalf of the entire Board of Education and Superintendent Dr. Michele Hancock, I am pleased to inform you that today, five Wisconsin school districts*, including Kenosha Unified School District, announced a comprehensive settlement with Stifel Nicolaus & Company, Incorporated, in a suit filed by the districts and their trusts, against securities brokerage firms Royal Bank of Canada and Stifel pending in Milwaukee County circuit court.

This settlement, together with the Royal Bank of Canada and Securities and Exchange Commission fair funds payment last fall, means that over the past three and one-half years of investigation and litigation, nearly $218 million has been recovered or is guaranteed to be restored to the five school districts, which makes this the second largest reported settlement of civil litigation in Wisconsin history, behind only this State’s $1.3 billion dollar share of the national tobacco settlement in 1998.

Kenosha Unified School District’s share is 18.8%, which is the percent of its share of the original total investment to create the CDO investment with the other school districts in August of 2006. At that time, KUSD invested $37,149,483 of the total $200 million to help pay for certain post-employment benefits to KUSD employees. In this settlement, KUSD has a net recovery of $37,159,031.

One question that may arise is whether or not our share of the settlement can be used toward the projected budget deficit for the 2011/2012 and/or 2012/2013 school years. This answer is NO! This money is payment for debt the district incurred when it entered into the CDO investment agreement in 2006. The District is legally obligated to return any and all settlement dollars to the Other Post Employment Benefit (OPEB) account of the KUSD budget.

While this brings to closure a major part of the CDO lawsuit, KUSD, along with the other four Districts together with Stifel are seeking $36 million in further damages from the Royal Bank of Canada, which has commenced today. As Dr. Hancock has said, “We expect that once this litigation is concluded, the losses to KUSD from this investment will be fully restored, or at least 99.63% will have been recovered of the original $200 million investment AFTER payment of attorney fees and costs.”

We realize this is a very complicated issue. Therefore, we have posted on our website documents that provide further information.

This settlement is big news on the side of justice, as it vindicates the district, by confirming we were defrauded! I would like to thank current members of the Board of Education who were involved in filing the lawsuit: Pam Stevens, former Board President; Rebecca Stevens, and JoAnn Taube, who were members at that time; then Superintendent Joe Mangi, then Chief Financial Officer William Johnston; other past board members; and the Kenosha Education Association.

I extend additional appreciation to the current members of our Board who have remained firm on vindicating KUSD (their names are listed below), along with our Superintendent Dr. Michele Hancock who has involved me in every discussion on this issue, Assistant Superintendent of Business Services Sheronda Glass, our Chief Financial Officer Tina Schmitz, the rest of our administrative team who have been involved throughout this long process, and the overall support of KUSD staff.

Current Board members: JoAnn Taube, Carl Bryan, Pam Stevens, David Gallo, Robert Nuzzo, and Rebecca Stevens

* Kimberly School District, West Allis/West Milwaukee School District, School District of Waukesha, Whitefish Bay Schools