

GENERAL COUNSEL RECOMMENDS THE FOLLOWING:

IBM and the Board regarding a dispute arising from a contract for access and services delivered at IBM. Information pertinent to this settlement is the Board's Central Office at various times from 1998 through 2001. Information

ENTITY: IBM Corporation
One IBM Plaza
Chicago, IL 60611

HISTORY: The proposed settlement resolves a contract dispute between the Board and IBM concerning the design and implementation of a comprehensive set of Intranet/Internet services that would be rolled out to the Board's Central Office (the Internet Contract). The Internet Contract was performed in part by IBM. The Board's Central Office is a component of the federaly-funded E-rate program.

RECOMMENDED SETTLEMENT:

The General Counsel recommends settlement of the claims via the following:

1. Payment to IBM of the original escrow amount of \$1,220,513 plus the accrued interest on the amount of \$20,743.14 should be paid to IBM.
 2. Payment to IBM of an additional sum of \$82,261.73.
- all claims which have been raised or could have been raised in connection with the Internet Contract.

AUTHORIZATION: Authorize the General Counsel to execute a Settlement and Mutual Release Agreement pursuant to the above referenced terms.

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

FORMATIVE ACTION STATUS: None AFFI

0963410-000707-5490 Budget Classification Fiscal Year 200

5/34 Inspector General. Each party to the agreement shall acknowledge that, in accordance with 101 LSC:

in violation of the provisions: Conflicts - The agreement shall not be legally binding on the Hoarc if entered

into which restricts the approval of these and other contracts. Conflicts - The Board's Indebtedness Policy adopted July 26, 1995 (95-0726-EX3), as amended from time

to time, is hereby incorporated into and made a part of the agreement.

Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time. Ethics - The Board is hereby incorporated into and made a part of the agreement.

The agreement shall contain the clause that any general fund contracts for salary, expense or any other account in any fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved,

[Handwritten Signature]

General Counsel

Within Appropriation:

[Handwritten Signature]

[Handwritten Signature]

KENNETH G. GOTSCH
Chief Fiscal Officer