

**APPROVE SETTLEMENT AND MUTUAL RELEASE AGREEMENT
WITH IBM CORPORATION**

THE GENERAL COUNSEL RECOMMENDS THE FOLLOWING:

Approve a settlement and mutual release agreement between International Business Machines Corporation ("IBM") and the Board regarding a dispute arising from a contract for goods and services delivered by IBM to the Board's Central Office at various times from 1998 through 2001. Information pertinent to this settlement is as follows:

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 Board users outside of the Central Office (the "Internet Contract"). The Internet Contract was performed as part of the federally funded E-rate program.

A dispute arose as to whether or not IBM had fully performed under the Internet Contract. During the pendency of the dispute, CPS was asked to approve the disbursement of \$1,722,025.13 in E-rate funds to IBM. Because of the pending dispute, the parties agreed that CPS would recommend disbursement of these funds if IBM would place the funds into an interest-bearing escrow account until such time as the dispute was resolved.

RECOMMENDED

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

1. Payment to IBM of the original escrow amount of \$1,722,025.13, plus the accrued interest on the account in the amount of \$20,713.14, should be paid to IBM.
2. Payment to IBM of an additional sum of \$82,261.73.
3. Entry by the Board and IBM of a Settlement Agreement of mutually releasing each other from any and 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.

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

AFFIRMATIVE ACTION STATUS: None.

FINANCIAL: Charge \$82,261.73 - City-wide, General Education Fund, Settlements
Budget Classification Fiscal Year 2002.....0963-210-000-7072-5490

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 July 26, 1995, (95-0726-EX3), as amended from time to time, is hereby incorporated into and made a part of the agreement.

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

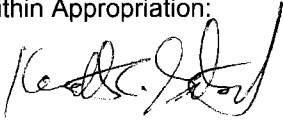
Contingent Liability - The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved,



MARILYN F. JOHNSON
General Counsel

Within Appropriation:



KENNETH C. GOTSCH
Chief Fiscal Officer