EXHIBIT M

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John A. Clarke, Executive Officer/Clerk
By DERRIAN GILES

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

PREMIO COMPUTER, INC., an Illinois Corporation, Plaintiff, v. LOS ANGELES UNIFIED SCHOOL DISTRICT, a public entity; and DOES 1 through 10, inclusive, Defendants.	CASE NO.: BC290348 FIRST AMENDED COMPLAINT (1) BREACH OF CONTRACT; (2) BREACH OF IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING; (3) INTENTIONAL INTERFERENCE WITH CONTRACT; (4) NEGLIGENT INTERFERENCE WITH CONTRACT **JURY TRIAL DEMANDED**

General Allegations

The Parties

1. Plaintiff Premio Computer, Inc. ("Premio") is, and at all relevant times was, an Illinois corporation authorized to conduct business in California with its principal place of business in the City of Industry, California.

2. Founded in 1989, Premio is a female minority-owned small business that has developed into a leading manufacturer of custom-configured, state-of-the-art personal computers and servers for educational, governmental and business institutions. It employs 261 employees nationwide – 165 of whom are working at its City of Industry headquarters in Southern California.

3. The affordability and quality of Premio's products and services have garnered wide critical acclaim. For example, Premio personal computers have been consistently touted by PC World as one of the world's Top 10 Value PC's and Top 10 Power PC's.

4. Over the last decade, Premio has established itself as a valued business partner of the Southern California community at large and, in particular, its schools. According to the latest International Data Corporation and Gartner Dataquest surveys, Premio has consistently ranked among the top six (6) manufacturers of personal computers and file servers for educational institutions.

5. Premio has received congressional, state and local awards and commendations for its generosity, service, and commitment to Southern California schools and their technology infrastructure. For example, in 2000, Los Angeles County Supervisor Don Knabe presented Premio with a plaque of appreciation for implementing a student internship program at Whitney High School in the city of Cerritos, California. Premio's special partnership and mentorship contributions to local schools also earned certificates of recognition from the offices of State Senators Betty Karvette and Ed Royce.

6. Upon information and belief, Defendant Los Angeles Unified School District ("LAUSD") is, and at all relevant times was, a public entity as defined pursuant to Cal. Gov. Code § 811.2 with its principal headquarters in Los Angeles, California.

7. The true names and capacities of the DOE Defendants 1 through 10, inclusive, whether individual, corporate, associate, or otherwise, are unknown to Premio, who therefore sues these Defendants by such fictitious names. Premio will seek leave of this Court to amend this Complaint to show their true names and capacities when such true names have been ascertained.

8. Whenever appearing in this Complaint, each and every reference to "Defendants", or to any of them, is intended to be and shall be a reference to all Defendants, including LAUSD, and to each of them, named and unnamed, including all fictitiously-named Defendants.

9. Premio is informed and believes that at all relevant times, Defendants, and each of them, were the agents, employees, and officers of each of the remaining Defendants, and in doing the things alleged, were acting within the scope, course and purpose of such agency and employment, or within the apparent scope of such agency or employment, and with the permission and consent of each of the remaining Defendants.

Background

10. This suit is based on LAUSD's (i) refusal to pay monies owed to Premio for products and services provided by Premio to and for the benefit of LAUSD; (ii) failure to honor its contractual obligations to Premio pursuant to the award of a five-year contract; and (iii) wrongful interference with Premio's separate and independent contractual relationship with the federal government. All told, LAUSD is liable to Premio in an amount exceeding $15 million. LAUSD's conduct is without legal excuse because, at all relevant times, Premio has performed, or was qualified and prepared to perform, all of its contractual obligations with LAUSD and the federal government. The mistreatment that LAUSD has inflicted upon Premio is ironic in light of the fact that Premio is a dedicated and award-winning technology provider to Southern California schools.

11. Beginning in or about 1998, LAUSD invited competitive bids and proposals from computer and telecommunications vendors —including Premio—for the manufacture, delivery, and/or installation of computer and telecommunication products and services pursuant to the "E-Rate Program" for schools within the Grant/Van Nuys Cluster of the LAUSD. The stated term of the contract was five (5) years, running from 1998 through 2003.

12. In 1998, Premio submitted its bid for the contract. Attached as Exhibit "A" is the 1998 Request for Quotation issued by the LAUSD and submitted by Premio (hereinafter "1998 RFQ"). Later that year, in compliance with all governing laws and regulations, the School Board for the LAUSD (hereinafter "Board), and/or one of the Board's delegates, ratified, approved, and/or awarded the 1998 RFQ to Premio (hereinafter the "E-Rate Contract").

13. The "E-Rate Program" is, and was at all relevant times, a federal program that permitted LAUSD to contract directly with vendors such as Premio for computer and telecommunications hardware and services. Upon information and belief, pursuant to the Telecommunications Act of 1996, the Federal Communications Commission adopted a Universal Service Order—otherwise referred to as the E-Rate Program—to help ensure that eligible local schools and libraries have affordable access to modern telecommunications and information services.

14. Under the E-Rate Program, LAUSD contracts directly with vendors such as Premio. LAUSD was required to pay a certain portion of the invoice amounts and the federal government would pay the remainder. The federal government's payment responsibilities under the E-Rate Program are, and were at all relevant times, administered by the Schools and Library Division ("SLD") of the Universal Service Administrative Company.

15. At all relevant times, payment responsibilities for the E-Rate Program were apportioned between SLD and LAUSD at 89% and 11%, respectively. For example, if a vendor provided $100 worth of products and services to the LAUSD under the E-Rate Program, SLD was responsible for paying the vendor $89 and LAUSD was responsible for paying $11.

16. For each purchase order generated under the E-Rate Program, the federal government agreed separately and independently to pay a substantial part of the overall invoice amount for each such order. Accordingly, Premio had two separate payment agreements or contracts for each purchase order it received under the E-Rate Program: one with the LAUSD and another with the SLD.

17. As stated in detail below, LAUSD has breached its contract with Premio by (i) refusing to pay for specific products and services that Premio provided for LAUSD under the E-Rate Program, and (ii) failing to honor obligations owed to Premio under the final three (3) years of the five-year E-Rate Contract. In addition, LAUSD interfered with the independent and separate contractual relationship existing between Premio and the federal government under the E-Rate Program by (i) causing the SLD to stop payment for specific products and services that Premio provided for LAUSD under the E-Rate Program, and (ii) rendering it impossible for SLD to honor the final three (3) years of the five-year E-Rate Contract. Accordingly, Premio hereby seeks, and is entitled to recover, over $15 million in damages, plus interest, from LAUSD.

18. As required by Cal. Gov. Code §§ 900 et seq., on November 9, 2002 Premio served its Claim for Money and Damages upon LAUSD, seeking legal damages described in this Complaint (hereinafter "Claim"). Such damages include (i) all amounts due on all unpaid invoices for products and services Premio provided pursuant to the E-Rate Contract, and (ii) the full value of the remaining three (3) years of the five-year E-Rate Contract which Premio was awarded.

19. LAUSD ignored Premio's Claim. More than 45 days passed prior to the filing of the Initial Complaint in this case without any response from LAUSD.

Specific Allegations

First Cause of Action

(Breach of Contract)

20. Premio re-alleges and incorporates by reference each and every allegation of paragraphs 1 through 19, inclusive, as though fully set forth herein.

January 2000 Purchase Order

21. On or about January 27, 2000, LAUSD issued a purchase order for Premio to manufacture, deliver, and/or install various computer servers and other related equipment and services pursuant to the E-Rate Contract. Attached as Exhibit "B" is the January 27, 2000 Purchase Order (hereinafter "January 2000 Purchase Order").[1]

22. Beginning in or about March 2000, Premio provided computer and telecommunication products and services to LAUSD pursuant to the January 2000 Purchase Order. As it was required to do, Premio invoiced SLD and LAUSD separately for these products and services, for which LAUSD's apportioned obligation totaled $229,514.35. Attached as Exhibit "C" are the invoices Premio submitted to LAUSD that correspond to the January 2000 Purchase Order (hereinafter "March/April Invoices").

23. Because the federal government's payment obligations under the E-Rate Program were separate and independent from LAUSD's, Premio submitted separate invoices to SLD reflecting the federal government's payment obligations for services and products Premio provided pursuant to the January 2000 Purchase Order. SLD has paid its apportioned obligation for computer and telecommunication products and services that Premio provided pursuant to the January 2000 Purchase Order.

1 Exhibit B's reference to "ER-96" contains a typographical error. It should read "ER-98" as the January 2000 Purchase Order was issued pursuant to the 1998 RFQ. Moreover, the E-Rate Program was not in existence in 1996.

24. LAUSD has not, however, paid any of the amounts due on the March/April Invoices. Instead, as detailed below, despite repeated and ongoing efforts by Premio to collect, LAUSD has repeatedly stalled payment upon grounds that Premio now knows to be unfounded and pretextual. These purported grounds include LAUSD's claim that payment was being withheld pending the conclusion of a variety of so-called investigations, audits and/or inquiries, and that payment would be forthcoming upon their conclusion. All of these investigations, audits and/or inquiries have cleared Premio of wrongdoing and, yet, LAUSD has not made any payment on the March/April Invoices. As detailed below, Premio has also recently learned that these investigations, audits and/or inquiries are groundless and mere shams employed by LAUSD to evade payment.

25. Premio has performed all terms, obligations, and conditions required on its part with respect to the January 2000 Purchase Order.

September 2000 Purchase Order

26. On or about September 6, 2000, LAUSD issued a purchase order for Premio to manufacture, deliver, and/or install various computer servers and other related equipment and services pursuant to the E-Rate Contract. Attached as Exhibit "D" is the September 6, 2000 Purchase Order (hereinafter "September 2000 Purchase Order").

27. Premio provided all of the products and services covered by the September 2000 Purchase Order. Premio invoiced SLD and LAUSD separately for these products and services, for which the apportioned obligations of SLD and LAUSD totaled $716,638.40 and $88,460.79, respectively. Attached as Exhibit "E" are the invoices submitted by Premio to SLD for products and services provided pursuant to the September 2000 Purchase Order, and attached as Exhibit "F" are the invoices submitted by Premio to LAUSD for products and services provided pursuant to the September 2000 Purchase Order (hereinafter collectively "September Invoices").

28. LAUSD has not paid any of the amounts due on its portion of the September Invoices. Instead, as detailed below, despite repeated and ongoing efforts by Premio to collect, LAUSD has repeatedly stalled payment upon grounds that Premio now knows to be unfounded and pretextual. These purported grounds include LAUSD's claim that payment was being withheld pending the conclusion of a variety of so-called investigations, audits and/or inquiries, and that payment would be forthcoming upon the conclusion of these so-called investigations, audits and/or inquiries. All of these investigations, audits and/or inquiries have cleared Premio of wrongdoing and, yet, LAUSD has not made any payment on its portion of the September Invoices. As detailed below, Premio has recently learned that these investigations, audits and/or inquiries are groundless and mere shams employed by LAUSD to evade payment.

29. Premio has performed all terms, obligations, and conditions required on its part with respect to the September 2000 Purchase Order.

Indefinite Delay in Payment and Tolling of Statute of Limitations

30. Upon manufacturing, delivering, and/or installing the products and services pursuant to the January and September 2000 Purchase Orders, Premio has made repeated and ongoing attempts to collect (i) from LAUSD the amounts it owes under the March/April and September Invoices and (ii) from SLD the amounts it owes under the September Invoices. To this day, however, LAUSD has failed to pay its obligations, and it has obstructed Premio's ability to collect payment from SLD.

31. Although Premio has made repeated and ongoing attempts to collect from LAUSD the amounts it owes on the January and September 2000 Purchase Orders, LAUSD has not yet made payment on any of them. LAUSD's stated reason for the delay has been its desire to investigate, audit, and/or inquire into a number of purported improprieties with respect to Premio's products and services. LAUSD has never refused to make payment. It has, on several occasions (both orally and in writing), agreed to make payment conditioned on the completion of various investigations, audits, and/or inquiries into alleged improprieties.

32. On several occasions, for example, LAUSD claimed that it was unable to make payment purportedly because it had not received the supporting invoices and documentation. In fact, however, Premio had submitted all of the supporting invoices and documentation. Nevertheless, acting out of an abundance of caution and good faith, Premio proceeded to submit additional copies of all supporting invoices and documentation to LAUSD. Yet, LAUSD remains unwilling to make any of the payments due.

33. Moreover, on May 29, 2001, LAUSD's counsel, Candace A. Younger of the law firm of Manatt Phelps & Phillips LLP, wrote to Premio that LAUSD was withholding payment of Premio's invoices pending the conclusion of various investigations and inquiries. Attached as Exhibit "G" is Ms. Younger's May 29, 2001 letter wherein she states that LAUSD was withholding payments due to Premio pending the conclusion of such investigations, audits, and/or inquiries into Premio's conduct.

34. The investigations and inquiries referenced by Ms. Younger concluded as of July, 2001, and Premio was cleared to receive full payment on its outstanding invoices. Yet, to this date, LAUSD has failed pay any of its obligations under the March/April and September Invoices.

35. In or about October 2001, LAUSD informed Premio that it was again withholding payment pending the conclusion of another investigation into Premio. This latest investigation was being conducted by the Office of the Inspector General of LAUSD ("OIG-LAUSD"). Premio cooperated with the OIG-LAUSD's investigation by, among other things, producing thousands of pages of documents pursuant to subpoena, answering detailed interrogatories, and allowing OIG-LAUSD to interview key Premio personnel.

36. Upon information and belief, LAUSD initiated and orchestrated the OIG-LAUSD investigation without any reasonable basis to suspect wrongdoing by Premio. OIG-LAUSD and LAUSD conspired to conduct a groundless investigation as a pretext to further delay the payments that Premio was due from LAUSD. As one illustrative example, OIG-LAUSD, conspiring with and acting at the behest of LAUSD, appointed Robert Williamson as lead investigator, a man who clearly had no relevant experience or knowledge of the computer hardware and software issues which were the subject of the investigation. This is evidenced by, among other things, Mr. Williamson's persistent and inexplicable theory that cosmetic differences in the size and color of the external computer cases of products which Premio advertised, versus those which it delivered to LAUSD, were sufficient indicia that Premio had delivered inferior goods.

37. Based on information and belief, OIG-LAUSD, conspiring with and acting at the behest of LAUSD, appointed a lead investigator who by virtue of utter incompetence or malice conducted a groundless and protracted investigation of Premio as part of an overall scheme to interminably delay LAUSD's payments to Premio.

38. Premio was cooperative throughout the course of the OIG-LAUSD investigation and pursued various means to try to educate OIG-LAUSD about its products. For instance, at its own expense, Premio took the initiative of retaining a qualified, independent third party to conduct benchmark tests upon various servers that LAUSD sold to LAUSD under the E-Rate Program. Premio was in the process of scheduling a meeting with LAUSD to present this test data and other pertinent information when, on January 31, 2003, OIG-LAUSD abruptly informed Premio that its investigation had concluded. To Premio's knowledge, the OIG-LAUSD investigation did not yield any finding of misconduct by Premio.

39. Moreover, LAUSD knew or should have known that by merely initiating the groundless OIG-LAUSD investigation, this would cause or provide cause for SLD to withhold payments that were due to Premio from the federal government under the September Invoices. Based on information and belief, LAUSD expressly advised SLD of the OIG-LAUSD investigation during relevant times. Accordingly, LAUSD caused OIG-LAUSD to initiate and conduct a baseless investigation that had the foreseeable effect of preventing and obstructing payment by SLD to Premio on SLD's portion of the September Invoices, which amount totals $716,638.40.

40. Despite the fact that (i) the OIG-LAUSD investigation concluded without any finding of wrongdoing by Premio and (ii) Premio has satisfied all other preconditions for payment, LAUSD has not yet made payment on any of the March/April or September Invoices. Based on LAUSD's written and oral promises to pay these invoices upon the conclusion of investigations, audits, and/or inquires into Premio's conduct, LAUSD's obligations on the March/April and September Invoices are now due and payable.

41. In good faith, Premio relied upon LAUSD's written and oral promises to make full payment upon the conclusion of the OIG-LAUSD investigation. However, by late 2002, it became apparent that LAUSD's promises, and the OIG-LAUSD investigation, were shams designed to further delay and obstruct Premio's ability to receive payment.

42. Accordingly, on November 9, 2002, Premio presented its Claim to LAUSD. In its Claim, Premio referred to LAUSD's long stream of unfulfilled promises to pay. The Claim states, in pertinent part: "Although LAUSD has not refused to make payment, its response to each inquiry for payment has been one of delay and avoidance.... It appears that LAUSD is engaged in a concerted and ongoing scheme of protraction and avoidance. Premio has been consistently cooperative in meeting LAUSD's prerequisites for payment. However, LAUSD continually creates additional obstacles to payment upon Premio overcoming each prior obstacle. As a result, payment on the March/April and September Invoices has been indefinitely delayed." See Claim at ¶¶7-8. LAUSD did not respond to the Claim and it did nothing to dispute Premio's allegation that LAUSD promised to pay once various investigations and inquiries concluded.

43. Upon information and belief, LAUSD's employment of and reliance upon various purported investigations, audits, and/or inquiries as grounds for withholding payment to Premio are part of a larger, concerted and ongoing scheme to indefinitely delay LAUSD's payment for goods and services already manufactured and/or delivered. LAUSD follows each promise to pay by erecting new preconditions and obstacles to further delay payment. Accordingly, Premio has been denied payment on the full value of products and services it provided under the E-Rate Contract.