IBM Learns of Temporary Suspension from New Business with U.S. Federal Government

ARMONK, N.Y. - 31 Mar 2008: IBM (NYSE: IBM) announced today that it has learned that it has been temporarily suspended from participating in new business with U.S. Federal government agencies.

The notice of temporary suspension was issued by the Environmental Protection Agency (EPA) and relates to an investigation by the EPA of possible violations of the Procurement Integrity provisions of the Office of Federal Procurement Policy Act regarding a bid for business with the EPA originally submitted in March 2006. The temporary suspension applies to all Federal agencies and IBM business units. IBM may continue awards in existence as of the date of this suspension, unless a particular agency directs otherwise.

In addition, the U.S. Attorney’s Office for the Eastern District of Virginia has served IBM and certain employees with grand jury subpoenas requesting testimony and documents regarding interactions between employees of the EPA and certain IBM employees.

IBM has served the Federal agency community for many decades as a vendor in good standing and is committed to the highest standards of business ethics. IBM provides training on its Business Conduct Guidelines to all employees, with specialized training to those employees working on matters with the Federal government, to ensure compliance with all applicable Federal requirements.

Prior to learning of the temporary suspension on March 28, 2008, IBM was not aware that the EPA or U.S. Attorney’s office were considering any action against IBM. Upon learning of the suspension, IBM initiated discussions with the EPA and the U.S. Attorney’s office to obtain additional information and is cooperating with the investigations.

Under Federal procurement procedures, IBM has 30 days in which to contest the scope of the temporary suspension, which can continue for an initial period of up to one year pending the completion of the investigation. IBM intends to take all appropriate actions to challenge the suspension and limit its scope.

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