

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

IN RE INTERNATIONAL BUSINESS MACHINES
CORP. SECURITIES LITIGATION

Civil Action No. 1:05-cv-6279 (AKH)
ECF CASE

STIPULATION AND AGREEMENT OF SETTLEMENT

This Stipulation and Agreement of Settlement (the “Stipulation”) is submitted pursuant to Rule 23 of the Federal Rules of Civil Procedure. Subject to the approval of the Court, this Stipulation is entered into among (i) plaintiffs, Joseph Anchinovksi, Nilda Anchinovski (“Lead Plaintiffs”) and Donald Rubenstein (collectively, “Plaintiffs”) on behalf of themselves and as representatives of the Class (as hereinafter defined) in the above-captioned consolidated action (the “Action”), and (ii) defendants International Business Machines Corporation (“IBM or the “Company”) and Mark Loughridge (collectively, “Defendants”), by and through their respective counsel. The Plaintiffs and the Defendants are referred to herein as the “Parties”.

WHEREAS:

A. Beginning on July 19, 2005, two class actions alleging violations of federal securities laws—Lomax v. International Business Machines Corporation, and Mark Loughridge, 05-6279 (AKH) and Al-Araj v. International Business Machines Corporation, Samuel Palmisano and Mark Loughridge, 05-6729 (AKH)—were filed in this Court. By Order entered on March 29, 2006, these actions were consolidated under lead case number 05-6279 (AKH) and the Court also appointed Joseph Anchinovski and Nilda Anchinovski as lead plaintiffs and Labaton Sucharow LLP (then known as Labaton Sucharow & Rudoff LLP) as lead counsel for the proposed class.

B. The Corrected Consolidated Class Action Complaint, dated May 19, 2006, in the Action (the “Complaint”) (the operative complaint in the Action) generally alleges, among other things, that on April 5, 2005, Defendants made material misrepresentations and omissions concerning IBM’s first quarter 2005 operational performance and IBM’s first quarter 2005 options expense in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. Plaintiffs’ Complaint further alleges that as a result of IBM’s misrepresentations and omissions on April 5, 2005, the price of IBM’s common stock was artificially inflated until April 14, 2005.

C. By order dated March 14, 2007, the District Court certified the Action as a class action, approved Plaintiffs as class representatives, and appointed Labaton Sucharow LLP, assisted by Klafter & Olsen LLP on behalf of a class consisting of:

“All persons and entities that purchased or otherwise acquired the common stock of [IBM] between April 5, 2005 and April 14, 2005, inclusive, (“the Class Period”) and were damaged thereby (the “Class”).

“Excluded from the Class are any parents, subsidiaries, affiliates, officers, or directors of defendant IBM and their immediate families; any entity in which any excluded person has a controlling interest and the legal representatives, heirs, successors and assigns of any excluded person.”

D. Notice of Pendency of the Action was disseminated to members of the Class on or about May 30, 2007, pursuant to Order of the Court entered April 20, 2007. Also excluded from the Class are all persons and entities who have properly excluded themselves from the Class pursuant to that notice or who exclude themselves from the Class in accordance with the Notice of Proposed Settlement of Class Action, Application for Attorneys’ Fees and Fairness Hearing, attached as Exhibit A-1, hereto (“Notice”).

E. The Defendants have denied and continue to deny any wrongdoing whatsoever. This Stipulation, whether or not consummated, any proceedings relating to any

settlement, or any of the terms of any settlement, whether or not consummated, shall in no event be construed as, or deemed to be evidence of, or an admission or concession on the part of any Defendant with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in any defense that the Defendants have or could have asserted. Defendants state that they are entering into this Settlement (as defined below) to eliminate the burden, expense, uncertainty and risk of further litigation.

F. Plaintiffs believe that the claims asserted in the Action have merit and that the evidence developed to date supports the claims asserted. However, Plaintiffs' Counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action against the Defendants through trial and appeals. Plaintiffs' Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Action, as well as the difficulties and delays inherent in such litigation. Plaintiffs' Counsel also are mindful of the inherent problems of proof under and possible defenses to the violations asserted in the Action. Plaintiffs' Counsel believe that the settlement set forth in this Stipulation confers substantial benefits upon the Class. Based on their evaluation, Plaintiffs' Counsel have determined that the settlement set forth in this Stipulation is in the best interests of Plaintiffs and the Class.

NOW, THEREFORE, without any admission or concession on the part of Plaintiffs of any lack of merit of the Action whatsoever, and without any admission or concession on the part of Defendants as to the merit of the Action, or as to any liability or wrongdoing whatsoever by Defendants, it is hereby STIPULATED AND AGREED, by and among the Parties, through their respective attorneys, subject to approval of the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, in consideration of the benefits flowing to the parties hereto from the Settlement, that all Settled Claims (as defined below) as against the

Released Parties (as defined below) shall be compromised, settled, released and dismissed with prejudice, upon and subject to the following terms and conditions:

1. As used in this Stipulation, the following terms shall have the following meanings:

(a) “Action” means In re IBM Securities Litigation, Case No. 1:05-6279 (AKF), pending in the United States District Court for the Southern District of New York.

(b) “Authorized Claimant” means a Class Member that submits a timely and valid Proof of Claim form to the Claims Administrator.

(c) “Claimant” means a person or entity that submits a Proof of Claim form to the Claims Administrator seeking to share in the proceeds of the Settlement of the Action.

(d) “Claims” means any and all claims, rights or causes of action, demands, attorneys’ fees, costs, obligations, controversies, debts, damages, losses or liabilities of any kind whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation (whether foreign or domestic), including known and unknown, accrued and not accrued, foreseen and unforeseen, matured and not matured.

(e) “Claims Administrator” means A.B. Data, Ltd., which has been retained by Plaintiffs’ Counsel to provide Notice, process Proofs of Claim and administer the settlement payments to Authorized Claimants.

(f) “Class” and “Class Members” are all persons or entities who purchased or otherwise acquired common stock of IBM between April 5, 2005, and April 14, 2005, inclusive (the “Class Period”), and who were damaged thereby. Excluded from the Class are any parents, subsidiaries, affiliates, officers or directors of defendants IBM and their immediate families; any entity in which any excluded person has a controlling interest and the legal representatives, heirs, successors and assigns of any excluded person. Also excluded from the Class are all

persons and entities that properly opted out of the Class pursuant to the Notice of Pendency of Class Action mailed, in accordance with an Order by the Court, on or about May 30, 2007, or who exclude themselves from the Class in accordance with the Notice. A list of the requests for exclusion will be attached to the Judgment when it is submitted to the Court in connection with the Fairness Hearing.

(g) “Class Distribution Order” means an order of the Court approving the Claims Administrator’s administrative determinations concerning the acceptance and rejection of the claims submitted herein as supervised by Plaintiffs’ Counsel, and approving any fees and expenses not previously applied for, including the fees and expenses of the Claims Administrator, and, if the Effective Date has occurred, directing payment of the Net Settlement Amount by IBM into the Escrow Account for distribution to Authorized Claimants.

(h) “Class Period” means the period of time from April 5, 2005, through April 14, 2005, inclusive.

(i) “Court” means the United States District Court for the Southern District of New York, the Honorable Alvin K. Hellerstein presiding.

(j) “Defendants” means International Business Machines Corporation and Mark Loughridge, collectively.

(k) “Defendants’ Counsel” means the law firm of Cravath, Swaine & Moore LLP.

(l) “Effective Date” means the date upon which the Settlement contemplated by this Stipulation shall become effective as provided in paragraph 25 below.

(m) “Escrow Account” means the interest bearing account to be established by Lead Counsel at a federally-insured banking institution. With the sole exception of making payment into the Escrow Account as provided for in paragraph 19, Defendants shall have no

responsibility or liability relating to the Escrow Account or the monies maintained in the Escrow Account including, without limitation, responsibility or liability related to any fees, taxes and tax expenses, investment decisions, maintenance, supervision and distributions of any portion of the Settlement Amount. Plaintiffs' failure to establish the Escrow Account shall not impair the enforceability of the Settlement.

(n) "Fairness Hearing" means the hearing held to determine whether the Settlement embodied by this Stipulation is fair, reasonable and adequate to the Class, and whether the Court should enter the Judgment approving the Settlement.

(o) "Final" means: (i) the issuance of a Judgment by the Court; (ii) if the Judgment is appealed and affirmed, the day after the expiration of the time in which a party could seek, but did not, a petition for a writ of certiorari; (iii) if, after any affirmance of the Judgment, a person seeks a petition for a writ of certiorari, the day after any such petition for a writ of certiorari is denied; (iv) if no appeal is filed, the day after the expiration date of the time for the filing or noticing of any appeal from the Court's Judgment approving the Stipulation, i.e., thirty (30) days after entry of the Judgment, such that the Judgment represents a final, unappealable and binding judgment with respect to the Action; and (v) the final denial of any objections or collateral attacks or challenges to the Settlement made prior to the last to occur of subparts (i) through (iv) of this paragraph. Any proceeding or order, or any appeal or petition for a writ of certiorari pertaining solely to any plan of allocation, application for attorneys' fees or expenses and/or application of an award to Plaintiffs as described in paragraph 5(d) shall not in any way delay or preclude the Judgment from becoming Final.

(p) "Individual Defendant" means Mark Loughridge.

(q) "Judgment" means the proposed Final Judgment and Order of Dismissal to be entered approving the Settlement substantially in the form attached hereto as Exhibit B.

(r) “Lead Counsel” means the law firm of Labaton Sucharow LLP.

(s) “Net Settlement Amount” means the remainder of the Settlement Amount after deductions of (i) Court awarded attorneys’ fees and expenses as described in paragraphs 5(a) through (c); (ii) Notice and Administration Expenses, as described in paragraphs 6 to 8; (iii) any award to Plaintiffs, as described in paragraph 5(d); and (iv) any other fees or expenses approved by the Court.

(t) “Notice” means the Notice of Proposed Settlement of Class Action, Application for Attorneys’ Fees and Expenses and Fairness Hearing, which is to be sent to members of the Class substantially in the form attached hereto as Exhibit A-1.

(u) “Notice and Administration Expenses” means all expenses incurred in connection with the preparation, printing and mailing of the Notice and Proof of Claim and to the Class, publication of the Summary Notice and all expenses of administering the Settlement.

(v) “Person” means an individual, corporation, general or limited partnership, association, joint stock company, joint venture, limited liability company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof and any other business or legal entity and its heirs, predecessors, successors, representatives or assigns.

(w) “Plaintiffs” means Joseph Anchinovski, Nilda Anchinovski and Donald Rubenstein, collectively.

(x) “Plaintiffs’ Counsel” means the law firms of Labaton Sucharow LLP and Klafter & Olsen LLP, collectively.

(y) “Plan of Allocation” means the plan and procedures for allocating the Net Settlement Amount to be distributed to Authorized Claimants as approved by the Court.

(z) “Preliminary Approval Order” means the proposed order preliminarily approving the Settlement and directing notice thereof to the Class substantially in the form attached hereto as Exhibit A.

(aa) “Proof of Claim” or “Proof of Claim Form” means the proof of claim and release form substantially in the form attached as Exhibit A-2 hereto.

(bb) “Released Defendant Parties” means any and all of the Defendants and/or their current or former respective agents, servants, attorneys, auditors, investment advisors, underwriters, officers, directors, employees, partners, subsidiaries, affiliates, insurers, stockholders, heirs, executors, representatives, parents, predecessors, successors, assigns, trusts, benefits committees, related companies or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants or any of the parties listed above.

(cc) “Released Parties” means the Released Defendant Parties and the Released Plaintiff Parties, collectively.

(dd) “Released Plaintiff Parties” means any and all of the Plaintiffs, the members of the Class, and their respective heirs, executors, administrators, successors and assigns and all persons acting in concert with any such person, and/or Plaintiffs’ Counsel and their respective partners, employees, predecessors and successors.

(ee) “Settled Claims” means the Settled Plaintiffs’ Claims and the Settled Defendants’ Claims, collectively.

(ff) “Settled Defendants’ Claims” means any and all Claims which Defendants may have that could have been asserted by Defendants against any of the Plaintiffs, members of the Class and Plaintiffs’ Counsel, relating to the institution, prosecution or settlement of the Action, except Claims relating to the enforcement of the Settlement.

(gg) “Settled Plaintiffs’ Claims” means all Claims that were asserted in the Complaint, and any and all Claims that have been or could have been raised in the Action, or in any forum, arising out of or relating to the allegations, transactions, facts, matters or occurrences, representations alleged or that could have been alleged in the Action and relating to the purchase, transfer or acquisition of shares of the common stock of IBM, except “Settled Plaintiffs’ Claims” does not include Claims relating to the enforcement of the Settlement. With respect to the release of Settled Plaintiffs’ Claims, it is the intention of the Lead Plaintiffs and Class Members to expressly waive and relinquish, to the fullest extent permitted by law: (a) the provisions, rights and benefits of Section 1542 of the California Civil Code, which provides that: A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor; and (b) the provisions, rights and benefits of any similar statute or common law of any other jurisdiction that may be, or may be asserted to be, applicable.

(hh) “Settlement” means the proposed settlement contemplated by this Stipulation.

(ii) “Settlement Amount” means the principal amount of twenty million dollars (\$20,000,000) cash plus any interest that may accrue thereon as provided for herein.

(jj) “Summary Notice” means the proposed Summary Notice of Proposed Settlement of Class Action, Application for Attorneys’ Fees and Expenses and Fairness Hearing for publication in the Wall Street Journal, substantially in the form attached as Exhibit A-3 hereto.

2. The obligations incurred pursuant to this Stipulation shall, subject to approval by the Court and such approval becoming Final, be in full and final disposition of the Action and any and all Settled Claims as against any and all Released Parties.

3. (a) By operation of the Judgment, upon the Effective Date of this Settlement, Plaintiffs and all other Class Members, on behalf of themselves and their respective heirs, executors, administrators, successors and assigns and all persons acting in concert with any such person, shall, with respect to each and every Settled Plaintiffs' Claim, waive, release, forever discharge and dismiss and agree not to institute, maintain or prosecute any or all Settled Plaintiffs' Claims against any or all of the Released Defendant Parties, and shall be permanently and finally enjoined from commencing or prosecuting any actions or other proceedings asserting any of the Settled Plaintiffs' Claims either directly, indirectly, representatively, derivatively or in any other capacity against any of the Released Defendant Parties herein. This injunction expressly extends to all claims covered by this Stipulation and all Class Members defined herein. In the event that it becomes necessary for the Defendants to enforce the injunction provided in this paragraph, the Defendants need not, subject to the approval of the court presiding over the proceeding, post a bond.

(b) By operation of the Judgment, upon the Effective Date of this Settlement, each of the Defendants, on behalf of themselves and their respective heirs, executors, administrators, successors and assigns and all persons acting in concert with any such person, shall waive, release and forever discharge each and every of the Settled Defendants' Claims, and shall forever be enjoined from instituting, maintaining or prosecuting any or all of the Settled Defendants' Claims as against any and all of the Released Plaintiff Parties.

4. (a) In settlement of the Settled Plaintiffs' Claims of Plaintiffs and all the other members of the Class herein, IBM, on behalf of itself and the Individual Defendant,

will pay twenty million dollars (\$20,000,000) cash plus interest as provided in paragraph 4(b) which shall resolve and satisfy any claim for attorneys' fees and costs approved by the Court and any and all amounts to be paid to Class members, and shall also cover all Notice and Administration Expenses.

(b) The Settlement Amount will accrue interest from the execution of this Stipulation of Settlement, until IBM transfers the Settlement Amount in accordance with paragraph 19, less any advanced payments made pursuant to paragraph 7 or otherwise ordered by the Court, to the Escrow Account, at an interest rate equal to 3.04188% per annum calculated on the basis of a 360 day year, compounded daily, for the actual number of days elapsed.

(c) Neither IBM nor Lead Counsel shall transfer the Settlement Amount, or any portion thereof, except as provided in the Stipulation or by Order of the Court.

5. (a) Plaintiffs' Counsel will apply to the Court for attorneys' fees and reimbursement of collective litigation expenses, including the fees and expenses of experts and notice to the Class, and costs and expenses incurred by the Plaintiffs directly related to their representation of the Class, plus any interest on such amounts at the same rate and for the same periods as earned by the Settlement Amount (until paid) as may be awarded by the Court ("Fee and Expense Application"). Defendants take no position with respect to Plaintiffs' Counsel's collective Fee and Expense Application. Such matters are not the subject of any agreement between the Parties.

(b) To the extent that the Fee and Expense Application is granted by the Court (the "Fee and Expense Award"), such award shall be paid after the Effective Date as directed by order of the Court. In no event will Defendants be responsible for payment of any attorneys'

fees, expenses or costs of Plaintiffs or the Class other than out of the Settlement Amount as set forth above.

(c) The procedure for and the allowance or disallowance by the Court of the Fee and Expense Application are not part of the Settlement, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of the Settlement. Any order or proceedings relating to the Fee and Expense Application, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of the Judgment approving the Settlement set forth herein.

(d) Defendants will take no position with respect to any award by the Court out of the Settlement Amount of an award of reasonable costs and expenses to Plaintiffs. Such award as contemplated by this paragraph is to be considered separately from the Court's consideration of the fairness, reasonableness, adequacy and good faith of the Settlement. Any order or proceedings relating to an award contemplated by this paragraph, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of the Judgment approving the Settlement. The award provided pursuant to this paragraph shall be payable at the same time as the Fee and Expense Award provided in paragraph 5(b), on the same terms and conditions.

6. Plaintiffs' Counsel is solely responsible for the designation of the Claims Administrator. The Claims Administrator shall administer the Settlement under Plaintiffs' Counsel's supervision and subject to the jurisdiction of the Court. Except as provided by paragraph 7, Defendants will not have any responsibility for, involvement in, or liability for, and Defendants will not be requested or required to pay any costs, fees or expenses in connection

with, providing notice to the Class, the administration of the Settlement, the allocation of the Settlement proceeds, or the reviewing or challenging of claims of Class Members.

7. All reasonable Notices and Administration Expenses shall be paid from the Settlement Amount when incurred. Lead Counsel may be advanced up to \$250,000 to pay actual out-of-pocket Notice and Administration Expenses. Within ten (10) business days after notice from Lead Counsel, and receipt of reasonable supporting documentation, IBM will transfer to Lead Counsel up to \$250,000 from the Settlement Amount to pay Administration Expenses. Any amounts advanced pursuant to this paragraph shall not be recoverable by Defendants in the event the Settlement does not become Final.

8. Plaintiffs' Counsel will apply to the Court, on notice to Defendants' Counsel, for the Class Distribution Order: (i) approving the Claims Administrator's administrative determinations, as supervised by Plaintiffs' Counsel, concerning the acceptance and rejection of the claims submitted herein; (ii) approving payment from the Settlement Amount of the Notice and Administration Expenses to the extent not previously approved; and (iii) if the Effective Date has occurred, directing payment of the Settlement Amount by IBM into the Escrow Account, less any payment advanced pursuant to paragraph 7 or otherwise ordered by the Court, for distribution to the Authorized Claimants as contemplated herein.

9. It is the sole responsibility of the Class Members to pay taxes, plus any penalties and interest, on any amounts received by them pursuant to the Settlement that are construed to be income, and Defendants shall have no liability for such taxes, penalties or interest.

10. The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Amount based upon a reasonable Plan of Allocation to be

proposed by Plaintiffs' Counsel and approved by the Court. The Defendants will take no position with respect to such proposed Plan of Allocation.

11. The Plan of Allocation to be proposed by Plaintiffs' Counsel is not a necessary term of this Stipulation, and it is not a condition of this Stipulation that any particular Plan of Allocation be approved. Any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the Settlement.

12. Each Authorized Claimant shall be allocated a pro rata share of the Net Settlement Amount based on his, her or its recognized claim compared to the total recognized claims of all Authorized Claimants. This is not a claims-made settlement. The Defendants shall not be entitled to get back any of the Settlement Amount once the Effective Date has occurred. The Defendants shall have no involvement in reviewing or challenging claims.

13. (a) Within twenty-eight (28) calendar days of the entry of the Preliminary Approval Order (the "Notice Date"), Plaintiffs' Counsel shall cause the Notice and Proof of Claim and Release Form, substantially in the forms annexed hereto as Exhibits A-1 and A-2, to be mailed by First Class United States mail, postage prepaid to all Class Members. Defendants' Counsel shall cooperate in the administration of the Settlement to the extent reasonably necessary to effectuate its terms, including causing IBM's transfer records concerning the identity and addresses of Class Members and their transactions to be transmitted to the Claims Administrator no later than fourteen (14) calendar days after the entry of the Preliminary Approval Order.

(b) Not later than ten (10) calendar days after the Notice Date, Plaintiffs' Counsel shall cause the Summary Notice, substantially in the form annexed hereto as Exhibit A-3 to be published once in the national edition of the Wall Street Journal.

14. Any member of the Class who does not submit a valid Proof of Claim will not be entitled to receive any of the proceeds from the Net Settlement Amount but will otherwise be bound by all of the terms of this Stipulation, including the terms of the Judgment to be entered in the Action and the releases provided for herein, and will be barred and enjoined from bringing any action against the Released Defendant Parties concerning the Settled Plaintiffs' Claims.

15. Plaintiffs' Counsel shall be solely responsible for supervising the administration of the Settlement and disbursement of the Net Settlement Amount by the Claims Administrator. Except for the obligation to pay the Settlement Amount, to provide reasonable cooperation in the production of information with respect to the identification of Class Members from IBM's shareholder transfer records and to advance payments as contemplated by paragraph 7, Defendants shall have no liability, obligation or responsibility for the administration of the Settlement or disbursement of the Settlement Amount or Net Settlement Amount. Plaintiffs' Counsel shall have the right, but not the obligation, to waive what they deem to be formal or technical defects in any Proofs of Claim submitted in the interests of achieving substantial justice.

16. For purposes of determining the extent, if any, to which a Class Member shall be entitled to be treated as an "Authorized Claimant", the following conditions shall apply:

(a) Each Class Member shall be required to submit a Proof of Claim (substantially in the form of Exhibit A-2 hereto), signed under penalty of perjury and supported by such documents as are designated therein, including proof of the Claimant's loss, or such other documents or proof as Plaintiffs' Counsel, in their discretion, may deem acceptable and subject to the approval of the Court;

(b) All Proofs of Claim must be submitted by the date specified in the Notice unless such period is extended by Order of the Court. Any Class Member who fails to submit a Proof of Claim by such date shall be forever barred from receiving any payment pursuant to this Stipulation (unless, by Order of the Court, a late submitted Proof of Claim by such Class Member is approved), but shall in all other respects be bound by all of the terms of the Settlement, including the terms of the Judgment to be entered in the Action and the releases provided for herein, and will be barred from bringing any action against the Released Defendant Parties concerning the Settled Plaintiffs' Claims.

(c) Each Proof of Claim shall be submitted to and reviewed by the Claims Administrator, under the supervision of Plaintiffs' Counsel, who shall determine in accordance with this Stipulation the extent, if any, to which each claim shall be allowed, subject to review by the Court; and

(d) Proofs of Claim that do not meet the submission requirements may be rejected. Prior to rejection of a Proof of Claim, the Claims Administrator shall communicate with the Claimant in order to afford the Claimant the opportunity to remedy curable deficiencies in the Proof of Claim submitted. The Claims Administrator, under supervision of Plaintiffs' Counsel, shall notify, in a timely fashion and in writing, all Claimants whose Proofs of Claim they propose to reject in whole or in part and setting forth the reasons therefor.

17. Each Claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to the Claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that Claimant's status as a Class Member and the validity and amount of the Claimant's claim. No discovery shall be allowed on the merits of the Action or the Settlement.

18. Payment pursuant to this Stipulation shall be deemed final and conclusive against all Class Members. All Class Members whose claims are not approved by the Court shall be barred from participating in distributions from the Net Settlement Amount, but otherwise shall be bound by the Settlement, including the terms of the Judgment to be entered in the Action and the releases provided for herein, and will be barred from bringing any action against the Released Defendant Parties concerning the Settled Plaintiffs' Claims.

19. The Settlement Amount, less any advanced payments made pursuant to paragraph 7 or otherwise ordered by the Court, shall be paid by IBM into the Escrow Account within fifteen (15) business days after the Effective Date. Upon payment of the Settlement Amount by IBM to the Escrow Account, such funds shall be deemed and considered to be in custodia legis of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation, the Plan of Allocation and/or further order(s) of the Court.

20. Upon payment of the Settlement Amount into the Escrow Account by IBM, Lead Counsel shall cause it to be invested, less any payments authorized herein, in instruments backed by the full faith and credit of the United States Government or fully insured by the United States Government or an agency thereof and shall reinvest the proceeds of these instruments as they mature in similar instruments at the then-current market rates, provided however, that any residual cash balances and cash pending investment in United States Treasury Bills, may be invested and reinvested in a money market mutual fund comprised exclusively of investments secured by the full faith and credit of the United States. Neither Defendants nor Defendants' Counsel shall have any responsibility or liability for investment decisions.

(a) The Parties agree to treat the Settlement Amount after it has been transferred by IBM into the Escrow Account in accordance with paragraph 19 hereof, as being a “qualified settlement fund” within the meaning of Treas. Reg. § 1.468B-1. In addition, Lead Counsel shall timely make, or cause to be made, such elections as necessary or advisable to carry out the provisions of this paragraph, including the “relation-back election” (as defined in Treas. Reg. § 1.468B-1) back to the earliest permitted date. Such election shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of Lead Counsel to timely and properly prepare and deliver, or cause to be prepared and delivered, the necessary documentation for signature by all necessary parties, and thereafter take all such actions as may be necessary or appropriate to cause the appropriate filing to occur.

(b) For the purposes of Section 468B of the Internal Revenue Code of 1986, as amended, and Treas. Reg. § 1.468B promulgated thereunder, the “administrator” shall be Lead Counsel or its successor, which shall timely and properly file, or cause to be filed, all informational and other tax returns necessary or advisable with respect to the interest earned on the fund deposited in the Escrow Account (including without limitation the returns described in Treas. Reg. § 1.468B-2(k)). Such returns (as well as the election described in paragraph 20(a)) shall be consistent with this paragraph and in all events shall reflect that all taxes (including any estimated taxes, interest, or penalties) on the income earned on the funds deposited in the Escrow Account shall be paid out of such funds as provided in paragraph 20(c) hereof.

(c) All (i) taxes (including any estimated taxes, interest or penalties) arising with respect to the income earned on the funds deposited in the Escrow Account (“Taxes”); and (ii) expenses and costs incurred in connection with the operation and implementation of this paragraph (including, without limitation, expenses of tax attorneys and/or accountants, mailing

and distribution costs, and expenses relating to filing (or failing to file) the returns described in this paragraph) (“Tax Expenses”), shall be paid solely out of the Escrow Account. In all events, the Defendants shall have no liability or responsibility for the Taxes, the Tax Expenses or the filing of any tax returns or other documents with the Internal Revenue Service or any other state or local taxing authority. In the event any Taxes and Tax Expenses are owed by any Defendant on any interest earned on the funds on deposit in the Escrow Account, such amounts shall also be paid out of the Escrow Account. Any taxes or tax expenses owed on any interest earned on the Settlement Amount prior to its transfer to the Escrow Account shall be the sole responsibility of IBM.

(d) Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement and shall be timely paid, or caused to be paid, by Lead Counsel out of the Escrow Account without prior order from the Court, and Lead Counsel shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts (as well as any amounts that may be required to be withheld under Treas. Reg. § 1.468B-2(1)(2)). The Parties agree to cooperate with Lead Counsel, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this paragraph.

21. Defendants shall comply with the notice provisions of the Class Action Fairness Act of 2005, 28 U.S.C. § 1715.

22. The Claims Administrator shall not distribute, unless otherwise ordered by the Court, the Net Settlement Amount to Authorized Claimants until after: (i) all claims have been processed, and all Claimants whose claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to be heard concerning such rejection or disallowance; (ii) all matters with respect to attorneys’ fees, costs and disbursements have

been resolved by the Court, all appeals therefrom have been resolved or the time therefor has expired; and (iii) all Notice and Administration Costs have been paid. If the funds remaining from the Settlement Amount following pro rata distribution(s) to all Authorized Claimants is such an amount that it is not cost effective or efficient to redistribute the amount to the Class, then such remaining funds, after payment of any further Notice and Administration Expenses, shall be contributed to not-for-profit organizations designated by Plaintiffs and Plaintiffs' Counsel.

23. Promptly after signing, Plaintiffs' Counsel and Defendants' Counsel will submit this Stipulation to the Court, together with accompanying papers. During the period from the entry of the Preliminary Approval Order to the Effective Date, each of the Parties, and their respective heirs, executors, administrators, successors and assigns and all persons acting in concert with any such person, agree not to institute, maintain or prosecute any or all Settled Claims against any or all of the Released Parties. Nothing in this paragraph shall affect the Parties' rights to enforce the Settlement after the Effective Date.

24. If the Settlement is approved by the Court, Plaintiffs' Counsel and Defendants' Counsel shall jointly request that the Court (a) enter a Judgment substantially in the form attached as Exhibit B hereto; (b) approve the Settlement as final, fair, reasonable, adequate and binding on all Class Members; and (c) dismiss the Action with prejudice.

25. The Effective Date of this Settlement shall be the date when all of the following shall have occurred:

(a) entry of the Preliminary Approval Order in all material respects in the form annexed hereto as Exhibit A;

(b) approval by the Court of the Settlement, following notice to the Class and a hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure; and

(c) a Judgment, in all material respects in the form set forth in Exhibit B attached hereto, has been entered by the Court and has become Final, or, in the event that the Court enters a judgment in form materially different than that provided above (“Alternative Judgment”) and either of the Parties do not elect to terminate this Settlement, the date that such Alternative Judgment becomes Final.

26. Any of the Parties shall have the right to terminate the Settlement by providing written notice of their election to do so (“Termination Notice”) to all other signatories hereto, within thirty (30) days of: (a) the Court’s declining to enter, or modification of, the Preliminary Approval Order in any material respect; (b) the Court’s modification of the Settlement in any material respect; (c) the Court’s declining to enter, or modification of, the Judgment in any material respect; (d) the date upon which any court on appeal modifies the Stipulation, Judgment or Alternative Judgment in any material respect; (e) the date upon which the Judgment is reversed or vacated in any material respect by any court on appeal; or (f) the date upon which an Alternative Judgment is reversed or vacated in any material respect by any court on appeal.

27. In addition, no later than seven (7) days before the Fairness Hearing, Defendants may unilaterally withdraw from and terminate this Stipulation if valid and timely requests for exclusion are received from Class Members who, in the aggregate, purchased an amount greater than five percent (5%) of the aggregate number of damaged shares of IBM common stock purchased by all Class Members during the Class Period. Requests for exclusion that were not timely submitted or that failed to provide all of the information required by the Settlement Agreement shall not be counted. Lead Counsel shall provide to Defendants’ Counsel, not less than ten (10) days prior to the Fairness Hearing, the aggregate number of

shares of IBM common stock purchased during the Class Period by Class Members who submit valid and timely requests for exclusion.

28. In addition to all of the rights and remedies that Plaintiffs and Plaintiffs' Counsel have under the terms of this Stipulation, they shall also have the right to terminate this Stipulation in the event that IBM does not pay or cause to be paid the Settlement Amount as provided in paragraph 19 above, by providing written notice of their election to do so to all other Parties to this Stipulation no later than ten (10) days after such failure.

29. If an option to withdraw from and terminate this Stipulation arises under paragraphs 26 to 28 hereof, (i) neither Defendants nor Plaintiffs will be required for any reason or under any circumstance to exercise that option; and (ii) any exercise of that option shall be made in good faith, but in the sole and unfettered discretion of the Defendants or Plaintiffs, as applicable.

30. If the Settlement is not approved by the Court for whatever reason or the Judgment or Alternative Judgment does not become Final for whatever reason, then (a) the Settlement shall be terminated without prejudice, and none of its terms shall be effective or enforceable, except that paragraphs 7, 30 and 31 survive termination; (b) the Parties shall revert to their litigation positions immediately prior to the execution of the Agreement in Principle between the Parties, dated February 14, 2008; and (c) the fact and terms of the Agreement in Principle, dated February 14, 2008 and this Stipulation of Settlement and all settlement discussions shall not be admissible in any trial of the Action or any other proceeding.

31. This Stipulation, whether or not consummated, and any proceedings taken pursuant to it:

(a) does not constitute, and shall not be offered or received against the Defendants as evidence of, or construed as, or deemed to be evidence of any

presumption, concession or admission by any of the Defendants with respect to the truth of any fact alleged by Plaintiffs or the validity of any claim that had been or could have been asserted in the Action or in any litigation, including but not limited to the Settled Plaintiffs' Claims, or of any liability, negligence, fault or wrongdoing of the Defendants;

(b) does not constitute, and shall not be offered or received against the Defendants as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Defendant, or against the Plaintiffs or any other members of the Class as evidence of any infirmity in the claims of Plaintiffs or the other members of the Class;

(c) does not constitute, and shall not be offered or received against the Defendants or against the Plaintiffs or any other members of the Class, as evidence of a presumption, concession or admission with respect to any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the parties to this Stipulation, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; provided, however, that if this Stipulation is approved by the Court, Defendants may refer to it to effectuate the liability protection granted them under any applicable insurance policies;

(d) does not constitute, and shall not be construed against Defendants, Plaintiffs or any other members of the Class, as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial; and

(e) does not constitute, and shall not be construed as or received in evidence as, an admission, concession or presumption against Plaintiffs or any other members of the Class or any of them that any of their claims are without merit or that damages recoverable under the Complaints, would not have exceeded the Settlement Amount.

32. Defendants may file this Stipulation and/or the Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of res judicata, collateral estoppel, release, good-faith settlement, judgment bar or reduction or any theory of claim preclusion or issue preclusion or similar defense or counterclaim, or to effectuate the liability protection granted them under any applicable insurance policies. Any Party may file this Stipulation and/or the Judgment in any action that may be brought to enforce the terms of this Stipulation and/or the Judgment. All Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement.

33. Other than as may be required by law or disclosures to Defendants' insurers and auditors, the Parties shall maintain the existence and terms of the Settlement confidential until Preliminary Approval from the District Court. After Preliminary Approval, if either Party elects to issue a press release concerning this Action, such a release shall be in the form attached hereto as Exhibit C (a "Press Release"). Except as required by law or disclosures to Defendants' insurers and auditors, and other than a Press Release, if any, the Parties shall make no public statement concerning the Action other than a statement limited to, and without characterization of, the facts and allegations contained in the Press Release or the Notice, other than as the Parties may agree. Plaintiffs and Plaintiffs' Counsel shall not disparage Defendants and shall refrain from publicly or in the media taking any action designed to harm the public perception of the Defendants in relation to the Settled Claims. Defendants and Defendants' Counsel shall not disparage Plaintiffs or Plaintiffs' Counsel and shall refrain from publicly or in

the media taking any action designed to harm the public perception of Plaintiffs or Plaintiffs' Counsel in relation to the Settled Claims.

34. All of the exhibits attached hereto are hereby incorporated by reference as though fully set forth herein.

35. The Parties intend the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by Plaintiffs, any other members of the Class and their attorneys against the Released Defendant Parties with respect to the Settled Plaintiffs' Claims. The Parties agree that the amount paid and the other terms of the Settlement were negotiated at arm's length in good faith by the Parties following mediation, and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel.

36. This Stipulation may not be modified or amended, nor may any of its provisions be waived except by a writing signed by all signatories hereto or their successors-in-interest, and approval by the Court.

37. Following the Effective Date, if any aspect of this Stipulation is held by a court of competent jurisdiction to be void, voidable, unlawful or unenforceable for any reason, then this Stipulation will be interpreted to be enforceable to the extent allowable under the law such that it is consistent with the intent of this Stipulation.

38. The administration and consummation of the Settlement shall be under the authority of the Court and the Court shall retain jurisdiction for the purpose of entering orders providing for awards of attorneys' fees and expenses to Plaintiffs' Counsel and enforcing the terms of this Stipulation.

39. The waiver by one Party of any breach of this Stipulation by any other Party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

40. This Stipulation and its exhibits constitute the complete and final agreement among the Parties hereto concerning the Settlement of the Action, and no representations, warranties or inducements have been made by any Party hereto concerning this Stipulation and its exhibits other than those contained and memorialized in such documents.

41. Plaintiffs' Counsel and Defendants' Counsel shall not be deemed to have waived any attorney-client or work product privilege or immunity due to the transmission of information and documents between Plaintiffs' Counsel and Defendants' Counsel in connection with this Settlement and any such transmissions shall be inadmissible in accordance with Federal Rule of Evidence 408.

42. This Stipulation may be executed in one or more original and/or faxed counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument provided that counsel for the signatories of this Stipulation shall exchange among themselves original signed counterparts.

43. This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Parties hereto.

44. The construction, interpretation, operation, effect and validity of this Stipulation, and all documents necessary to effectuate it, shall be governed by the internal laws of the State of New York without regard to conflicts of laws, except to the extent that federal law requires that federal law govern.

45. This Stipulation shall not be construed more strictly against one Party than another merely by virtue of the fact that it, or any part of it, may have been prepared initially by counsel for one of the Parties, it being recognized that it is the result of arm's length negotiations between the Parties and all Parties have contributed substantially and materially to the preparation of this Stipulation.

46. All counsel and any other Person executing this Stipulation and any of the exhibits hereto, or any related settlement documents, warrant and represent that they have the full authority to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to this Stipulation to effectuate its terms.

47. Plaintiffs' Counsel and Defendants' Counsel agree to cooperate with one another in seeking Court approval of the Preliminary Approval Order, the Stipulation and the Settlement, and to promptly agree upon and execute all such other procedural documentation as may be reasonably required to obtain final approval by the Court of the Settlement.

48. Unless otherwise indicated, any notice or other communication that may or must be given by any Party or its counsel, or by the Claims Administrator, under this Stipulation shall be in writing and shall be delivered by prepaid overnight mail to counsel for the Party or Parties to which such notice or communication is directed at the address for such counsel set forth below.

Dated: May 22, 2008

INTERNATIONAL BUSINESS
MACHINES CORP.

By

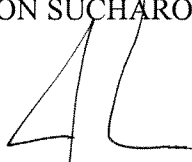
Cari S. Robinson

1133 Westchester Avenue
White Plains, NY 10604
(914) 642-4375

*Associate General Counsel for
Defendant International Business
Machines Corp.*

LABATON SUCHAROW LLP

By



Jonathan Plasse

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*Lead Counsel for Plaintiffs and the
Class*

CRAVATH SWAINE & MOORE LLP

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Elizabeth L. Grayer

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825 Eighth Avenue
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(212) 474-1000

*Attorneys for Defendants
International Business Machines
Corp. and Mark Loughridge*

KLAFTER & OLSEN LLP

Jeffrey A. Klafter
Kurt B. Olsen

1311 Mamaroneck Avenue, Suite 220
White Plains, NY 10605
(914) 997-5656

*Additional Counsel for Plaintiffs and
the Class*

48. Unless otherwise indicated, any notice or other communication that may or must be given by any Party or its counsel, or by the Claims Administrator, under this Stipulation shall be in writing and shall be delivered by prepaid overnight mail to counsel for the Party or Parties to which such notice or communication is directed at the address for such counsel set forth below.

Dated: May 22, 2008

INTERNATIONAL BUSINESS
MACHINES CORP.

By



Cari S. Robinson

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Machines Corp.*

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(914) 997-5656

*Additional Counsel for Plaintiffs and
the Class*

EXHIBIT A

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

IN RE INTERNATIONAL BUSINESS MACHINES
CORP. SECURITIES LITIGATION

Civil Action No. 1:05-cv-6279 (AKH)
ECF CASE

**[PROPOSED] ORDER PRELIMINARILY APPROVING
SETTLEMENT AND PROVIDING FOR NOTICE TO THE CLASS**

WHEREAS:

A. Plaintiffs, Joseph Anchinovski, Nilda Anchinovski and Donald Rubenstein (collectively, “Plaintiffs”) on behalf of themselves and as representatives of the Class, and defendants International Business Machines Corporation (“IBM” or the “Company”), and Mark Loughridge (collectively, the “Defendants”), have entered into a settlement of the claims asserted in the above-captioned class action (the “Action”), the terms of which are set forth in a Stipulation and Agreement of Settlement dated May __, 2008 (the “Stipulation”);

B. Plaintiffs and Defendants have moved pursuant to Rule 23(e) of the Federal Rules of Civil Procedure for an Order preliminarily approving the proposed Settlement and directing the issuance of notice to the Class in accordance with the terms of the Stipulation; and

C. The Court, on March 14, 2007, certified a class (the “Class”) of all persons or entities who purchased or otherwise acquired common stock of IBM between April 5, 2005, and April 14, 2005, inclusive (the “Class Period”), and who were damaged thereby. Excluded from the Class are any parents, subsidiaries, affiliates, officers, or directors of defendant IBM and their immediate families; any entity in which any excluded person has a controlling interest and the legal representatives, heirs, successors and assigns of any excluded person. Also

excluded from the Class are all persons and entities who have previously properly excluded themselves from the Class pursuant to the Notice of Pendency of Class Action or who exclude themselves pursuant to the instructions set forth in the proposed Notice of Proposed Settlement of Class Action, Application for Attorneys Fees and Expenses and Fairness Hearing (the “Notice”), a list of whom will be attached to the Judgment when it is submitted to the Court in connection with the Fairness Hearing.

D. The Court having read and considered the Stipulation and exhibits thereto, including the proposed Notice, the proposed Proof of Claim and Release (“Proof of Claim”), the proposed Summary Notice of Proposed Settlement of Class Action, Application for Attorneys’ Fees and Expenses and Fairness Hearing (“Summary Notice”) and the proposed Judgment and Order of Dismissal (“Judgment”), and finding that substantial and sufficient grounds exist for entering this Order Preliminarily Approving Settlement and Providing for Notice to the Class (“Preliminary Approval Order”);

NOW, THEREFORE, IT IS HEREBY ORDERED:

1. The Court, for purposes of this Preliminary Approval Order, adopts all defined terms as set forth in the Stipulation. Any inconsistencies between the Stipulation and the Notice will be controlled by the language of the Stipulation.

2. The Court preliminarily approves the proposed Settlement of this consolidated class action on the terms set forth in the Stipulation as being fair, reasonable and adequate, subject to further consideration at a hearing to be held before this Court on _____, 2008 at _:_ .m. in the Daniel Patrick Moynihan United States Courthouse, Courtroom 14D, 500 Pearl Street, New York, New York 10007 (the “Fairness Hearing”) to determine (i) whether the proposed settlement of the Action on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate and should be approved by the

Court and whether the proposed Plan of Allocation of the Net Settlement Amount is fair, reasonable and adequate and should be approved by the Court; (ii) whether a judgment substantially in the form of Exhibit B to the Stipulation should be entered herein; and (iii) whether Plaintiffs' Counsel's application for an award of attorneys' fees and reimbursement of expenses, including an award of costs and expenses to the Plaintiffs for their efforts in prosecuting the Action (the "Fee and Expense Request") should be granted.

3. The Court approves the form, substance and requirements of the Notice, Proof of Claim, and Summary Notice, attached hereto as Exhibits 1, 2 and 3, and finds that the procedures established for mailing and distribution of such Notice and Proof of Claim and for publishing the Summary Notice, substantially in the manner set forth in paragraphs 5 and 6 hereof constitute the best notice practicable under the circumstances and are in full compliance with the notice requirements of due process, Fed. R. Civ. P. 23 and Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7).

4. The Court appoints A.B. Data, Ltd. (the "Claims Administrator") to administer the notice procedure as well as the processing of claims under the supervision of Plaintiffs' Counsel, as more fully set forth below.

5. Within twenty-eight (28) calendar days of entry of this Preliminary Approval Order (the "Notice Date"), Plaintiffs' Counsel shall cause the Notice and the Proof of Claim, substantially in the forms annexed hereto as Exhibits 1 and 2, to be mailed, first class mail, postage prepaid, to each Class Member at the address of each such person as set forth in the records of IBM or its transfer agent, or who otherwise can be identified through reasonable effort. Defendants' Counsel shall cause IBM's transfer records concerning the identity and address of Class Members and their transactions to be transmitted to the Class Administrator no later than fourteen (14) calendar days after entry of this Preliminary Approval Order.

6. Not later than ten (10) calendar days after the Notice Date, the Claims Administrator shall cause the Summary Notice, substantially in the form annexed hereto as Exhibit 3, to be published once in the national edition of the *Wall Street Journal*.

7. No later than seven (7) days prior to the Fairness Hearing: (a) Plaintiffs' Counsel shall serve on Defendants' Counsel and file with the Court proof, by affidavit or declaration, of the mailings and publication required in paragraphs 5 and 6 of this Preliminary Approval Order; and (b) Defendants' Counsel shall serve on Plaintiffs' Counsel and file with the Court proof, by affidavit or declaration, of their compliance with the notice requirements of 28 U.S.C. § 1715, including the date of the last such notification provided.

8. Plaintiffs' Counsel or their agents shall be responsible for the receipt of all responses from the Class and shall preserve all entries of appearance, Proofs of Claim, and all other written communications from members of the Class, nominees or any other Person in response to the Notice for three (3) years after the Effective Date of the Settlement, or as otherwise ordered by the Court.

9. The costs of notification to Class Members of the proposed Settlement in accordance with paragraphs 5 and 6 hereof, up to \$250,000, including printing and mailing or publication of all required notices, shall be paid out of the Settlement Amount. In accordance with the Stipulation, IBM shall advance to Plaintiffs' Counsel, upon notice and reasonable supporting documentation, up to \$250,000 from the Settlement Amount to pay the costs of notice and settlement administration without further order of the Court. Any amounts advanced pursuant to this paragraph shall not be recoverable by Defendants in the event the proposed Settlement does not become Final.

10. No Person that is not a Plaintiff, Class Member or Plaintiffs' Counsel shall have any right to any portion of, or in the distribution of, the Settlement Amount unless otherwise ordered by the Court or otherwise provided in the Stipulation.

11. Any member of the Class who did not previously submit a timely and valid request for exclusion from the Class in accordance with the Notice of Pendency and who now wishes to be excluded from the Class must submit a request for exclusion, in accordance with the instructions in the Notice, to the Claims Administrator, by first class mail no later than fourteen (14) days before the Fairness Hearing. All persons who submit valid and timely requests for exclusion in the manner set forth in the Notice shall have no rights under the Stipulation, shall not share in the distribution of the Net Settlement Amount, and shall not be bound by any of the terms and provisions of the Stipulation, including the releases provided for in the Judgment, or any proceedings, rulings, orders, and judgments in this Action. The Claims Administrator shall provide copies of requests for exclusion to Plaintiffs' Counsel and Defendants' Counsel within three (3) days after such requests are received, and at least ten (10) days before the Fairness Hearing. Any Class Member who did not, or does not, submit a valid and timely written request for exclusion from the Class in accordance with the instructions in the Notice of Pendency or Notice is a Class Member and shall be bound by all of the terms and provisions of the Stipulation, including the releases provided for in the Judgment, and by all proceedings, rulings, orders, and judgments in this Action, whether favorable or unfavorable to the Class.

12. Any Class Member who wishes to participate in the distributions from the Net Settlement Amount must complete and submit a Proof of Claim in accordance with the instructions contained therein. All Proof of Claim forms must be submitted by first-class mail, postmarked no later than fourteen (14) days before the Fairness Hearing or such other time as

may be set by the Court. If a Class Member chooses to return his, her or its Proof of Claim form in a manner other than by first-class mail, then it must be actually received at the address on the Proof of Claim form no later than fourteen (14) days before the Fairness Hearing or such other date as may be set by the Court. Except as otherwise ordered by the Court, any Class Member who fails to return a timely and signed Proof of Claim form shall be barred from receiving a distribution of the Net Settlement Amount, but shall nevertheless be bound by and subject to the Stipulation, the Judgment, and all proceedings, rulings, orders and judgments in this Action, including, without limitation, the release provided for in the Judgment and the dismissal with prejudice of this Action. Notwithstanding the foregoing, Plaintiffs' Counsel may, in their sole discretion, accept for processing late claims so long as the distribution of the Net Settlement Amount to Authorized Claimants is not materially delayed.

13. Any Class Member may enter an appearance in the Action, individually or through counsel of his, her or its own choice, at his, her or its own expense. Any Class Member who chooses not to enter an appearance in the Action will be represented by Plaintiffs' Counsel.

14. Any Class Member who wishes to object to the fairness, reasonableness or adequacy of the proposed Settlement, to the entry of the Judgment, to the Plan of Allocation or to the Fee and Expense Request must file with the Court (c/o Clerk of the United States District Court for the Southern District of New York, United States Courthouse, 500 Pearl Street, New York, New York 10007), in the manner provided in the Notice and no later than fourteen (14) days before the Fairness Hearing or as the Court may otherwise direct, notice of the Class Member's intention to object, the grounds for such objection, and all papers the Class Member intends to present to the Court in opposition to the proposed Settlement, the Judgment, the Plan of Allocation or the Fee and Expense Request, including proof of all purchases of IBM common stock during the Class Periods and price(s) paid, any legal support the Class Member wishes to

bring to the Court's attention and any evidence the Class Member wishes to introduce in support of his, her or its objection. In addition to filing such papers and materials with the Court, the Class Member must serve copies of such papers and materials, served by hand or by overnight delivery, upon each of the following:

Jonathan M. Plasse
Labaton Sucharow LLP
140 Broadway
New York, NY 10005

*Lead Counsel for Plaintiffs
and the Class*

Evan R. Chesler
Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019

*Attorneys for Defendants International
Business Machines Corp. and Mark
Loughridge*

15. Any Class Member may file an objection of the nature described in paragraph 14 on his, her or its own or through an attorney hired at his, her or its own expense. Any Class Member who files and serves such an objection may, but is not required to, appear at the Fairness Hearing, either in person or through an attorney hired at the Class Member's own expense. If a Class Member hires an attorney to represent him, her or it at the Fairness Hearing, the attorney must file a notice of appearance with the Clerk of the Court and deliver a copy of that notice to the counsel identified in paragraph 14 hereof at the addresses set forth therein, no later than fourteen (14) days before the date of the Fairness Hearing.

16. Persons who intend to object to the proposed Settlement, the Judgment to be entered herein, the Plan of Allocation or to the Fee and Expense Request and present evidence at the Fairness Hearing must include in their written objections the identity of any witnesses they may seek to call to testify and any exhibits they may seek to introduce into evidence at the Fairness Hearing. Any Party has the right to object to any testimony or other evidence that a person presenting an objection seeks to introduce.

17. Unless the Court otherwise directs, no member of the Class or other Person shall be entitled to object to the proposed Settlement, the Judgment to be entered herein, the Plan of Allocation or the Fee and Expense Request or otherwise be heard, except by serving and filing written objections as described above. Any Person who does not object in the manner prescribed above shall be deemed to have waived such objection in this or any other action or proceeding and shall be bound by all the terms and provisions of the Stipulation and by all proceedings, orders and judgment in the Action.

18. The Court expressly reserves the right to adjourn the Fairness Hearing, or any adjournment thereof, without any further notice other than an announcement at the Fairness Hearing, or any adjournment thereof, and to approve the Stipulation with modification approved by the parties to the Stipulation and without further notice to members of the Class.

19. At or after the Fairness Hearing, the Court shall determine whether the Plan of Allocation and the Fee and Expense Request shall be approved. Neither the Defendants nor Defendants' Counsel shall have any responsibility for any plan of allocation of the Settlement Amount or any application for attorneys' fees or reimbursement of expenses submitted by Plaintiffs' Counsel, and such matters will be considered separately from the fairness, reasonableness and adequacy of the proposed Settlement.

20. If the proposed Settlement, including any amendment made in accordance with the Stipulation, is not approved by the Court or shall not become effective for any reason whatsoever, the proposed Settlement and Stipulation (including any modification thereof), and any action taken or to be taken in connection therewith (including this Preliminary Approval Order and any judgment entered herein) shall be terminated and shall become null and void and of no further force and effect except for Defendants' obligation to pay for Notice and Administration Expenses as set forth in paragraph 7 of the Stipulation, and neither the

Stipulation, nor any provision contained in the Stipulation, nor any action undertaken pursuant thereto, nor the negotiation thereof by any party, shall be deemed an admission or offered or received as evidence at any proceeding in this or any other action or proceeding.

21. All proceedings in the Action, other than proceedings as may be necessary to carry out the terms and conditions of the proposed Settlement, are hereby stayed and suspended until further order of this Court. Pending final determination of whether the proposed Settlement and Stipulation should be approved, Plaintiffs and all members of the Class are barred and enjoined from commencing or prosecuting, instigating or in any way participating in the commencement or prosecution of any action or other proceeding, in any forum, asserting any of the Settled Plaintiffs' Claims, as defined in the Stipulation.

22. Plaintiffs' Counsel shall submit papers in support of final approval of the proposed Settlement, the Plan of Allocation and their application for an award of attorneys' fees and expenses and an award of reasonable costs and expenses to Plaintiffs by no later than one week prior to the date set for the Fairness Hearing.

23. In any event, neither the Stipulation or any provisions contained in the Stipulation, nor any negotiations, statements or proceedings in connection therewith, shall be construed as, or deemed to be evidence of, any presumption, concession or admission on the part of any of the Plaintiffs, Defendants, any Class Member or any other person or entity with respect to any liability or wrongdoing by them, or any of them as to any claim alleged or asserted in the Action or otherwise, and shall not be offered or received in evidence in any action or proceeding (except in an action or proceeding to enforce the terms and conditions of the Stipulation), or be used in any way as an admission, concession or evidence of any liability or wrongdoing of any nature, and shall not be construed as, or deemed to be evidence of, an admission or concession

that Plaintiffs, their counsel and the members of the Class, or any present or former shareholders of the Company, or any other person or entity, has or has not suffered any damage.

24. If the proposed settlement provided for in the Stipulation is approved by the Court following the Fairness Hearing, a Judgment shall be entered as described in the Stipulation.

25. The administration of the proposed Settlement and the determination of all disputed questions of law and fact with respect to the validity of any claim or right of any person to participate in the distribution of the Settlement Amount shall be under the authority of this Court.

26. The Court retains exclusive jurisdiction over the Action to consider all further matters arising out of or connected with the proposed Settlement.

Dated: New York, New York
May __, 2008

Honorable Alvin K. Hellerstein
United States District Judge

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, APPLICATION FOR
ATTORNEYS' FEES AND EXPENSES AND FAIRNESS HEARING**

If you bought International Business Machines Corp. ("IBM") common stock during the period from April 5, 2005, through April 14, 2005, inclusive, you could get a payment from the class action settlement described below.

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

THIS NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, APPLICATION FOR ATTORNEYS' FEES AND EXPENSES AND FAIRNESS HEARING ("NOTICE") RELATES TO A PROPOSED SETTLEMENT OF CLASS CLAIMS ASSERTED IN AN ACTION ENTITLED IN RE INTERNATIONAL BUSINESS MACHINES CORP. SECURITIES LITIGATION, CIVIL ACTION NO. 1:05-cv-6279-AKH (THE "ACTION"), BROUGHT BY PLAINTIFFS JOSEPH AND NILDA ANCHINOVSKI AND DONALD RUBENSTEIN (COLLECTIVELY, "PLAINTIFFS") AGAINST IBM AND MARK LOUGHRIDGE (COLLECTIVELY, "DEFENDANTS").

THIS NOTICE EXPLAINS IMPORTANT RIGHTS YOU MAY HAVE INCLUDING YOUR POSSIBLE RECEIPT OF CASH CONSIDERATION AS A RESULT OF THE PROPOSED SETTLEMENT AND ALSO CONTAINS A PROOF OF CLAIM FORM THAT YOU MUST COMPLETE AND SUBMIT BY _____, 2008 IN ORDER TO BE ELIGIBLE TO SHARE IN THE PROPOSED SETTLEMENT. PLEASE READ IT CAREFULLY!

- The proposed Settlement will provide \$20 million in cash plus interest (the "Settlement Amount") to pay claims of investors who purchased IBM common stock during the period from April 5, 2005, through April 14, 2005, inclusive (the "Class Period") and will be paid, pursuant to the terms discussed in this Notice, to those investors who were allegedly damaged by the misrepresentations and omissions alleged in the lawsuit. Plaintiffs estimate that the average recovery per "damaged" share of common stock would be approximately \$0.51 before the deduction of attorney, notice, administrative, and tax fees, costs, and expenses, as approved by the Court, assuming that all Class members submit valid and timely Proof of Claim forms. The recovery is explained in greater detail below. As is also explained below, the parties do not agree on the average amount of damages that would be recoverable if Plaintiffs prevailed on all claims.
- The proposed Settlement will resolve a lawsuit over whether the Defendants violated federal securities laws as a result of issuing allegedly false and misleading public statements. The Defendants deny all allegations of wrongdoing. Plaintiffs believe that the proposed Settlement is in the best interests of the members of the Class in that it provides a significant benefit now, as compared to the risk that a smaller or no recovery would be achieved after a trial and appeals, possibly years in the future, in connection with which Defendants would have the opportunity to assert substantial defenses to the claims asserted on behalf of the Class.
- Lead Counsel (defined below) intends to apply for an award of attorneys' fees on behalf of itself and other plaintiffs' counsel which assisted in the prosecution of this Action (collectively, "Plaintiffs' Counsel") not to exceed 28% of the Settlement Amount. In addition, Lead Counsel intends to apply for reimbursement of expenses paid and incurred by Plaintiffs' Counsel in connection with the prosecution and resolution of this Action, in an amount not to exceed \$300,000, and for costs and expenses incurred by the Plaintiffs directly related to their representation of the Class, in amounts not to exceed \$50,000 in the aggregate (the "Fee and Expense Application"). If Lead Counsel's Fee and Expense Application is approved by the Court,

**Questions? CALL (866) 963-9975 TOLL FREE, OR VISIT www.ibmsecuritieslit.com.
DO NOT CONTACT THE COURT OR IBM – THEY CANNOT ANSWER YOUR QUESTIONS.**

the average recovery per “damaged” share of common stock would be reduced by approximately \$0.15, for an average net recovery per “damaged” share of approximately \$0.36. Plaintiffs’ Counsel have litigated this Action on a contingent-fee basis, and have advanced all of the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive attorneys’ fees and be reimbursed for their expenses from the recovery, as is customary in this type of litigation.

- Your legal rights are affected whether you act, or do not act, so please read this Notice carefully. If you have any questions concerning any matter contained in this Notice, you may contact the Claims Administrator or Plaintiffs’ Lead Counsel, as indicated on page ____.

YOUR LEGAL RIGHTS AND OPTIONS CONCERNING THE PROPOSED SETTLEMENT, FEE AND EXPENSE APPLICATION OR PLAN OF ALLOCATION:	
SUBMIT A PROOF OF CLAIM FORM	The only way to get a payment.
REQUEST EXCLUSION FROM THE CLASS	Get no payment, preserve all rights.
OBJECT	Write to the Court about why you don’t like any of the above.
APPEAR AT A HEARING	Ask to speak in Court about any of the above.
DO NOTHING	Get no payment. Give up rights.

- These rights and options – **and the deadlines to exercise them** – are explained in this Notice.
- The issuance of this Notice is not intended to be an expression of the Court’s opinion on the merits of any claim in the Action and the Court in charge of this case still has to decide whether to enter a judgment approving the proposed Settlement. Payments will be made if the Court approves the proposed Settlement, after appeals, objections and other challenges are resolved, and after the completion of all claims processing. Please be patient.
- Any questions regarding the proposed Settlement should be directed to Plaintiffs’ Lead Counsel: Jonathan Plasse, Esq., Labaton Sucharow LLP, 140 Broadway, New York, NY 10005, (888) 753-2796 (toll free), www.labaton.com.

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WHY DID I GET THIS NOTICE?

This Notice is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and pursuant to an Order of the United States District Court for the Southern District of New York (the "Court"). The purpose of this Notice is to inform you of the proposed Settlement that has been reached in this class action and to inform you of a hearing (the "Fairness Hearing") to be held by the Court to consider the fairness, reasonableness and adequacy of the proposed Settlement and at which the Court may also consider approval of a plan of allocation (the "Plan of Allocation") and the application of Lead Counsel on behalf of all Plaintiffs' Counsel for attorneys' fees and reimbursement of expenses, and on behalf of the Plaintiffs for costs and expenses directly related to their representation of the Class, as described below.

Pursuant to an Order of the Court dated _____, 2008, (the "Preliminary Approval Order"), the Fairness Hearing will be held at _____.m. on _____, 2008, before the Honorable Alvin K. Hellerstein in Courtroom 14D of the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007.

RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A MEMBER OF THE CLASS ("CLASS MEMBER") OR ARE ENTITLED TO RECEIVE PROCEEDS FROM THE PROPOSED SETTLEMENT. IF YOU WISH TO PARTICIPATE IN THE PROPOSED SETTLEMENT, YOU MUST SUBMIT THE ENCLOSED PROOF OF CLAIM FORM TO THE CLAIMS ADMINISTRATOR BY _____, 2008.

WHAT RECOVERY DOES THE PROPOSED SETTLEMENT PROVIDE?

Pursuant to the proposed Settlement described herein, the Defendants have agreed to pay a total of \$20,000,000 plus interest for the benefit of the Class. The Settlement Amount, less notice and administration expenses, attorneys' fees and expenses awarded to Plaintiffs' Counsel and Plaintiffs, any taxes due on the interest earned by the Settlement Amount and any costs incurred in connection with determining the amount of taxes owed (the "Net Settlement Amount") are proposed to be distributed in accordance with the Plan of Allocation, described below. Under the proposed Plan of Allocation, your actual recovery from the Net Settlement Amount will depend on a number of variables including the number of IBM shares of common stock you purchased during the Class Period, when any purchases on April 5, 2005, occurred, whether shares purchased during the Class Period were held as of the close of all trading on April 14, 2005, or sold on or before July 13, 2005, the total number of shares for which timely and valid Proof of Claim forms are submitted by Class members, and the amount of attorneys fees and expenses awarded by the Court. Certain Class members may not be entitled to any recovery depending upon when they purchased and/or sold IBM common stock during the Class Period. See "How Much Will My Payment Be?", on page ____ below.

WHAT MIGHT HAVE HAPPENED IF THE PARTIES HAD NOT AGREED TO THE PROPOSED SETTLEMENT?

Plaintiffs and Defendants do not agree on the average amount of damages per share of IBM common stock that would be recoverable if Plaintiffs were to have prevailed on the Class' claims asserted

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in the Action. The issues on which the parties disagree include, among other things, the amount of damage, if any, allegedly caused by the alleged misrepresentations and omissions at issue in this lawsuit. If Plaintiffs failed to establish any essential legal or factual element of their claims, neither they nor the Class would recover anything from Defendants. Also, if Defendants were successful in proving any of their asserted challenges to recoverable damages, Plaintiffs would likely recover substantially less than the Settlement Amount or recover nothing.

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

This securities class action was commenced on July 8, 2005, alleging that Defendants violated the federal securities laws. By Order dated March 29, 2006, pursuant to the Private Securities Litigation Reform Act of 1995 (the “PSLRA”), the Court appointed Joseph and Nilda Anchinovski as Lead Plaintiffs (“Lead Plaintiffs”) and approved their selection of Labaton Sucharow LLP (then known as Labaton Sucharow & Rudoff LLP) as Lead Counsel in the Action (“Lead Counsel”). Lead Plaintiffs together with plaintiff Donald Rubenstein filed their Consolidated Amended Class Action Complaint on May 20, 2006, (the “Complaint”), which alleged, among other things, that: (a) on April 5, 2005, Defendants allegedly made material misrepresentations and omissions concerning IBM’s expected 2005 first quarter earnings, IBM’s expected 2005 first quarter operational performance and the impact of IBM’s decision to begin treating the cost of stock options granted as an expense on its 2005 first quarter financial statements, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder; (b) as a result of these alleged misrepresentations and omissions on April 5, 2005, the price of IBM’s common stock was artificially inflated until April 14, 2005; (c) on April 14, 2005, after the close of the market, IBM disclosed its first-quarter results, stating that the Company had experienced operational deficiencies causing it to report lower-than-expected earnings and that the actual impact of expensing stock options in the the first quarter was significantly less than indicated on April 5, 2005. Plaintiffs allege that the statements made by Defendants on April 5, 2005, were false and misleading, were made in violation of federal securities laws and caused damages to Plaintiffs and the other members of the Class. By their Complaint, Plaintiffs sought money damages plus interest, costs and attorneys’ fees from Defendants.

On June 23, 2006, Defendants filed their motion to dismiss the Complaint, which motion was opposed by Plaintiffs. The Court held oral argument on Defendants’ motion to dismiss on September 20, 2006, at which time, following extensive oral argument, the Court denied Defendants’ motion to dismiss the Complaint. Defendants then filed their Answer to the Complaint on October 13, 2006, in which they vigorously denied any liability to the Class and denied that any damages are owed to any Plaintiffs or any Class member. In their Answer, Defendants also asserted a number of affirmative defenses.

On November 6, 2006, Defendants moved to compel Plaintiffs to disclose the identities of confidential witnesses on which they relied in preparing the Complaint. Plaintiffs filed a cross motion seeking a order precluding Defendants from obtaining the identity of these confidential witnesses. After extensive motion practice, the Court held oral argument on December 7, 2006, and denied both motions without prejudice to renew them in the future.

On January 16, 2007, Plaintiffs filed their motion to certify this action as a class action, which motion was opposed by Defendants. After depositions of each of the Plaintiffs and extensive briefing, the Court held oral argument on Plaintiffs’ motion for class certification and by order dated March 14, 2007, certified the action to proceed as a class action on behalf of a class consisting of: All persons and entities that purchased or otherwise acquired the common stock of IBM between April 5, 2005, and April 14, 2005, inclusive, and were damaged thereby, excluding any parents, subsidiaries, affiliates, officers or directors of IBM and their immediate families; any entity in which any excluded person has a controlling

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interest; the legal representatives, heirs, successors and assigns of any excluded person, and any person who has requested exclusion from the Class in accordance with the instructions set forth in a Notice of Pendency of Class Action ("Notice of Pendency") mailed, in accordance with an Order by the Court, on or about May 30, 2007, or who requests exclusion from the Class in accordance with the instructions set forth below. The Court also designated Plaintiffs Joseph and Nilda Anchinovski and Donald Rubenstein as class representatives. The Notice of Pendency advised Class members that the action had been certified to proceed as a class action and of their right to request exclusion from the Class no later than July 30, 2007. If you would like a copy of the Notice of Pendency, it can be downloaded from: www.ibmsecuritieslit.com.

Prior to agreeing to the proposed Settlement, Plaintiffs' Counsel conducted an extensive investigation and discovery relating to the events and transactions underlying the Plaintiffs' claims. Plaintiffs' Counsel also retained and had the benefit of experts in assessing the recoverable damages suffered by the Class. Discovery commenced in November 2006. As a part of the discovery process, Plaintiffs' Counsel analyzed tens of thousands of pages of documents produced by IBM. Plaintiffs' Counsel also conducted depositions of six officers of IBM who were principally responsible for the matters at issue in this lawsuit. These six depositions were completed on September 6, 2007.

WHAT LED UP TO THE PROPOSED SETTLEMENT?

In directing the discovery described above, the Court suggested that the parties consider the possibility of settlement after that discovery had been completed. Accordingly, in mid-September 2007, Plaintiffs proposed mediation and made a settlement demand. Defendants agreed to mediate, and the parties jointly agreed upon a highly experienced, neutral mediator.

In preparation for the mediation, Plaintiffs and Defendants both prepared, submitted to the mediator and exchanged extensive statements as to their respective views with regard to the merits of Plaintiffs' claims. The mediation took place on February 13 and 14, 2008. After approximately 17 hours of negotiations, an agreement-in-principle was finally reached. That agreement was subject to the negotiation of a definitive stipulation of settlement (the "Stipulation of Settlement") and releases in forms satisfactory to counsel for all parties, as well as approval of that Stipulation of Settlement by the Court. Significant additional negotiations were required before the parties were able to agree to all of the terms of the Stipulation of Settlement and the extensive exhibits thereto. The Stipulation of Settlement was executed by counsel for the parties on May __, 2008. The proposed Settlement described in this Notice is therefore the product of extensive arm's-length negotiations between counsel for Plaintiffs and counsel for Defendants.

WHAT ARE THE REASONS FOR THE PROPOSED SETTLEMENT?

Plaintiffs and Plaintiffs' Counsel believe that the claims asserted in the Action have merit. However, they recognize and acknowledge the uncertain outcome of such proceedings and the expense and length of continued proceedings necessary to prosecute this Action through trial and appeals. Following the completion of discovery, Defendants would have moved for summary judgment, which, if successful, would terminate the Action unless reversed on appeal. Plaintiffs and Plaintiffs' Counsel also took into account the issues which would have to be decided by a jury if summary judgment were denied, including whether any statement made by any of the Defendants was false, whether the Defendants acted with scienter (that is, knowingly or recklessly) and whether each of the alleged misrepresentations and omissions were material. Defendants would vigorously dispute each of these

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elements of liability in the event Plaintiffs successfully opposed their summary judgment motion and were entitled to proceed to trial. Plaintiffs' proof of the damages they contend were caused by the alleged misrepresentations and omissions would also be vigorously contested by Defendants at trial. Plaintiffs and Plaintiffs' Counsel have also taken into account the uncertain outcome and trial risk in complex actions such as this Action. Furthermore, a verdict in favor of Plaintiffs and the Class would almost certainly have been appealed. Considering these factors, which could have led to a smaller recovery or no recovery at all after a trial and appeals, possibly years in the future, and balancing them against the certain and significant benefits that the Class will receive as a result of the proposed Settlement, Plaintiffs and Plaintiffs' Counsel determined that the proposed Settlement described herein is fair, reasonable and adequate and that it is in the best interests of the Class to settle the Action on the terms described herein.

WHY HAVE THE DEFENDANTS AGREED TO THE PROPOSED SETTLEMENT?

Defendants have denied and expressly continue to deny any wrongdoing, fault, liability, violation of law or damage alleged in the Complaint and do not admit or concede any wrongdoing, fault, liability, violation of law or damage in connection with any facts or claims that have been or could have been alleged against them by the Plaintiffs. Defendants, while affirmatively denying wrongdoing, fault and liability, consider it desirable and in their best interest that this action be dismissed under the terms of the proposed Settlement in order to avoid further expense, uncertainty and distraction, and protracted litigation.

HOW MUCH WILL MY PAYMENT BE?

If the proposed Settlement is approved by the Court and you are entitled to a payment, your share of the Net Settlement Amount will depend on the number of valid Proof of Claim Forms that Class members submit, the number of shares of IBM common stock you purchased, and when you purchased or sold those shares, as described in the Plan of Allocation that is described in this Notice on pages ____.

By following the Plan of Allocation, you can calculate your "Recognized Loss." The Claims Administrator will distribute the Net Settlement Amount according to the Plan of Allocation after all Proof of Claim forms have been processed, the proposed Settlement has been approved by the Court, and any appeals, objections and other challenges have been resolved in favor of approval of the proposed Settlement or the time for any appeals has expired.

HOW DO I PARTICIPATE IN THE PROPOSED SETTLEMENT? WHAT DO I NEED TO DO?

To qualify for a payment out of the Net Settlement Amount, you must be a member of the Class and complete and sign the Proof of Claim form enclosed with this Notice and mail it by First-Class mail to In re IBM Securities Litigation, c/o A.B. Data, Ltd., Claims Administrator, P.O. Box 170500, Milwaukee, WI 53217, postmarked no later than _____, 2008. If a Class member chooses to return his, her or its Proof of Claim form in a manner other than by First-Class mail, then it must be actually received at the address on the Proof of Claim form no later than _____, 2008.

Review the Proof of Claim form and read the instructions carefully. The Proof of Claim form must be supported by such documents specified in the Proof of Claim form as are reasonably available to you.

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The Proof of Claim form incorporates the Releases set forth below. Any member of the Class who fails to submit a Proof of Claim form postmarked or received by _____, 2008, and who has not previously excluded himself, herself or itself from the Class in accordance with the instructions set forth in the Notice of Pendency or does not exclude himself, herself or itself from the Class in accordance with the instructions set forth below, shall be forever barred from receiving any payments pursuant to the proposed Settlement described herein, but in all other respects will be subject to and bound by the provisions of any judgment entered, including but not limited to the releases included therein. This means that if the proposed Settlement is approved by the Court, each Class member will be deemed to have released the Released Claims against the Released Persons, as defined below, and will be enjoined and prohibited from filing, prosecuting or pursuing any of the Released Claims against the Released Persons regardless of whether or not you submit a Proof of Claim. If you have any questions, or need assistance, call the Claims Administrator at (866) 963-9975 toll-free or send an e-mail to info@abdatalawserve.com, and someone will assist you.

WHEN WILL I RECEIVE MY PAYMENT?

The Court will hold a hearing on _____, 2008 to consider whether to approve the proposed Settlement. The Net Settlement Amount cannot be distributed until after the Court has approved the proposed Settlement and any appeals, objections and other challenges have been resolved in favor of its approval, or after the expiration of the time to file an appeal. In addition, there will be no distribution of the Net Settlement Amount until a plan of allocation is finally approved and any appeals, objections and other challenges have been resolved in favor of that plan of allocation. The resolution of any appeals could take more than a year. In addition, the review and processing of Proof of Claim forms must be completed by the Claims Administrator before distribution of the Net Settlement Amount can be made. Claims processing, by itself, is a complicated process and will take many months. Please be patient.

WHAT RIGHTS AM I GIVING UP TO RECEIVE A PAYMENT?

If you are a Class member and if the proposed Settlement is approved by the Court and that approval becomes final, you, on behalf of yourself, your heirs, executors, administrators, successors, assigns and any persons you represent, will release all "Settled Plaintiffs' Claims," against all "Released Defendant Parties" as follows:

(a) "Settled Plaintiffs' Claims" means all claims that were asserted in the Complaint, and any and all claims, rights or causes of action, demands, attorneys' fees, costs, obligations, controversies, debts, damages, losses or liabilities of any kind whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation (whether foreign or domestic), including known and unknown, accrued and not accrued, foreseen and unforeseen, matured and not matured that have been or could have been raised in the Action, or in any forum, arising out of or relating to the allegations, transactions, facts, matters or occurrences, representations alleged or that could have been alleged in the Action and relating to the purchase, transfer or acquisition of shares of the common stock of IBM. Settled Plaintiffs' Claims also includes, to the fullest extent permitted by law: (a) the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides that: A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor; and (b) the provisions, right and benefits of any similar statute or common law of any other jurisdiction that may be, or may be asserted to be, applicable. "Settled Plaintiffs' Claims" does not include claims

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relating to the enforcement of the settlement of the Action.

(b) "Released Defendant Parties" means any and all of the Defendants and/or their current or former respective agents, servants, attorneys, auditors, investment advisors, underwriters, officers, directors, employees, partners, subsidiaries, affiliates, insurers, stockholders, heirs, executors, representatives, parents, predecessors, successors, assigns, trusts, benefits committees, related companies or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants or any of the parties listed above.

(c) If you are a Class member, all of the Court's proceedings, rulings, orders, and judgments will apply to you and legally bind you.

CAN I EXCLUDE MYSELF FROM THE CLASS?

YOU WILL BE EXCLUDED FROM THE CLASS ONLY IF YOU PREVIOUSLY REQUESTED EXCLUSION FROM THE CLASS IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH IN THE NOTICE OF PENDENCY OR IF YOU REQUEST EXCLUSION FROM THE CLASS AS FOLLOWS:

You may request to be excluded from the Class by timely mailing a written Request for Exclusion, POSTMARKED ON OR BEFORE _____, **2008**, to: In re IBM Securities Litigation, c/o A.B. Data, Ltd., Claims Administrator, P.O. Box _____, Milwaukee, WI 53217.

Your Request for Exclusion should include your name (and the name of any joint owner of IBM common stock), your address, the number of shares of IBM common stock purchased and sold by you during the Class Period, the date(s) of such purchase(s) and sale(s) and the price(s) paid and received, and should specifically state that you request to be excluded from the Class in the Action. Each individual requesting exclusion must personally sign a Request for Exclusion. In the case of a corporation or partnership requesting exclusion, an officer of the corporation or general partner must sign a Request for Exclusion.

If you request or previously requested to be excluded, you will not be entitled to share in any recovery obtained by the Plaintiffs by settlement or favorable judgment in the Action, including the proposed Settlement with the Defendants described in this Notice. You also will not be bound by any judgment in favor of either the Plaintiffs or Defendants.

DO I HAVE A LAWYER IN THIS CASE?

Yes. The Court appointed the firm of Labaton Sucharow LLP as Lead Counsel in the Action to represent all Class members in this Action. You will not be charged for these lawyers, although they will ask the Court to award a portion of the Settlement Amount as a fee for the services of all Plaintiffs' Counsel to Plaintiffs and the Class and to reimburse them for their expenses in prosecuting this Action. If you want to be represented by your own lawyer, you may hire one at your own expense.

HOW WILL THE LAWYERS BE PAID?

Lead Counsel for the Plaintiffs will apply, on behalf of all Plaintiffs' Counsel, to the Court for an

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award of attorneys' fees from the Settlement Amount not to exceed twenty-eight percent (28%) of the Settlement Amount, and reimbursement of expenses of no greater than \$300,000. In addition, Lead Counsel will apply, on behalf of the Plaintiffs, for an award of costs and expenses incurred by each of them in connection with their roles in the prosecution and resolution of this Action not to exceed \$50,000 in the aggregate. If these amounts are awarded by the Court, the average estimated cost per "damaged" share is \$0.15, for an average net recovery per "damaged" share of approximately \$0.36. Plaintiffs' Counsel have spent almost three years litigating this Action on an entirely contingent-fee basis, and have advanced all of the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive attorneys' fees and be reimbursed for their expenses from any funds recovered on behalf of the Class, as is customary in this type of litigation. Any amounts awarded by the Court will come out of the Settlement Amount.

WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE PROPOSED SETTLEMENT, PLAN OF ALLOCATION AND REQUEST FOR ATTORNEYS' FEES AND EXPENSES?

As noted above, the Fairness Hearing will be held on _____, 2008 at _____.m. in Courtroom 14D of the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007, at which the time Court will consider, among other things, whether the proposed Settlement of the Action on the terms and conditions provided in the Settlement Agreement is fair, reasonable and adequate and should be approved by the Court; and may also consider whether the proposed Plan of Allocation of the Net Settlement Amount is fair, reasonable, and adequate and should be approved by the Court; and whether a Final Judgment should be entered in this Action. The Court expressly reserves the right to adjourn the Fairness Hearing from time to time without any further written notice to Class members, other than notice posted at the Court on the date of the Fairness Hearing. At or after the Fairness Hearing, the Court will also consider whether to approve Lead Counsel's Request for Attorneys' Fees and Expenses and the Plan of Allocation described herein.

WHAT CAN I DO IF I DON'T LIKE THE PROPOSED SETTLEMENT, THE REQUEST FOR ATTORNEYS' FEES AND EXPENSES AND/OR THE PLAN OF ALLOCATION?

If you are a Class member, you can object to the proposed Settlement, the Request for Attorneys' Fees and Expenses and/or the Plan of Allocation if you do not like any part of it. If you object to the proposed Settlement, the Request for Attorneys' Fees and Expenses and/or the Plan of Allocation, you can present reasons why you think the Court should not approve any of them. To object, you must send a letter saying what you object to and the reasons for your objection. Be sure to include the case name and number: "*In re International Business Machines Corp. Securities Litigation*, Civil Action No. 1:05-cv-6279-AKH (S.D.N.Y.)," your name, current address, telephone number, signature, information concerning your purchase(s) and sale of IBM common stock from April 5, 2005, through and including July 13, 2005, including the number of such shares purchased and sold, the dates of purchase and sale, the reason(s) you object to the proposed Settlement, the Request for Attorneys' Fees and Expenses and/or the Plan of Allocation, and all legal support you wish to bring to the Court's attention or evidence you have to support your objection. You must mail or deliver copies of your objection and of any papers you would like to present to the Court to all of the people identified below such that they are *received* no later than _____, 2008:

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The Court:

Clerk of the Court
United States District Court
Southern District of New York
Daniel Patrick Moynihan United States Courthouse
500 Pearl Street
New York, NY 10007

Lead Counsel for Plaintiffs:

Jonathan M. Plasse, Esq.
LABATON SUCHAROW LLP
140 Broadway
New York, New York 10005

Counsel for Defendants:

Evan R. Chesler, Esq.
CRAVATH SWAINE & MOORE LLP
825 Eighth Avenue
New York, New York 10019

Any objection may be filed and served on your own or through an attorney hired at your own expense. If you file and serve an objection, you may, but are not required to, appear at the Fairness Hearing, either in person or through an attorney hired at your own expense. If you hire an attorney to represent you at the Fairness Hearing, the attorney must file a notice of appearance with the Clerk of the Court and deliver a copy of that notice to Lead Counsel and Defendants' Counsel, at the addresses set forth above, so that they are *received* no later than _____, **2008**.

ANY CLASS MEMBER WHO DOES NOT OBJECT IN THE MANNER DESCRIBED ABOVE WILL BE DEEMED TO HAVE WAIVED ANY OBJECTION, AND SHALL BE FOREVER FORECLOSED FROM MAKING ANY OBJECTION TO THE PROPOSED SETTLEMENT, THE FEE AND EXPENSE APPLICATION, AND/OR THE PROPOSED PLAN OF ALLOCATION, UNLESS THE COURT ORDERS OTHERWISE.

Class members who do not object to the proposed Settlement, Fee and Expense Application and Plan of Allocation need not appear at the Fairness Hearing.

WHAT IS THE DIFFERENCE BETWEEN OBJECTING AND REQUESTING EXCLUSION?

Objecting is telling the Court that you do not like something about the proposed Settlement, Plan of Allocation or Request for Attorneys' Fees and Expenses. You can object only if you are a Class member. If you have previously submitted, or submit in accordance with the instructions in this Notice, a Request for Exclusion, that tells the Court that you don't want to be a Class member, and therefore you cannot object because the Action no longer affects you.

WHAT WILL HAPPEN IF I DO NOTHING AT ALL?

If you fail to submit a timely Proof of Claim form in response to this Notice, you will not get any money from the proposed Settlement. Whether or not you submit a timely Proof of Claim form, if you

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are a Class member, you will not ever be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against any Defendant or other Released Person asserting any of the Released Claims, as described above.

WHAT IS THE PLAN OF ALLOCATION?

The Plan of Allocation is the method by which the Net Settlement Amount will be allocated among Class members who submit timely, valid and signed Proof of Claim forms ("Authorized Claimants"). It is the product of Plaintiffs' Counsel's investigation and discovery, and consultation with their damages expert. In formulating this Plan of Allocation, Plaintiffs' Counsel considered the applicable law governing the ability to recover damages for the alleged misrepresentations and omissions. Specifically, the United States Supreme Court has held that in order to recover damages, a plaintiff must show a connection between the alleged misrepresentations and the loss. Since this decision, appellate courts have interpreted it to bar a recovery of losses absent a showing that any losses were caused by a public disclosure concerning the alleged fraud.

The alleged misrepresentations and omissions at issue in the Action are alleged to have occurred during a webcast broadcast by IBM which commenced at 5:00 pm EST on April 5, 2005. The first disclosure that IBM would miss consensus earnings per share estimates for the quarter ended March 31, 2005 occurred during a halt in after-hours trading of IBM stock between 4:10 pm EST and 4:36 pm EST on April 14, 2005, after which IBM stock dropped in after-hours trading on April 14, 2005, to \$80.49 per share from the \$83.64 per share close on the New York Stock Exchange ("NYSE") on April 14, 2005, or \$3.14 per share. The following day, IBM common stock closed on the NYSE at \$76.70 per share -- a decline of \$6.94 per share from the \$83.64 per share close on the NYSE on April 14, 2005.

Nevertheless, certain securities analysts raised concerns after the close of all trading on April 6, 2005, as to whether IBM's early adoption of options expensing indicated that IBM would not be able to meet analyst consensus estimates for the first quarter of 2005. These securities analysts, however, were in the minority and could only speculate given the information IBM provided on April 5, 2005. On April 7, 2005, IBM common stock declined by \$0.56 per share to close on the NYSE at \$88.44 per share.

Under applicable law, damages may also be limited, based on the loss or profit realized, for shares purchased during the Class Period and sold during the ninety-day period after the close of the Class Period. Here, that ninety-day period ends on July 13, 2005.

Based on these factors, Plaintiffs' propose that each Authorized Claimant's "Recognized Loss" be calculated for purposes of the proposed Settlement as follows:

(a) For shares of IBM common stock that were purchased after 5:00 pm EST on April 5, 2005, through and including the close of all trading on April 6, 2005, and still held as of the halt in after-hours trading on April 14, 2005, the Recognized Loss per share shall be the lowest of: (1) \$7.50 [\$6.94 + \$0.56]; and (2) if sold on April 14, 2005, after the halt in after-hours trading, or on April 15, 2005, \$0.56 plus the difference between \$83.64 and the sales price; and (3) if sold on or before July 13, 2005 [the 90-day period after April 14, 2005], the difference between (x) the purchase price and (y) the sales price. If you did not incur a loss based upon shares of common stock purchased during the Class Period and sold after the halt in after-hours trading on April 14, 2005, through and including July 13, 2005, then the Recognized Loss per share on such shares shall be \$0.00.

**Questions? CALL (866) 963-9975 TOLL FREE, OR VISIT www.ibmsecuritieslit.com.
DO NOT CONTACT THE COURT OR IBM – THEY CANNOT ANSWER YOUR QUESTIONS.**

(b) For shares of IBM common stock that were purchased during the period April 7, 2005, up to the halt in after-hours trading on April 14, 2005, and still held as of the halt in after-hours trading on April 14, 2005, the Recognized Loss per share shall be the lowest of: (1) \$6.94; and (2) if sold on April 14, 2005 after the halt in after-hours trading, or on April 15, 2005, the difference between \$83.64 and the sales price of the shares; and (3) if sold on or before July 13, 2005 [the 90-day period after April 14, 2005], the difference between (x) the purchase price and (y) the sales price. If you did not incur a loss based upon shares of common stock purchased during the Class Period and sold after the halt in after-hours trading on April 14, 2005, through and including July 13, 2005, then the Recognized Loss per share on such shares shall be \$0.00.

(c) For shares of IBM common stock that were purchased after 5:00 EST on April 5, 2005 through and including the close of all trading on April 6, 2005, and sold during the period April 7, 2005 up to the halt in after-hours trading on April 14, 2005, the Recognized Loss per share shall be the lesser of: (1) \$0.56; and (2) the difference between (x) the purchase price and (y) the sales price. If you did not incur a loss based upon the purchase and sale of such shares of IBM common stock, then the Recognized Loss per share on such shares shall be \$0.00.

(d) For shares of IBM common stock that were purchased after 5:00 pm EST on April 5, 2005 through and including the close of all trading on April 6, 2005, and sold during the same period, the Recognized Loss per share shall be \$0.00 because both the purchase and sale occurred during a period when there was no public disclosure concerning any weakness in IBM's first quarter earnings. As a result, any losses on such transactions are not compensable pursuant to the federal securities law claims asserted in this Action.

(e) For shares of IBM common stock that were purchased during the period April 7, 2005 up to the halt in after-hours trading on April 14, 2005 and sold during the same period, the Recognized Loss per share shall be \$0.00 because both the purchase and sale occurred during a period when there was no public disclosure concerning any weakness in IBM's first quarter earnings. As a result, any losses on such transactions are not compensable pursuant to the federal securities law claims asserted in this Action.

(f) For shares of IBM common stock that were purchased prior to 5:00 pm EST on April 5, 2005, the Recognized Loss per share shall be \$0.00 because the alleged misrepresentations and omissions in this Action were disseminated after such purchases.

The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date. The determination of the price received per share and the price paid per share shall be exclusive of commissions, taxes, fees and charges.

To calculate the statutory damages limitation on IBM common stock purchased and sold during the Class Period and the ninety-day period after the close of the Class Period, such sales must be matched against purchases during the Class Period. To do so, the first in, first out ("FIFO") method will be used in computing the Recognized Loss of an Authorized Claimant. This means that sales of IBM common stock will be first matched with any pre-Class Period holdings and then with purchases during the Class Period in chronological order. All profits determined on a FIFO basis shall be subtracted from the total of all losses determined on a FIFO basis from all transactions in IBM common stock during the Class Period to determine if an Authorized Claimant has a Recognized Loss. If at any time more shares of IBM common stock are sold than have been purchased during the Class Period, an initial balance of a corresponding number of shares will be imputed unless it is indicated on the Proof of Claim form. Only if an Authorized Claimant had a net loss, after the total of such profits are subtracted from the total of

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such losses, will such Authorized Claimant be eligible to receive a distribution from the Net Settlement Amount.

Any person or entity who sold IBM common stock “short” shall have no Recognized Loss with respect to any purchase during the Class Period to cover such short sale.

To the extent there are sufficient funds in the Net Settlement Amount, each Authorized Claimant will receive an amount equal to the Authorized Claimant’s Recognized Loss. If, however, the amount in the Net Settlement Amount is not sufficient to permit payment of the total Recognized Loss of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage that each Authorized Claimant’s Recognized Loss bears to the total of the Recognized Losses of all Authorized Claimants. As such, each Authorized Claimant will receive a *pro rata* share of the Net Settlement Amount. The Court has reserved jurisdiction to allow, disallow, or adjust the Recognized Loss of any Class member on equitable grounds.

A payment to any Authorized Claimant of less than \$10.00 in total, however, will not be included in the calculation and will NOT be distributed and will instead be reallocated to other eligible Authorized Claimants.

Please note that the term “Recognized Loss” is used solely for calculating the amount of participation by Authorized Claimants in the Net Settlement Amount, and does not reflect the actual amount an Authorized Claimant can expect to recover.

No Authorized Claimant will have any claim against Lead Plaintiffs, Plaintiffs’ Counsel, the Claims Administrator, or any other person designated by Lead Counsel, based on distributions made substantially in accordance with this Plan of Allocation, or further orders of the Court. No Authorized Claimant or any other Person shall have any claim against Defendants or Defendants’ Counsel based on the amounts of any distributions from the Net Settlement Amount, any determinations regarding that Person’s eligibility to receive a distribution from the Net Settlement Amount, or any rejection of that Person’s claim to receive a distribution from the Net Settlement Amount.

The Court also reserves the right to modify the Plan of Allocation without further notice to Class members. Payment pursuant to the Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES
--

If you hold IBM common stock that was purchased during the Class Period as nominee for a beneficial owner, then within ten (10) days after you receive this Notice, you must either: (a) mail copies of this Notice and the accompanying Proof of Claim Form by first-class mail to each such beneficial owner; or (b) send a list of the names and addresses of such beneficial owners to the Claims Administrator at the following address:

**Questions? CALL (866) 963-9975 TOLL FREE, OR VISIT www.ibmsecuritieslit.com.
DO NOT CONTACT THE COURT OR IBM – THEY CANNOT ANSWER YOUR QUESTIONS.**

In re IBM Securities Litigation
c/o A.B. Data, Ltd., Claims Administrator
Attention: Fulfillment Department
P.O. Box _____
4057 North Wilson Drive
Milwaukee, Wisconsin 53217

(800) _____-_____
Fax (414) 963-7950
fulfillment@abdatalawserve.com

ARE THERE MORE DETAILS ABOUT THE PROPOSED SETTLEMENT? WHO SHOULD I
CONTACT IF I HAVE QUESTIONS?

This Notice summarizes the proposed Settlement. More details are contained in the formal Stipulation of Settlement which has been filed with the Court. In addition, Plaintiffs' submissions in support of the proposed Settlement, the Plan of Allocation and Lead Counsel's Fee and Expense Application will be on file with the Court on _____, 2008. If you want a copy of the Stipulation of Settlement, Plaintiffs' submissions in support of the proposed Settlement, the Plan of Allocation or Lead Counsel's Fee and Expense Application, or if you have any questions about these matters, you may: write to the Claims Administrator at In re IBM Securities Litigation, c/o A.B. Data, Ltd., Claims Administrator, P.O. Box 170500, Milwaukee, WI 53217, call (866) 966-9975 toll-free, write to Lead Counsel at the addresses set forth above; or visit www.ibmsecuritieslit.com or www.labaton.com.

***PLEASE DIRECT YOUR QUESTIONS TO THE CLAIMS
ADMINISTRATOR OR TO LEAD COUNSEL. DO NOT
CONTACT THE COURT, IBM OR DEFENDANTS' COUNSEL WITH QUESTIONS.***

DATED: _____, 2008

BY ORDER OF THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

**Questions? CALL (866) 963-9975 TOLL FREE, OR VISIT www.ibmsecuritieslit.com.
DO NOT CONTACT THE COURT OR IBM – THEY CANNOT ANSWER YOUR QUESTIONS.**

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

In re INTERNATIONAL BUSINESS
MACHINES CORP. SECURITIES
LITIGATION

Civ. No. 1:05-cv-6279-AKH

PROOF OF CLAIM AND RELEASE

IF YOU PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF INTERNATIONAL BUSINESS MACHINES CORPORATION (“IBM”) BETWEEN APRIL 5, 2005 AND APRIL 14, 2005, INCLUSIVE (THE “CLASS PERIOD”), AND WERE DAMAGED THEREBY, AND YOU HAVE NOT PREVIOUSLY REQUESTED EXCLUSION FROM THE CLASS, YOU ARE A “CLASS MEMBER” AND YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE PROPOSED SETTLEMENT DESCRIBED IN THE ACCOMPANYING NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, APPLICATION FOR ATTORNEYS’ FEES AND EXPENSES AND FAIRNESS HEARING (THE “NOTICE”).

IF YOU ARE A CLASS MEMBER, YOU MUST COMPLETE, SIGN AND SUBMIT THIS PROOF OF CLAIM AND RELEASE FORM (THE “CLAIM FORM”) IN ORDER TO BE ELIGIBLE FOR ANY SETTLEMENT BENEFITS. IF SUBMITTED BY FIRST-CLASS MAIL, IT MUST BE POSTMARKED **NO LATER THAN** _____, **2008**, TO THE CLAIMS ADMINISTRATOR AT THE FOLLOWING ADDRESS:

IBM Securities Litigation
c/o A.B. Data, Ltd.
Claims Administrator
Post Office Box 170500
Milwaukee, WI 53217

IF YOU CHOOSE TO RETURN THIS CLAIM FORM BY EXPRESS MAIL, THEN IT MUST BE RECEIVED BY THE CLAIMS ADMINISTRATOR **NO LATER THAN** _____, **2008**

REQUIREMENTS FOR FILING A CLAIM FORM

Please refer to the accompanying Notice to find the definitions of words that are capitalized in the following directions and on the Claim Form, but are not defined in this document.

Your claim will be considered only upon compliance with all of the following conditions:

1. You must accurately complete all portions of the attached Claim Form.

The Claim Form contains purchase/acquisition and sale schedules. You must carefully complete each applicable section of the schedules. List each transaction during the period from April 5, 2005 through July 13, 2005 (ninety days after the close of the Class Period), inclusive, separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day and year of each transaction you list. For any purchases or sales on April 5, 2005, you must also indicate whether they were made after 5:00 pm EST in the appropriate schedule.

Do not omit any requested information regarding your holdings, purchases or sales (including any free receipts and/or free deliveries). This information is necessary to determine your share of any distribution. If you cannot list all transactions in the space provided in the Claim Form, or if you believe that you must, or should, supply additional information with respect to any transaction, attach additional sheets to the Claim Form supplying the required information. Your full name and Taxpayer Identification Number must be properly identified on each additional sheet of paper.

2. You must sign the Claim Form.

If the shares of IBM common stock were, or are, owned jointly, all joint owners must sign the Claim Form. Executors, administrators, guardians, conservators and trustees may complete and sign the Claim Form on behalf of persons or entities represented by them, but they must identify such persons or entities and provide proof of their authority (for example, currently effective letters testamentary, letters of administration, active financial power of attorney, or certification of trust) to complete and execute the Claim Form on their behalf and to bind them in accordance with the terms thereof. A Claim Form submitted by legal representatives of a claimant must be executed by all such representatives.

3. You must provide proof for each transaction listed on this Claim Form.

Attach to the Claim Form legible copies of broker confirmation slips, monthly brokerage statements, or other proof satisfactory to the claims administrator confirming the particulars of each purchase and sale you have made during the period April 5, 2005, through July 13, 2005, inclusive. For all transactions occurring after 5:00 P.M. EST on April 5, 2005, the documentation must include the time of the trade and/or a signed affirmation from a broker attesting to the fact that the trade took place after 5:00 P.M. EST. For all transactions occurring after the after-hours halt in trading for IBM stock between 4:10 P.M. EST and 4:36 P.M. EST on April 14, 2005, you need not provide additional documentation at this time. The Claims Administrator may, however, require additional information, in which case you will be notified. Please make sure that all supporting documentation states the beneficial

owner's account name. If you are filing on behalf of a deceased claimant, please provide a copy of the death certificate and a will or probate documents.

4. If you acquired IBM common stock by means of a gift, inheritance or operation of law during the Class Period, such acquisitions do not qualify as part of the proposed Settlement.
5. Any person or entity that sold IBM common stock "short" shall have no Recognized Loss with respect to any purchase during the Class Period to cover such short sale.
6. You must also provide supporting documentation showing your holdings as of the close of trading on July 13, 2005, if any.
7. Your failure to complete and mail the Claim Form postmarked, or submit it so that it is received, by _____, 2008, may preclude you from receiving any share of the available proceeds of the proposed Settlement. So that you will have a record of the date of your mailing and its receipt by the claims administrator, you are advised to use certified mail, return receipt requested.
8. For individuals and entities with a United States taxpayer identification number ("TIN"), which is the Social Security number (the "SSN") for individuals or the employer identification number (the "EIN") for entities, the TIN and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of your claim.

ANY PERSON WHO KNOWINGLY SUBMITS A FALSE CLAIM FORM IS
SUBJECT TO PENALTIES FOR PERJURY AND OTHER VIOLATIONS OF
FEDERAL LAW.

Submission of a Claim Form, however, does not assure that you will share in the distribution of the Net Settlement Amount.

If the proposed Settlement is approved by the Court, and if you have a Recognized Loss entitling you to a *pro rata* payment from the Net Settlement Amount as calculated in accordance with the Plan of Allocation described in the accompanying Notice, a check will be sent to you, or to your financial institution by direct deposit if you elect, representing such *pro rata* payment as soon as practicable after all Claim Forms from all Class Members have been processed. Processing all of the Claim Forms will likely take a significant amount of time. Please be patient, and please advise the claims administrator of any changes in your name and/or address.

If you are a Class Member and you do not complete, sign and return the Claim Form postmarked or received by the deadline, you will not receive any money from the Net Settlement Amount, but you will still be bound by all orders of the Court in this Action, including the Release reprinted in the Claim Form.

**Must be Postmarked
No Later Than:**
_____, 2008

STATEMENT OF CLAIM
In re International Business Machines Corp. Securities Litigation
Civ. No. 1:05-cv-6279-AKH

IBM CASE
For Official Use Only

Please print or type

I, _____, and _____ state as follows:
(if applicable)

LAST NAME (CLAIMANT)

FIRST NAME (CLAIMANT)

Last Name (Beneficial Owner If Different from Claimant)

First Name (Beneficial Owner)

Last Name (Co-Beneficial Owner)

First Name (Co-Beneficial Owner)

Company/Other Entity (If Claimant Is Not an Individual)

Trustee/Nominee/Other

Account Number (If Claimant Is Not an Individual)

Trust/Other Date (If Applicable)

☐ **Check here to use Correspondence Address for Distribution**
Correspondence Address Line 1

Correspondence Address Line 2 (If Applicable)

City

State

Zip Code

Foreign Province

Foreign Zip Code

Foreign Country

(Optional) Distribution Address:
Distribution Address Line 1

Distribution Address Line 2 (If Applicable)

City

State

Zip Code

Foreign Province

Foreign Zip Code

Foreign Country

Telephone Number (Day) () - Beneficial Owner's Employer Identification Number or Social Security Number - - E-mail Address _____ _____	Telephone Number (Night) () - _____ _____
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IDENTITY OF CLAIMANT

- ☐ Individual
 ☐ Joint Owners
 ☐ Estate
 ☐ Corporation
 ☐ Trust
 ☐ Partnership
 ☐ Limited Liability Company
☐ Other (specify, describe on separate sheet)
☐ IRA, Keogh or other type of Individual Retirement Plan (indicate type of plan, mailing address, and name of current custodian)
☐ Legal Representative

LEGAL REPRESENTATIVES OF CLAIMANTS MUST ATTACH POWER OF ATTORNEY OR OTHER INSTRUMENT SHOWING AUTHORITY TO ACT AS A LEGAL REPRESENTATIVE

Individuals or Entities excluded from participating in the proposed Settlement are: any parents, subsidiaries, affiliates, officers, or directors of IBM and their immediate families; any entity in which any excluded person has a controlling interest; and the legal representatives, heirs, successors and assigns of any excluded person, and any person or entity that previously submitted a timely and valid request for exclusion from the Class or any person or entity who excludes themselves from the Class in accordance with the Notice of Proposed Settlement of Class Action, Application for Attorneys' Fees and Fairness Hearing.

- ☐ Check here if the claimant or beneficial owner is excluded from the Class.
- ☐ Check here if the claimant or beneficial owner was an officer or director of IBM at any time between April 5, 2005, through and including April 14, 2005. If so, please state position(s) held and dates of employment: _____
- ☐ Check here if the claimant or beneficial owner acquired IBM common stock through any IBM employee benefit plan.

DIRECT DEPOSIT – If you prefer your Settlement check to be directly deposited into your bank account, check here ☐

You **MUST** provide the following information to receive your Settlement check by direct deposit:

BANK NAME	_____
ROUTING NUMBER	_____
ACCOUNT NUMBER	_____
<input type="radio"/> CHECKING ACCOUNT <input type="radio"/> SAVINGS ACCOUNT	
CLAIMANT'S ACCOUNT NAME MATCHES SUBMITTED DOCUMENTATION (MUST MATCH) <input type="radio"/> Y <input type="radio"/> N	

Separately list each of your purchases and sales of IBM common stock. Attach a separate schedule if more space is needed. Be sure to include the full name and TIN of the beneficial owner on any additional sheets.

The date of purchase and sale is the “trade” or “contract” date, and not the “settlement” or “payment” date. Documentation of purchases or sales with only the settlement or payment date will be deemed deficient. The purchase price is the price paid without regard to commissions or other expenses. The sale price is the price received without regard to commissions or other expenses.

IF NONE, CHECK HERE ☐

If none, check here. ○

IF YOU REQUIRE ADDITIONAL SPACE, ATTACH EXTRA SCHEDULES IN THE SAME
FORMAT AS ABOVE. PRINT THE FULL NAME AND TIN OF THE BENEFICIAL OWNER
ON EACH ADDITIONAL PAGE.

IF NONE, CHECK HERE ○

SALES:

List all sales you made of IBM common stock
between April 5, 2005 and July 13, 2005, inclusive:

If none, check here. ☐

Date(s) of sales List chronologically			Number of shares sold	Sale price per share (excluding taxes, commissions, etc.)	Proof of sale enclosed
MM	DD	YYYY			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Y
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> N
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Y
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> N
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Y
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> N
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Y
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> N
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Y
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> N
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Y
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> N

IF YOU REQUIRE ADDITIONAL SPACE, ATTACH EXTRA SCHEDULES IN THE SAME
FORMAT AS ABOVE. PRINT YOUR FULL NAME ON EACH ADDITIONAL PAGE.

SALES AFTER 5:00 P.M. EST APRIL 5, 2005

Indicate the number of IBM common stock shares sold on April 5, 2005 after
5:00 P.M. EST:

Proof enclosed?

☐ Y ☐ N

UNSOLD HOLDINGS:

Please state the number of shares of IBM common stock
that you held as of the close of trading on July 13, 2005.

Proof enclosed?

☐ Y ☐ N

IF NONE, CHECK HERE ☐

**YOU MUST PROVIDE SUPPORTING DOCUMENTATION OF ALL HOLDINGS AND
TRANSACTIONS IN IBM COMMON STOCK INDICATED ABOVE, INCLUDING
EVIDENCE THAT ANY TRANSACTIONS ON APRIL 5, 2005 OCCURRED AFTER
5:00 P.M. EST**

CERTIFICATION AND SUBSTITUTE FORM W-9

1. I (We) purchased publicly traded common stock of IBM during the period from 5:00 P.M. EST on April 5, 2005, through and including the close of trading on the New York Stock Exchange on April 14, 2005. (Do not submit this Claim Form if you did not purchase IBM common stock during this period.)

2. By submitting this Claim Form, I (we) state that I (we) believe in good faith that I am (we are) a Class Member(s) as defined above and in the Notice, or am (are) legally authorized to act for such person; that I am (we are) not a Defendant(s) in the Action or anyone excluded from the Class; that I (we) have read and understand the Notice; that I (we) believe that I am (we are) entitled to receive a share of the Net Settlement Amount; that I (we) elect to participate in the proposed Settlement described in the Notice; and that I (we) have not previously submitted a request for exclusion. (If you are acting in a representative capacity on behalf of a Class Member (e.g., as an executor, administrator, trustee, or other representative), you must submit evidence of your current authority to act on behalf of that Class Member. Such evidence would include, for example, letters testamentary, letters of administration, or a copy of the trust documents.)

3. I (We) have set forth where requested above all relevant information with respect to my (our) ownership of IBM common stock at the commencement of the Class Period and all purchases and sales of IBM common stock during the Class Period and during the 90-day period after the Class Period. I (We) agree to furnish additional information to the claims administrator to support this claim if requested to do so.

4. I (We) have enclosed photocopies of the stockbroker's confirmation slips, stockbroker's statements, relevant portions of my tax returns or other documents evidencing each purchase, sale or retention of IBM common stock listed above in support of my (our) claim. For purchases and acquisitions of IBM common stock on April 5, 2005, I (we) have enclosed documentation and/or an attestation from a broker demonstrating that the shares were acquired after 5:00 P.M. EST. (IF ANY SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN A COPY OR EQUIVALENT DOCUMENTS FROM YOUR BROKER OR TAX ADVISOR BECAUSE THESE DOCUMENTS ARE NECESSARY TO PROVE AND PROCESS YOUR CLAIM.)

5. I (We) understand that the information contained in this Claim Form is subject to such verification as the claims administrator may request or as the Court may direct, and I (we) agree to cooperate in any such verification.

6. Upon the occurrence of the Effective Date (the date on which the proposed Settlement is approved by the Court and that approval becomes final), my (our) signature(s) hereto will constitute a full and complete release, remise and discharge by me (us) and my (our) heirs, executors, administrators, successors and assigns (or, if I am (we are) submitting this Claim Form on behalf of a corporation, a partnership, estate or one or more other persons, by it, him, her or them, and by its, his, her or their heirs, executors, administrators, successors, and assigns) of all "Released Claims," including "Unknown Claims" against each and all of the "Released Persons," as each term is defined in the Notice.

7. NOTICE REGARDING ELECTRONIC FILES: Certain claimants with large numbers of transactions may make a request to the claims administrator to accept, or may be requested by the claims administrator to submit, information regarding their transactions in IBM common stock in electronic files. All claimants MUST submit a manually signed paper Claim Form listing all their transactions whether or not they also submit electronic copies. If you wish to file your

Claim Form electronically, you must contact the Claims Administrator at 1 (800) 949-0194 or visit their website at abdatalawserve.com/file_claims_electronically.php to obtain the required file layout. No electronic files will be considered to have been properly submitted unless the Claims Administrator issues to the claimant a written acknowledgment of receipt and acceptance of electronically submitted data.

ALL CLAIMANTS MUST COMPLETE EITHER THE FORM W-9 OR W-8, AS APPLICABLE, PER THE INSTRUCTIONS BELOW AND SIGN THE CERTIFICATION BELOW

SUBSTITUTE FORM W-9 FOR UNITED STATES CITIZEN, RESIDENT OR ENTITY

Enter the TIN below for the beneficial owner(s). The Internal Revenue Service ("IRS") requires such TIN. If you fail to provide this information, your Claim may be rejected.

EIN:

 -

 OR SSN:

 -

 -

I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(1)(c) of the Internal Revenue Code because: (a) I am (we are) exempt from backup withholding, or (b) I (we) have not been notified by the IRS that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If the IRS has notified you that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

Instructions for Substitute Form W-9:

1. If your account is held jointly, BOTH parties must sign the form above.
2. If you have a joint account, only the Social Security number associated with that account is required to be provided.
3. You may contact the In re IBM Securities Litigation Helpline at (866) 963-9975 with any questions you may have or if you need additional assistance filling out this form.

SUBSTITUTE FORM W-8 FOR NON-UNITED STATES CITIZEN, RESIDENT OR ENTITY

Certificate of Foreign Status of beneficial owner for United States tax withholding

Last Name

First Name

--	--	--	--

Country

--	--	--	--

Check Appropriate Box:

- ☐ Individual ☐ Corporation ☐ Partnership ☐

- ☐ Grantor trust
- ☐ Disregarded entity
- ☐ International organization
- ☐ Complex trust
- ☐ Private foundation
- ☐ Simple trust
- ☐ Estate
- ☐ Government
- ☐ Central bank of issue
- ☐ Tax-exempt organization

Enter United States taxpayer identification number ("TIN") on appropriate line, if applicable. For individuals, this is your Social Security Number ("SSN"). If you are not an individual or you are an individual who is an employer or who is engaged in a United States trade or business as a sole proprietor, you must enter an Employer Identification Number ("EIN"). If you are a disregarded entity claiming treaty benefits as a hybrid entity, enter your EIN. If you are a non-United States citizen and have no SSN or EIN, please check "Not Applicable."

EIN: - OR SSN: - -

- ☐ Not Applicable

CERTIFICATION FOR ALL CLAIMANTS

UNDER THE PENALTY OF PERJURY UNDER THE LAW S OF THE UNITED STATES OF AMERICA, I (WE) CERTIFY THAT:

1. I am (We are) the beneficial owner(s) (or am authorized to sign for the beneficial owner(s)) of all the income to which this form relates;
2. The beneficial owner(s) is (are) not a United States person;
3. The income to which this form relates is not effectively connected with the conduct of a trade or business in the United States or is effectively connected but is not subject to tax under an income tax treaty; and
4. For broker transactions or barter exchanges, the beneficial owner(s) is (are) an exempt foreign person(s).

Furthermore, I (we) authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am (we are) the beneficial owner(s) or any withholding agent that can disburse or make payments of the income of which I am (we are) the beneficial owner(s).

The Internal Revenue Service does not require your consent to any provisions of this document other than the certifications required to establish your status as a non-United States person(s) and, if applicable, obtain a reduced rate of withholding.

UNDER THE PENALTIES OF PERJURY PURSUANT TO 28 U.S.C. § 1746, I (WE) CERTIFY THAT ALL OF THE INFORMATION PROVIDED BY ME (US) ON THIS FORM IS TRUE, CORRECT AND COMPLETE.

Signature of Claimant(s)

Signature

Signature

Date

Capacity of Person Signing (e.g., beneficial owner, purchaser(s), executor, administrator, trustee, etc.)

REMINDER CHECKLIST

1. Please remember to attach supporting documents. Do NOT send any stock certificates. Keep copies of everything you submit.
2. Do NOT use highlighter on the Claim Form or any supporting documents.
3. If you move or change your name after submitting this Claim Form, please notify the claims administrator of the change in your name and/or address.
4. Keep a copy of your Claim Form and all documentation submitted for your records; originals cannot be returned to you once the documents are submitted.
5. You will **not** receive confirmation that your Claim Form has been received **unless** you send it via Certified Mail, Return Receipt Requested or by some other means that provides you with proof of receipt.

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

In re INTERNATIONAL BUSINESS
MACHINES CORP. SECURITIES
LITIGATION

Civ. No. 1:05-cv-6279-AKH

**SUMMARY NOTICE OF PROPOSED SETTLEMENT OF
CLASS ACTION, APPLICATION FOR ATTORNEYS' FEES
AND EXPENSES AND FAIRNESS HEARING**

TO: ALL PERSONS AND ENTITIES THAT PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF INTERNATIONAL BUSINESS MACHINES CORPORATION ("IBM") BETWEEN APRIL 5, 2005 AND APRIL 14, 2005, INCLUSIVE (THE "CLASS PERIOD"), AND WERE DAMAGED THEREBY (THE "CLASS").

PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS MAY BE
AFFECTED BY A SETTLEMENT IN THIS CLASS ACTION LAWSUIT.

This Summary Notice of Proposed Settlement of Class Action, Application for Attorneys' Fees and Expenses and Fairness Hearing is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of New York. The purpose of this notice is to inform you of the proposed Settlement that has been reached in this class action between plaintiffs Joseph and Nilda Anchinovski and Donald Rubenstein (collectively, "Plaintiffs") on behalf of themselves and the members of the Class, and Defendants IBM and Mark Loughridge (collectively, "Defendants").

The proposed Settlement provides for the creation of a twenty million dollar (\$20,000,000.00) Settlement Amount, plus interest, for the benefit of the Class. A Fairness Hearing will be held before the Honorable Alvin K. Hellerstein, United States District Judge, on _____, 2008, at __:__ .m. in Courtroom 14D of the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007, to determine, among other things, (i) whether the proposed Settlement is fair, reasonable and adequate and should be approved, and therefore, whether the Action should be dismissed with prejudice; (ii) whether a proposed Plan of Allocation for the distribution of the Net Settlement Amount to Authorized Claimants should be approved; and (iii) whether the application by Plaintiffs' Counsel for an award of attorneys' fees and reimbursement of expenses they have incurred, and for an award of costs and expenses to the Plaintiffs for their efforts, in prosecuting the Action should be approved. The Court has expressly reserved the right to adjourn the Fairness Hearing from time to time without any further written notice to Class members.

You are a Class member if you purchased IBM common stock during the period between April 5, 2005 and April 14, 2005, inclusive, and you did not previously submit a timely and valid request exclusion from the Class and do not request exclusion from the Class in the manner

provided in the Notice (defined below). If you are a Class member, your rights against the Defendants and certain affiliated persons and entities will be affected if the proposed Settlement is approved by the Court.

If you are a Class member and wish to share in the Settlement proceeds, you must submit a signed Proof of Claim form postmarked or received by _____, 2008, establishing that you are entitled to a recovery. IF YOU DO NOT TIMELY SUBMIT A SIGNED PROOF OF CLAIM FORM, YOU WILL NOT SHARE IN THE SETTLEMENT PROCEEDS, BUT YOU WILL STILL BE BOUND BY THE FINAL JUDGMENT OF THE COURT.

This notice provides only a summary of matters concerning the Action and the proposed Settlement and incorporates by reference certain defined terms, the meanings of which are set forth in a detailed Notice of Proposed Settlement of Class Action, Application For Attorneys' Fees and Expenses and Fairness Hearing (the "Notice") and Proof of Claim form that have been mailed to Class Members. The Notice and Proof of Claim form contain additional important information regarding the proposed Settlement and related matters affecting Class Members' rights. If you have not received a copy of the Notice or the Proof of Claim form, you may obtain them free of charge by contacting: In re IBM Securities Litigation, Claims Administrator, c/o A.B. Data, Ltd., P.O. Box _____, Milwaukee, Wisconsin 53217, toll-free telephone (866) 963-9975, or by downloading them from www.ibmsecuritieslit.com, www.labaton.com or www.klafterolsen.com.

You may also contact Lead Counsel for the Plaintiffs directly: Jonathan Plasse, Esq., Labaton Sucharow LLP, 140 Broadway, New York, NY 10005.

EMPLOYEES OF THE COURT OR IBM CANNOT ANSWER QUESTIONS ABOUT THIS CASE. PLEASE DIRECT ALL QUESTIONS TO THE CLAIMS ADMINISTRATOR OR LEAD COUNSEL.

Dated: _____, 2008

BY ORDER OF THE UNITED
STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK

EXHIBIT B

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

IN RE INTERNATIONAL BUSINESS MACHINES
CORP. SECURITIES LITIGATION

Civil Action No. 1:05-cv-6279 (AKH)
ECF CASE

JUDGMENT AND ORDER OF DISMISSAL

WHEREAS:

A. By Order dated March 14, 2007, the District Court in the above-captioned action certified these consolidated actions (the “Action”) as a class action, approved Plaintiffs Joseph Anchinovski, Nilda Anchinovski and Donald Rubenstein as class representatives (“Plaintiffs”), and appointed Labaton Sucharow LLP (“Lead Counsel”), assisted by Klafter & Olsen LLP (with Lead Counsel, “Plaintiffs’ Counsel”) on behalf of a class consisting of:

“All persons and entities that purchased or otherwise acquired the common stock of [IBM] between April 5, 2005 and April 14, 2005, inclusive, (“the Class Period”) and were damaged thereby (the “Class”).

“Excluded from the Class are any parents, subsidiaries, affiliates, officers, or directors of defendant IBM and their immediate families; any entity in which any excluded person has a controlling interest and the legal representatives, heirs, successors and assigns of any excluded person.”

Also excluded from the Class are all persons and entities that have properly excluded themselves from the Class pursuant to the Notice of Pendency of Class Action or the Notice of Proposed Settlement of Class Action, Application for Attorneys Fees and Expenses and Fairness Hearing (the “Notice”), a list of whom is attached hereto as Exhibit A.

B. On May ___, 2008, Plaintiffs, acting on behalf of themselves and the Class, entered into a Stipulation and Agreement of Settlement (the “Stipulation”) with Defendants in this Action.

C. Pursuant to the Order Preliminarily Approving Settlement and Providing for Notice to the Class (“Preliminary Approval Order”), the Court scheduled a hearing for _____, at _____.m. (the “Fairness Hearing”) to, *inter alia*, (a) determine whether the proposed settlement of the Action on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate, and should be approved by the Court; and (b) determine whether a judgment substantially in the form of Exhibit B to the Stipulation should be entered herein. The Court ordered that Plaintiffs’ Counsel cause the Notice and a Proof of Claim and Release (“Proof of Claim”) substantially in the forms attached to the Preliminary Approval Order as Exhibits 1 and 2 to be mailed by first-class mail, postage prepaid, to each Class Member at the address of each such person as set forth in the records of IBM or its transfer agent, or who otherwise could be identified through reasonable effort, and the Summary Notice of Proposed Settlement of Class Action, Application for Attorneys’ Fees and Expenses and Fairness Hearing (“Summary Notice”) substantially in the form attached to the Preliminary Approval Order as Exhibit 3, to be published once in the national edition of the *Wall Street Journal*.

D. As shown by _____, filed with this Court on _____, the provisions of the Preliminary Approval Order as to notice were complied with.

E. As shown by the _____, filed with this Court on _____, Defendants have complied with the notification requirements of 28 U.S.C. § 1715, with the last such notification being provided more than ninety days prior to the entry of this Judgment.

F. On _____, Plaintiffs moved for final approval of the proposed Settlement as set forth in the Preliminary Approval Order.

G. The Notice advised Class Members of the date, time, place and purpose of the Fairness Hearing. The Notice further advised that any objections to the proposed Settlement were required to be filed with the Court and served on counsel for parties by _____.

H. This Court held the Fairness Hearing on _____, 2008 and has duly considered Plaintiffs' motion, the affidavits and memorandum of law submitted in support thereof, and all of the submissions and arguments presented with respect to the proposed Settlement.

NOW, THEREFORE, after due deliberation, IT IS ORDERED, ADJUDGED AND DECREED that:

1. This Judgment incorporates by reference the definitions in the Stipulation, and all capitalized terms used herein shall have the same meanings as set forth in the Stipulation.

2. The Court finds that the distribution of the Notice, the publication of the Summary Notice and the method of providing notice, all implemented in accordance with the terms of the Settlement Agreement and this Court's Preliminary Approval Order:

(a) constituted the best practicable notice to Class Members under the circumstances of this Action;

(b) were reasonably calculated, under the circumstances, to apprise Class Members of: (i) the proposed Settlement of this class action; (ii) their right to request exclusion from the Class; (iii) their right to object to any aspect of the proposed Settlement; (iv) their right to appear at the Fairness Hearing, either on their own or through counsel hired at their own expense, if they are not excluded from the Class; and (v) the binding effect of the proceedings, rulings, orders, and judgments in this Action, whether favorable or unfavorable, on all persons who are not excluded from the Class;

(c) were reasonable and constituted due, adequate and sufficient notice to all persons entitled to be provided with notice; and

(d) fully satisfied all applicable requirements of the Federal Rules of Civil Procedure (including Rule 23(c)), the United States Constitution (including the Due Process Clause), Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7) and any other applicable law.

3. This Court has jurisdiction over the subject matter of the Action and over all parties to the Action, including all members of the Class.

4. The terms and provisions of the Stipulation were negotiated by the Parties at arm's length, entered into by the Parties in good faith and are hereby fully and finally approved as fair, reasonable, adequate as to and in the best interests of each of the Parties and the Class Members and should be approved, especially in light of the benefits to the Class and the complexity, expense and possible duration of further litigation against Defendants, the risks of establishing liability and damages and the costs of continued litigation, and the new opportunity to request exclusion that Class Members were afforded following the entry of the Preliminary Approval Order, as contemplated by Rule 23(e)(3) of the Federal Rules of Civil Procedure.

5. Plaintiffs' Counsel and Plaintiffs adequately represented the Class under Rules 23(a)(4) and (g) of the Federal Rules of Civil Procedure for purposes of negotiating, entering into and implementing the Settlement.

6. This Judgment is binding on all members of the Class, but not on those Persons identified in Exhibit A hereto, who have duly requested exclusion from the Class.

7. The Stipulation and the proposed Settlement shall be consummated in accordance with the terms and provisions of the Stipulation.

8. The Corrected Consolidated Class Action Complaint dated May 19, 2006, and this Action is hereby dismissed in its entirety as to Defendants, with prejudice, and without costs to any party, except as provided in the Stipulation or this Judgment.

9. Upon the Effective Date, each Class Member whether or not such Class Member executes and delivers a Proof of Claim, on behalf of themselves and their respective heirs, executors, administrators, successors and assigns and all persons acting in concert with any such person, shall have fully, finally and forever waived, released, forever discharged and dismissed any or all Settled Plaintiffs' Claims against any or all of the Released Defendant Parties, and shall be permanently and finally barred and enjoined from commencing or prosecuting any actions or other proceedings asserting any of the Settled Plaintiffs' Claims either directly, indirectly, representatively, derivatively or in any other capacity against any of the Released Defendant Parties. In the event that it becomes necessary for any Released Defendant Party to enforce the injunction provided in this paragraph, such Released Defendant Party need not, subject to the approval of the court presiding over the proceeding, post a bond.

10. Upon the Effective Date, each of the Defendants, on behalf of themselves and their respective heirs, executors, administrators, successors and assigns and all persons acting in concert with any such person, shall have fully, finally and forever waived, released and forever discharged each and every of the Settled Defendants' Claims, and shall forever be enjoined from instituting, maintaining or prosecuting any or all of the Settled Defendants' Claims as against any and all of the Released Plaintiff Parties.

11. Each Class Member whether or not such Class Member executes and delivers a Proof of Claim, is bound by this Judgment, including, without limitation, the release of claims as set forth herein and in the Stipulation.

12. This Judgment, whether or not consummated, and any proceedings taken pursuant to it:

(a) do not constitute, and shall not be offered or received against the Defendants as evidence of, or construed as, or deemed to be evidence of any presumption, concession or admission by any of the Defendants with respect to the truth of any fact alleged by Plaintiffs or the validity of any claim that had been or could have been asserted in the Action or in any litigation, including but not limited to the Settled Plaintiffs' Claims, or of any liability, negligence, fault or wrongdoing of the Defendants;

(b) do not constitute, and shall not be offered or received against the Defendants as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Defendant, or against the Plaintiffs or any other members of the Class as evidence of any infirmity in the claims of Plaintiffs or the other members of the Class;

(c) do not constitute, and shall not be offered or received against the Defendants or against the Plaintiffs or any other members of the Class, as evidence of a presumption, concession or admission with respect to any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the parties to this Stipulation, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; provided, however, that if this Stipulation is approved by the Court, Defendants may refer to it to effectuate the liability protection granted them under any applicable insurance policies;

(d) do not constitute, and shall not be construed against Defendants, Plaintiffs or any other members of the Class, as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial; and

(e) do not constitute, and shall not be construed as or received in evidence as, an admission, concession or presumption against Plaintiffs or any other members of the Class or any of them that any of their claims are without merit or that damages recoverable under the Complaint, would not have exceeded the Settlement Amount.

13. Upon payment of the Settlement Amount by IBM to the Escrow Account following the Effective Date, such funds shall be deemed and considered to be in custodia legis of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation, the Plan of Allocation and/or further order(s) of the Court.

14. Defendants may file this Judgment and/or the Stipulation in any action that may be brought against them in order to support a defense or counterclaim based on principles of res judicata, collateral estoppel, release, good-faith settlement, judgment bar or reduction or any theory of claim preclusion or issue preclusion or similar defense or counterclaim, or to effectuate the liability protection granted them under any applicable insurance policies. Any Party may file this Judgment and/or the Stipulation in any action that may be brought to enforce the terms of this Judgment and/or the Stipulation. All Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing this Judgment and the Stipulation.

15. The Court finds that during the course of the Action, the Parties and their respective counsel at all times complied with the requirements of Rule 11 of the Federal Rules of Civil Procedure.

16. In the event that the Stipulation is terminated in accordance with its terms, then this Judgment shall be rendered null and void to the extent provided by and in accordance with the Stipulation and shall be vacated, and in such event, all orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Stipulation, and the Parties shall be returned to their litigation positions as of February 13, 2008.

17. Any Court order regarding the Plan of Allocation or the Fee and Expense Application shall in no way disturb or affect this Judgment and shall be considered separate from this Judgment.

18. Without affecting the finality of this Judgment in any way, this Court hereby retains continuing jurisdiction over (a) implementation of the Settlement and any award or distribution of the Settlement Amount, including interest earned thereon; (b) disposition of the Net Settlement Amount, including all disputed questions of law and fact with respect to the validity of any claim or right of any Person to participate in the distribution of Net Settlement Amount; (c) hearing and determining applications for attorneys' fees, costs, interest and reimbursement of expenses in the Action; and (d) all parties hereto for the purpose of construing, enforcing and administering the Stipulation, the Settlement and Final Judgment and for any other necessary purpose.

Dated: New York, New York

Honorable Alvin K. Hellerstein
United States District Judge

EXHIBIT C

PRESS RELEASE

In re IBM Securities Litigation

NEW YORK (May [], 2008) -- Labaton Sucharow LLP, Klafter & Olsen LLP and IBM announce that they have received preliminary approval for an agreement to settle the securities class action titled In re IBM Securities Litigation, No. 1:05-cv-6279 (AKH) (S.D.N.Y.), for \$20 million in cash.

The settlement is subject to final Court approval. The settlement will resolve claims brought on behalf of the class of persons who purchased IBM's common stock between April 5, 2005 and April 14, 2005.

In this litigation, the plaintiffs alleged that members of the class were damaged by misrepresentations and omissions in IBM's April 5, 2005 announcement that it would begin stock option expensing in the first quarter of 2005. Specifically, the plaintiffs alleged that IBM misled investors as to its expected financial results and the anticipated size of its stock option expense for the quarter. IBM disputes that it made any misrepresentations to investors, and denies all allegations of wrongdoing.