

IBM Human Resources Transition Questions & Answers (U.S.)

Employees Affected by the Announced Sale of the IBM Personal Computing Division, December 8, 2004 (for U.S. use only)

To address some of the questions and/or concerns you may have about the Lenovo Group's announcement to acquire IBM's Personal Computing Division, this document includes the information we currently have available about the business issues related to the agreement and the transition process. During the employee information sessions that will take place over the next few weeks, you'll have the chance to learn more about these important issues and to ask specific questions.

General

1. What is IBM announcing?

IBM has announced that it has entered into an agreement with Lenovo Group, of Beijing, China. Under the agreement, IBM will sell the products of the new Lenovo through its global sales organization, and Lenovo PCs will be integrated into IBM's end-to-end solutions. Once the agreement is finalized, the new Lenovo will employ approximately 19,000 people and deliver the widest range of personal computing products and technologies to large enterprises, small and medium-size businesses and consumers worldwide.

The transaction is expected to be completed no later than the second quarter of 2005, and requires the approval of Lenovo's shareholders and review by relevant regulatory organizations. Following this global announcement, it is the intention of IBM and Lenovo to reach and sign local agreements after completion of additional legal requirements and industrial relations processes where applicable in some countries outside the U.S. Certain countries, generally in EMEA, require that these compensation packages undergo further legal and industrial relations review before signing local agreements. Management plans to seek packages that are comparable in value to the package currently offered to employees in those countries in accordance with applicable law.

2. Why is IBM selling the Personal Computing Division?

IBM remains firmly in the PC business, but the company doesn't have to own or operate a PC company to provide PCs as part of our end-to-end solutions. This move helps ensure that we're positioned to give clients the most advanced business PCs in the industry, on a global basis, through a company that's sharply focused on the PC space.

The new Lenovo will be very competitive globally. We believe the most promising growth path for the business includes both consumer and enterprise products. IBM isn't interested in re-entering the consumer business, but Lenovo is committed to investing, growing and winning in all segments of the PC industry.

3. Which employees are included in this transaction?

Affected employees include:

- All employees who are part of IBM's Personal Computing Division (PCD) and whose primary work responsibility is in support of the PCD mission/business
- Employees in other IBM business units whose primary work responsibility is in support of the PCD mission/business
- Additional employees deemed necessary to meet the new Lenovo requirements may be selected based upon business need and an assessment of their current job responsibilities.

Employees defined above who are receiving benefits under the IBM Sickness and Accident Income Plan as well as those on leave of absence will also become employees of the new Lenovo. This also includes those eligible to start a retirement bridge leave of absence.

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Excluded from this transfer are those who are approved for and receiving benefits under the Medical Disability Income Plan (MDIP) and the Long Term Disability (LTD) Plan at closing. Those employees currently on pre-retirement bridge leaves of absence are also excluded.

4. How many IBM employees are affected?

There are approximately 10,000 IBM regular and supplemental employees globally whose employment will transfer to the new Lenovo.

5. Where will employees who join the new Lenovo be located?

As a leading global business, the new Lenovo will have facilities, operations and people located around the world, with sales offices in every geography. Worldwide headquarters will be in New York, with principal operations in Beijing and Raleigh, North Carolina. Worldwide research and development will be led out of the Raleigh location, with additional research centers in China and Japan. Other centers of business activity are located throughout Europe and Latin America.

We expect that most employees will continue to be located at their current IBM location.

6. What are the new terms of employment for those who join the new Lenovo?

The new Lenovo, recognizing that our people have made the IBM PC brand a technology leader, has demonstrated a strong commitment to IBM PCD employees and the value they are bringing to the new enterprise. Accordingly, Lenovo will maintain compensation and benefits that are comparable in value in the aggregate to those currently offered by IBM. This guarantee will be extended at least through the end of 2007 and perhaps beyond. This commitment to maintain comparable compensation and benefit value is intended to reassure employees making the transition to the new Lenovo about the level of the company's investment in its human resources and in the future strength of the business.

In the U.S, this means that at the time employees join the new Lenovo, their base salaries will remain the same, and performance bonus opportunity and sales commission plans will provide a substantially similar opportunity. The new Lenovo will also offer comprehensive retirement and health benefits that are comparable to current IBM programs. Generally, IBM employees who join the new Lenovo will receive service credit for benefit purposes.

The new Lenovo employees can expect continued professional growth and challenge, along with the opportunity to participate in a new and expanding business venture. Lenovo and IBM are committed to making this a smooth transition that minimizes personal disruptions and loss of work productivity.

7. Are there going to be reductions in the workforce?

The two companies' structures are highly complementary, so we expect the need for rebalancing to be minimal. If resource reductions occur, Lenovo has agreed to provide affected employees with severance benefits equal to those provided by IBM, with service credit for employment with both IBM and the new Lenovo.

8. As an employee affected by this transaction, if I choose not to become an employee of the new Lenovo, may I pursue a transfer opportunity within IBM?

No. If you are offered a position with the new Lenovo and decline, you will separate from IBM and will not be permitted to participate in IBM's internal job placement process. A formal IBM job offer to transfer, approved and extended by your management which was executed prior to the date of this announcement, will be honored.

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9. If I choose not to accept the new Lenovo's offer of employment and resign from IBM, can I be considered for a job with IBM?

No. IBM will not hire or recruit employees who have been offered employment by the new Lenovo for a period of two years. IBM has arranged for your employment to continue with the new Lenovo, and it would be inconsistent with the objectives of both companies for you to resign from IBM or for you to resign from the new Lenovo in order to be re-employed by IBM.

10. Does my decision to join the new Lenovo affect whether I will be offered IBM separation pay?

No. You will not be offered separation pay from IBM in either case – whether you join the new Lenovo, or if you decline to join the new Lenovo and separate from IBM.

11. What will be the effective date of my transfer to the new Lenovo?

You will become an employee of the new Lenovo upon closing. We expect to close no later than the second quarter of 2005.

Compensation

12. How will the new Lenovo handle compensation, performance bonus, and other pay plans?

Lenovo has agreed that at the time you join the new Lenovo, base salary will remain the same, and current performance bonus targets will be initially maintained for the first year, with new targets established for the new Lenovo thereafter. Incentive and sales commission plans will provide a substantially similar opportunity, with targets based on the objectives of the new Lenovo. Lenovo has also agreed to maintain the same compensation concepts that IBM has used, with key measurements tied to the new Lenovo's business performance and success.

13. Will I receive a Personal Business Commitments (PBC) assessment for 2004?

Yes. Employees will receive a PBC assessment for 2004.

14. For business results in 2004, will I be eligible to receive a performance bonus payment?

Yes, if business performance warrants a Performance Bonus payout and if you are eligible to receive a payout, you could receive a payment based on your final salary and the number of full months worked during 2004. Your last PBC assessment will be used to determine individual performance. The bonus amount will be decided by your manager based on your performance. Any performance bonus you receive would be paid at the end of March 2005.

15. How will performance and business results for 2005 be handled?

For 2005, IBM will pay the new Lenovo employees a pro-rated performance bonus that represents the duration of their 2005 employment by IBM. It is anticipated that these pro-rated performance bonus amounts will be paid in the same time frame as IBM employees' performance bonuses are paid (March, 2006).

Lenovo intends to provide a performance bonus target that is equivalent to the target IBM employees have today, based on the business objectives of the new Lenovo, and to pay these performance bonuses in 2006.

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Benefits

16. What benefit programs will be available for those who join the new Lenovo?

Lenovo has agreed to offer an overall package of benefits that is comparable in value in the aggregate to the current IBM program.

Special provisions and a five-year guarantee apply to pension and savings benefits, as follows:

Prior retirement formula under the IBM Personal Pension Plan (Prior Plan). The new Lenovo will deliver comparable pension benefits to Prior Plan participants through a new pension plan (the new Lenovo Pension Plan) that will be established by the new Lenovo.

Personal Pension Account (cash balance) formula under IBM Personal Pension Plan. The new Lenovo will deliver comparable benefits to Personal Pension Account participants through a defined contribution plan (the new Lenovo Defined Contribution Plan).

Match under IBM Savings Plan. The new Lenovo will also provide a 401(k) plan (the new Lenovo 401(k) Plan). Lenovo has indicated an intent to continue the current IBM Savings Plan match – a 50% match on the first 6% of salary you defer.

Your years of service with IBM will be credited for purposes of determining eligibility and vesting under the new Lenovo Pension, Defined Contribution and 401(k) Plans. The new Lenovo employees who are already vested in IBM's Personal Pension Plan and IBM Savings Plan as of the closing date will be immediately vested in the new Lenovo plans for which they are eligible.

On the health benefits side, the new Lenovo employees will have immediate access to a comprehensive program of health benefits coverage, with no exclusions or pre-existing condition limitations other than those currently found in IBM's plans. Participants will receive credit for amounts applied to 2005 deductibles, if any.

17. Will the new Lenovo offer domestic partner benefits?

Lenovo has indicated its intent to offer domestic partner benefit comparable to those currently offered by IBM.

Retirement/Pension

18. Will the new Lenovo offer a pension program similar to IBM's?

Those who join the new Lenovo from IBM will receive pension benefits comparable to those offered by IBM, as follows:

- **Prior retirement formula under the IBM Personal Pension Plan (Prior Plan).** Prior Plan participants will receive comparable benefits under the new Lenovo Pension Plan. Since you are vested in the Prior Plan, you will also be fully vested in the new Lenovo Pension Plan. All benefits you have accrued under the Prior Plan will stay with the IBM Personal Pension Plan. Since you will terminate employment from IBM on the closing date, you may choose to receive a distribution of your accrued vested benefit under the Prior Plan in accordance with plan terms.

To ensure comparability, your IBM earnings and service will be counted for all purposes (including benefit accruals) under the new Lenovo Pension Plan. Your new Lenovo Pension Plan benefits will then be reduced by the value of the benefit you are eligible to receive from the Prior Plan.

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The proposed design of the new Lenovo Pension Plan will be finalized following approval from the Internal Revenue Service.

- **Current Personal Pension Account (cash balance)** participants will receive benefits under a comparable new Lenovo Defined Contribution Plan. If you are vested under the IBM Personal Pension Account as of the closing date, you will be fully vested in the new Lenovo Defined Contribution Plan. Otherwise, your IBM service will be counted toward eligibility to participate and vest under the new Lenovo Defined Contribution Plan.

All benefits you have accrued under the IBM Personal Pension Account will stay with the IBM Personal Pension Plan. Since you will terminate employment from IBM on the closing date, you may choose to receive a distribution of your accrued vested benefit under the IBM Personal Pension Account in accordance with plan terms.

If you are not fully vested in the IBM Personal Pension Account at closing, but are within six months of vesting (i.e., you have completed four years and six months of service) on the closing date, a special provision permits you, as an IBM employee who terminates IBM employment as the result of a divestiture, to be treated as vested.

If you are not vested and you are not within six months of vesting on the closing date, you will receive a contribution to the new Lenovo defined contribution plan equal to the value of your current IBM Personal Pension Account balance upon closing. You will vest in the new Lenovo Defined Contribution Plan once you have completed five years of service between both IBM and the new Lenovo.

19. If I am a Prior Plan participant, may I retire from IBM and accept employment with the new Lenovo?

Yes, if you are retirement-eligible under the Prior Plan on the closing date (30 years of service, age 55 with 15 years of IBM service, age 62 with five years of service, or age 65 with one year of service) you may choose to retire from IBM and still accept employment with the new Lenovo.

20. What if I just miss Prior Plan retirement eligibility by less than one year on the closing date?

The IBM Personal Pension Plan contains a special provision that permits employees who terminate their IBM employment as the result of a divestiture such as this, and who are within one year of retirement eligibility on the date their IBM employment terminates, to request up to a one-year transition to retirement bridge.

21. If I retire from IBM and join the new Lenovo, will I be eligible to participate in the new Lenovo Pension Plan once I join?

Yes. If you are an IBM Prior Plan participant, you will be eligible to participate in the new Lenovo Pension Plan. Your pension benefits under the new Lenovo Pension Plan will be subject to an offset provision.

If you are an IBM Personal Pension Account participant, you will be eligible to participate in the new Lenovo Defined Contribution Plan. Your IBM service will be counted towards eligibility to participate and vesting, so you will begin participating immediately

22. What happens to my pension if I am not currently eligible to retire under the Prior Plan?

If you are not eligible for retirement or you are not within one year of retirement eligibility on the closing date, you will still be eligible to request a distribution of your vested benefits in accordance with distribution options available under the IBM Personal Pension Plan (Prior Plan), including an immediate annuity.

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23. How do I obtain an estimate of my pension income?

You may obtain an estimate of your benefit under the IBM Personal Pension Plan by using the NetBenefits pension estimating tool at <http://netbenefits.com>, or by calling the IBM Employee Services Center's dedicated phone line at 1-800-426-2008, and speaking to a service representative. You can call this same number for answers to other questions about your IBM pension benefits.

24. How do I process my vested pension benefit under the IBM Pension Plan?

Contact the IBM Employee Services Center Pension Services dedicated phone line at 1-800-426-2008 to initiate payment of your vested pension benefit. An estimate and instructions on initiating your benefit will be mailed to your home address of record.

25. Can I roll over my Personal Pension Account balance or Prior Plan lump sum to the IBM Savings Plan, another employer's 401(k) plan or an IRA when I leave IBM? What about the new Lenovo 401(k) Plan?

Active employees and employees on leave of absence who separate from IBM and have an IBM Savings Plan account balance may roll over all or any portion of an eligible rollover distribution received from any IBM-sponsored qualified retirement plan, including their IBM Personal Pension Plan (Prior Plan) lump sum or Personal Pension Account balance, to the IBM Savings Plan. For more information, visit the IBM Savings Plan website at <http://yoursavingsplan.com/ibm>. If you have additional questions about the IBM Savings Plan, please call the IBM Savings Plan Service Center at 1-800-726-1000.

You may also be able to move an eligible rollover distribution into an IRA, or to the new Lenovo's 401(k) plan (in accordance with Plan terms). More information regarding the new Lenovo 401(k) Plan will be forthcoming.

Retiree Medical

26. What happens to my IBM retiree medical and life insurance benefits if I was "grandfathered" under the prior IBM retiree medical plan subsidy provisions?

If you are eligible for retiree health benefits under the prior IBM retiree medical plan subsidy provisions, you will be continue to be eligible for retiree medical and life insurance benefits from IBM.

If you are not eligible for retirement or are within one year of retirement eligibility on the closing date and you currently have an account balance in the Future Health Account, the new Lenovo plans to allow you to be eligible for a retiree medical benefit subsidy similar to IBM's Future Health Account design with a transitional credit, and to provide you with retiree life insurance similar to IBM's.

27. What happens to my IBM Future Health Account (FHA)?

After you leave IBM, you are eligible to receive the balance in your Future Health Account (FHA) and apply it toward the purchase of IBM retiree health coverage if:

- You leave at or after you reach age 55 with at least 15 years of service, **or**
- If you were at least 40 years old with one year of service on June 30, 1999, and if you leave with at least 30 years of service, regardless of your age.

Note: You can purchase IBM group health coverage if you leave IBM before you meet these criteria if you meet the "Rule of 65," that is, if your age and years of service equal 65.

If you are currently eligible to receive your FHA balance when your employment with IBM terminates, your FHA will remain with IBM and will continue to earn interest credits. Upon your retirement from

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the new Lenovo, you can receive your FHA funds and apply them toward premiums for IBM retiree health plans.

IBM Savings Plan

28. Will the new Lenovo offer a 401(k) Plan similar to the IBM Savings Plan 401(k)?

Yes, the new Lenovo also plans to offer a comparable 401(k) plan, with company matching contributions at the same level as those of the current IBM Savings Plan. Under the new Lenovo 401(k) Plan, the service provider and investment options may vary.

29. I would like to leave my balance in the IBM Savings Plan. Can I do so?

Yes, if your account balance is greater than \$1,000 on your termination date, you may leave it in the IBM Savings Plan as long as you wish, until you reach age 70½. You will continue to receive quarterly statements as well as quarterly IBM Savings Plan newsletters, and you will also retain the ability to transfer your funds among the available investment options.

If you choose to leave your IBM Savings Plan account in the Plan, you will be permitted to make withdrawals from your account, in any amount in excess of \$500, up to four times a year, and to take a complete distribution of your account at any time.

30. When my employment with IBM ends, what distribution options will I have regarding my account in the IBM Savings Plan?

In most cases, you can leave your account balance in the IBM Savings Plan account until you choose to receive, or are required to receive, a distribution. Following are the distribution rules (effective March 28, 2005):

For IBM Savings Plan Accounts in Excess of \$1,000 – If the balance of your IBM Savings Plan account is greater than \$1,000, you may elect to take an immediate lump sum or defer your distribution. If you defer distribution until at least age 55, additional forms of distribution are available. You can find more information on distributions, including tax consequences, in the IBM Savings Plan Web site at <http://yoursavingsplan.com/ibm>, or by calling the IBM Savings Plan Service Center at 1-800-726-1000.

For IBM Savings Plan Accounts of \$1,000 or less – If the balance of your IBM Savings Plan account is \$1,000 or less, your account will be automatically distributed in a single lump sum payment. You may elect to have all or part of the distribution made in the form of a direct rollover to an IRA or another eligible employer plan.

If you do not elect a direct rollover, your distribution will be paid to you in cash and will be subject to 20% withholding for federal income taxes. A cash distribution is treated as ordinary income for federal tax purposes and, in addition, you may be subject to a 10% penalty tax on early distributions.

You can find more information regarding distributions, including tax consequences, or process your request on the IBM Savings Plan Web site at <http://yoursavingsplan.com/ibm>. If you have additional questions, please call the IBM Savings Plan Service Center at 1-800-726-1000.

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31. If I have an outstanding loan against my IBM Savings Plan account at the time of my separation, how will it be handled?

In general, when you separate from IBM you may repay your loan under either of the following options:

- Pay by mail each month, using the IBM Savings Plan's coupon repayment method; **or**
- Repay your loan in full.

If you do not repay your outstanding loan, it will be reported to the IRS as an early distribution. You will be liable for income tax on the outstanding balance of your loan, and you may be subject to a 10% penalty tax on early distributions. You may also be liable for state income tax.

The new Lenovo will work with the new Lenovo 401(k) Plan administrator to evaluate whether your IBM Savings Plan loan balance can be rolled over into the Lenovo 401(k) Plan. More information regarding the new Lenovo 401(k) Plan will be forthcoming.

For more information about loan provisions or other questions about the IBM Savings Plan, refer to the IBM Savings Plan Summary Plan Description or call the IBM Savings Plan Service Center at 1-800-726-1000 for more information.

Equity

32. What happens to my current vested and unvested IBM stock options when I join the new Lenovo?

The treatment of these options will be communicated to each individual participant as the final transition guidelines are established by both companies and their Boards.

33. Will I be eligible for future IBM stock option grants?

No. However, the new Lenovo plans to pursue alternative long term incentive plans.

34. Will the new Lenovo offer employee stock options?

The new Lenovo plans to pursue long term incentive/retention programs for selected employees.

35. Will the new Lenovo offer an employee stock purchase plan?

Lenovo is currently evaluating alternative employee stock purchase program designs, with the intent of offering a benefit with a similar opportunity.

36. Once I am no longer employed by IBM, what options do I have with the stock I purchased while enrolled in IBM's Employee Stock Purchase Plan (ESPP) which is on deposit with EquiServe?

You have several options: (1) allow the stock to be held by EquiServe; (2) request that EquiServe sell your stock; (3) request that EquiServe issue stock certificates to you.

Additional information can be obtained by contacting the Stockholder Relations direct dial system at tie line 771-7000 or outside line 1-888-426-6700.

Health Benefits

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37. Will I have continuous benefits coverage during the transition from IBM to the new Lenovo?

Yes, until the closing date, when you become an employee of the new Lenovo, your IBM health benefits remain in effect, and claims processes under the various plans continue without change.

38. What health and income protection benefit programs will the new Lenovo offer?

The new Lenovo will maintain a comprehensive program of benefits that are of comparable value in aggregate to the program IBM currently offers. Available benefit plans will include employee medical, dental, vision, disability, group life insurance, and travel accident insurance benefits. The new Lenovo employees will have immediate access to health care coverage, with no exclusions or pre-existing condition limitations other than those currently found in IBM's plans. Those enrolled in an IBM medical option or HMO offered through IBM for 2005 will receive credit for amounts applied to 2005 deductibles and annual maximums, if applicable. Specific health plan administrators, providers and provisions may differ from those available under IBM's health benefits program.

More detailed information about the new Lenovo's health benefit program will be provided in the future.

39. What will happen to my IBM benefits after the closing date?

The IBM health benefits coverage in which you enrolled for 2005 (e.g., IBM PPO, PPO Plus, PPO/Health Savings Account, Exclusive Provider Organization (EPO), Dental Plus and Dental Basic as well as the Vision Plan) will continue through the last day of your final IBM pay period. If you are enrolled in an HMO and/or DMA plan, you will have coverage through your respective provider through the last day of the month during which your IBM employment terminates. Your coverage as an active employee under the IBM Group Life Insurance Plan and the IBM Travel Accident Insurance Plan will continue through the last day of your final IBM pay period.

40. How long do I have to submit claims under the IBM Medical, Dental, Vision, Mental Health Care, Prescription Drug and Special Care for Children Assistance Plans?

Claims incurred prior to the coverage termination date, the last IBM pay period, under the following health plan options: IBM PPO, PPO Plus, PPO/Health Savings Account, Exclusive Provider Organization (EPO), Mental Health Care Program, Managed Pharmacy Program, Special Care for Children Assistance Plan, Dental Plus and Dental Basic, must be submitted to the appropriate contract administrator.

Claims must be received by the contract administrator by December 31, 2006, for all 2005 expenses and by December 31, 2005 for all 2004 expenses. However, you are encouraged to submit all claims as soon as possible to ensure appropriate handling. If you are enrolled in an HMO and/or DMA which requires you to submit claims, please check with your HMO or DMA directly regarding claim submission deadlines. If you incurred out-of-network expenses under the Vision Service Plan, you should submit your claim for reimbursement to the contract administrator within 12 months of the date of service.

41. When I leave IBM and join the new Lenovo, will I be offered an opportunity to continue my IBM health care?

Yes. If you are covered by IBM benefits and leave IBM to join the new Lenovo, you will be given the opportunity to continue your health care coverage under IBM's Transitional Medical Program (TMP).

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42. If I decide not to join the new Lenovo and instead resign from IBM, will I be offered an opportunity to continue my IBM health care? What about my life insurance benefits?

If you are covered by IBM benefits and leave IBM, but do not join the new Lenovo, you will be given the opportunity to continue your health care coverage under IBM's Transitional Medical Program (TMP). You will be responsible for the full cost of your coverage and will receive monthly invoices to make payments.

TMP provides for continuation of coverage, generally for 18 months under some of the same plan options that make up IBM's health benefits programs. If you decide to continue your IBM health benefits through TMP, you will be responsible for the full cost of your coverage and will receive monthly invoices to make payments.

TMP is administered by the IBM Employee Services Center (ESC). Following termination of your IBM employment, the IBM ESC will mail an information package explaining health care options available to you, including applicable contribution rates. The package will include instructions on how to enroll, the time limitations for eligibility to enroll, and information on billing/payment procedures. Specific questions concerning TMP should be directed to the ESC at 1-800-426-2008.

Optional conversions of the IBM Group Life Insurance and/or Travel Accident Insurance will also be available at your expense. You must request a conversion form from the ESC and initiate these conversions within 31 days of your separation from IBM. Additional information on converting Group Life Insurance may be obtained by calling the Prudential Insurance Company at 1-973-548-6061. Additional information on converting Travel Accident Insurance may be obtained by calling Cigna at 1-800-441-1832.

If you are currently purchasing Group Universal Life (GUL) coverage and resign from IBM rather than joining the new Lenovo, contact Marsh@WorkSolutions at 1-800-247-5628. The GUL Insurance Program is not an IBM-sponsored/endorsed benefit program, so you must contact Marsh@WorkSolutions to initiate any changes. You may continue Group Universal Life (GUL) coverage on a direct-bill basis. After you leave IBM, you will be considered a non-active policy holder. As such, you may pay different rates for coverage, and you will no longer be able to participate in this program through payroll deduction. If you choose to cancel your coverage, you must also contact Marsh@WorkSolutions.

43. I am currently enrolled in IBM's Long Term Care Insurance. Will I be able to continue this coverage once I become a new Lenovo employee?

Yes. If you wish to retain your Long Term Care (LTC) coverage, you may do so on a direct-bill basis. John Hancock Life Insurance Company, which administers the LTC program for IBM, will be automatically notified that you are no longer an IBM employee. John Hancock will mail information to your home explaining how you may continue your coverage. For questions, contact John Hancock at 1-800-255-8991.

44. I am enrolled in the IBM Health Care Spending Account (HCSA) for 2005. What happens to the money I have in my account?

Payroll deductions for the Health Care Spending Account will end with your last IBM pay period. In accordance with IBM and applicable tax regulations, the full amount that you contribute to your HCSA for 2005 is always available for reimbursement of eligible health care expenses, but only expenses incurred on or before the date your IBM employment terminates will be eligible for reimbursement. You will be offered the opportunity to continue your account contributions on a post-tax basis through IBM's Transitional Medical Program. You can then receive reimbursement for expenses incurred after the last pay period and perhaps avoid forfeiting your unused contributions.

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Health Care Spending Account claims must be received by FBD Consulting, the program administrator, by April 30, 2005, for 2004 expenses, and by April 30, 2006, for 2005 expenses. Please call the IBM Employee Services Center's dedicated phone line at 1-800-426-2008 if you have additional questions.

45. I am enrolled in the Dependent Care Spending Account (DCSA) for 2005. What happens to the money I have in my account?

Payroll deductions for your Dependent Care Spending Account will end with your last IBM pay period. Expenses incurred through the end of the current plan year (December 31, 2005) will be eligible for reimbursement up to the amounts you contributed to the Dependent Care Spending Account through your last IBM pay period.

Dependent Care Spending Account claims must be received by FBD Consulting, the program administrator, by April 30, 2005 for 2004 expenses, and by April 30, 2006, for 2005 expenses. Please call the IBM Employee Services Center's dedicated phone line at 1-800-426-2008 if you have additional questions.

46. What vacation benefits will I receive as a new Lenovo employee?

The new Lenovo vacation plan will conform to the current IBM vacation plan. The amount of vacation for which you are eligible will be based on your combined service with IBM and the new Lenovo.

47. What will happen with my vacation days for 2005 and any deferred vacation days I still have? What about unused personal choice holidays?

Upon your departure from IBM, your accrued, unused 2005 vacation balance will be transferred to the new Lenovo. In addition, if you deferred vacation days prior to January 1, 1993, those eligible, unused deferred vacation days will be transferred as well. Vacation taken before it is earned is considered a salary advance, and that amount will be deducted from any other vacation owed to you or from your final IBM paycheck.

You will not be paid for any personal choice holidays which you have not used.

Note: more specific vacation payout rules may apply to employees working in California.

Miscellaneous

48. What happens to current International Assignees as a result of this transition?

The new Lenovo has indicated that International Assignees will continue in their current assignments until they are completed, and that the terms and conditions currently in place will continue for the duration of the international assignment.

49. Will Financial Planning seminars be offered to employees who will be moving to the new Lenovo?

Yes.

50. If I have employees who will reach IBM service milestones (e.g., 10-year service, Quarter Century Club) prior to the closing, will they receive service recognition awards?

Yes. Employees will continue to accrue IBM service until the sale closes (currently anticipated in the second quarter of 2005). Employees who reach 10 years of service during this period will receive recognition through the Ten-Year Service Recognition Program, and those who reach 25 years of service during this period will be inducted into the Quarter Century Club.

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51. Will employees scheduled to go to the IBM Golden Circle event in April still be able to attend?

All future employees of the new Lenovo will be invited to participate in those IBM recognition events that occur prior to their joining the new Lenovo. The new Lenovo is committed to continue to conduct recognition events that recognize Sales, Performance and Innovation leadership and will schedule similar recognition events to match those scheduled in 2005 after the contract closing.

52. Will I be eligible to receive patent file awards and resulting plateau awards (if complete plateau criteria are met) for any disclosures which were file rated prior to the date of the sale?
Yes.

53. I have submitted an IDEA which has not yet been evaluated. Will I be eligible for the award if it is implemented?

Yes. IDEAS submitted prior to the closing date will be evaluated and, if implemented, you will be eligible to receive the applicable award.

54. Will the new Lenovo offer a tuition reimbursement program like the Academic Learning Assistance Program ?

Yes. The new Lenovo intends to continue with a program similar to the Academic Learning Assistance Program. For those currently taking courses or enrolled in a degree work study program under the ALAP, administrative processes associated with the transition will be forthcoming.

55. My child is currently attending the local IBM corporate funded child care center. With this announcement, does this mean I'll have to now pay the community rate?

If your child is enrolled in a child care center that has a formal relationship with IBM, and there is an IBM rate that differs from the community rate, you will be able to remain at the IBM tuition rate for one month after your IBM separation date. Following the one-month grace period, a transition to "community" status must take place. You should work with your child care provider to handle the details of the arrangement.

56. Will my corporate charge card(s) be transferred to the new Lenovo?

No. You will be responsible for reconciling all debts on your corporate charge card account(s) and you must return the charge card to your IBM manager on your last day of employment with IBM. Charge card accounts will be canceled by IBM after the final closing date.

57. Can I still submit an Expense Account (EA) which I have not yet processed?

Yes. You will be able to continue processing TEAs electronically through the final closing date. After the final closing date, you will need to submit any expenses incurred before the final closing date by using a hard copy form and mailing it to:

Travel Expense Accounting
Department GTP, Building 14-2
1701 North Street
Endicott, NY 13760

58. I currently have a payroll deduction for the Employee Charitable Contribution Campaign. What will happen to it?

Any payroll deductions you currently have will terminate with your final IBM paycheck.

59. What kind of job reference will IBM provide?

The IBM Employee Services Center will respond to such requests with an employment verification which will include dates of employment and last position title. If you give written approval, the reply will also include final salary information.

IBM Human Resources Transition Questions & Answers (U.S.)

The transaction is expected to be completed no later than the second quarter 2005, and requires the approval of Lenovo's shareholders and review by relevant regulatory organizations. Following this global announcement, it is the intention of IBM and Lenovo to reach and sign local agreements after completion of additional legal requirements and industrial relations processes where applicable in some countries outside the United States. Certain countries, generally in EMEA require that these compensation packages undergo further legal and industrial relations review before signing local agreements. Management plans to seek packages that are comparable in value to the package currently offered to employees in those countries in accordance with applicable law.

This document is intended to provide brief descriptions of benefit plans and Human Resource programs in which you may be eligible to participate. Complete details can be found in the official plan documents, which remain the final authority and, in the event of conflict, the official plan document shall govern in all cases. Due to the ever-increasing complexity of these plans, employees should rely only on the complete summary plan description and other official IBM/IBM Global Services written policy summaries of these plans. The Plan Administrator retains the exclusive authority and discretion to interpret the terms of the benefit plans described herein.

IBM reserves the right, at its discretion, to amend, change or terminate IBM benefit plans, programs, practices or policies, as the company requires. Nothing contained in this document shall be construed as creating an express or implied obligation on the part of IBM to maintain benefits plans, programs, practices or policies. Because of the need for confidentiality, decisions regarding changes to IBM benefit plans, programs, practices or policies are generally not discussed or evaluated below the highest levels of management. Managers and their representatives below such levels do not know whether IBM will or will not change or adopt, for example, any particular benefit, separation, or retirement plan. Nor are they in a position to advise any employee on, or speculate about, future plans. Employees should make no assumptions about future changes or the impact changes may have on their personal situation until any such change is formally announced by IBM.