

**=WSJ: IBM In Talks To Buy Sun In Bid to Add To Web Heft**

**18.03.09 08:00:00- APIN**

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Of THE WALL STREET JOURNAL

International Business Machines Corp. (IBM) is in talks to buy Sun Microsystems Inc. (JAVA) in a combination that would bolster IBM's heft on the Internet, in data storage and in government and telecommunications areas, according to people familiar with the matter.

The two companies have a common interest in that both make computer systems for corporate customers that aren't reliant on Microsoft Corp.'s Windows software or Intel Corp.'s microprocessor technologies. The two companies are also strong supporters of open-source Linux and Java software for Web application development.

It is unclear whether the negotiations will result in a transaction, but if the deal does go through, IBM is likely to pay at least \$6.5 billion in cash to acquire Sun, the people said. That would translate into a premium of more than 100% over Sun's closing price Tuesday of \$4.97 a share on the Nasdaq Stock Market.

Any transaction would strengthen IBM's position against Hewlett-Packard Co., the largest company in the information technology industry. It could be the largest acquisition in IBM's history, surpassing the acquisition of Cognos Inc. last year.

People familiar with the matter cautioned that while talks are under way, a transaction might not occur. Ian Colley, a spokesman for IBM, declined to comment on questions about any talks with Sun.

Sun shares have plummeted over the past year, battered by the economy as well as competitors who have outpaced it in the competitive back-office computing market.

In recent months, Sun has approached a number of large tech companies in the hopes of being acquired, say people familiar with the matter. The world's largest tech company, Hewlett-Packard, declined the offer, says a person briefed on the matter. A spokesman for Dell Inc., the world's third-largest server maker, declined to comment.

The deal would bolster IBM's position as the world's largest server maker. According to analysis firm IDC, IBM had 31.4% of the market last year; H-P was second with 29.5%, and Dell third with 11.6%. Sun ranked fourth, at 10.6%.

In recent years, the market for servers has shifted from the huge, custom-built "mainframes" that IBM dominates to vast numbers of standardized computers. By pushing standardized servers, H-P has made inroads on IBM.

-By Matthew Karnitschnig, William M. Bulkeley and Justin Scheck of The Wall Street Journal

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18-03-09 0700GMT

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