IBM Exec Put Out To Pasture After Charges

Jordan Robertson, AP Technology Writer

SAN FRANCISCO (AP) — IBM Corp. put a top executive on leave Monday after he was charged in an insider trading scandal for allegedly leaking secrets about IBM's earnings and financial dealings with corporate partners.

The company said Robert Moffat, a senior vice president and cost-cutting maven who was considered a possible candidate to succeed CEO Sam Palmisano, no longer serves as an officer of the company.

A woman who answered the phone at Moffat's home in Connecticut said he would not comment. Kerry Lawrence, an attorney representing Moffat, said the government hasn't accused Moffat of profiting from the alleged scheme.

"Not only have they not alleged that, but that definitely did not happen," Lawrence said.

Rodney Adkins, who has been senior vice president in charge of development and manufacturing, was tapped to assume Moffat's position on an acting basis. That gives him oversight over IBM's mainframes and computer servers.

Adkins is the highest-ranking black executive IBM has ever had.

Moffat was one of six executives and hedge fund managers arrested Friday in connection with a wide-ranging scam that authorities say generated more than $25 million in illegal profits.

The bust ensnared one of America's wealthiest men, Raj Rajaratnam, a portfolio manager for the Galleon Group hedge fund; two people from another hedge fund; and figures from chip maker Intel Corp. and consulting firm McKinsey & Co.

The hedge fund defendants are accused of trading securities in several publicly traded companies based on confidential information they got from the executives.

Moffat's arrest is a rare stain on the reputation of IBM, which promotes "trust in all relationships" as one of its key values.

Moffat, a college track star who has worked at IBM since 1978, is known as an operational expert who has worked in some of IBM's toughest divisions trying to unlock more profit. That included the personal computer business, which IBM sold in 2004 to China-based Lenovo Group. IBM has trumpeted Moffat's ability to slash costs and make the company faster and more efficient, particularly in manufacturing.

Moffat, 53, is accused of supplying Danielle Chiesi, who worked for a hedge fund

known as New Castle, details about IBM's earnings; the timing of a restructuring at IBM partner Advanced Micro Devices Inc.; and the financials of Sun Microsystems Inc., whose books IBM was poring over this year as part of an acquisition bid.

It's unclear from the court filings how Moffat would have benefited. Lawrence, Moffat's lawyer, declined to comment further on the case.

His arrest comes after a tough stretch for IBM, which is based in Armonk, N.Y.

Two weeks ago the company acknowledged that the U.S. Justice Department is looking into allegations the company abused its dominant position in mainframe computers, one of IBM's most important products. And last week the company reported higher quarterly profit and boosted its 2009 earnings forecast, but the stock fell. The shares had already appreciated significantly, and some investors were apparently expecting more from the results.

Intel, the world's largest maker of computer microprocessors, said it was blindsided by the arrest of its employee, Rajiv Goel, 51, a director of strategic investment in Intel's treasury department. Intel spokesman Chuck Mulloy said the company hasn't been contacted by law enforcement.

Goel, who has been placed on leave, declined to comment.

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