



FOR IMMEDIATE RELEASE

Media Contact Information:

Jay Shotwell

Shotwell Public Relations

(408) 666-9200

jay@shotwellpr.com

**ZF MICRO SOLUTIONS SIGNS MULTI-YEAR FOUNDRY
AGREEMENT WITH IBM**

First Collaboration Brings ZFx86 FailSafe® System-on-a-Chip Back to Market

Palo Alto, California, October 17, 2005 – ZF Micro Solutions (ZF) announced today that it has entered into a multi-year foundry services agreement with IBM. After a three year legal battle with National Semiconductor, ZF was successful and a settlement agreement gave ZF rights to all IP within the chip to make, have made, use, modify, produce derivatives or migrate the ZFx86 design to other foundries.

In March of 2005 the company began the task of rebuilding its market presence based on continuing strong demand for the ZFx86 FailSafe® PC-on-a-Chip that was the focus of the litigation. The ZFx86 had achieved more than 400 design wins worldwide because of its unique feature set tailored specifically to the requirements of the embedded control market. The ZFx86 is still the only device that combines a patented crash recovery mechanism, low power consumption and complete PC feature set. The included embedded BIOS reduces BIOS investment to zero while offering full compatibility with Linux, Windows and most Real Time Operating Systems available today.

IBM will manufacture the ZFx86 FailSafe® PC-on-a-Chip exclusively for ZF Micro Solutions at IBM's Burlington, Vermont wafer manufacturing facility. Over the life of the agreement the parties may extend the relationship to cover additional products, potentially including new products developed in conjunction with IBM Engineering & Technology Services division.

ZF plans to begin sampling the ZFx86 chip late in the fourth calendar quarter of 2005 with volume production scheduled to begin in the first quarter of 2006.

"Our selection of IBM comes after months of careful review of the factors necessary to assure our customers of a secure source of supply. The relationship gives ZF a trusted manufacturing partner recognized worldwide as the premier microelectronics technology company in the world and it will allow us to plan, develop and deliver premier products to our customers now and in the future," said David L. Feldman, president and chief executive officer of ZF Micro Solutions.

"We expect that the mutual goal of ZF and IBM to deliver products of the highest quality and reliability, utilizing IBM's world-class foundry technology, will result in a successful long-term relationship," said Tom Reeves, vice president, Semiconductor Products for IBM Systems & Technology Group.

"This announcement is excellent news for Tri-M Systems and the hundreds of other ZF customers affected by National's decision to cease production for ZF. We will resume production of several designs based on the ZFx86 as soon as new deliveries begin," said Doug Stead, President of Tri-M Systems, Inc. (www.Tri-M.com) one of ZF's longstanding customers. "The comprehensive feature set of the ZFx86 remains unique in the embedded market and its renewed availability will allow us to expand into new markets" added Mr. Stead.

About ZF Micro Solutions

ZF Micro Solutions is a privately held company founded in 2002 by David Feldman, the creator of the PC/104 IEEE standard and the 5¼ inch form factor embedded Single Board Computer. Feldman pioneered FailSafe systems in 1995 when he founded a company that reduced these small form factor boards to a single chip combining x86 PC functionality with ZF's patented fail-safe technology. The ZFx86 is the only chip available with a built-in mechanism for restoring operation after a system software failure. The ZFx86 runs most PC software without modification, is bundled with a full PC BIOS and boots by simply applying power.

All trademarks or registered trademarks are property of their respective companies.