INTERNATIONAL BUSINESS MACHINES CORP
Form 11-K
June 28, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-2360

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

IBM 401(k) Plus Plan

Director of Compensation and Benefits

IBM

North Castle Drive, M/D 147

Armonk, New York 10504

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

INTERNATIONAL BUSINESS MACHINES CORPORATION

New Orchard Road

Armonk, New York 10504

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IBM 401(k) PLUS PLAN

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* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974 are omitted because they are not applicable.

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

IBM 401(k) Plus Plan

Date:	June 28, 2010	By:	/s/ James J. Kavanaugh James J. Kavanaugh Vice President and Controller

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Report of Independent Registered Public Accounting Firm

To the Members of the International Business Machines Corporation (IBM) Retirement Plans Committee and the Participants of the IBM 401(k) Plus Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the IBM 401(k) Plus Plan (the Plan) at December 31, 2009 and 2008, and the changes in net assets available for benefits for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of loans or fixed income obligations in default or classified as uncollectible and of assets (held at end of year) are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

New York, NY
June 28, 2010

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IBM 401(k) PLUS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AT DECEMBER 31,

	2009	2008
	(Dollars in thousands)	
Assets:		
Investments:		
Investments, at fair value (Note 3)	$ 31,317,388	$ 26,024,927
Participant loans	300,929	293,132
Total investments	31,618,318	26,318,059
Receivables:		
Participant contributions	24,284	32,850
Employer contributions	33,503	35,084
Income, sales proceeds and other receivables	807,428	30,805
Total receivables	865,216	98,739
Total assets	32,483,534	26,416,798
Liabilities:		
Payable for collateral deposits	13,745	1,520,607
Accrued expenses and other liabilities	931,609	33,939
Total liabilities	945,354	1,554,546
Net assets at fair value	31,538,180	24,862,252
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(116,577)	499,119
Net assets available for benefits	$ 31,421,603	$ 25,361,371

The accompanying notes are an integral part of these financial statements.

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IBM 401(k) PLUS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31,

		2009 (Dollars in thousands)
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments (Note 3)	$	4,766,343
Interest income from investments		508,407
Dividends		165,612
		5,440,362
Contributions:		
Participants		1,195,478
Employer		952,446
		2,147,925
Transfers from other benefit plans, net		14,605
Total additions		7,602,892
Deductions from net assets attributed to:		
Distributions to participants		1,510,888
Administrative expenses, net		31,772
Total deductions		1,542,660
Net increase in net assets during the year		6,060,232
Net assets available for benefits:		
Beginning of year		25,361,371
End of year	$	31,421,603

The accompanying notes are an integral part of these financial statements.

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IBM 401(k) PLUS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the IBM 401(k) Plus Plan (formerly called the IBM Savings Plan and herein the Plan) provides only general information. Participants should refer to the Plan prospectus (Summary Plan Description) for a complete description of the Plan s provisions.

General

The Plan was established by resolution of International Business Machines Corporation s Retirement Plans Committee (the Committee) effective July 1, 1983 and Plan assets are held in trust for the benefit of its participants. The Plan offers all eligible active, full-time and part-time regular and long-term supplemental United States (U.S.) employees of International Business Machines Corporation (IBM) and certain of its domestic related companies and partnerships an opportunity to defer from one to eighty percent of their eligible compensation for before-tax 401(k) and/or Roth 401(k) contributions to any of thirty-two primary investment funds and approximately 200 mutual funds in a mutual fund window. The investment objectives of the primary funds are described in Note 6, Description of Investment Funds. In addition, participants are able to contribute up to ten percent of their eligible compensation on an after-tax basis. Roth 401(k) and after-tax contributions are not available for employees working in Puerto Rico. Annual contributions are subject to the legal limits permitted by Internal Revenue Service (IRS) regulations.

Participants are provided the choice to enroll in a disability protection program under which a portion of the participant s account is used to pay premiums to purchase term insurance (underwritten by Metropolitan Life Insurance Company), which will pay the amount of their before-tax 401(k) contributions, matching contributions, automatic contributions and/or Special Savings Awards into their accounts in the event the participant becomes disabled while insured.

At December 31, 2009 and 2008, the number of participants with an account balance in the Plan was 206,487 and 214,594, respectively.

The Plan qualifies under Section 401(a) of the Internal Revenue Code of 1986, as amended, and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Administration

The Plan is administered by the Committee, which appointed certain officials of IBM to assist in administering the Plan. The Committee appointed State Street Bank and Trust Company (SSBT), as Trustee, to safeguard the assets of the funds and State Street Global Advisors (SSGA), the institutional investment management affiliate of SSBT, The Vanguard Group and other investment managers to direct investments in the various

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funds. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) is the provider of record keeping and participant services, operator of the IBM Employee Services Center for the Plan in Raleigh, North Carolina as well as the provider of administrative services related to the mutual fund window. Communications services were provided by Fidelity as well as The Vanguard Group.

Contributions

Under the Plan IBM provides employer contributions for eligible participants as follows, based upon which, if any, IBM pension formula the employee was eligible for on December 31, 2007:

IBM Pension Plan Eligibility at 12/31/2007	IBM Automatic Contribution	IBM Matching Contribution
Pension Credit Formula	4%	100% on 6% of eligible compensation
Personal Pension Account	2%	100% on 6% of eligible compensation
New Hires on or after 1/1/2005	1%	100% on 5% of eligible compensation

Any employees who terminate employment and are rehired on or after January 1, 2005 will be eligible to participate in the New Hires on or after 1/1/2005 contribution rates.

Some participants who were eligible to participate in the Personal Pension Account also received transition credits contributed to the Plan if they had been eligible for transition credits under the IBM Personal Pension Account formula. All transition credits ceased as of June 30, 2009, according to the original design. In addition, a contribution equal to five percent of eligible compensation (referred to as a Special Savings Award) will be added to the accounts of participants who are non-exempt employees at year-end and who participated in the Pension Credit Formula as of December 31, 2007 and have been continuously employed by IBM since that date.

In 2008, newly hired employees were automatically enrolled at 5 percent of eligible salary after approximately thirty days of employment with IBM, unless they elect otherwise. Effective January 1, 2009, newly hired employees are automatically enrolled at 5 percent of eligible salary and performance pay after approximately thirty days of employment with IBM, unless they elected otherwise. After completing one year of service with IBM, they are eligible for the IBM automatic contribution and the IBM matching contribution. The match maximizer feature, which automatically adjusts IBM matching contributions for a participant s aggregate eligible 401(k) deferrals for the year, will be calculated on a semi-monthly basis and all participants will be eligible for the feature.

Eligible compensation under the Plan includes regular salary, commissions, overtime, shift premium and similar additional compensation payments for nonscheduled workdays, recurring payments under an employee variable compensation plan, regular IBM Short-Term Disability Income Plan payments, holiday pay and vacation pay, and

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payments made under any executive incentive compensation plan. Non-recurring compensation, such as awards, deal team payments and significant signing bonuses are not eligible compensation and cannot be deferred under the Plan.

Participants are able to choose to have their contributions invested entirely in one of, or in any combination of, the following funds or in the mutual fund window funds, in multiples of one percent. These funds and their investment objectives are more fully described in Note 6, Description of Investment Funds.

Life Cycle Funds (14)

Target Date 2005 Fund

Target Date 2010 Fund

Target Date 2015 Fund

Target Date 2020 Fund

Target Date 2025 Fund

Target Date 2030 Fund

Target Date 2035 Fund

Target Date 2040 Fund

Target Date 2045 Fund

Target Date 2050 Fund

Income Plus Life Strategy Fund
Conservative Life Strategy Fund
Moderate Life Strategy Fund
Aggressive Life Strategy Fund

Core Funds (7)

Stable Value Fund
Inflation Protected Bond Fund
Total Bond Market Fund
Total Stock Market Index Fund

Total International Stock Market Index Fund
Real Estate Investment Trust (REIT) Index Fund

International Real Estate Index Fund

Expanded Choice Funds (11)
High Yield and Emerging Markets Bond Fund

Long-Term Corporate Bond Fund
Large Company Index Fund
Large-Cap Value Index Fund

Large-Cap Growth Index Fund
Small/Mid-Cap Stock Index Fund

Small-Cap Value Index Fund

Small-Cap Growth Index Fund
European Stock Index Fund

Pacific Stock Index Fund
IBM Stock Fund

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The Plan participants also have access to the mutual fund window investment options.

Participants may change their deferral percentage and investment selection for future contributions at any time. The changes will take effect for the next eligible pay cycle if the request is completed before the applicable cutoff date. Also, participants may transfer part or all of existing account balances among funds in the Plan once daily, subject to the Plan restrictions on trading.

The Committee is committed to preserving the integrity of the Plan as a long-term savings vehicle for its employees. Frequent, short-term trading that is intended to take advantage of pricing lags in funds can harm long-term investors, or increase trading expense in general. Therefore, the Plan has implemented frequent trading transaction restrictions and reserves the right to take other appropriate action to curb short-term transactions (buying/selling).

Participant Accounts

The Plan record keeper maintains an account in the name of each participant to which each participant s contributions and share of the net earnings, losses and expenses, if any, of the various investment funds are recorded. The earnings on the assets held in each of the funds and all proceeds from the sale of such assets are held and reinvested in the respective funds.

Participants may transfer rollover contributions of before-tax and Roth 401(k) amounts from other qualified savings plans or Individual Retirement Accounts into their Plan account. Rollovers must be made in cash within the time limits specified by the IRS; stock or in-kind rollovers are not accepted. These rollovers are limited to active employees on the payroll of IBM (or affiliated companies) who have existing accounts in the Plan. Retirees are not eligible for such rollovers, except that a retiree or separated employee who has an existing account in the Plan may rollover a lump-sum distribution from an IBM-sponsored qualified retirement plan, including the IBM Personal Pension Plan. After-tax amounts may also be directly rolled over into the Plan from another qualified savings plan.

On each valuation date, the unit/share value of each fund is determined by dividing the current investment value of the assets in that fund on that date by the number of units/shares in the fund. The participant s investment value of assets equals the market value of assets for all funds except the Stable Value Fund for which the participant s investment value of assets equals the contract value of assets. In determining the unit/share value, new contributions that are to be allocated as of the valuation date are excluded from the calculation. On the next day, the cash related to new contributions is transferred into the fund and the number of additional units to be credited to a participant s account for each fund, due to new contributions, is equal to the amount of the participant s new contributions to the fund divided by the prior night s unit value.

Contributions (with the exception of after-tax contributions and Roth 401(k) contributions) made to the Plan, as well as interest, dividends, or other earnings of the

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Plan are generally not included in the taxable income of the participant until withdrawal, at which time all earnings and contributions withdrawn generally are taxed as ordinary income to the participant. Additionally, withdrawals by the participant before attaining age 59 1/2 generally are subject to a penalty tax of 10 percent. After-tax contributions made to the Plan are not tax deferred, but are taxable income prior to the participant making the contribution. Any interest, dividends or other earnings on the after-tax contributions are generally not included in the taxable income of the participant until withdrawal, at which time all earnings withdrawn are generally taxed as ordinary income to the participant. Any distribution of earnings on after-tax contributions that are withdrawn by the participant before attaining age 59 1/2 generally are subject to a penalty tax of 10 percent. Roth 401(k) contributions are not deferred, but are taxable income prior to the participant making the contribution. Interest, dividends or other earnings on Roth 401(k) contributions may not be taxable at withdrawal provided the participant has met the applicable rules.

Consistent with provisions established by the IRS, the Plan s 2009 limit on employee salary deferrals was $16,500. (The limit for 2010 is $16,500.) Participants who were age 50 or older during 2009 could take advantage of a higher 401(k) contribution limit of $22,000 ($22,000 for 2010). The 2009 maximum annual deferral amount for employees residing in Puerto Rico was limited by local government regulations to $9,000. (The Puerto Rico limit for 2010 is $9,000.) Puerto Rico participants who are age 50 or older in 2009 may take advantage of a higher contribution limit of $10,000 (same limit in 2010).

Vesting

Participants in the Plan are at all times fully vested in their account balance, including employee contributions, employer contributions and earnings thereon, if any.

Distributions

Participants who have attained age 59 1/2 may request a distribution of all or part of the value in their account. A maximum of four distributions are allowed each year and the minimum amount of any such distribution shall be the lesser of the participant s account balance or $500.

In addition, participants who (1) retire under the prior IBM Retirement Plan provisions of the IBM Personal Pension Plan, or (2) become eligible for benefits under the IBM Long-Term Disability Plan or the IBM Medical Disability Income Plan, or (3) separate from IBM and have attained age 55, may also elect to receive the balance of their account in annual installments over a period not to exceed twenty years.

Withdrawals for financial hardship are permitted provided they are for an immediate and significant financial need, and the distribution is necessary to satisfy that need. Employees are required to fully use the Plan loan program, described below, before requesting a hardship withdrawal. Only an employee s contributions are eligible for hardship withdrawal; earnings on before-tax 401(k) and Roth 401(k), and IBM contributions (match, automatic, transition credits and Special Savings Award) are not

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eligible for withdrawal. Employees must submit evidence of hardship to the record keeper who will determine whether the situation qualifies for a hardship withdrawal based on guidance from the Plan administrator. A hardship withdrawal is taxed as ordinary income to the employee and may be subject to the 10 percent additional tax on early distributions.

If the participant dies and is married at the time of death, the participant s spouse must be the beneficiary of the participant s Plan account, unless the participant s spouse has previously given written, notarized consent to designate another person as beneficiary. If the participant marries or remarries, any prior beneficiary designation is canceled and the spouse automatically becomes the beneficiary. If the participant is single, the beneficiary may be anyone previously designated by the participant under the Plan. In the absence of an effective designation under the Plan at the time of death, the proceeds normally will be paid in the following order: the participant s spouse, the participant s children in equal shares, or to surviving parents equally. If no spouse, child, or parent is living, payments will be made to the executors or administrators of the participant s estate.

Upon the death of a participant, an account will be established for the participant s beneficiary. If the beneficiary is a spouse or domestic partner, the beneficiary s account may be maintained in the Plan, subject to IRS Minimum Required Distribution rules. If the beneficiary is neither a spouse nor a domestic partner, the account will be paid to the beneficiary in a lump sum. Beneficiaries may rollover distributions from the Plan.

Participant Loans

Participants may borrow up to one-half of the value of their account balance, not to exceed $50,000, within a twelve month period. Loans will be granted in $1 increments subject to a minimum loan amount of $500. Participants are limited to two simultaneous outstanding Plan loans. Repayment of a loan is made through semi-monthly payroll deductions over a term of one to four years for a general purpose loan or one to ten years for a primary residence loan. The loan bears a fixed rate of interest, set quarterly, for the term of the loan, determined by the plan administrator to be 1.25 points above the prime rate. The interest is credited to the participant s account as the semi-monthly repayments of principal and interest are made. Interest rates on outstanding loans at December 31, 2009 and 2008 ranged from 4.50 percent to 11.00 percent and 4.25 percent to 11.00 percent, respectively.

Participants may prepay the entire remaining loan principal at any time. Employees on an approved leave of absence may elect to make scheduled loan payments directly to the Plan. Participants may continue to contribute to the Plan while having an outstanding loan. A loan default is a taxable event to the participant and will be reported as such in the year of the loan default.

Participants who retire or separate from IBM and have outstanding Plan loans may make coupon payments to continue monthly loan repayments according to their original amortization schedule.

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Termination of Service

If the value of a participant s account is $1,000 or less, it will be distributed to the participant in a lump-sum payment following the termination of the participant s employment with IBM. If the account balance is greater than $1,000 at the time of separation, the participant may defer distribution of the account until age 70 ½.

Termination of the Plan

IBM reserves the right to terminate this Plan at any time by action of the Board of Directors of IBM. In that event, each participant or beneficiary receiving or entitled to receive payments under the Plan would receive the balance of the account at such time and in accordance with applicable law and regulations. In the event of a full or partial termination of the Plan, or upon complete discontinuance of contributions under the Plan, the rights of all affected participants in the value of their accounts would be nonforfeitable.

Risks and Uncertainties

The Plan provides for various investment options in the form of mutual funds, commingled funds or separately-managed funds. These funds invest in equities, fixed income securities, synthetic guaranteed investment contracts (synthetic GICs) and derivative contracts. Investment securities are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in risks in the near term could materially affect participants account balances and the amounts reported in the statement of net assets available for benefits. The Plan is potentially exposed to credit loss in the event of non-performance by the companies with whom the synthetic GICs are placed. However, the Committee does not anticipate non-performance by these companies at this time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared under the accrual basis of accounting, except distributions, which are recorded when paid. Within the financial tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes.

Beginning in 2009, the Plan is reporting unsettled transactions related to amounts owed to brokers for securities purchased (payables) and due from brokers for securities sold (receivables) on a gross basis in the Statements of Net Assets Available for Benefits, with receivables reported in Income, sales proceeds and other receivables and payables reported in Accrued expenses and other liabilities. In 2008, unsettled transactions were

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not considered material for separate presentation in the financial statements. This change has no impact on Net assets at fair value or Net assets available for benefits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Investment Contracts

Investment contracts held by a defined contribution plan are reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. Contract value represents the cost plus contributions made under the contracts plus interest at the contract rates less withdrawals and administrative expenses. The statements of net assets available for benefits present the fair value of the investment in the Stable Value Fund as well as the adjustment from fair value to contract value for the fully benefit responsive investment contracts within the Stable Value Fund. The statement of changes in net assets available for benefits presents these investments on a contract value basis.

Valuation of Investments

The Plan s investments are stated at fair value, which is the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (an exit price). Under fair value measurement guidance, the Plan is required to classify certain assets and liabilities based on the fair value hierarchy. The framework establishes a three-level fair value hierarchy based on the nature of the information used to measure fair value. These levels are accounting terms that refer to different methods of valuing assets and do not represent relative risk or credit quality of an investment. The levels of assets are as follows:

- Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

- Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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Assets are classified within the fair value hierarchy according to the lowest level input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments in mutual funds, commingled funds and separately managed funds are valued at the net asset values per share using available inputs to measure fair value by such companies or funds as of the valuation date.

When available, the Plan uses unadjusted quoted market prices on the last business day of the Plan year to measure fair value. IBM common stock is valued daily at the New York Stock Exchange closing price. The fair value of fixed income securities is typically estimated using pricing models or quoted prices of securities with similar characteristics.

Exchange traded derivatives are valued at the closing price reported on the exchange on which the individual securities are traded. Over-the-counter derivatives are typically valued using proprietary pricing models requiring a variety of market inputs.

Securities in cash portfolios are valued at amortized cost, which includes cost and accrued interest and approximates fair value. Participant loans are valued at cost plus accrued interest, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Security Transactions and Related Investment Income

Security transactions are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis.

The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net change in the fair value of its investments, which consists of realized gains and losses and the unrealized appreciation and depreciation on those investments.

Administrative Expenses and Investment Management Fees

All administrative costs of the Plan are deducted from participants account balances. These costs include (a) brokerage fees, wrapper fees and commissions, which are included in the cost of investments and in determining net proceeds on sales of investments, and (b) operational expenses required for administration of the Plan including trustee, recordkeeping, custody, and investment management which are charged against the fund s assets on a pro rata basis throughout the year and are included as part of administrative expenses. Custodian and investment management fees for commingled trusts are charged based on a percentage of net asset value and are paid from the assets of the respective funds.

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Standard to be Implemented

In January 2010, the Financial Accounting Standards Board (FASB) issued additional disclosure requirements for fair value measurements. According to the guidance, the fair value hierarchy disclosures are to be disaggregated by class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statements of net assets available for benefits. In addition, significant transfers between Levels 1 and 2 of the fair value hierarchy will be required to be disclosed. These additional requirements are effective for fiscal 2010 reporting. These amendments will not have an impact on the Plan s Financial Statements because they are disclosure-only in nature. In addition, the guidance requires more detailed disclosures of the changes in Level 3 assets. These changes will be effective for fiscal 2011 reporting and are not expected to have a material impact on the Plan s Financial Statements.

Standards Implemented

In September 2009, the FASB issued amended guidance concerning fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent). If fair value is not readily determinable, the amended guidance permits, as a practical expedient, a reporting entity to measure the fair value of an investment using the net asset value per share (or its equivalent) provided by the investee without further adjustment. In accordance with the guidance, the Plan adopted these amendments for the year ended December 31, 2009. There was no material impact on the Plan s Financial Statements.

On July 1, 2009, the FASB issued the FASB Accounting Standards Codification (the Codification). The Codification became the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. The Codification eliminates the previous U.S. GAAP hierarchy and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. There was no impact to the Plan s financial results as this change is disclosure only in nature.

In April 2009, the FASB issued guidance on determining fair value when the volume and level of activity for an asset or liability have significantly decreased when compared with normal market activity. According to this guidance, a significant decrease in the volume and level of activity for an asset or liability is an indication that transactions or quoted prices may not be determinative of fair value and a significant adjustment may be necessary to estimate fair value. This guidance also requires fair value hierarchy disclosures to be further disaggregated based on major security types as described in guidance related to accounting for certain investments in debt and equity securities. The Plan adopted this guidance for the year ended December 31, 2009. There was no material impact to the Plan s financial statements.

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In March 2008, the FASB issued new disclosure requirements regarding derivative instruments and hedging activities. The Plan must now provide enhanced disclosures regarding how and why the Plan uses derivatives; how derivatives and related hedged items are accounted for and how derivatives and related hedged items affect the entity s financial position, financial results and cash flow. Pursuant to the transition provisions, the Plan adopted these new disclosures on January 1, 2009. The required disclosures are presented in Note 4, Derivatives.

NOTE 3 INVESTMENTS

The following schedules summarize the fair value of investments within the fair value hierarchy, level 3 gains and losses, investments that represent 5 percent or more of the Plan s net assets and the related net change in the fair value of investments by type of investment.

The following tables set forth by level, within the fair value hierarchy, the Plan s investments at fair value at December 31, 2009 and 2008. The major categories of investments changed in 2009 to comply with amendments to fair value disclosure guidance.

Investments at Fair Value as of December 31, 2009

(Dollars in Thousands)	Level 1	Level 2	Level 3	Total
Equity:				
Equity securities	$ 7,593,570	$ 15,940	$ 53	$ 7,609,563
Equity commingled/mutual funds	1,497,613	8,773,470		10,271,082
Fixed income:				
Government and related	3,864	5,653,488		5,657,352
Corporate bonds		2,861,767	14,580	2,876,347
Mortgage and asset-backed securities	7,115	1,031,173	5,956	1,044,244
Fixed income commingled/mutual funds	836,061	998,244	313,492	2,147,796
Investment contracts		43,930		43,930
Cash and cash equivalents	69,154	1,156,317		1,225,471
Derivatives	-6,437	-15,358	-4,528	-26,324
Other commingled/mutual funds	252,927	215,000		467,927
Participant loans receivable			300,929	300,929
Total investments at fair value	$ 10,253,866	$ 20,733,971	$ 630,481	$ 31,618,318

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Investments at Fair Value as of December 31, 2008

(Dollars in Thousands)

Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-Term Investments		$ 2,212,698		$ 2,212,698
Mutual Funds	$ 1,472,615			1,472,615
Commingled Trust Funds		6,901,355		6,901,355
Separately Managed Funds IBM	3,595,357	2,865,252		6,460,609
Investment Contracts	487,138	7,148,873		7,636,011
IBM Common Stock	1,341,639			1,341,639
Participant Loans Receivable			293,132	293,132
Total Investments Fair Value	$ 6,896,749	$ 19,128,178	$ 293,132	$ 26,318,059

Level 3 Gains and Losses

The following table presents the changes in the fair value of the plan s level 3 investments for the year ended December 31, 2009:

(Dollars in Thousands)	**Equity Securities**	**Corporate Bonds**	**Mortgage And Asset-Backed Securities**	**Fixed Income Commingled/ Mutual Funds**	**Derivatives**	**Participant Loans Receivable**	**Total**
Balance at January 1						$ 293,132	$ 293,132
Return on assets held at end of year	$ 53	$ 5,395	$ 1,532	$ 18,515	$ (4,938)		20,557
Return on assets sold during the year		(8,429)	(1,093)	88	10,227		792
Purchases, sales, issuances and settlements, net		6,878	(2,661)	(909)	(8,377)	7,797	2,728
Transfers, net		10,736	8,178	295,798	(1,439)		313,272
Balance at December 31	$ 53	$ 14,580	$ 5,956	$ 313,492	$ (4,528)	$ 300,929	$ 630,481

The return on assets held at the end of the year and the sold during the year are reported in the net change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

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Investments Five Percent or More of Plan s Net Assets

The investments that represent 5 percent or more of the Plan s net assets available for benefits at December 31, 2009 and 2008 are as follows:

Investments	2009	2008
	(Dollars in thousands)	
Large Company Index Fund (Vanguard Fiduciary Trust Company Employee Benefit Index Fund)	$ 3,472,782	$ 2,783,028
Total Stock Market Index Fund (Vanguard Fiduciary Trust Company Total Stock Market Index Trust)	2,750,058	1,982,789
IBM Common Stock (State Street Global Advisors)	1,881,745	1,341,639

Net Change in Fair Value of Investments

The following table represents the Net Change in Fair Value of Investments (including gains and losses on investments bought and sold, as well as held during the year):

	2009 (Dollars in thousands)
Investments at fair value:	
Commingled / Mutual Funds	$ 2,483,222
Equity Securities	2,270,680
Fixed Income Securities	12,442
Total	$ 4,766,343

NOTE 4 DERIVATIVES

In accordance with the investment strategy of the separately-managed funds and the Stable Value Fund, investment managers execute transactions in various derivative instruments. These derivative instruments include interest rate swaps, options, bond and equity futures and forward contracts. The use of derivatives is permitted principally to gain or reduce exposure or execute an investment strategy more efficiently. The objective of these derivative instruments is primarily to manage duration and interest rate volatility and credit exposure to achieve a certain performance result, although

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derivative instruments are also in place to manage currency, equity and cash exposure. Within the fixed income funds, the fund either sells or purchases credit protection through credit default swaps. The fund also enters into interest rate swap transactions where a series of fixed versus floating rate amounts are exchanged.

Derivatives may be executed on exchange traded investment instruments or via over the counter (OTC) transactions. When an OTC contract is executed, there is exposure to credit loss in the event of non-performance by the counterparties to these transactions. IBM manages this exposure through stringent credit approval guidelines and regularly monitors and reports market and counterparty credit risks associated with these instruments. The Plan s investment managers negotiate and enter into collateral and netting agreements with counterparties on the Plan s behalf. In the event of a counterparty default, these agreements reduce the potential loss to the Plan. These arrangements define the nature of the collateral (cash or U.S. Treasury securities) and the established thresholds for when additional collateral is required by either party. For OTC transactions, the Plan has posted collateral of $21million and received collateral of $12 million as of December 31, 2009. In addition, for exchange traded transactions, the Plan has posted $22 million of collateral as of December 31, 2009. Derivative collateral received is recorded in Investments, at fair value and Accrued expenses and other liabilities in the Statements of Net Assets Available For Benefits at December 31, 2009. Derivative collateral posted is recorded in Investments, at fair value in the Statements of Net Assets Available For Benefits.

Market risk arises from the potential for changes in value of financial instruments resulting from fluctuations in interest and foreign exchange rates and in prices of debt and equity securities. The notional (or contractual) amounts used to express the volume of these transactions do not necessarily represent the amounts potentially subject to market risk.

All derivative financial instruments are carried at fair value. The net fair value of derivative financial instruments was a liability of $26 million and $63 million as of December 31, 2009 and 2008.

The Plan has authorized Investment Managers to use specific derivative instruments in the implementation of their investment strategy for financial instruments that are managed by the Plan. The following section discloses how these derivatives may be used, their fair value and financial position at year-end, and the risks associated with each. Exchange traded derivatives include futures and options and are regulated by the exchange and approved broker dealers. OTC derivatives include foreign currency contracts, options, interest rate swaps, and credit default swaps. These transactions will be contracted between two counterparties and governed by separate agreements. A description of these instruments and the risks are below.

Futures Contracts

Futures contracts are standardized agreements to buy or sell a specific amount of a financial instrument on a future date for a specified price. Futures are valued based upon

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their quoted daily price. The primary risks associated with futures are the accuracy of the correlation between the value of bonds or equities and the price of the futures contracts. Futures contracts may be used to equitize cash and manage the Plan s exposure to changes in interest rates. Upon entering into a futures contract, the portfolio manager is required to deposit collateral or initial margin and subsequent margin payments are moved daily depending on the value of the contract. Futures contracts may be subject to risk of loss in excess of the daily variation margin.

Options Contracts

Options include equity options, index options, options on swaps (swaptions), and options on futures. Options are contracts that give the owner the right, but not the obligation, to buy or sell an asset at a specified price (strike price) on a future date. Options may be purchased or written to help manage exposure to the securities markets. The Plan may write (sell) call and put options and the premiums received from writing options which expire are treated as realized gains. Premiums received from a position which is exercised/closed are offset against the amount paid for the underlying security to calculate the gain or loss. An option writer (seller) has no control over whether the underlying instrument may be sold (call) or purchased (put) and bears the market risk of an unfavorable change in the price of the underlying instrument. The Plan may also purchase put and call options. Purchasing call options is intended to increase the Plan s exposure to the underlying instrument, while purchasing put options would tend to decrease the Plan s exposure to the underlying issue. Premiums paid for purchasing options which expire are realized losses. The risk associated with purchasing put and call options is limited to the premium paid.

Foreign Currency Forwards

A foreign currency forward is a contract between two parties to exchange money denominated in one currency into another currency at a set price on a specified future date. Foreign currency forwards are used to hedge the currency exposure, as a part of an investment strategy, or in connection with settling transactions. Foreign currency contracts may involve market risk in excess of the unrealized gain or loss. Forward transactions are typically not collateralized. The Plan could be exposed to risk if the counterparties are unable to meet the terms of the contracts.

Swap Agreements

Swap agreements are privately negotiated contracts to exchange investment cash flows at a future date based on the underlying value of the assets. Swap agreements involve elements of credit, market, and documentation risk. The Plan could be exposed to risk if the counterparties are unable to meet the terms of the contracts. This risk is mitigated by the posting of collateral by the counterparty and monitored against the contract terms.

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Interest Rate Swaps

An Interest rate swap is an agreement in which two parties exchange cash flows based upon a notional principal amount and pay or receive fixed or floating rate amounts of interest. One party exchanges a stream of fixed interest payments for another party s stream of floating interest payments. The Plan may enter into interest rate swap agreements to help hedge against interest rate risk and to maintain its ability to generate income at prevailing market rates. Interest rate swaps expose users to interest rate risk and credit risk. The notional value of an interest rate swap is not at risk.

Credit Default Swap Agreements

Credit default swap are agreements where one party (the buyer of protection) makes payments to another party (seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event. The Plan may use credit default swaps to provide a measure of protection against defaults of the issuers or to gain or reduce exposure to a particular credit exposure. The typical term of an agreement is five years. If the Plan is a buyer of protection and a credit event occurs, the Plan will either receive from the seller of protection an amount equal to the notional amount of the swap or receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation. If the Plan is a seller of protection and a credit event occurs, the Plan will either pay to the buyer of protection an amount equal to the notional amount of the swap or pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation. The maximum potential amount of future payments that the Plan as a seller could be required to make is $140 million. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller upon the occurrence of a defined credit event.

Total Return Swaps

A Total Return Swap allows one party to derive the economic benefit of owning an asset without putting that asset on its balance sheet, and allows the other party, which does retain the asset on its balance sheet, to buy protection against loss in value. The Plan may enter into Total Return Swaps to gain/reduce exposure on the Referenced Asset. These transactions are primarily found within the commingled commodities fund.

The following tables provide a quantitative summary of the derivative activity as of and for the 12 months ended December 31, 2009.

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Fair Values of Derivative Instruments on Statements of Net Assets Available for Benefits

(Dollars in Thousands)

At December 31, 2009:	Notional/ contractual amount	Assets *	Liabilities *
Interest rate contracts	$ 2,296,485	$ 436,533	$ 462,946
Foreign exchange contracts	362,942	$ 2,104	$ 1,007
Credit contracts	260,129	$ 253,260	$ 256,955
Equity contracts	127,231	$ 2,687	$
Carrying value of derivatives on the statement of net assets available for benefits		$ 694,584	$ 720,908

* Reported in Investments, at fair value

The Effect of Derivative Instruments on the Statement of Changes in Net Assets Available for Benefits

(Dollars in Thousands)	For the year ended December 31, 2009 *
Interest rate contracts	$ 63,940
Foreign exchange contracts	(6,377)
Credit contracts	(11,625)
Equity contracts	31,143
Total gain	$ 77,082

* Reported in Net change in fair value of investments

NOTE 5 INVESTMENT CONTRACTS

The Plan entered into benefit-responsive investment contracts, such as synthetic investment contracts (synthetic GICs), (through the Stable Value Fund the Fund) with various third parties, i.e., insurance companies and banks. Contract value represents contributions made to investment contracts, plus earnings, less participant withdrawals and administrative expenses. The fair value of the synthetic GIC wrapper contracts was determined using a discounted cash flow model which considers recent rebids as determined by recognized dealers, discount rate and the duration of the underlying portfolio.

A synthetic GIC provides for a fixed return on principal over a specified period of time, e.g., monthly crediting rate, through fully benefit-responsive wrapper contracts issued by third parties, which are backed by underlying assets owned by the Plan. The contract value of the synthetic GIC held by the Stable Value Fund was $8,501 million and $8,151 million at December 31, 2009 and 2008, respectively. The fair value of the synthetic GIC wrapper contract was $44 million and $16 million at December 31, 2009 and 2008, respectively. The fair value of the underlying assets was $8,573 million and $7,636 million at December 31, 2009 and 2008, respectively. The adjustment from the sum of the fair value of the underlying assets and the fair value of the synthetic GIC to the contract value of the synthetic GIC was ($117) million and $499 million at December 31, 2009 and 2008, respectively.

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Synthetic GICs accrue interest using a formula called the crediting rate. Synthetic GICs use the crediting rate formula to convert market value changes in the covered assets into income in order to minimize the difference between the market and contract value of the covered assets over time. Using the crediting rate formula, an estimated future market value is calculated by compounding the covered assets current market value at the covered assets yield to maturity for a period equal to the synthetic GICs benchmark duration. The crediting rate is the discount rate that equates estimated future market value with the Fund s current contract value. The crediting rate is most impacted by the change in the annual effective yield to maturity of the underlying securities, but is also affected by the differential between the synthetic GIC contract value and the market value of the covered investments. The difference is amortized over the synthetic GIC s benchmark duration. Depending on the change in duration from reset period to reset period, the magnitude of the impact to the crediting rate of the synthetic GIC contract to market difference is heightened or lessened. Crediting rates are reset quarterly or more often if deemed appropriate. The synthetic GICs provide a guarantee that the crediting rate will not fall below zero percent.

If the synthetic GIC experiences significant redemptions when the market value is below the contract value, the synthetic GIC s may be reduced significantly, to a level that is not competitive with other investment options. This may result in additional redemptions, which would tend to lower the crediting rate further. If redemptions continued, the crediting rate could be reduced to zero. If redemptions continued thereafter, the synthetic GIC might have insufficient assets to meet redemption requests, at which point the Fund would require payments from the wrap issuer to pay further participant redemptions.

The synthetic GIC crediting rate, and hence the Fund s return, may be affected by many factors, including purchases and redemptions by participants. The precise impact on the synthetic GIC depends on whether the market value of the covered assets is higher or lower than the contract value of those assets. If the market value of the covered assets is higher than their contract value, the crediting rate will ordinarily be higher than the yield of the covered assets. Under these circumstances, cash from new investors will tend to lower the crediting rate and the Fund s return, and redemptions by existing participants will tend to increase the crediting rate and the Fund s return.

The Fund and the wrap contracts purchased by the Fund are designed to pay all participant-initiated transactions at contract value. Participant-initiated transactions are those transactions allowed by the provisions of the Plan (typically this would include withdrawals for benefits, loans, or transfers to non-competing funds within the Plan). However, the wrap contracts limit the ability of the Fund to transact at contract value upon the occurrence of certain events. At this time, the occurrence of any of these events is not probable. These events include:

- The Plan s failure to qualify under Section 401(a) or Section 401(k) of the Internal Revenue Code.

- The establishment of a defined contribution plan that competes with the Plan for employee contributions.

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- Any substantive modification of the Plan or the administration of the Plan that is not consented to by the wrap issuer.
- Complete or partial termination of the Plan.
- Any change in law, regulation or administrative ruling applicable to the Plan that could have a material adverse effect on the Fund s cash flow.
- Merger or consolidation of the Plan with another plan, the transfer of plan assets to another plan, or the sale, spin-off or merger of a subsidiary or division of the plan sponsor.
- Any communication given to participants by the Plan sponsor or any other plan fiduciary that is designed to induce or influence participants not to invest in the Fund or to transfer assets out of the Fund.
- Exclusion of a group of previously eligible employees from eligibility in the Plan.
- Any significant retirement program, group termination, group layoff, facility closing or similar program.
- Any transfer of assets from the Fund directly to a competing option.
- Bankruptcy of the plan sponsor or other plan sponsor events which cause a significant withdrawal from the Plan.

A wrap issuer may terminate a wrap contract at any time. In the event that the market value of the Fund s covered assets is below their contract value at the time of such termination, the trustee may elect to keep the wrap contract in place until such time as the market value of the Fund s covered assets is equal to their contract value. A wrap issuer may also terminate a wrap contract if the trustee s investment management authority over the Fund is limited or terminated as well as if all of the terms of the wrap contract fail to be met.

Synthetic investment contracts generally impose conditions on both the Plan and the issuer. If an event of default occurs and is not cured, the non-defaulting party may terminate the contract. The following may cause the Plan to be in default: a breach of material obligation under the contract; a material misrepresentation; or a material amendment to the Plan agreement. The issuer may be in default if it breaches a material obligation under the investment contract; makes a material misrepresentation; is acquired or reorganized. If, in the event of default of an issuer, the Plan were unable to obtain a replacement investment contract, the Plan may experience losses if the value of the Plan s assets no longer covered by the contract is below contract value. The Plan may seek to add additional issuers over time to diversify the Plan s exposure to such risk, but there is no assurance the Plan may be able to do so. The combination of the default of an issuer and an inability to obtain a replacement agreement could render the Plan unable to achieve its objective of maintaining a stable contract value. The terms of an investment

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contract generally provide for settlement of payments only upon termination of the contract or total liquidation of the covered investments. Generally, payments will be made pro-rata, based on the percentage of investments covered by each issuer. Contract termination occurs whenever the contract value or market value of the covered investments reaches zero or upon certain events of default. If the contract terminates due to issuer default, the issuer will generally be required to pay to the Plan the excess, if any, of contract value over market value on the date of termination. If the contract terminates when the market value equals zero, the issuer will pay the excess of contract value over market value to the Plan to the extent necessary for the Plan to satisfy outstanding contract value withdrawal requests. Contract termination also may occur by either party upon election and notice.

The investment contracts owned by the Stable Value Fund produced the following returns:

	Year Ended December 31,	
	2009	**2008**
Earned by the Plan	11.43%	-3.18%
Credited to participants	3.48%	4.89%

NOTE 6 - DESCRIPTION OF INVESTMENT FUNDS

The objectives of the thirty-two investment funds to which participants could contribute in 2009 are described below:

Life Cycle Funds

The fourteen life cycle funds reflect a portfolio of diversified investments U.S. stocks, international stocks, real estate equity stocks, and fixed-income investments from the existing core funds noted below, plus a commodities fund (not available to participants as a standalone offering). These funds offer a convenient low-cost way to achieve diversification, professional money management and periodic rebalancing. The funds are structured by the IBM Retirement Fund organization and managed by the underlying funds managers.

Four Life Cycle Funds are Life Strategy Funds that have a preset mix of stock and fixed income investments in order to provide broad diversification at a given risk level. The preset mix of each Life Strategy Fund is not expected to change over time.

- **Income Plus Life Strategy Fund** - target allocation: 30% stocks*, 70% bonds; seeks returns that modestly outpace inflation on a fairly consistent basis.

- **Conservative Life Strategy Fund** - target allocation: 50% stocks*, 50% bonds; seeks returns that moderately outpace inflation over the long term.

- **Moderate Life Strategy Fund** - target allocation: 65% stocks*, 35% bonds; seeks relatively high returns at a moderate risk level.

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- **Aggressive Life Strategy Fund** - target allocation: 85% stocks*, 15% bonds; seeks high returns over the long term.

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* Exposure to commodities is considered part of the allocation to stocks.

Ten Life Cycle Funds are Target Date Funds that offer portfolios with levels of risk designed for varying retirement dates or the year in which one expects to start drawing on their retirement assets. The portfolios are offered in five year increments from 2005 to 2050, with the 2030 through 2050 funds providing a significantly higher allocation to stocks. As a fund draws closer to its associated target date, the fund will automatically shift toward a more conservative risk level by reducing its allocation to stocks. Each fund s reduction to stocks continues through its target date for another 15 years, until the fund s allocation and risk profile matches that of the Income Plus Fund. Target Date funds assume a retirement age of 60.

- **Target Date 2005 Fund** - designed for investors who have retired or started to draw on their retirement assets on or around the year 2005; seeks returns that moderately outpace inflation over the long term. Target asset allocation between stocks and bonds is 48% stocks*, 52% bonds.

- **Target Date 2010 Fund** - seeks relatively high returns at a moderate risk level. Target asset allocation between stocks and bonds is 58% stocks*, 42% bonds.

- **Target Date 2015 Fund** - seeks relatively high returns at a moderate risk level. Target asset allocation between stocks and bonds is 68% stocks*, 32% bonds.

- **Target Date 2020 Fund** - seeks high returns over the long term. Target asset allocation between stocks and bonds is 78% stocks*, 22% bonds.

- **Target Date 2025 Fund** - seeks high returns over the long term. Target asset allocation between stocks and bonds is 87% stocks*, 13% bonds.

- **Target Date 2030 Fund** - seeks high returns over the long term. Target asset allocation between stocks and bonds is 90% stocks*, 10% bonds.

- **Target Date 2035 Fund** - seeks high returns over the long term. Target asset allocation between stocks and bonds is 90% stocks*, 10% bonds.

- **Target Date 2040 Fund** - seeks high returns over the long term. Target asset allocation between stocks and bonds is 90% stocks*, 10% bonds.

- **Target Date 2045 Fund** - seeks high returns over the long term. Target asset allocation between stocks and bonds is 90% stocks*, 10% bonds.

- **Target Date 2050 Fund** - seeks high returns over the long term. Target asset allocation between stocks and bonds is 90% stocks*, 10% bonds.

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* Exposure to commodities is considered part of the allocation to stocks.

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Core Funds - seven funds that provide an opportunity to build a portfolio from a selection of broadly diversified U.S. and international stock funds and from funds that track the fixed-income markets.

- **Stable Value Fund** - seeks to preserve principal and provide income at a stable rate of interest that is competitive with intermediate-term rates of return. The fund is managed by multiple money managers.

- **Inflation Protected Bond Fund** - seeks over the long term to provide a rate of return similar to the Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index. The fund is managed by State Street Global Advisors.

- **Total Bond Market Fund** - seeks to modestly exceed the return of its benchmark index (Barclays Capital Aggregate Bond Index), which consists of more than 5,000 U.S. Treasury, federal agency, mortgage-backed, and corporate securities. The fund is managed by Neuberger Berman.

- **Total Stock Market Index Fund** - seeks long-term growth of capital and income. It attempts to match the performance of the Dow Jones Wilshire 5000 Total Market Index. The fund is managed by The Vanguard Group.

- **Total International Stock Market Index Fund** - seeks long-term capital growth with a market rate of return for a diversified group of non-U.S. equities in such major markets as Europe and Asia plus the emerging markets of the world. It attempts to match the performance of the MSCI All Country World Ex-USA Investable Market Index. The fund is managed by State Street Global Advisors.

- **Real Estate Investment Trust (REIT) Index Fund** - seeks a total rate of return approximating the returns of the MSCI U.S. REIT index. Investment consists of U.S. publicly traded real estate equity securities. The fund is managed by BlackRock Institutional Trust Company.

- **International Real Estate Index Fund**. - seeks to replicate the returns of the FTSE EPRA/NAREIT Global Rental ex US Index. Investment consists of the international market for securities of companies principally engaged in the real estate industry that derive greater than or equal to 70% of their total revenue from rental revenue of investment properties. The fund is managed by BlackRock Institutional Trust Company.

Expanded Choice Funds eleven funds that provide an opportunity to build an investment portfolio with funds that are less broadly diversified, focusing instead on discrete sectors of the stock and bond markets.

- **High Yield and Emerging Markets Bond Fund** - seeks to modestly exceed the returns of the Barclays Capital U.S. High Yield/Emerging Markets Bond Index. The fund invests in below investment grade U.S. corporate and emerging market dollar bonds and is managed by Pacific Investment Management Company, LLC (PIMCO).

- **Long-Term Corporate Bond Fund** - seeks a high and sustainable level of interest income by investing in a widely diversified group of long-term bonds issued by corporations with strong credit ratings. The fund is managed by Neuberger Berman.

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- **Large Company Index Fund** - seeks long-term growth of capital and income from dividends by holding all the stocks that make up the Standard & Poor s 500 Index. The fund is managed by The Vanguard Group.

- **Large-Cap Value Index Fund** - seeks long-term growth of capital and income from dividends. The fund holds all the stocks in the Russell 1000 Value Index in approximately the same proportion as those stocks represented in the index. The fund is managed by The Vanguard Group.

- **Large-Cap Growth Index Fund** - seeks long-term growth of capital by holding all the stocks in the Russell 1000 Growth Index in approximately the same proportion as those stocks represented in the index. The fund is managed by The Vanguard Group.

- **Small/Mid-Cap Stock Index Fund** - seeks long-term growth of capital with a market rate of return from a diversified group of medium- and small-company stocks. The fund holds stocks in the Russell 3000 index that are not part of the Standard and Poor s 500 index and attempts to match the performance of the Russell SmallCap Completeness Index. The fund is managed by State Street Global Advisors.

- **Small-Cap Value Index Fund** - seeks long-term growth of capital by attempting to match the performance of the Russell 2000 Value Index. The fund is managed by The Vanguard Group.

- **Small-Cap Growth Index Fund** - seeks long-term growth of capital by attempting to match the performance of the Russell 2000 Growth Index. The fund is managed by The Vanguard Group.

- **European Stock Index Fund** - seeks long-term growth of capital that corresponds to an index of European stocks. It attempts to match the investment results of the MSCI Europe Index. The fund is managed by The Vanguard Group.

- **Pacific Stock Index Fund** - seeks long-term growth of capital by attempting to match the performance of the MSCI Pacific Index. The fund is managed by The Vanguard Group.

- **IBM Stock Fund** - invests in IBM common stock and holds a small interest-bearing cash balance of approximately 0.35% for liquidity purposes. The fund is managed by State Street Bank and Trust Company.

IBM 401(k) participants also have access to the mutual fund window investments which expands the Plan s investment options to include approximately 200 mutual funds, most of which are actively managed. This feature gives more options to participants who are interested in investing in brand-name funds, or in simply having a broader range of investment options from which to choose.

Securities Lending

Security loan transactions are permitted with the objective to add investment return to the portfolio. Certain funds may lend securities held in that fund to unaffiliated broker-dealers registered under the Securities Exchange Act of 1934, or banks organized in the United States of America. At all times, the borrower must maintain cash or equivalent collateral equal in value to at least 102 percent of the value of the domestic securities loaned and 105 percent of the value of international securities loaned. The cash collateral

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is reinvested to generate income that is credited to the portfolio return. A risk in lending securities is associated with the reinvestment of this cash. When securities are posted as collateral, the funds seek to minimize risk by requiring a daily valuation of the loaned securities, with additional collateral posted each day, if necessary. An additional risk in lending securities is that a borrower may default during a sharp rise in the price of the security that was borrowed, resulting in a deficiency in the collateral posted by the borrower. To mitigate this risk, the loaned securities in the State Street Bank agency program are indemnified against broker default.

The addition of the securities lending provision does not change the investment objectives for the funds. The securities lending program was suspended and managed in an orderly wind down during 2009. Therefore, the value of loaned securities and associated collateral for 2009 were significantly lower than 2008. The value of loaned securities in the State Street Bank agency program amounted to $61 thousand and $1,478 million at December 31, 2009 and 2008, respectively. The value of cash collateral obtained and reinvested in short-term investments of $63 thousand (same at fair value) and $1,521million ($1,501 at fair value) for December 31, 2009 and 2008, respectively, is reflected as a liability in the Plan s financial statements. Securities lending is also permitted in the commingled funds and in funds within the IBM Mutual Fund Window. The prospectus for each fund will disclose if lending is permitted.

NOTE 7 - TAX STATUS

The Trust established under the Plan is qualified under Section 401(a) of the Internal Revenue Code of 1986 and the Trustee intends to continue it as a qualified trust. The Plan received a favorable determination letter from the IRS on September 10, 2004. Subsequent to this determination letter by the IRS, the Plan was amended. The Plan administrator and Counsel continue to believe the Plan is designed and is being operated in compliance with the applicable requirements of the Internal Revenue Code. Accordingly, a provision for federal income taxes has not been made.

NOTE 8 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of:

		12/31 2009		12/31 2008
		(Dollars in thousands)		
Net assets available for benefits per the financial statements	$	31,421,603	$	25,361,371
Plus:				
Adjustment from contract value to fair value for fully benefit-responsive investment contracts held by the Stable Value Fund		116,577		(499,119)
Net assets available for benefits per the Form 5500	$	31,538,180	$	24,862,252

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The following is a reconciliation of investment income per the financial statements to the Form 5500:

		Year Ended December 31, 2009 (Dollars in thousands)
Total investment income per the financial statements	$	5,440,362
Less:		
Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2008		(499,119)
Plus:		
Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2009		116,577
Total investment income per the Form 5500	$	6,056,058

NOTE 9 - RELATED-PARTY TRANSACTIONS

At December 31, 2009, a significant portion of the Plan s assets were managed by State Street Global Advisors. State Street Global Advisors affiliate, State Street Bank and Trust Company, also acts as the trustee for the Plan and, therefore, these investments qualify as party-in-interest transactions. The Plan also pays a fee to the trustee and the trustee also is a security lending agent. These transactions qualify as party-in-interest transactions as well.

In addition, Fidelity Investments Institutional Operations Company, Inc is the provider of administrative services related to the mutual fund window as well as the investment manager of Fidelity funds within the mutual fund window. Fidelity is also the provider of record keeping and participant services, and the operator of the IBM Employee Services Center for the IBM 401(k) Plus Plan.

At December 31, 2009 the Plan held 14,375,440 shares of IBM common stock valued at $1,881,745,096. At December 31, 2008, the Plan held 15,941,533 shares of IBM common stock valued at $1,341,639,417.

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IBM 401(K) PLUS PLAN AT DECEMBER 31, 2009

Schedule G, Part I - Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible

(a)*	(b) Identity and address of Obligor	(c) Detailed description of loan including dates of making and maturity, interest rate, the type and value of collateral, any renegotiation of the loan and the terms of the renegotiation, and other material items Security ID	Issue Date	Maturity Date	Interest Rate	(d) Original amount of loan	Amount received during reporting year (e) Principal	(f) Interest	(g) Unpaid balance at end of year	Amount Ove (h) Principal	(i)
	Glitnir Bank HF, Islandsbanki, Kirkjusandi 2-155 Reykjavik, Iceland	37930EAC0	7/28/2006	7/28/2011	6.33	$ 1,060,000			$ 67,098	$	
	Glitnir Bank HF, Islandsbanki, Kirkjusandi 2-155 Reykjavik, Iceland	37930JAE5	9/25/2007	9/15/2012	6.375	1,260,000			80,325		
	Glitnir Bank HF, Islandsbanki, Kirkjusandi 2-155 Reykjavik, Iceland	379308AA7	6/15/2006	6/15/2016	6.693	2,100,000			210,830	2	
	Glitnir Bank HF, Islandsbanki, Kirkjusandi 2-155 Reykjavik, Iceland	379308AB5	9/14/2006	9/14/2049	7.451	200,000			14,902		
	GMAC, Mail Code: 482-C34-D71, P.O.Box 300300 Renaissance Center Detroit, MI 48265-3000	370442AN5	7/15/1991	7/15/2021	9.4	52,000			2,444		
	GMAC, Mail Code: 482-C34-D71, P.O.Box 300300 Renaissance Center Detroit, MI 48265-3000	370442AT2	3/20/1996	3/15/2036	variable	680,000			3,400		
	GMAC, Mail Code: 482-C34-D71, P.O.Box 300300 Renaissance Center Detroit, MI 48265-3000	370442AV7	6/10/1996	6/15/2024	8.1	28,000			1,134		
	GMAC, Mail Code: 482-C34-D71, P.O.Box 300300 Renaissance Center Detroit, MI 48265-3000	37045EAS7	11/1/1991	11/1/2011	9.45	192,000			9,072		
	GMAC, Mail Code: 482-C34-D71, P.O.Box 300300 Renaissance Center Detroit, MI 48265-3000	762311II1	7/3/2003	7/5/2033	8.375	460,000			38,525		
	Hawaiian Telcom Communications, 1177 Bishop Street, Honolulu, HI 96813	420029AD2	5/2/2006	5/1/2013	9.75	525,000			76,781		
	Kaupthing Bank hf., Borgartun 26 IS-105 Reykjavik, Iceland	48632FAA9	10/4/2006	10/4/2011	5.75	510,000			29,325		
	Kaupthing Bank hf., Borgartun 26 IS-105 Reykjavik, Iceland	48632FAE1	2/28/2008	2/28/2015	7.625	5,090,000			388,113	3	
	Kaupthing Bank hf., Borgartun 26 IS-105 Reykjavik, Iceland	48632HAA5	5/19/2006	5/19/2016	7.125	700,000			49,875		
		5150X0AA9	8/25/2006	8/25/2011	6.1	2,970,000			181,170	1	

Landsbank IIS NB hf., Asuturstraeti 11, 155 Reykjavik, Iceland							
Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, NY 10019	5249087M6	12/21/2007	12/28/2017	6.75	6,350,000	428,625	4
Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, NY 10019	524908XA3	5/17/2007	11/29/2049	5.857	1,730,000	151,989	1
Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, NY 10019	5252M0BZ9	1/22/2008	1/24/2013	5.625	7,400,000	416,250	4

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(a)*	(b) Identity and address of Obligor	(c) Detailed description of loan including dates of making and maturity, interest rate, the type and value of collateral, any renegotiation of the loan and the terms of the renegotiation, and other material items Security ID	Issue Date	Maturity Date	Interest Rate	(d) Original amount of loan	Amount received during reporting year (e) Principal	(f) Interest	(g) Unpaid balance at end of year	(h
	Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, NY 10019	5252M0FD4	4/24/2008	5/2/2018	6.875	900,000			94,359	
	Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, NY 10019	5249087M6	12/21/2007	12/28/2017	6.75	3,500,000			236,250	
	Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, NY 10019	52517P5X5	9/26/2007	9/26/2014	6.2	610,000			56,730	
	Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, NY 10019	52517PE23	1/25/2006	12/31/2049	variable	5,300,000			92,020	
	Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, NY 10019	52517PR60	1/12/2007	2/6/2012	5.25	510,000			26,775	
	Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, NY 10019	5252M0BZ9	1/22/2008	1/24/2013	5.625	4,100,000			230,625	
	Sigma Finance Corp., M&C Corp. Services LTD, Box 309GT, Ugland House, South Church St., George Town, Grand Cayman, Grand Cayman Islands	8265Q0XQ0	6/4/2007	6/4/2009	1	10,000,000			10,059,512	$
	Station Casinos, 1505 South Pavilion Center Drive, Las Vegas NV	857689AT0	2/27/2004	3/1/2016	6.875	30,000			2,063	
	Station Casinos, 1505 South Pavilion Center Drive, Las Vegas NV	857689AV5	3/17/2004	4/1/2012	6	360,000			21,600	
	Station Casinos, 1505 South Pavilion Center Drive, Las Vegas NV	857689BA0	8/15/2006	8/15/2016	7.75	585,000			45,338	
	The Inn of the Gods Resort, 287 Carrizo Canyon Road, Mescalero, NM 88340	45771VAB9	5/15/2004	11/15/2010	12	310,000			37,200	
	TRANCHE TR 00523 745 Seventh Avenue, New York, NY 10019	52517PXU0	10/25/2004	11/10/2010	variable	400,000			4,056	
	TRANCHE TR 00777, 745 Seventh Avenue, New York, NY 10019	52517P2K6	5/25/2007	5/25/2010	variable	800,000			8,111	

* Party-in-interest

Schedule G, Part I - Overdue Loan Explanation

Investment managers have responsibility for these securities as well as other securities in their portfolio and they have or will take appropriate actions taking into consideration the circumstances surrounding each security and the overall portfolio that they manage.

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IBM 401(k) PLUS PLAN
Schedule H, line 4i - Schedule of Assets (Held at End of Year)

AT DECEMBER 31, 2009

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Fair value
	IBM Stock Fund			
*	Managed by State Street Global Advisors	IBM Common Stock 14,375,440 shares		$ 1,881,745,096
*	Managed by State Street Global Advisors	Short-Term Investments		3,444,995
	Mutual Funds			
*	Administered by Fidelity Investments	Mutual Fund Window		2,582,066,895
	Commingled Trust Funds			
*	Managed by The Vanguard Group	Large Company Index		3,472,782,329
*	Managed by The Vanguard Group	Total Stock Market Index		2,750,057,805
*	Managed by The Vanguard Group	Large Cap Value Index		520,137,930
*	Managed by The Vanguard Group	Small Cap Value Index		468,180,366
*	Managed by The Vanguard Group	European Stock Index		445,254,728

* Party-In-Interest

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(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Fair value
	Commingled Trust Funds - continued			
*	Managed by The Vanguard Group	Large Cap Growth Index		$ 464,450,018
*	Managed by The Vanguard Group	Pacific Stock Index		320,617,331
*	Managed by The Vanguard Group	Small Cap Growth Index		331,989,331
	Managed by Pacific Investment Management Company (PIMCO)	Commodity		214,999,812
	Separately-Managed Funds IBM			
*	Managed by State Street Global Advisors	Total International Stock Market Index (refer to Exhibit A - investments)		2,702,967,413
*	Managed by State Street Global Advisors	Small/Mid Cap Stock Index (refer to Exhibit B - investments)		2,371,451,988
*	Managed by State Street Global Advisors	Inflation Protected Bond (refer to Exhibit C - investments)		1,442,317,180
*	Managed by Neuberger Berman	Total Bond Market (refer to Exhibit D - investments)		928,310,805
*	Managed by BlackRock Institutional Trust Company	Real Estate Investment Trust (refer to Exhibit E - investments)		626,861,327

* Party-In-Interest

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(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Fair value
*	Managed by Neuberger Berman	Long-Term Corporate Bond (refer to Exhibit F - investments)		$ 239,152,520
*	Managed by Pacific Investment Management Company (PIMCO)	High Yield and Emerging Markets Bond (refer to Exhibit G - investments)		166,025,680
*	Managed by BlackRock Institutional Trust Company	International Real Estate Index (refer to Exhibit H -investments)		146,225,137
	Collateral	(refer to Exhibit I - investments)		13,743,183

* Party-In-Interest

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(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Fair value
*	Underlying assets managed by various investment companies	Stable Value Fund (refer to Exhibit J - investments)		$ 9,180,676,533
*	Bank of America	Synthetic GIC Wrapper Contract, Rate of Interest 4.00%		11,336,768
*	JPMorgan Chase	Synthetic GIC Wrapper Contract, Rate of Interest 4.00%		11,336,768
	Royal Bank of Canada	Synthetic GIC Wrapper Contract, Rate of Interest 4.00%		10,628,220
*	State Street Bank and Trust Company	Synthetic GIC Wrapper Contract, Rate of Interest 4.00%		10,628,220
*	Loans to Participants	Interest rates range: 4.50% - 11.00%, Terms: one to ten years		300,929,272

* Party-In-Interest

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EXHIBIT A - Total International Stock Market Index Fund

(Managed by State Street Global Advisors)

IBM 401(K) PLUS PLAN AT DECEMBER 31, 2009

Schedule H, line 4i-Schedule of Assets (Held At End of Year)

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value		Shares	(d) Cost (n/a)	(e) Fair value
	ARGENTINE PESO		ARGENTINA	846	$	223
	CRESUD	ARS1	ARGENTINA	4		6
	GPO FIN GALICIA	B ARSI	ARGENTINA	8		5
	PETROBRAS ENERGIA SA	B ARS1	ARGENTINA	3		5
	TELEC ARGENTINA SA	CL B ARS1	ARGENTINA	6		20
	TRANSPORT GAS SUR	CLASS B ARS1	ARGENTINA	3		2
	ABACUS PROPERTY GROUP	NPV (STAPLED)	AUSTRALIA	1,080,403		432,389
	AGL ENERGY	NPV	AUSTRALIA	85,798		1,084,904
	ALUMINA LIMITED	NPV	AUSTRALIA	278,299		460,530
	AMCOR LIMITED	NPV	AUSTRALIA	729,907		4,089,633
	AMP LIMITED	NPV	AUSTRALIA	387,783		2,361,056
	ANSELL LTD	NPV	AUSTRALIA	14,880		146,269
	AQUILA RESOURCES L	NPV	AUSTRALIA	16,641		166,273
	ARISTOCRAT LEISURE	NPV(POST RECONSTRUCTION)	AUSTRALIA	60,152		217,473
	ARROW ENERGY	NPV	AUSTRALIA	70,667		264,386
	ASCIANO GROUP	NPV(STAPLED)	AUSTRALIA	333,005		545,068
	ASPEN GROUP	NPV (POST RECON)	AUSTRALIA	158,766		67,110
	ASTRO JAPAN PROPERTY TRUST	NPV(UNITS)	AUSTRALIA	43,156		15,331
	ASX LIMITED	NPV	AUSTRALIA	32,623		1,025,122
	ASX SPI 200 INDEX FUTURES	MAR10 XSFE	AUSTRALIA	1,600		
	ATLAS IRON LIMITED	NPV	AUSTRALIA	31,195		53,024
	AUSENCO	NPV	AUSTRALIA	24,290		99,614
	AUST + NZ BANK GRP	NPV	AUSTRALIA	364,397		7,498,245
	AUSTAL LIMITED	NPV	AUSTRALIA	33,425		69,741
	AUSTEREO GROUP	NPV	AUSTRALIA	51,952		80,130
	AUSTRALAND PROPERTY GROUP	NPV STAPLED UNITS	AUSTRALIA	555,977		257,509
	AUSTRALIAN AGRICULTURAL CO.	COM	AUSTRALIA	22,037		29,629
	AUSTRALIAN DOLLAR		AUSTRALIA	3,367,049		3,028,156
	AWB	NPV (B)	AUSTRALIA	35,572		36,151
	AXA ASIA PAC HLDGS	NPV	AUSTRALIA	157,242		927,686
	BEACH ENERGY LTD	NPV	AUSTRALIA	29,816		24,670
	BENDIGO AND ADELAIDE BANK LTD	NPV	AUSTRALIA	59,881		529,923
	BGP HOLDINGS PLC	POST SPIN SHARES	AUSTRALIA	818,748		
	BHP BILLITON LTD	NPV	AUSTRALIA	545,389		21,150,173
	BILLABONG INTERNATL	NPV	AUSTRALIA	38,801		382,108
	BLUESCOPE STEEL LTD	NPV	AUSTRALIA	299,444		837,539
	BOART LONGYEAR GR	NPV	AUSTRALIA	552,584		176,423

BORAL LIMITED NEW	NPV	AUSTRALIA	109,314	584,954
BRADKEN LTD	NPV	AUSTRALIA	14,048	86,164
BRAMBLES LTD	NPV	AUSTRALIA	258,166	1,574,191
BT INV MGMT LTD	NPV	AUSTRALIA	32,306	88,906
BUNNINGS WAREHOUSE	NPV	AUSTRALIA	182,673	305,574
CALTEX AUSTRALIA	NPV	AUSTRALIA	25,391	212,369
CFS RETAIL PROP	NPV	AUSTRALIA	288,407	492,820
CHALLENGER DIVERS	NPV	AUSTRALIA	209,366	87,556
CHALLENGER FIN SER	NPV	AUSTRALIA	10,400	39,564
CHARTER HALL GROUP	NPV (STAPLED)	AUSTRALIA	1,000,081	629,596
CMNWLTH BK OF AUST	NPV	AUSTRALIA	254,322	12,545,540
COAL OF AFRICA LTD	NPV	AUSTRALIA	35,836	60,913
COCA COLA AMATIL	NPV(POST RECONSTRUCTION)	AUSTRALIA	108,053	1,120,456
COCHLEAR LTD	NPV	AUSTRALIA	10,322	641,183
COMPUTERSHARE REG	NPV(POST REC)	AUSTRALIA	88,124	907,462
CORP EXPRESS AUST	NPV	AUSTRALIA	18,258	65,025
COUNT FINANCIAL	NPV	AUSTRALIA	20,250	23,858
CROMWELL GROUP	NPV	AUSTRALIA	90,179	59,205
CROWN LTD	NPV	AUSTRALIA	83,131	601,102
CSL	NPV	AUSTRALIA	103,984	3,038,401
CSR LIMITED	NPV	AUSTRALIA	221,999	360,377
DAVID JONES LTD	NPV	AUSTRALIA	16,650	80,861
DEXUS PROPERTY GP	REAL ESTATE	AUSTRALIA	595,785	455,446
DOWNER GROUP	NPV	AUSTRALIA	10,550	88,714
ELDERS LTD	COMMON STOCK	AUSTRALIA	12,853	18,033
EMECO HOLDINGS LTD	NPV	AUSTRALIA	33,648	23,906
ENERGY RES OF AUST	NPV	AUSTRALIA	1,694	36,396
ENERGY WORLD CORP	NPV	AUSTRALIA	117,282	41,664
FAIRFAX MEDIA LTD	NPV	AUSTRALIA	417,707	653,657
FKP	NPV	AUSTRALIA	146,763	104,273

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FLEETWOOD CORP LTD	NPV	AUSTRALIA	44,161	317,332
FORTESCUE METAL GROUP	NPV	AUSTRALIA	235,068	938,653
FOSTERS GROUP	NPV	AUSTRALIA	378,508	1,872,262
GOODMAN FIELDER	NPV	AUSTRALIA	256,543	376,077
GOODMAN GROUP	NPV(SAPLED UNITS)	AUSTRALIA	283,084	161,666
GPT GROUP	REAL ESTATE	AUSTRALIA	1,000,783	544,533
GRAINCORP	A NPV	AUSTRALIA	4,172	23,263
GUD HLDGS	NPV	AUSTRALIA	34,480	279,086
HARVEY NORMAN HLDG NPV	COM	AUSTRALIA	102,041	387,272
HASTIE GROUP LIMIT	NPV	AUSTRALIA	48,737	83,061
ILUKA RESOURCES	NPV	AUSTRALIA	20,300	65,359
INCITEC PIVOT	NPV	AUSTRALIA	228,936	730,922
ING INDUSTRIAL FD	REAL ESTATE	AUSTRALIA	891,197	384,719
ING OFFICE FUND	UNITS NPV(STAPLED DFD)	AUSTRALIA	192,081	110,559
INSURANCE AUST GRP	NPV	AUSTRALIA	358,084	1,297,833
IOOF HOLDINGS LTD NPV	NPV	AUSTRALIA	55,302	301,897
ISOFT GROUP LTD	NPV	AUSTRALIA	98,165	67,979
KAROON GAS AUSTRALIA LTD	NPV	AUSTRALIA	12,582	120,059
LEIGHTON HOLDINGS	NPV	AUSTRALIA	26,967	924,273
LEND LEASE GROUP	NPV	AUSTRALIA	74,126	684,652
LINC ENERGY LTD	NPV	AUSTRALIA	47,357	68,145
MACARTHUR COAL LTD	NPV	AUSTRALIA	8,040	81,346
MACMAHON HLDGS	NPV	AUSTRALIA	149,719	82,810
MACQUARIE COUNTRYWIDE	UNITS NPV	AUSTRALIA	613,270	322,654
MACQUARIE GP LTD	NPV	AUSTRALIA	52,350	2,278,719
MACQUARIE INFRASTRUCTURE GRP	NPV (STAPLED)	AUSTRALIA	445,578	534,975
MACQUARIE OFFICE	UNITS NPV	AUSTRALIA	408,809	113,975
MAP GROUP	NPV STAPLED FULLY PAID	AUSTRALIA	138,079	376,270
METCASH LIMITED	NPV	AUSTRALIA	139,584	561,141
MINERAL RESS LTD	NPV	AUSTRALIA	19,577	123,246
MIRVAC GROUP	STAPLED SECS	AUSTRALIA	329,541	465,305
MONADELPHOUS GROUP	NPV	AUSTRALIA	800	10,303
MOUNT GIBSON IRON	NPV	AUSTRALIA	112,145	166,415
MURCHISON METALS	NPV	AUSTRALIA	17,913	40,275
NATL AUSTRALIA BK	NPV	AUSTRALIA	329,597	8,121,993
NEWCREST MINING	NPV	AUSTRALIA	86,015	2,733,044
NEXUS ENERGY	NPV	AUSTRALIA	134,192	38,016
NORTHERN IRON LTD	NPV	AUSTRALIA	33,804	38,002
NRW HOLDINGS LTD	NPV	AUSTRALIA	11,661	20,975
ONESTEEL	NPV	AUSTRALIA	236,939	713,855
ORICA LTD	NPV	AUSTRALIA	71,394	1,672,624
ORIGIN ENERGY	NPV	AUSTRALIA	168,085	2,542,633
OZ MINERALS LTD	NPV	AUSTRALIA	583,751	619,496
PACIFIC BRANDS	NPV	AUSTRALIA	33,720	34,268
PALADIN ENERGY LTD	NPV	AUSTRALIA	104,376	392,379
PANAUST LIMITED	AUD0.40	AUSTRALIA	287,940	146,312
PERPETUAL LIMITED	NPV	AUSTRALIA	7,414	247,375
PHARMAXIS NPV	COMMON STOCK	AUSTRALIA	50,684	123,985
PMP LTD	NPV	AUSTRALIA	18,043	12,576
PRIMARY HEALTH CAR	NPV	AUSTRALIA	36,323	195,349
PRIME INFRASTRUCTURE GROUP	STAPLED UNITS	AUSTRALIA	15	56
QANTAS AIRWAYS	NPV	AUSTRALIA	191,193	514,129
QBE INS GROUP	NPV	AUSTRALIA	172,785	3,978,092
RIO TINTO LIMITED	NPV	AUSTRALIA	77,178	5,198,118
RIVERSDALE MINING	NPV	AUSTRALIA	11,704	75,787
ROC OIL CO LTD	NPV	AUSTRALIA	59,308	35,737
SAI GLOBAL LTD	NPV	AUSTRALIA	47,706	172,476
SALMAT LTD	NPV	AUSTRALIA	14,308	54,045
SANTOS LTD	NPV	AUSTRALIA	155,663	1,972,537
SIGMA PHARMACEUTIC	NPV	AUSTRALIA	46,790	41,660
SILEX	NPV	AUSTRALIA	19,175	105,540
SIMS METAL MANAGEMENT LTD	NPV	AUSTRALIA	29,863	596,232

SONIC HEALTHCARE LTD	NPV	AUSTRALIA	61,122	844,890
SOUTH AUSTRALIA COAL CORPORATI		AUSTRALIA	9,229	
STOCKLAND	REIT	AUSTRALIA	408,155	1,449,943
STW COMMUNICATIONS	NPV	AUSTRALIA	6,343	4,278
SUNCORP METWAY	NPV	AUSTRALIA	218,031	1,703,989
SUNDANCE RESOURCES	NPV	AUSTRALIA	53,800	7,500
SUNLAND GROUP LTD	NPV(POST RECONSTRUCTION)	AUSTRALIA	210,868	156,456
TABCORP HLDGS LTD	NPV	AUSTRALIA	109,807	686,347
TATTS GROUP LTD	NPV	AUSTRALIA	220,268	483,359
TELSTRA CORP	NPV	AUSTRALIA	713,315	2,200,413
THE MAC SERVICES GROUP	NPV	AUSTRALIA	15,215	29,967
TOLL HLDGS LIMITED	NPV	AUSTRALIA	123,756	972,762
TOWER AUSTRALIA GP	NPV	AUSTRALIA	16,000	41,154
TRANSFIELD SERVICE	NPV	AUSTRALIA	46,165	176,454
TRANSPACIFIC INDUS NPV	NPV	AUSTRALIA	106,389	129,648
TRANSURBAN GROUP	STAPLED UNITS NPV	AUSTRALIA	222,607	1,109,117
VIRGIN BLUE HLDGS	NPV	AUSTRALIA	176,483	93,645
WESFARMERS	NPV	AUSTRALIA	171,378	4,819,608

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WESFARMERS LTD	NPV PPS	AUSTRALIA	26,895	754,666
WESTFIELD GROUP	NPV STAPLED UNITS	AUSTRALIA	358,188	4,039,591
WESTPAC BKG CORP	NPV	AUSTRALIA	493,028	11,218,141
WOODSIDE PETROLEUM	NPV	AUSTRALIA	96,068	4,078,022
WOODSIDE PETROLEUM	RTS EXPIRE 29 JAN 2010	AUSTRALIA	7,389	33,891
WOOLWORTHS LTD	NPV	AUSTRALIA	197,144	4,964,441
WORLEYPARSONS LIMITED	NPV	AUSTRALIA	28,037	733,255
WOTIF COM HOLDINGS	NPV	AUSTRALIA	17,667	110,427
A TECH INDUSTRIES	NPV (BR)	AUSTRIA	4,993	62,253
ANDRITZ AG	NPV BR (POST SPLIT)	AUSTRIA	7,635	443,869
AUSTRIAMICROSYSTEM	NPV (BR)	AUSTRIA	4,176	91,498
BWIN INTERACTIVE ENTERTAINMENT	NPV	AUSTRIA	4,685	280,568
BWT AG(BENCKISER W	NPV	AUSTRIA	9,456	263,064
CA IMMO INTERNATION	NPV	AUSTRIA	514	3,857
CA IMMOBILIEN ANLA	NPV	AUSTRIA	970	10,994
CAT OIL AG	NPV (BR)	AUSTRIA	643	6,476
CONWERT IMMOBILIEN INVEST SE	NPV	AUSTRIA	9,814	120,249
ERSTE GROUP BANK AG	NPV	AUSTRIA	37,127	1,388,162
IMMOEAST AG	NPV (BR)	AUSTRIA	143,040	790,122
IMMOFINANZ AG	NPV	AUSTRIA	89,821	322,176
INTERCELL AG	NPV (BR)	AUSTRIA	1,177	43,754
KAPSCH TRAFFICCOM	NPV	AUSTRIA	3,195	115,884
OEST ELEKTRIZITATS	CLASS A NPV	AUSTRIA	15,077	642,678
OMV AG	NPV(VAR)	AUSTRIA	32,282	1,421,919
PALFINGER AG ORD	NPV	AUSTRIA	4,990	111,543
RAIFFEISEN INTL BK	NPV (REGD)	AUSTRIA	6,985	395,858
RHI AG	NPV	AUSTRIA	1,198	27,914
SCHOELLER BLECKMAN	EUR1	AUSTRIA	9,370	451,570
SEMPERIT HLDGS AG	NPV	AUSTRIA	3,423	132,454
SPARKASSEN IMMOBIL	NPV	AUSTRIA	54,496	390,940
TELEKOM AUSTRIA	NPV	AUSTRIA	67,500	963,613
VIENNA INSURANCE GROUP	NPV (BR)	AUSTRIA	6,166	318,480
VOESTALPINE AG	NPV	AUSTRIA	22,522	830,455
WIENERBERGER AG	NPV	AUSTRIA	21,849	400,625
AGFA GEVAERT NV	ORD NPV	BELGIUM	9,068	58,937
ANHEUSER BUSCH INB	NPV	BELGIUM	105,863	5,527,921
ANHEUSER BUSCH INBEV NV	VVPR STRIP	BELGIUM	58,432	419
ARSEUS SA ORD SHR	COM NPV	BELGIUM	1,000	11,550
BELGACOM SA	NPV	BELGIUM	33,007	1,199,073
COLRUYT SA	NPV(POST SPLIT)	BELGIUM	3,304	798,285
DELHAIZE GROUP	NPV	BELGIUM	19,545	1,503,621
DEXIA	NPV	BELGIUM	100,957	646,022
EURONAV NV	NPV	BELGIUM	1,664	36,528
EVS BROADCAST EQUITY	ORD NPV	BELGIUM	1,449	93,137
FORTIS	FORTIS RTS EXP 04JUL14	BELGIUM	442,337	
FORTIS	UNIT(FORTIS SA/NV NPV/0.42)	BELGIUM	456,337	1,717,354
GPE BRUXELLES LAM	NPV (NEW)	BELGIUM	15,756	1,493,120
IBA	NPV (POST SPLIT)	BELGIUM	250	3,031
INTERVEST OFFICES NPV	REAL ESTATE	BELGIUM	2,119	66,581
KBC ANCORA	NPV (POST SPLIT)	BELGIUM	6,210	145,586
KBC GROUP NV	NPV	BELGIUM	31,633	1,378,582
MOBISTAR	NPV	BELGIUM	6,069	417,045
NATL PORTEFEUILLE	NPV (NAT POORT)	BELGIUM	7,852	419,082
OMEGA PHARMA	NPV	BELGIUM	1,358	68,486
SOLVAY	NPV	BELGIUM	12,406	1,344,752
THROMBOGENICS	NPV	BELGIUM	1,000	21,622
UCB	NPV	BELGIUM	20,478	858,507
UMICORE	NPV	BELGIUM	24,652	827,645
21 CN CYBERNET COR	HKD0.01	BERMUDA	566,000	60,585
ADLABS FILMS	INR5	BERMUDA	8,850	48,876
ALLIANCE OIL COMPANY LTD	SDR EACH REPR I USD0.05	BERMUDA	7,415	106,446

AQUARIUS PLATINUM	COM USD 0.05	BERMUDA	31,106	205,618
ARA ASSET MANAGEMENT LTD	SGD0.002	BERMUDA	98,000	60,729
BERGESEN WORLDWIDE	NPV	BERMUDA	50,334	74,062
BIOSENSORS INTERNA	SGD0.0000667	BERMUDA	158,000	89,469
BRILLIANCE CHINA	USD0.01	BERMUDA	1,494,000	421,955
C C LAND HOLDINGS	HKD0.1	BERMUDA	243,000	113,445
CENT EURO MEDIA	COM USD0.08 CLASS A	BERMUDA	18,734	454,915
CHEUNG KONG INFRAS	HKD1	BERMUDA	81,000	308,684
CHINA DAYE NON FERROUS METALS	HKD0.05	BERMUDA	116,000	11,070
CHINA GRAND FORESTRY GREEN RES	HKD0.10	BERMUDA	554,000	20,719
CHINA LOTSYNERGY	HKD0.01	BERMUDA	896,000	39,288
CHINA MINING RESOUR	HKD0.10	BERMUDA	682,000	22,428