

International Business Machines Corporation
Armonk, New York 10504
March 19, 1980

1. Election of Directors

The Board proposes the election of the present twenty-one directors of the Corporation for a term of one year. Following is information about each nominee, including biographical data for the last five years.

Should any one or more of these nominees become unavailable to accept nomination or election as a director, the proxy committee named in the enclosed proxy will vote the shares which they represent for the election of such other persons as the Board may recommend, unless the Board reduces the number of directors.



Stephen D. Bechtel, Jr., 54, is Chairman of the companies of the Bechtel group, a worldwide engineering, construction, and management services business. He joined Bechtel in 1941 and was elected Chairman in 1973. He is also Chairman of Sequoia Ventures Inc., an affiliated company. He is Chairman of IBM's Executive Compensation Committee. He is a director of Southern Pacific Company, and The Hanna Mining Company, and has served on various Presidential committees, including those on housing, pollution control, productivity, and labor-management. He is a Fellow of the American Society of Civil Engineers; a member of the National Academy of Engineering, and The Business Council; and a former Chairman of The Conference Board. He became an IBM director in 1976.



George B. Beitzel, 51, is an IBM Senior Vice President and a member of the Corporate Office. He is a member of IBM's Finance Committee. He joined IBM in 1955, became President of the Data Processing Division in 1966, an IBM Vice President in 1968, General Manager of the Data Processing Group in 1969, a Senior Vice President in 1972 and was Group Executive of the General Business Group from 1972 until named to his present position in 1979. He is a director of Flight-Safety International Inc., Bankers Trust Company, New York, and Bankers Trust New York Corporation. He is a trustee of Amherst College and the Eisenhower Exchange Fellowships. He became an IBM director in 1972.



Frank T. Cary, 59, is Chairman of the Board and Chief Executive Officer of IBM and is Chairman of IBM's Executive Committee. He joined IBM in 1948, was elected President in 1971, and Chairman of the Board in 1973. He is a director of American Broadcasting Companies, Inc., J. P. Morgan & Co., and Merck & Co., Inc. He is a trustee of The Rockefeller University, The Brookings Institution, The American Museum of Natural History, and the Museum of Modern Art; a member of the corporation of M.I.T., and The Business Roundtable; and is Chairman of The Conference Board. He became an IBM director in 1968.



William T. Coleman, Jr., 59, is a partner in the law firm of O'Melveny & Myers and a member of IBM's Executive Compensation Committee. He was U.S. Secretary of Transportation in 1975 and 1976. He was formerly a member of the U.S. Delegation to the U.N., and several Presidential commissions. He is a director of American Can Company, PepsiCo, Inc., Pan American World Airways, AMAX Inc., Philadelphia Electric Co., INA Corporation, Chase Manhattan Bank, and Chase Manhattan Corporation; Chairman of the NAACP Legal Defense and Educational Fund; Vice President of the Philadelphia Museum of Art; a trustee of The Rand Corporation, and The Brookings Institution; an Overseer of Harvard College and a member of The Trilateral Commission, and Council on Foreign Relations. He became an IBM director in 1977.



John M. Fox, 67, an agrusiness consultant, was Chairman and Chief Executive Officer of H. P. Hood Inc., a food processing and distribution firm from 1972 until he retired at the end of 1977. He is a member of IBM's Executive Compensation Committee. He is a director of SCA Services, Inc., Food Fair, Inc., The Harvey Group, Inc., and the Boston Council of the Boy Scouts of America; a trustee of the Committee for Economic Development, Rollins College, and Eastern Gas & Fuel Associates; and a member of The Conference Board, and the Board of Fellows of Boston University. He became an IBM director in 1969.



G. Keith Funston, 69, is a retired President of the N.Y. Stock Exchange, a position he held for 16 years, and was subsequently Chairman of the Olin Corporation from 1967 to 1972. He is a member of IBM's Executive Committee. He is director of Avco Corporation, Chemical Bank, Chemical N.Y. Corporation, Hartford Steam Boiler Inspection and Insurance Company, I.C. Industries, Metropolitan Life Insurance Company, Paul Revere Investors, Inc., Putnam Trust Company, Republic Steel Corporation, and Winn-Dixie Stores, Inc. He is a trustee of Trinity College, and Seabury House, and a member of The Business Council. He became an IBM director in 1967.



Carla Anderson Hills, 46, is a partner in the law firm of Latham, Watkins & Hills and Chairman of IBM's Audit Committee. She was U.S. Secretary of Housing and Urban Development in 1975 and 1976, and is a former Assistant Attorney General, Civil Division, Department of Justice. Prior to government service, she was a member of a Los Angeles law firm, and adjunct professor of law at U.C.L.A. She is a director of The Signal Companies, Inc., Standard Oil Company of California, American Airlines, Inc., and the American Council for Capital Formation; a trustee of The Urban Institute, The Brookings Institution; and the Norton Simon Museum of Art; and Co-chairman of the Alliance to Save Energy. Mrs. Hills became an IBM director in 1977.



Amory Houghton, Jr., 53, is Chairman of Corning Glass Works. He joined Corning in 1951 and was elected Chairman in 1964. He is a member of IBM's Executive, and Executive Compensation Committees. He serves as a director of Corning International Corporation, Dow Corning Corporation, Citicorp, Pittsburgh Corning Corporation, and Procter & Gamble. He is a trustee of St. Paul's School and a member of The Business Council. Mr. Houghton became an IBM director in 1966.



John N. Irwin II, 66, is Of Counsel to the law firm of Patterson, Belknap, Webb & Tyler, which he rejoined in 1974 after serving as U.S. Ambassador to France. He is a member of IBM's Finance Committee. He also has served in the U.S. Government as Assistant Secretary of Defense, U.S. Representative for Interoceanic Canal Negotiations, a Personal Representative of the President to Peru, and U.S. Deputy Secretary of State. He is a trustee of the Lawrenceville School, New York Zoological Society, and Metropolitan Museum of Art; a Trustee Emeritus of Princeton University; and a member of the International Council of Morgan Guaranty Trust Company of New York. He was elected to the IBM Board in 1970 and reelected in 1974, following government service.



Nicholas deB. Katzenbach, 58, is Senior Vice President and General Counsel of IBM. He joined IBM as Vice President and General Counsel in 1969. He was formerly U.S. Attorney General, and Undersecretary of State. He is a director of the Council on Foreign Relations, the NAACP Legal Defense and Educational Fund, and The Washington Post Company; a trustee of the VERA Institute of Justice, and Princeton University. He became an IBM director in 1970.



T. Vincent Learson, 67, retired as Chairman of the Board and Chief Executive Officer of IBM in 1972. He is a member of IBM's Executive Committee. He joined IBM in 1935, was elected a Vice President in 1954, President in 1966, and Chairman in 1971. He resigned from the Board in December, 1975, to serve as Ambassador at Large and Chief U.S. Delegate to the Law of the Sea Conference and was reelected in 1977. He is a director of Chemical Bank, Chemical N.Y. Corporation, Kennecott Copper Corporation, PepsiCo, Inc., and Caterpillar Tractor Co.; Chairman of the Finance Committee, Spencer Foundation, Chairman of the Board of Governors of the New York Insurance Exchange; and a member of The Business Council. He first became an IBM director in 1961.



Richard W. Lyman, 56, is President of Stanford University, a position he has held since 1970. He is a member of IBM's Audit Committee. He served on the faculty of several universities before joining the faculty of Stanford in 1958. Since that time he has held positions at Stanford as Professor of History, Associate Dean of the School of Humanities and Sciences, and Vice President and Provost before assuming his present position. He has been a Special Correspondent to *The Economist* in London; is a member of the National Council on Humanities; a trustee and President-elect of the Rockefeller Foundation, and a trustee of the Carnegie Foundation for the Advancement of Teaching. He became an IBM director in 1978.



Dean R. McKay, 58, is an IBM Senior Vice President and a member of the Corporate Office. He is a member of IBM's Finance Committee. He joined IBM in 1946, became Director of Communications in 1957, a Vice President in 1961, a Senior Vice President in 1971, was named Group Executive of the Data Processing Marketing Group in 1972, Senior Vice President, Corporate Operations and Services Staffs, in 1978 and to his present position in 1979. He is a director of CONOCO, Inc., and Nabisco, Inc., and a member of the Advisory Council of the National Urban Coalition. He became an IBM director in 1979.



Maersk Mc-Kinney Moller, 66, is Chief Executive Officer of A. P. Moller of Copenhagen, Denmark, and of the Danish Steamship companies A/S Dampskibsselskabet Svendborg and Dampskibsselskabet of 1912 A/S, which own the Maersk fleet. He is also Chairman of Odense Steel Shipyard Ltd., and other affiliated companies. He is a member of IBM's Finance Committee. He also serves as a member of the International Council of Morgan Guaranty Trust Company of New York. He became an IBM director in 1970.



William H. Moore, 65, retired as Chairman of the Board of Bankers Trust Company, New York, and Bankers Trust New York Corporation at the end of 1974, but continues as a member of both Boards. He is a member of IBM's Executive and Audit Committees. He is a director of American Can Company, The Hanna Mining Company, Nabisco, Inc., and the United Fund of Greater New York, Inc. He is also a trustee of the U.S. Council of the International Chamber of Commerce, the Eisenhower Exchange Fellowships, and Mystic Seaport, Inc. He became an IBM director in 1958.



J. Richard Munro, 49, is Executive Vice President and a director of Time, Inc. He joined Time, Inc., in 1957 and held a number of management positions in their publishing and video operations before assuming his present position. He is a trustee of Experiment in International Living, and Northfield Mount Hermon School, and a member of the President's Council on Physical Fitness and Sport. He became an IBM director in 1979.



John R. Opel, 55, is President of IBM and a member of IBM's Executive Committee. He joined IBM in 1949, was elected Vice President, Corporate Finance and Planning in 1968, named Group Executive of the Data Processing Product Group in 1972, and elected President in 1974. He is a trustee of Westminster College, and the Institute for Advanced Study; a director of The Bank of New York, The Bank of New York Co., Inc., and Pfizer, Inc., and a member of the Board of Governors of United Way of America, and the Wilson Council. He became an IBM director in 1972.



Paul J. Rizzo, 52, is an IBM Senior Vice President and a member of the Corporate Office. He is a member of IBM's Finance Committee. He joined IBM in 1958, was elected Controller in 1965, Vice President, Corporate Finance and Planning Staffs in 1970, Senior Vice President and Group Executive of the Data Processing Product Group in 1974 and was named to his present position in 1979. He is a director of Continental Illinois Corporation, and Continental Illinois National Bank and Trust Company of Chicago; and a trustee of Fairfield University. He became an IBM director in 1972.



William W. Scranton, 62, former U.S. Ambassador to the United Nations, was a director of IBM from 1973 to 1976 and was reelected in 1977, when he resigned the U.N. post. He is Chairman of IBM's Finance Committee. He is a former Chairman of the Northeastern Bank of Pennsylvania, Governor of Pennsylvania, special assistant to the U.S. Secretary of State, member of Congress, and served on several Presidential Commissions. He presently serves on President Carter's Intelligence Oversight Board. He is a director of the New York Times Company, Scott Paper Company, Bethlehem Steel Corporation, and Cummins Engine Company, Inc.



Irving S. Shapiro, 63, is Chairman and Chief Executive Officer of E. I. du Pont de Nemours and Company. He is a member of IBM's Executive, and Executive Compensation Committees. He joined Du Pont in 1951; became Assistant General Counsel in 1965; a Senior Vice President, director and member of the Executive Committee in 1970; Vice Chairman in 1973; and Chairman in 1974. He is a director of Citicorp, Bank of Delaware, and Continental American Life Insurance Company; a trustee of The Conference Board, Ford Foundation and the Universities of Delaware, and Pennsylvania; and a member of The Business Council, and The Business Roundtable. He became an IBM director in 1974.



Albert L. Williams, 69, retired as President of IBM in 1966 and retired fully in 1969. He is a member of IBM's Executive Compensation Committee. He served as Chairman of the Executive Committee of the IBM Board from 1966 to 1971 and as Chairman of its Finance Committee from 1971 to 1978. He joined IBM in 1936, was elected Controller in 1942, Treasurer in 1947, Vice President and Treasurer in 1948, a member of the Board of Directors in 1951, an Executive Vice President in 1954, and President in 1961. Mr. Williams is a director of Eli Lilly and Company.

General Information

Board of Directors

The Board of Directors is responsible for the overall affairs of the Corporation. To assist it in carrying out its duties, the Board has delegated certain authority to several committees.

The Board of Directors held 12 meetings during 1979. Overall attendance at Board and Committee meetings was over 92%. Individual attendance was as follows: Mr. Bechtel 75%; Mr. Beitzel 100%; Mr. Cary 100%; Mr. Coleman 100%; Mr. Fox 100%; Mr. Funston 100%; Mrs. Hills 100%; Mr. Houghton 93%; Mr. Irwin 100%; Mr. Katzenbach 100%; Mr. Learson 81%; Dr. Lyman 93%; Mr. McKay 100%; Mr. Moller 69%; Mr. Moore 97%; Mr. Munro 100%; Mr. Opel 93%; Mr. Rizzo 94%; Mr. Scranton 100%; Mr. Shapiro 86%; Mr. Williams 94%.

Committees of the Board

The Executive Committee, the Audit Committee, the Executive Compensation Committee and the Finance Committee are the standing Committees of the Board of Directors. Membership is as follows:

<u>Executive</u>	<u>Audit</u>	<u>Compensation</u>	<u>Finance</u>
F. T. Cary*	C. A. Hills*	S. D. Bechtel, Jr.*	W. W. Scranton*
G. K. Funston	R. W. Lyman	W. T. Coleman, Jr.	G. B. Beitzel
A. Houghton, Jr.	W. H. Moore	J. M. Fox	J. N. Irwin II
T. V. Learson		A. Houghton, Jr.	D. R. McKay
W. H. Moore		I. S. Shapiro	M. Mc-K. Moller
J. R. Opel		A. L. Williams	P. J. Rizzo
I. S. Shapiro			

* Chairman

Executive Committee

The responsibilities of the Executive Committee include: the administration of the IBM Employees Stock Purchase Plan; acquisition and disposal of real estate, and approval of construction expenditures; approval of contributions and memberships; and delegation of certain authority for execution of bids, proposals and contracts. The Committee held 15 meetings in 1979.

Acting as the Nominating Committee of the Board, the Executive Committee recommends qualified candidates for election as officers and directors of the Corporation, in-

cluding the slate of directors which the Board proposes for election by stockholders at the annual meeting. Stockholders wishing to nominate director candidates for consideration by the Committee may do so by writing to the Secretary of the Corporation, giving the candidate's name, biographical data and qualifications.

Audit Committee

The Audit Committee has the responsibility of recommending the appointment of the company's outside auditors, reviewing the scope and results of audits, reviewing internal accounting controls, and examining procedures for ensuring compliance with the Corporation's policies on conflict of interest. In addition, the Committee reviews the estimated fees and types of non-audit services for the coming year.

The Audit Committee is always composed of directors who are not officers or employees of IBM or its subsidiaries. The Committee held 4 meetings during 1979.

Executive Compensation Committee

The Executive Compensation Committee has the responsibility of administering and approving: salaries of all IBM corporate officers and of other employees of the Corporation and its subsidiaries above specified dollar levels; all awards and participation under the IBM Variable Compensation Plan; grants and actions related thereto under the provisions of the IBM Stock Option Plans; and changes in the IBM Retirement Plan primarily affecting IBM corporate officers.

Members of this Committee are always directors who are not officers or employees of IBM or its subsidiaries and are not eligible to participate in any of the plans or programs which it administers. The Committee held 8 meetings during 1979.

Finance Committee

The Finance Committee has the responsibility of administering the IBM Retirement Plans, including the selection of investment managers, determination of investment guidelines within which they operate, reviewing their performance, and amending the Plans. The Committee has delegated the responsibility for investment management of the Retirement Plan Trust Funds to professional investment managers, two of whom are full time employees of the Corporation, but retains the right to modify or revoke such delegations. The Committee held 4 meetings in 1979.

Other Relationships

In 1979, the Corporation and its subsidiaries purchased services, supplies and equipment in the normal course of business from many suppliers, including the following:

Purchases from Corning Glass Works, of which Mr Houghton, Jr., is Chairman of the Board, amounted to approximately \$7,914,000. Purchases, principally of advertising space in various publications, from Time, Inc., of which Mr. Munro is Executive Vice President amounted to approximately \$1,290,000. Purchases from E. I. du Pont de Nemours and Company, of which Mr. Shapiro is Chairman of the Board, amounted to approximately \$33,750,000. Airline tickets purchased by IBM in Europe from Maersk Air I/S, a subsidiary of A. P. Moller, of which Mr. Moller is Chief Executive Officer, resulted in commissions of approximately \$59,000 paid to that firm by the carriers.

Fees of \$5,018,114 were paid to the firm of O'Melveny & Myers, of which Mr. Coleman, Jr., is a partner, for legal services performed in connection with a number of major antitrust cases. For other legal services, fees of \$276,095 were paid to the law firm of Patterson, Belknap, Webb & Tyler, to which Mr. Irwin II is Of Counsel.

At December 31, 1979, the Corporation's non-U.S. subsidiaries were indebted for amounts of \$5,000,000 or more to certain banks which had common directors with IBM, as follows:

Bankers Trust Company, (\$5,000,000), G. B. Beitzel and W. H. Moore; Bank of New York, (\$8,000,000), J. R. Opel; Chase Manhattan Bank, (\$25,222,000), W. T. Coleman, Jr.; Citibank, (\$20,918,000), A. Houghton, Jr., and I. S. Shapiro; Morgan Guaranty Trust Company, (\$16,421,000), F. T. Cary; Continental Illinois National Bank, (\$26,965,000), P. J. Rizzo.

Since 1973, IBM has owned 20% of a 36-story office building in San Francisco in which Mr. Bechtel, Jr., has an indirect interest through a partnership with one-third ownership. The companies of the Bechtel group and IBM occupy portions of the building.

IBM retains the services of many consultants, some of whom are retired former officers and directors of the Corporation. During 1979, consulting fees of \$1,184,074 were paid to 18 retired officers and directors.

Stock Ownership

The table which follows reflects beneficially owned shares of IBM capital stock as of December 31, 1979 and indicates whether voting and investment power is solely exercisable by the persons named or is shared with others.

* Voting power includes the power to direct the voting of the shares held, and investment power includes the power to direct the disposition of shares held. Also shown are shares over which any person could have acquired such powers within 60 days. Since most shares appear under both the voting power and investment power columns, the individual columns will not add across to the total column.

Beneficial Ownership of Shares of IBM Capital Stock as of December 31, 1979 (1)

Name	Voting Power		Investment Power		Acquirable within 60 Days (3)	Total
	Sole	Shared (2)	Sole	Shared (2)		
S. D. Bechtel, Jr.	18,000	7,000	18,000	7,000	—	25,000
G. B. Beitzel	16,916	1,144	11,390	6,670	95,563	113,623
F. T. Cary	23,355	380	15,267	8,468	175,790	199,525
W. T. Coleman, Jr.	2,120	—	2,120	—	—	2,120
J. M. Fox	508	200	508	200	—	708
G. K. Funston	2,160	400	2,160	400	—	2,560
C. A. Hills	144	—	144	—	—	144
A. Houghton, Jr.	1,148	2,714	1,148	2,714	—	3,862
J. N. Irwin II	129,471	—	—	556,780	—	556,780
N. deB. Katzenbach	6,946	192	1,420	5,718	76,333	83,471
T. V. Learson	48,617	13,622	48,617	13,622	—	62,239
R. W. Lyman	100	—	100	—	—	100
D. R. McKay	54,568	1,524	49,042	7,050	88,936	145,028
M. Mc-K. Moller	7,080	—	7,080	—	—	7,080
W. H. Moore	15,968	21,984	15,968	21,984	—	37,952
J. R. Munro	100	—	100	—	—	100
J. R. Opel	20,035	528	13,068	7,495	121,420	141,983
P. J. Rizzo	12,206	480	6,680	6,006	91,991	104,677
W. W. Scranton	14,389	22,960	14,389	22,960	—	37,349
I. S. Shapiro	1,700	1,300	1,700	1,300	—	3,000
A. L. Williams	66,280	—	66,280	—	—	66,280

All directors and officers as a group

(including the above) 610,091 85,788 380,268 742,920 2,054,924 3,178,112*

* This total represents 1/2 of 1% of the outstanding shares.

- (1) No individual nominee's beneficial holdings totaled more than 1/10th of 1% of the outstanding shares. These holdings do not include 2,638,500 shares held by the IBM Retirement Plan Trust Fund, over which the members of the Finance Committee have the right to acquire shared investment power (see page 9).
- (2) The nominees disclaim any beneficial ownership of a portion or all of these shares, which are beneficially owned by members of their immediate families. The shares are reported on the assumption that the nominee may share voting and/or investment power because of the family relationship.
- (3) Shares which could be purchased under an IBM Stock Option Plan.

Remuneration

The following table shows all remuneration during 1979 for all employee directors, each of the five highest-paid executive officers and for all directors and officers as a group. Employee directors receive no additional compensation for service on the Board of Directors or committees. Directors who are not employees receive an annual retainer of \$15,000 and a fee for attended Board and committee meetings of \$400 (\$600 for committee meetings on days when there is no Board meeting). Committee Chairmen receive an additional annual retainer of \$4,000.

The amounts set forth in the table do not include amounts earned by officers and directors during periods when they were not serving in that capacity, or amounts paid under certain benefit plans, such as medical cost reimbursements.

<i>Name</i>	<i>Position Held</i>	<i>Salaries, Fees and Bonuses (1)</i>	<i>Securities, Insurance and Other Benefits (2)</i>	<i>Estimated Annual Retirement Benefits</i>
F. T. Cary	Chairman of the Board	\$ 697,696	\$ 230,206	\$ 200,000
J. R. Opel	President	562,240	203,494	200,000
P. J. Rizzo	Senior Vice President	423,295	151,868	174,000
D. R. McKay	Senior Vice President	409,653	152,642	172,000
G. B. Beitzel	Senior Vice President	390,072	152,576	189,000
N. deB. Katzenbach	Senior Vice President and General Counsel	385,365	152,332	66,000
61 directors and officers as a group (including the above)		11,499,609	3,362,754	

Column 1 comprises all cash remuneration, including cash awards under the IBM Variable Compensation Plan. Column 2 consists primarily of restricted stock awards under the IBM Variable Compensation Plan, which as explained on page 13, relate to 1978 performance. The costs of the U.S. Retirement Plan are not, and cannot be, readily identified for individual employees, and, therefore, such amounts are not included in the table. Aggregate contributions by the Corporation to this Plan, which are based on the compensation of the previous year, amount to 11.15% of the compensation of all participants. The compensation elements upon which the company's retirement plan benefits are based under the service and earnings formula are salary, commissions, payments of regular annual awards under the Variable Compensation Plan, and additional premium compensation.

Variable Compensation Plan

Under the IBM Variable Compensation Plan adopted by stockholders, certain executives, designated as participants by the Executive Compensation Committee of the Board of Directors, are eligible to receive, in addition to a fixed salary, annual awards based upon their performance and that of the company as a whole or a business unit thereof. Special supplemental awards for extraordinary achievement may be made to any employee. The Executive Compensation Committee is composed of directors who are not eligible to participate in this plan. Awards may be in cash, capital stock of the Corporation, or both. The awards in aggregate may not exceed 1.5% of the Corporation's adjusted net earnings (i.e., consolidated net earnings after taxes less 10% of stockholders' equity at the end of the preceding year) for the year with respect to which awards are made. Shares of stock awarded are valued at the average closing price on the New York Stock Exchange for the 30 calendar days prior to the award date.

Cash awards are payable in a lump sum or annual installments over a period not exceeding five years, beginning in the year following the year for which the award is made; or, the executive may irrevocably defer payments to later years, to be paid with interest, currently at 5% compounded annually. Stock awards may be restricted against sale for varying periods. Payment of unpaid amounts, cash or stock, is subject to the proviso that the executive remain with IBM or, upon retirement, render consulting services to the Corporation if requested to do so and not enter the employ of a competitor.

Amounts shown in the preceding table under column (1) include cash awards of \$2,932,071 made with respect to 1979. The aggregate amount of such awards for all participants was \$5,292,621. The limitation of the fund available for 1979 awards is \$24,928,463. Additional awards in the form of capital stock, which have not been determined at the date hereof, may be made later in 1980.

For 1978 performance, stock awards of 41,786 shares valued at \$3,255,129 were made in 1979 by the Executive Compensation Committee of the Board of Directors to 32 officers. These stock awards, which are included in column (2), are restricted from being sold, transferred, or assigned until retirement, and were in addition to previously reported cash awards for 1978. Aggregate stock awards for all participants of 53,681 shares valued at \$4,181,750 have been charged against the available 1978 Variable Compensation fund. This includes 2,658 shares valued at \$207,058 to 4 former officers who retired in 1978. Total awards for 1978, including the value of the stock awards, were \$10,140,210. The total fund available for 1978 was \$27,730,817.

Some operating units of the company also have incentive compensation plans under

which certain executives are eligible to receive, in addition to a fixed salary, annual awards based upon performance. The total amount awarded under these plans for 1979 was approximately \$3.6 million.

Employees Stock Purchase Plan

The IBM Employees 1976 Stock Purchase Plan permits employees to purchase IBM stock through payroll deductions during five consecutive annual offerings. Eligible employees who are not participants in an IBM Stock Option Plan may purchase stock through payroll deductions of up to 10% of compensation. The price an employee pays is 85% of the average market price on the date the employee has accumulated enough money to buy a share.

At the end of 1979, approximately 143,100 employees were participating in the Plan. Under the Plan, employees purchased 6,813,797 shares, adjusted for the May 10, 1979, stock split, from January 1, 1979, to January 31, 1980. No directors or officers participated during that period.

Stock Option Plan

In 1956, IBM stockholders first approved a Stock Option Plan designed to attract and retain key executives in the business. Subsequent Plans were approved by stockholders, most recently in 1978. Grants may now be made only under the 1978 Plan, which expires in 1983. The 1978 Stock Option Plan is administered by the Executive Compensation Committee of the Board of Directors, composed of directors who are not officers or employees of the Corporation or its subsidiaries and are not eligible to participate in the Plan.

All options are granted at not less than 100% of the average market price of IBM stock on the New York Stock Exchange on the date granted. Only nonqualified options having a maximum duration of ten years may be granted.

No shares are purchasable during the first year of the option, except in the case of the optionee's death. After the first year, options become cumulatively exercisable in four successive, equal annual installments, unless the committee administering the Plan establishes otherwise.

Options may be exercised within three months after termination of employment to the extent of shares then purchasable, except that the Committee may extend the time to exercise an option, but not beyond the option's expiration date. In the event of death, options become fully exercisable by the optionee's estate for the duration of the original option. Cancellation by the Committee of outstanding options granted under

the Plan is authorized in any situation where the individual fails to fulfill certain obligations with respect to competitive employment or disclosure of confidential information.

The Committee may at its discretion grant Stock Appreciation Rights (SARs) offering some or all optionees the alternative of electing not to exercise the related stock option, but to receive instead an amount equivalent to the difference between the option price and the average market price of IBM stock on the date of exercising the right. To date no SARs have been granted.

From January 1, 1979, to January 31, 1980, options to purchase 1,879,716 shares were granted, net of terminations, under the 1978 Stock Option Plan.

The following table provides details on stock options. The information on grants covers the persons named and all persons who served as officers at any time after January 1, 1979, from the time of their appointment as officers. During the period, one officer (not one of those named) exercised an option on 2,400 shares having an aggregate option price of \$130,350 and market value of \$182,178.

*Stock Option Information—Capital Stock**

	Granted 1/1/79 to 1/31/80		Unexercised on 1/31/80	
	Number of Shares	Average Per Share Option Price	Number of Shares	Average Per Share Option Price
<i>F. T. Cary</i>	—	—	228,665	\$66.22
<i>J. R. Opel</i>	27,335	\$64.75	189,462	\$65.42
<i>P. J. Rizzo</i>	14,208	\$64.75	140,879	\$65.73
<i>D. R. McKay</i>	13,590	\$64.75	125,874	\$64.78
<i>G. B. Beitzel</i>	13,281	\$64.75	133,129	\$65.88
<i>N. deB. Katzenbach</i>	11,583	\$64.75	107,516	\$65.81
<i>All Officers as a group**</i>	348,044	\$64.75	3,028,856	\$65.07

* The number of shares and prices per share are adjusted, where applicable, to reflect the 1973 and 1979 stock splits.

** Directors who are not employees are not eligible to participate.

Retirement Plan

The Corporation has had a formal Retirement Plan for U.S. employees since 1945 that has been amended from time to time. The Plan, under which benefits normally begin at age 65, is noncontributory by the employee, and the company's contributions are not allocated to the account of any particular employee. The Plan provides benefits based on service and earnings, with a reduction in the benefit formula for employees electing early retirement prior to age 60.

Officers participate in the Plan on the same basis as the approximately 193,000 other employees of the Corporation and its domestic subsidiaries who are covered by the Plan, which is a qualified plan under the Internal Revenue Code.

Maximum annual retirement income after any applicable reductions for early retirement or for joint and survivor options is \$200,000.

To the extent that retirement income exceeds the limit established by the Employee Retirement Income Security Act for payments from qualified trust funds, the difference will be paid from the general operating funds of the Corporation.

IBM also has a comparable plan for part-time employees, with proportional benefits. Employees outside the U.S., including two officers, are covered by different retirement plans, which vary from country to country.

The following table indicates estimated annual retirement benefits for retirement in 1980 at age 60 or later, for various levels of executive compensation under the U.S. Retirement Plan.

Average Annual Covered Compensation	Representative Years of Service		
	20	30	40
\$100,000	\$ 30,000	\$ 45,000	\$ 60,000
300,000	90,000	135,000	180,000
500,000	150,000	200,000	200,000
700,000	200,000	200,000	200,000

2. Ratification of Appointment of Auditors

The Board of Directors has appointed the firm of Price Waterhouse & Co., independent accountants, to be IBM's auditors for the year 1980, and recommends to stockholders that they vote for ratification of that appointment.

Price Waterhouse & Co. served in this capacity for the year 1979, and their repre-

representatives will be present at the stockholders meeting with the opportunity to make a statement if they desire to do so. They will also be available to respond to appropriate questions.

During 1979, the Company engaged Price Waterhouse & Co. to render certain non-audit professional services to the Company. A description of these services, together with the percentage relationship of the fees for such services to the audit fees paid to that firm during 1979, are as follows:

Tax services relating to return preparation, consultation and assistance for employees in connection with international assignments, 55%; tax services, including consultation and assistance relative to the Corporation and its subsidiaries, 10%; other services, including accounting education related services, services related to audit and control techniques used in certain data processing applications and miscellaneous other services, 7%. Total non-audit services were 72% of the audit fees.

For the purpose of computing the preceding percentage relationships, audit fees include fees for (1) the examination of annual financial statements, (2) assistance and consultation in connection with filings with the U. S. Securities and Exchange Commission and with various other U. S. and non-U. S. governmental and regulatory agencies, and (3) consultation in connection with various audit-related accounting matters.

The appointment of auditors is approved annually by the Board of Directors and subsequently submitted to the stockholders for ratification. The decision of the Board of Directors is based on the recommendation of the Audit Committee, which reviews and approves in advance the audit scope, the types of non-audit services, and estimated fees for the coming year. The Committee last year reviewed and approved proposed 1980 non-audit services and concluded that they will not impair the independence of the accountants.

Stockholder Proposals

The deadline for receipt of stockholder proposals for inclusion in IBM's 1981 proxy material is December 19, 1980.

Management carefully considers all proposals and suggestions from stockholders. When adoption is clearly in the best interests of the Company and the stockholders, and can be accomplished without stockholder approval, the proposal is implemented without inclusion in the proxy material.

Examples of stockholder proposals and suggestions that have been adopted over the years include stockholder ratification of the appointment of auditors, improved procedures involving dividend checks and stockholder publications, and changes or additions to the proxy material concerning such matters as abstentions from voting, appointment of alternative proxy and the privacy of proxy voting results.

However, management opposes the following proposals for the reasons stated after each proposal.

3. Stockholder Proposal on Inspectors of Election

Management has been advised that Mrs. Evelyn Y. Davis of 1127 Connecticut Avenue, N.W., Washington, D.C. 20036, the owner of 48 shares, intends to submit the following proposal and supporting reasons at the meeting.

RESOLVED: That the stockholders of IBM recommend that the Board take the necessary steps to disclose each year to all shareholders the basis of selection of judges of election, inspectors of election, firm or firms used to count proxies, length of service of each such firm and judges and/or inspectors of election, and to disclose ALL business contacts made between such aforementioned persons and employees of such firms and officers, directors and/or employees of IBM.

REASONS: "Proxies can come in late, can get lost or mislaid; in addition other errors and omissions can be made, as happened in the recent Kennecott-Curtiss Wright proxy fight. Stockholders are entitled to full disclosure on these matters and whether any errors or omissions were made in the vote on ALL independent stockholder resolutions."

"If you AGREE, please mark your proxy FOR this resolution, otherwise it is automatically cast against."

The IBM Board of Directors recommends a vote AGAINST this stockholder proposal for the following reason:

IBM's by-laws provide that prior to the annual meeting, inspectors of election shall be appointed by the Board. Representatives of the Corporation Trust Company, an independent specialist, have been so appointed to supervise the tabulation of proxies by IBM stockholder relations personnel. The by-laws further state: "The inspectors of election so appointed to act at any meeting of the stockholders, before entering upon the discharge of their duties, shall be sworn faithfully to execute the duties of inspectors at such meeting, with strict impartiality and according to the best of their ability, and the oath so taken shall be subscribed by them."

When the counting of votes at the annual meeting is completed, the inspectors sign

an affidavit certifying the results. These documents are available for inspection by any stockholder wishing to do so. In addition, page 25 of this proxy describes the procedures taken to safeguard the privacy of any stockholder's vote.

Management believes that publishing annually the information requested by this proposal would be burdensome, costly and would serve no useful purpose.

4. Stockholder Proposal on Grants to Schools

Management has been advised that Mr. Andrew W. Duncan of 532 Settlers Landing Road, P.O. Box 548, Hampton, VA 23669, the owner of 3,884 shares, intends to submit the following proposal and supporting reasons at the meeting.

BASIS FOR MOTION Our company makes substantial gifts to educational institutions. Some educational institutions employ avowed Communists, Marxists, Leninists or Maoists as teachers. Communists are our sworn enemies:

"The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions." (Communist Manifesto) Our nation is threatened by Communist powers today as never before. Complete documentation has been furnished to the Secretary of our corporation.

MOTION

RESOLVED, That the shareholders recommend that in selecting educational institution grantees, if to the knowledge of the President, a Vice-President, or Secretary of our corporation, an educational institution employs any avowed Communist, Marxist, Leninist or Maoist, such employment shall be taken into account by our corporation, its subsidiaries, affiliates, and agents as a factor militating against the making of a grant to such educational institution, for as long as such employment persists.

STATEMENT IN SUPPORT OF MOTION "The First Amendment guarantees freedom of speech of the press from government intervention. It does not require that any citizen finance those that seek to destroy him." William E. Simon

Shareholders: It's your money. Do you want to stop supporting Communists in our schools?

If so, vote YES.

The IBM Board of Directors recommends a vote AGAINST this stockholder proposal for the following reason:

Educational institutions contribute to the progress of IBM in many ways. To help

support higher education IBM maintains a program of matching contributions made by our employees. In addition, the Company provides grants to colleges and universities, primarily to assist research and teaching in academic fields related to the long-term interests of the Company, such as engineering, the physical sciences, business and management. These grants help to sustain academic excellence and to develop professional links between universities and IBM.

We believe that the academic quality and the management effectiveness of colleges and universities should continue to be the principal criteria in our selection process. We further believe that employment policies and practices which have no direct effect upon the academic or research programs which IBM proposes to support should not be a factor militating against the making of such a grant to that institution.

5. Stockholder Proposal on Grants to Schools

Management has been advised that the same stockholder who submitted proposal number 4 intends to submit the following proposal and supporting reasons at the meeting.

BASIS FOR MOTION Harvard University has adopted "guidelines to govern relationships between the Harvard community and the CIA and other U.S. intelligence agencies" which guidelines "expressly prohibit . . . the use of faculty members or administrators as secret recruiters or intelligence 'operatives'." Harvard has "not extended such restrictions to other institutions that recruit on [its] campus. . .". ". . . a large number of professors have been arguing that such guidelines [Harvard's] deprive faculty members of their academic freedom, as well as their constitutional right to associate with whom they please." (Chronicle of Higher Education, September 5, 1978, p. 9) (Complete documentation has been furnished to the Secretary of our corporation). Few other educational institutions have adopted guidelines similar to those of Harvard.

MOTION

RESOLVED, That the shareholders recommend that our corporation, its subsidiaries, affiliates, and agents make no contributions to schools which to the knowledge of the President, a Vice-President, or the Secretary of our corporation, or its subsidiaries, affiliates and agents, restricts or attempts to restrict contacts between any intelligence agency of the United States and members of the academic community of such educational institutions.

STATEMENT IN SUPPORT OF MOTION Our nation is coming under steadily increasing

Communist threat. Our need for a fully effective CIA becomes more urgent with each passing day. Let us vote YES to urge our corporation and our schools to cooperate with those who have the duty of defending our nation.

The IBM Board of Directors recommends a vote AGAINST this stockholder proposal for the same reason stated against proposal number four on Page 19.

6. Stockholder Proposal on South Africa

Management has been advised that a number of church-related groups and an educational institution (names will be supplied upon request to the Secretary of the Corporation), owners of 116,780 shares, intend to submit the following proposal and supporting reasons at the meeting.

WHEREAS in South Africa the black majority is controlled and oppressed by a white minority which comprises 18 percent of the population;

WHEREAS South Africa's apartheid system legalizes racial discrimination in all aspects of life and deprives the black population of their most basic human rights, e.g., Africans cannot vote, do not have full collective bargaining rights, must live in racially segregated areas, are paid grossly discriminatory wages, are assigned 13 percent of the land while 87 percent of the land is reserved for the white population;

WHEREAS since June, 1976, the killing of hundreds of people (many of them school children), mass arrests and widespread repression has been the response of the South African Government to nationwide demonstrations for democratic rights and an end to apartheid;

WHEREAS it is virtually impossible to control the end use of our company's computers in South Africa;

WHEREAS IBM's present customers include numerous South African government agencies;

WHEREAS the United States has for many years had an arms embargo against South Africa and recently prohibited exports of products of any sort to the South African military or police;

WHEREAS South Africa has recently invoked war powers legislation stating that any company operating in South Africa can be forced to provide goods to the government for military purposes;

WHEREAS we believe computers are clearly strategic products which can be adapted for military or police use;

THEREFORE BE IT RESOLVED that the shareholders request the Board of Directors to establish the following as corporate policy: The corporation and any of its subsidiaries shall not make or renew any contracts or agreement to sell, lease or service computers, computer parts or software to, or for the use of, the government of the Republic of South Africa or any of its agencies or instrumentalities.

SUPPORTING STATEMENT

At the 1977 stockholder meeting Chairman Frank Cary pledged IBM would not knowingly sell a computer which could be used for repressive purposes or to abridge human rights. This is a commendable principle but means little unless it is put into effect in a meaningful way. For instance, IBM is one of the main suppliers of computer equipment to South African Government agencies.

We are convinced that these computer sales strengthen the ability of the white minority government to control its citizens, infringe on their privacy, and implement its policy of white supremacy. Numerous banks including Chase Manhattan, Chemical, Mellon Bank, Pittsburgh National Bank, Irving Trust, First Bank of Pennsylvania have placed prohibitions on lending to South African Government agencies because of apartheid. We believe sales of strategic computer technology should be ended for the same reasons.

One IBM computer in the Defense Department is still being serviced by IBM despite a Commerce Department prohibition of all sales to the police and military. We feel that the spirit of that embargo is being undermined by IBM. In addition, South African laws allow the seizure of any equipment for military purposes during an emergency. We ask for your support.

The IBM Board of Directors recommends a vote AGAINST this stockholder proposal for the following reasons:

The Board of Directors and management join the proposers of this resolution in deploring racial discrimination.

We oppose racial discrimination in South Africa by ensuring equal opportunity for all IBM employees in South Africa. Our progress is a matter of record. Reports are available to stockholders, on request. We have steadily increased the percentage of black employees. We have steadily trained blacks in skills for careers in programming, customer engineering, general business administration and finance. Black IBM employees

have advanced to jobs as customer engineers, systems programmers, systems engineers and sales trainees.

In addition, IBM makes contributions to the community beyond the work place. IBM has contributed money to a wide variety of black educational institutions and programs, including a five-year commercial high school for 600 black students and a project using videotaped instruction to upgrade the qualifications of black high school teachers.

IBM also fully complies with all United States regulations governing trade with foreign countries, including South Africa. In February, 1978, the United States imposed an embargo on all U.S.-origin commodities, services and other materials intended for ultimate use by South African military or police entities in the Republic of South Africa. Except for the above restrictions, the embargo does not prohibit the servicing of any installed computers or the shipment of computers to other government agencies. We believe IBM fully complies with both the letter and the spirit of the embargo.

The proposers of this resolution believe that IBM should, on its own, expand the embargo and impose it on products and services intended for *all* South African government agencies.

IBM believes that imposing an embargo against a foreign government is engaging in the conduct of foreign policy. We believe the conduct of foreign policy should be reserved to the U.S. government. If the proponents wish to expand this embargo, as the proposal suggests, the proper place to achieve that expansion is in the halls of Congress—not in a stockholder proposal to IBM.

Stockholders should be aware that a proposal with an identical objective was offered to IBM stockholders in 1975 and was rejected by more than 98 percent of the votes cast.

7. Stockholder Proposal on Special Report

Management has been advised that Mr. F. Dana Payne of 1509 Regency Woods Road, Apartment 303, Richmond, VA 23229, the owner of 168 shares, intends to submit the following proposal and supporting reasons at the meeting.

WHEREAS, question exists concerning the propriety of our company's sales and/or leases of equipment, information, and/or services to Communist countries and/or purchases within Communist countries, and

WHEREAS, the facts concerning such sales and/or leases have not been made clear to the shareholders of IBM, who are ultimately responsible for our company's conduct, it is hereby

RESOLVED, that the shareholders request that our management prepare and deliver

to the company's shareholders within three months from the date of the 1980 annual shareholders' meeting a report describing the extent of the company's business dealings and trade relations with Communist countries or purchasers within Communist countries, such report to include without inferential exclusion.

(1) A statement of the total amount due or to become due as a result of such transactions;

(2) A copy of each item of writing which to the knowledge of the President, any Vice President, the Secretary or the Treasurer of the company has been published dealing with the company's transactions with or in Communist countries; and

(3) If any facts germane to this request are shielded from disclosure by law, a reference by title, including U.S. Code, to such law, and whether IBM supported the passage of such law.

As used herein, The words "company" or "IBM" includes subsidiaries and affiliates of IBM, and the words "Communist country" shall mean any of the following countries: Soviet Union, Lithuania, Latvia, Estonia, Poland, East Germany, Czechoslovakia, Hungary, Yugoslavia, Romania, Bulgaria, Albania, Cuba, Angola, Guyana, Grenada, People's Republic of China, North Korea, Mongolia, Tibet, Vietnam, Laos, and Cambodia.

STATEMENT IN SUPPORT OF MOTION

Management cannot hide behind the sort of national foreign policy which paid our enemies to accept our Panama Canal. IBM's policy is the responsibility of us shareholders, and is the result of our interest—or our apathy. Let's find out whether IBM is arming our enemies in our names. Vote YES for disclosure.

The IBM Board of Directors recommends a vote AGAINST this stockholder proposal for the following reason:

IBM business outside the United States is conducted in strict compliance with U.S. law and foreign policy. Business with Communist countries is limited by U.S. Government regulations as well as multilateral agreements among the U.S. and allied governments in Western Europe and Japan. Nothing can be shipped, not even spare parts, without an export license issued by appropriate government agencies. The regulations also limit the computing power and capacity that are licensable in order to protect the U.S. and its allies against exportation of advanced technology products.

The preparation and mailing of the detailed report to all stockholders as required by this proposal, particularly the inclusion in the report of each printed article dealing with this subject, from whatever source, would be burdensome and costly.

Stockholders should be aware that IBM's business in the named countries in 1979 amounted to less than 1/2 of 1% of gross revenue. No business is conducted in many of these countries because of trade prohibitions of the U.S. Government.

Other Business

Management knows of no other matters which may properly be, or are likely to be, brought before the meeting. If other proper matters are introduced, the proxy committee named in the enclosed proxy will vote shares it represents as the Board recommends.

Proxies and Voting at the Meeting

The capital stock of the Corporation is its only class of voting security. Each stockholder of record at the close of business on March 10, 1980, is entitled to one vote for each share then held. The proxy card indicates the number of shares to be voted, including any full shares held by the bank for participants in the IBM Dividend Reinvestment Plan. On February 29, 1980, there were 583,541,732 shares outstanding and entitled to be voted.

Directors are elected by a plurality of votes cast. An affirmative majority of the votes cast is required to ratify the appointment of auditors and to adopt the stockholder proposals.

All stockholder meeting proxies, ballots and voting tabulations that identify individual stockholders are kept private, and no such document shall be available for examination, nor shall the identity or the vote of any stockholder be disclosed except as may be necessary to meet legal requirements under the laws of New York State, IBM's state of incorporation.

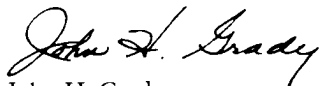
Shares cannot be voted unless the signed proxy card is returned or other specific arrangements are made to have shares represented at the meeting. Any stockholder giving a proxy may revoke it at any time before it is voted. Any proxy not revoked will be voted. If a stockholder wishes to give a proxy to someone other than the management proxy committee, he or she may cross out the names appearing on the enclosed proxy card, insert the name of some other person, sign, and give the card to that person for use at the meeting.

A stockholder planning to attend the meeting, but choosing not to return the proxy card, should send a note requesting a ticket in the envelope provided.

In accordance with the Board of Directors' recommendations, proxies returned by stockholders will be voted, if no contrary instruction is indicated, for the election of the 21 nominees described herein, for ratification of the appointment of auditors, and against the stockholder proposals.

Solicitation of proxies is being made by management through the mail, in person, and by telegraph and telephone. The cost thereof will be borne by the Corporation.

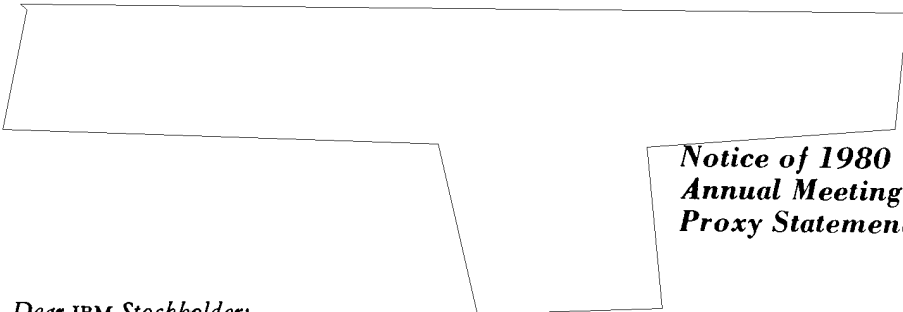
By order of the Board of Directors.



John H. Grady
Secretary

March 19, 1980

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**Notice of 1980
Annual Meeting and
Proxy Statement**

Dear IBM Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders on Monday, April 28, at 10:00 a.m. in the Arie Crown Theatre at McCormick Place, Chicago, Illinois. A display of some of our products will open there at 8:30 a.m. and will reopen after the meeting.

We are very pleased that Mr. J. Richard Munro, Executive Vice President of Time, Inc., who was elected to the Board in October, is a nominee for the first time.

Please sign and return the enclosed proxy card as soon as possible in the envelope provided so that your shares can be voted at the meeting in accordance with your instructions. If you plan to attend the meeting, please mark the box provided on the card, and we will send you an admission ticket.

In accordance with our usual practice, a summary of the proceedings of the meeting will be mailed to all stockholders.

Very truly yours,

Handwritten signature of Frank T. Cary.

Frank T. Cary
Chairman of the Board

The IBM logo, consisting of the letters "IBM" in a bold, blocky font with horizontal stripes.

support higher education IBM maintains a program of matching contributions made by our employees. In addition, the Company provides grants to colleges and universities, primarily to assist research and teaching in academic fields related to the long-term interests of the Company, such as engineering, the physical sciences, business and management. These grants help to sustain academic excellence and to develop professional links between universities and IBM.

We believe that the academic quality and the management effectiveness of colleges and universities should continue to be the principal criteria in our selection process. We further believe that employment policies and practices which have no direct effect upon the academic or research programs which IBM proposes to support should not be a factor militating against the making of such a grant to that institution.

5. Stockholder Proposal on Grants to Schools

Management has been advised that the same stockholder who submitted proposal number 4 intends to submit the following proposal and supporting reasons at the meeting.

BASIS FOR MOTION Harvard University has adopted "guidelines to govern relationships between the Harvard community and the CIA and other U.S. intelligence agencies" which guidelines "expressly prohibit . . . the use of faculty members or administrators as secret recruiters or intelligence 'operatives.'" Harvard has "not extended such restrictions to other institutions that recruit on [its] campus. . .". ". . . a large number of professors have been arguing that such guidelines [Harvard's] deprive faculty members of their academic freedom, as well as their constitutional right to associate with whom they please." (Chronicle of Higher Education, September 5, 1978, p. 9) (Complete documentation has been furnished to the Secretary of our corporation). Few other educational institutions have adopted guidelines similar to those of Harvard.

MOTION

RESOLVED, That the shareholders recommend that our corporation, its subsidiaries, affiliates, and agents make no contributions to schools which to the knowledge of the President, a Vice-President, or the Secretary of our corporation, or its subsidiaries, affiliates and agents, restricts or attempts to restrict contacts between any intelligence agency of the United States and members of the academic community of such educational institutions.

STATEMENT IN SUPPORT OF MOTION Our nation is coming under steadily increasing

Communist threat. Our need for a fully effective CIA becomes more urgent with each passing day. Let us vote YES to urge our corporation and our schools to cooperate with those who have the duty of defending our nation.

The IBM Board of Directors recommends a vote AGAINST this stockholder proposal for the same reason stated against proposal number four on Page 19.

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Management has been advised that a number of church-related groups and an educational institution (names will be supplied upon request to the Secretary of the Corporation), owners of 116,780 shares, intend to submit the following proposal and supporting reasons at the meeting.

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WHEREAS South Africa's apartheid system legalizes racial discrimination in all aspects of life and deprives the black population of their most basic human rights, e.g., Africans cannot vote, do not have full collective bargaining rights, must live in racially segregated areas, are paid grossly discriminatory wages, are assigned 13 percent of the land while 87 percent of the land is reserved for the white population;

WHEREAS since June, 1976, the killing of hundreds of people (many of them school children), mass arrests and widespread repression has been the response of the South African Government to nationwide demonstrations for democratic rights and an end to apartheid;

WHEREAS it is virtually impossible to control the end use of our company's computers in South Africa;

WHEREAS IBM's present customers include numerous South African government agencies;

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WHEREAS South Africa has recently invoked war powers legislation stating that any company operating in South Africa can be forced to provide goods to the government for military purposes;

WHEREAS we believe computers are clearly strategic products which can be adapted for military or police use;