

INTERNATIONAL BUSINESS MACHINES CORP

Form 424B5

February 07, 2012

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**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Maximum Offering Price Per Unit(1)</b>	<b>Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee(1)</b>
2.20% Notes due 2017	C\$500,000,000	99.943%	C\$499,715,000	\$57,585

(1)

Calculated in accordance with Rule 457(r) under the Securities Act of 1933. Payment of the registration fee for the Notes is being made by the registrant on a pay-as-you-go basis, and has been calculated using the current SEC filing fee rate of \$114.60 per million, and a United States dollar (USD) / Canadian dollar (CAD) exchange rate of \$1.00553/1 as of February 3, 2012.

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**PROSPECTUS SUPPLEMENT**  
(To Prospectus dated July 27, 2010)

**C\$500,000,000**

**International Business Machines Corporation**

**Armonk, New York (914) 499-1900**

**2.20% Notes due 2017**

**Interest payable semi-annually on February 10 and August 10**

The Notes are redeemable in whole in the event of certain changes in U.S. tax laws or regulations and in whole or in part at the option of IBM, as set forth in this prospectus supplement.

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	<b>Per Note</b>	<b>Total</b>
<b>Price to Public(1)</b>	<b>99.943% C\$</b>	<b>499,715,000</b>
<b>Underwriting Discounts and Commissions</b>	<b>0.275% C\$</b>	<b>1,375,000</b>
<b>Proceeds to Company(1)</b>	<b>99.668% C\$</b>	<b>498,340,000</b>

(1) Plus accrued interest from February 10, 2012.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

The Underwriters expect to deliver the Notes to purchasers through the book-entry delivery system of CDS Clearing and Depository Services Inc., for the benefit of its participants, including the Euroclear System and Clearstream Banking, on February 10, 2012.

**Joint Bookrunning Managers**

**Merrill Lynch Canada Inc.**

**RBC Capital Markets**

**February 3, 2012**

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We have not authorized anyone to provide any information other than that contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

References in this prospectus supplement and the attached prospectus to "\$" or "U.S.\$" are to U.S. dollars, and references in this prospectus supplement to "C\$" are to Canadian dollars.

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The distribution of this prospectus supplement and accompanying prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the accompanying prospectus come should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See "Offering Restrictions."

**INTERNATIONAL BUSINESS MACHINES CORPORATION**

International Business Machines Corporation (IBM) was incorporated in the State of New York on June 16, 1911, as the Computing-Tabulating-Recording Co. (C-T-R), a consolidation of the Computing Scale Co. of America, the Tabulating Machine Co. and The International Time Recording Co. of New York. Since that time, IBM has focused on the intersection of business insight and technological invention, and its operations and aims have been international in nature. This was signaled over 80 years ago, in 1924, when C-T-R changed its name to International Business Machines Corporation. And it continues today: IBM creates business value for clients and solves business problems through integrated solutions that leverage information technology and deep knowledge of business processes. IBM solutions typically create value by reducing a client's operational costs or by enabling new capabilities that generate revenue. These solutions draw from an industry leading portfolio of consulting, delivery and implementation services, enterprise software, systems and financing.

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**USE OF PROCEEDS**

The net proceeds from the sale of the Notes after deducting underwriting discounts and commissions and expenses to be paid by IBM are estimated to be C\$498 million and will be used for general corporate purposes.

**CAPITALIZATION**

The following table sets forth the consolidated capitalization of IBM at September 30, 2011, and as adjusted to give effect to the issuance of IBM's 0.875% Notes due 2014, IBM's 2.90% Notes due 2021, IBM's 0.55% Notes due 2015, IBM's 1.250% Notes due 2017 and the Notes offered hereby. The Notes offered hereby were converted into U.S. dollars using an exchange rate in effect on February 3, 2012.

	<b>September 30, 2011</b>	
	<b>Outstanding</b>	<b>As Adjusted</b>
	<b>(Dollars in millions)</b>	
Short-term debt	\$ 6,071	\$ 6,071
Long-term debt:		
International Business Machines Corporation	22,100	26,953
Consolidated subsidiaries	1,989	1,989
Total long-term debt	\$ 24,089	\$ 28,942
Equity		
IBM stockholders' equity:		
Common stock par value \$0.20 per share and additional paid-in capital	47,558	47,558
Shares authorized: 4,687,500,000		
Shares issued: 2,179,118,982		
Retained earnings	100,266	100,266
Treasury stock at cost	(107,434)	(107,434)
Shares: 1,000,500,814		
Accumulated other comprehensive income/(loss)	(18,099)	(18,099)
Total IBM stockholders' equity	22,291	22,291
Noncontrolling interests	87	87
Total equity	22,378	22,378
Total capitalization	\$ 52,538	\$ 57,391

**Notes:**

Numbers may not total due to rounding.

On September 30, 2011, CAD\$1.00 = US\$0.96256 and on February 3, 2012, CAD\$1.00 = US\$1.00553, each based on the Bank of Canada noon exchange rate.

On November 1, 2011, IBM issued \$1,350,000,000 of 0.875% Notes due 2014 and \$500,000,000 of 2.90% Notes due 2021.

On February 6, 2012, IBM expects to issue \$1,500,000,000 of 0.550% Notes due 2015 and \$1,000,000,000 of 1.250% Notes due 2017.

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From January 31, 1995 through September 30, 2011, IBM repurchased approximately \$139.3 billion of its capital stock under a series of authorizations from IBM's Board of Directors that permits up to \$144.5 billion in repurchases.

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**RATIO OF INCOME FROM CONTINUING OPERATIONS TO FIXED CHARGES**

The ratio of income from continuing operations to fixed charges has been computed by dividing income from continuing operations before income taxes (which excludes (a) amortization of capitalized interest and (b) IBM's share in the income and losses of less than 50% owned affiliates) and fixed charges (excluding capitalized interest) by fixed charges. "Fixed charges" consist of interest expense, capitalized interest and that portion of rental expense deemed to be representative of interest.

	<b>Nine Months Ended September 30, 2011</b>	<b>2010</b>	<b>Year Ended December 31,</b>			
		<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	
Ratio of income from continuing operations to fixed charges	13.4	14.1	11.8	9.2	8.4	10.1

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## DESCRIPTION OF NOTES

The following description of the particular terms of the Notes supplements, and to the extent inconsistent replaces, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus.

### General

The 2.20% Notes due 2017 (the "Notes") will be issued under an Indenture (the "Senior Indenture") dated as of October 1, 1993, between IBM and The Bank of New York Mellon, as Trustee, as supplemented by the First Supplemental Indenture dated as of December 15, 1995, filed as an exhibit to the Registration Statement of which the accompanying prospectus is a part. The Notes will be unsecured and will have the same rank as all of IBM's other unsecured and unsubordinated debt. The Notes will mature on February 10, 2017. IBM will make all principal and interest payments on the Notes in Canadian dollars. Payment of principal and interest on the Notes will be made by BNY Trust Company of Canada, 4 King Street West, Suite 101, Toronto, Ontario M5F1 1B6.

The Notes will bear interest from February 10, 2012, at the rate of interest stated on the cover page of this prospectus supplement. Interest on the Notes will be payable semi-annually on February 10 and August 10 of each year, commencing August 10, 2012, to the persons in whose names the Notes are registered at the close of business on the fifteenth calendar day preceding each February 10 or August 10, payable in equal semi-annual installments. Interest on the Notes for full semi-annual periods will be computed on the basis of a 360-day year consisting of twelve 30-day months. If interest is calculated for a period shorter than a full semi-annual period, such interest will be computed on the basis of a 365-day year and the actual number of days elapsed in that period.

In the event that the maturity date or any interest payment date for the Notes falls on a day that is not a business day, the payment due on that date will be paid on the next day that is a business day, with the same force and effect as if made on that payment date and without any interest or other payment with respect to the delay. For purposes of this prospectus supplement, a "business day" is any day, other than a Saturday, Sunday or other day that, in New York City or the City of Toronto, Ontario, banking institutions generally are authorized or obligated by law or executive order to close.

The Notes will not be subject to defeasance and covenant defeasance as provided in "Description of the Debt Securities Satisfaction and Discharge; Defeasance" in the accompanying prospectus.

The Notes will be issued in denominations of C\$150,000 and multiples of C\$1,000 in excess thereof.

IBM may, without the consent of the holders of Notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Notes, provided however, that no such additional notes may be issued unless such additional notes are fungible with the Notes of such series for U.S. federal income tax purposes. Any additional notes having such similar terms, together with the Notes, will constitute a single series of notes under the Senior Indenture. No additional notes may be issued if an event of default has occurred with respect to the Notes.

### Payment of Additional Amounts

IBM will pay to the beneficial owner of any Note who is a Non-U.S. Person (as defined below) additional amounts as may be necessary so that every net payment of principal and interest on that Note, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon that beneficial owner by the United States or any taxing authority thereof or therein, will not be less than the amount provided in that Note to be then due and



payable. IBM will not be required, however, to make any payment of additional amounts for or on account of:

- (a) any tax, assessment or other governmental charge that would not have been imposed but for (1) the existence of any present or former connection between that beneficial owner, or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, that beneficial owner, if that beneficial owner is an estate, trust, partnership or corporation, and the United States including, without limitation, that beneficial owner, or that fiduciary, settlor, beneficiary, member, shareholder or possessor, being or having been a citizen or resident or treated as a resident of the United States or being or having been engaged in a trade or business or present in the United States or (2) the presentation of a Note for payment on a date more than 30 days after the later of the date on which that payment becomes due and payable and the date on which payment is duly provided for;
- (b) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, assessment or other governmental charge;
- (c) any tax, assessment or other governmental charge imposed by reason of that beneficial owner's past or present status as a private foundation or other tax exempt organization, a passive foreign investment company, a controlled foreign corporation or a personal holding company, or as a corporation which accumulates earnings to avoid United States federal income tax;
- (d) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payment of principal or interest on that Note;
- (e) any tax, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the United States of the beneficial owner or any holder of that Note, if such compliance is required by statute or by regulation of the U.S. Treasury Department as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- (f) any tax, assessment or other governmental charge imposed on interest received by (1) a 10 percent shareholder (as defined in Section 871(h)(3)(B) of the Internal Revenue Code, and the regulations that may be promulgated thereunder) of IBM, (2) a controlled foreign corporation with respect to which IBM is a related person within the meaning of Section 864(d)(4) of the Internal Revenue Code or (3) a bank on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business;
- (g) any withholding or deduction that is imposed on a payment to an individual and is required to be made pursuant to European Union Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (h) any combination of items (a), (b), (c), (d), (e), (f) and (g);

nor will IBM pay any additional amounts to any beneficial owner or holder of a Note who is a fiduciary or partnership to the extent that a beneficiary or settlor with respect to that fiduciary, or a member of that partnership or a beneficial owner thereof, would not have been entitled to the payment of those additional amounts had that beneficiary, settlor, member or beneficial owner been the beneficial owner of that Note.

As used in the preceding paragraph, "Non-U.S. Person" means a beneficial owner of any Note who is not a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code.

### Redemption upon Tax Event

The Notes may be redeemed at IBM's option in whole, but not in part, on not more than 60 days' and not less than 30 days' notice, at a redemption price equal to 100% of their principal amount (plus any accrued interest and any additional amounts then payable with respect to those Notes), if IBM determines that as a result of any change or amendment to the laws, treaties, regulations or rulings of the United States or any political subdivision or taxing authority thereof, or any proposed change in such laws, treaties, regulations or rulings, or any change in the official application, enforcement or interpretation of those laws, treaties, regulations or rulings, including a holding by a court of competent jurisdiction in the United States, or any other action, other than an action predicated on law generally known on or before the date of this prospectus supplement, except for proposals before the Congress before that date, taken by any taxing authority or a court of competent jurisdiction in the United States, or the official proposal of any action, whether or not such action or proposal was taken or made with respect to us, (A) we have or will become obligated to pay additional amounts as described under " Payment of Additional Amounts" on any Note within 90 days after the date of redemption or (B) there is a substantial possibility that we will be required to pay those additional amounts. Prior to the publication of any notice of such a redemption, we will deliver to the trustee (1) an officers' certificate stating that we are entitled to effect such a redemption and setting forth a statement of facts showing that the conditions precedent to our right to so redeem have occurred and (2) an opinion of counsel to that effect based on that statement of facts.

### Optional Redemption

The Notes will be redeemable, as a whole or in part, at IBM's option, at any time or from time to time, on at least 30 days, but not more than 60 days, prior notice to holders of the Notes given in accordance with "Description of the Debt Securities Notices to Holders" in the accompanying prospectus, at a redemption price equal to the greater of:

100% of the principal amount of the Notes to be redeemed; or

the Canada Yield Price,

plus, in each case, accrued interest to the date of redemption which has not been paid.

"Canada Yield Price" means a price equal to the price which, if the Notes being redeemed were to be issued at such price on the date of redemption, would provide a yield thereon from the date of redemption to their maturity date equal to the Government of Canada Yield plus 20 basis points, calculated on the third business day preceding the date of redemption of the Notes.

"Government of Canada Yield" means the effective yield from the date fixed for redemption to February 10, 2017, assuming semi-annual compounding, which a non-callable Government of Canada bond, trading at par, would carry if issued in Canadian dollars in Canada on the date fixed for redemption with a maturity date of February 10, 2017. The Government of Canada Yield shall be calculated as the arithmetic average of the yields to maturity quoted by two Canadian investment dealers selected by the issuer and acceptable to the trustee.

On and after the redemption date of the Notes, interest will cease to accrue on the Notes or any portion thereof called for redemption, unless IBM defaults in the payment of the redemption price and accrued interest. On or before the redemption date, IBM will deposit with the trustee, or at its direction, a paying agent, money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on such date. If less than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected by the trustee by such method as the trustee shall deem fair and appropriate.

**Book-Entry, Clearance and Settlement**

Unless otherwise specified, and subject to certain exceptions, all Notes issued will at all times be represented by one or more global certificates (a "global note") issued in registered form to and held by CDS Clearing and Depository Services Inc. ("CDS") or its nominee. Registration of interests in and transfers of the Notes will be made only through the book based system of CDS, and owners of Notes will only receive the customary confirmation from their registered agent. Except as described below, no purchaser of a Note will be entitled to a certificate or other instrument from the issuer or CDS evidencing that purchaser's ownership thereof, and no beneficial owner of a Note will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of such owners. CDS will be responsible for establishing and maintaining book-entry accounts for its participants having interests in global notes. Sales of interests in global notes can only be completed through participants in the depository service of CDS.

Investors may hold their positions in the Notes through CDS, Euroclear or Clearstream, Luxembourg. Clearstream, Luxembourg and Euroclear will hold interests on behalf of their participants through customers' securities accounts in their respective names on the books of their respective Canadian subcustodians, each of which is a Canadian Schedule I chartered bank ("**Canadian subcustodians**"), which in turn will hold such interests in customers' securities accounts in the names of the Canadian subcustodians on the books of CDS.

We believe it is CDS's current practice, upon receipt of any payment of principal or interest or the redemption price, to credit direct participants' accounts on the payment date according to their respective holdings of beneficial interests in the Notes as shown on CDS's records. Payments by participants to owners of beneficial interests in the Notes, and voting by participants, will be governed by the customary practices between the participants and owners of beneficial interests, as is the case with Notes held for the account of customers registered in "street name". However, payments will be the responsibility of the participants and not of CDS, the trustee or us. The Notes have been accepted for clearance through CDS. The ISIN for the Notes is CA459200GY10 and the CUSIP number for the Notes is 459200GY1. If anyone wishes to purchase, sell or otherwise transfer Notes issued in book-entry form, they must do it through a direct or indirect participant in CDS. Holders will not be recognized as registered holders of the Notes and, thus, will be permitted to exercise their rights only indirectly through and subject to the procedures of participants and, if applicable, indirect participants.

The absence of physical certificates may limit the ability of a holder to pledge Notes issued in book-entry form to persons or entities that do not participate in the CDS system, or to otherwise act with respect to the Notes.

Notes represented by a book-entry security will be exchangeable for Notes in definitive form with the same terms only if:

CDS notifies IBM that it is unwilling or unable to continue as depository or CDS ceases to be a clearing agency registered under applicable law and IBM does not appoint a new depository within a certain period;

IBM determines that the book-entry security is now exchangeable for debt securities in definitive form; or

an event of default has occurred and is continuing with respect to the Notes.

**IF ANY OF THESE EVENTS OCCUR, CDS WILL GENERALLY NOTIFY ALL DIRECT PARTICIPANTS OF THE AVAILABILITY OF DEFINITIVE NOTES.**

**UNITED STATES TAXATION**

**General**

This section summarizes the material U.S. federal tax consequences of ownership and disposition of the Notes by a Non-U.S. Holder. However, the discussion is limited in the following ways:

The discussion only covers you if you buy your Notes in the initial offering at the price set forth on the cover page.

The discussion only covers you if you hold your Notes as capital assets (that is, for investment purposes).

This discussion does not cover you if you are subject to special treatment under the United States federal tax laws (including if you are a United States expatriate, partnership or other pass-through entity, "controlled foreign corporation" or "passive foreign investment company").

The discussion does not cover tax consequences that depend upon your particular tax situation in addition to your ownership of Notes.

The discussion is based on current law. Changes in the law may change the tax treatment of the Notes possibly with a retroactive effect.

The discussion does not cover state, local or foreign law.

We have not requested a ruling from the Internal Revenue Service (the "IRS") on the tax consequences of owning and disposing of the Notes. As a result, the IRS could disagree with portions of this discussion.

A "Non-U.S. Holder" is a beneficial owner of a Note that is not any of the following for U.S. federal income tax purposes:

an individual U.S. citizen or resident alien;

a corporation or entity taxable as a corporation for U.S. federal income tax purposes that was created under U.S. law (federal or state);

an estate whose world-wide income is subject to U.S. federal income tax; or

a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons has the authority to control all substantial decisions of the trust or (ii) the trust has in effect a valid election to be treated as a U.S. person under applicable Treasury regulations.

If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding Notes, we suggest that you consult your tax advisor.

**If you are considering buying Notes, we suggest that you consult your tax advisor about the tax consequences of holding the Notes in your particular situation.**

*Withholding Taxes*

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Generally, payments of principal and interest on the Notes will not be subject to U.S. withholding taxes.

However, in the case of interest, for the exemption from withholding taxes to apply to you, you must meet one of the following requirements:

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You provide a completed IRS Form W-8BEN (or substitute form) to the bank, broker or other intermediary through which you hold your Notes. The Form W-8BEN contains your name, address and a statement that you are the beneficial owner of the Notes and that you are not a U.S. person.

You hold your Notes directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that you are not a U.S. person. A qualified intermediary is a bank, broker or other intermediary that (1) is either a U.S. or non-U.S. entity, (2) is acting out of a non-U.S. branch or office and (3) has signed an agreement with the IRS providing that it will administer all or part of the U.S. tax withholding rules under specified procedures.

You are entitled to an exemption from withholding tax on interest under a tax treaty between the U.S. and your country of residence. To claim this exemption, you generally must complete Form W-8BEN and claim this exemption on the form. In some cases, you may instead be permitted to provide documentary evidence of your claim to the intermediary, or a qualified intermediary may already have some or all of the necessary evidence in its files.

The interest income on the Notes is effectively connected with the conduct of your trade or business in the U.S., and is not exempt from U.S. tax under a tax treaty. To claim this exemption, you must complete Form W-8ECI.

Even if you meet one of the above requirements, interest paid to you will be subject to withholding tax under any of the following circumstances:

The withholding agent or an intermediary knows or has reason to know that you are not entitled to an exemption from withholding tax. Specific rules apply for this test.

The IRS notifies the withholding agent that information that you or an intermediary provided concerning your status is false.

An intermediary through which you hold the Notes fails to comply with the procedures necessary to avoid withholding taxes on the Notes. In particular, an intermediary is generally required to forward a copy of your Form W-8BEN (or other documentary information concerning your status) to the withholding agent for the Notes. However, if you hold your Notes through a qualified intermediary or if there is a qualified intermediary in the chain of title between yourself and the withholding agent for the Notes the qualified intermediary will not generally forward this information to the withholding agent.

You own 10% or more of the voting stock of IBM, are a "controlled foreign corporation" related directly or indirectly to IBM through stock ownership, or are a bank making a loan in the ordinary course of its business. In these cases, you will be exempt from withholding taxes only if you are eligible for a treaty exemption or if the interest income is effectively connected with the conduct of your trade or business in the U.S., and you provide us with a properly executed form W-8BEN or W-8ECI as discussed above.

The rules regarding withholding are complex and vary depending on your individual situation. They are also subject to change. In addition, special rules apply to certain types of Non-U.S. Holders of Notes, including partnerships, trusts and other entities treated as pass-through entities for U.S. federal income tax purposes. We suggest that you consult with your tax advisor regarding the specific methods for satisfying these requirements.

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### *Sale, Redemption or Retirement of Notes*

If you sell a Note or it is redeemed, you will not be subject to U.S. federal income tax on any gain unless one of the following applies:

The gain is connected with a trade or business that you conduct in the U.S.

You are an individual, you are present in the U.S. for at least 183 days during the taxable year in which you dispose of the Note, and certain other conditions are satisfied.

The gain represents accrued interest, in which case the rules for interest would apply.

### *U.S. Trade or Business*

If you hold your Note in connection with a trade or business that you are conducting in the U.S.:

Any interest on the Note, and any gain from disposing of the Note, generally will be subject to income tax as if you were a U.S. person.

If you are a corporation, you may be subject to the "branch profits tax" on your earnings that are connected with your U.S. trade or business, including earnings from the Note. This tax rate is 30%, but may be reduced or eliminated by an applicable income tax treaty.

### *Estate Taxes*

If you are an individual and at the time of death you are not a citizen or resident of the United States (as defined for U.S. federal estate tax purposes), your Notes will not be subject to U.S. estate tax when you die. However, this rule only applies if, at your death, payments on the Notes were not effectively connected with a trade or business that you were conducting in the U.S. or you did not own, actually or constructively, 10% or more of the total combined voting power of IBM.

### *Information Reporting and Backup Withholding*

U.S. rules concerning information reporting and backup withholding apply to Non-U.S. Holders as follows:

Principal and interest payments you receive will be automatically exempt from backup withholding if you are a Non-U.S. person exempt from withholding tax on interest, as described above. The exemption does not apply if the withholding agent or an intermediary knows or has reason to know that you should be subject to the usual information reporting or backup withholding rules. Interest payments made to you will generally be reported to the IRS and to you on Form 1042-S. However, this reporting does not apply to you if you hold your Notes directly through a qualified intermediary and the applicable procedures are complied with.

Sale proceeds you receive on a sale of your Notes through a broker may be subject to information reporting and/or backup withholding if you are not eligible for an exemption. In particular, information reporting and backup reporting may apply if you use the U.S. office of a broker, and information reporting (but not backup withholding) may apply if you use the foreign office of a broker that has certain connections to the U.S.

In general, you may file Form W-8BEN to claim an exemption from information reporting and backup withholding. We suggest that you consult your tax advisor concerning information reporting and backup withholding on a sale.

## UNDERWRITING

Merrill Lynch Canada Inc. and RBC Dominion Securities Inc. are acting as joint bookrunning managers of the offering.

Subject to terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has severally agreed to purchase, and IBM has agreed to sell to that underwriter, the principal amount of Notes set forth opposite the underwriter's name.

Underwriter	Principal Amount of Notes	
Merrill Lynch Canada Inc.	C\$	250,000,000
RBC Dominion Securities Inc.		250,000,000
<b>Total</b>	<b>C\$</b>	<b>500,000,000</b>

The underwriting agreement provides that the obligation of the several underwriters to pay for and accept delivery of the Notes is subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the Notes if any are taken.

Notes sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover page of this prospectus supplement. If all the Notes are not sold at the initial price to public, the representatives may change the public offering price. The offering of the Notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The following table shows the underwriting discounts and commissions that IBM is to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the Notes).

Paid by IBM	
Per Note	0.275%

The Notes are a new issue of securities with no established trading market. The underwriters have informed IBM that they intend to make a market in the Notes but are under no obligation to do so and such market making may be terminated at any time without notice.

In connection with the offering, the underwriters may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of Notes in excess of the principal amount of Notes to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market prices of the Notes while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the representatives, in covering syndicate short positions or making stabilizing purchases, repurchases Notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market prices of the Notes. They may also cause the prices of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.



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The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates and associates may engage in transactions with, and/or perform services, including investment banking and general financing and banking services, for, IBM and its subsidiaries in the ordinary course of business. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with IBM routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in IBM's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. The underwriters have agreed to reimburse certain of IBM's expenses in connection with the offering.

IBM has agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act of 1933, or contribute to payments which the underwriters may be required to make in respect thereof.

Expenses payable by IBM are estimated at \$170,000, excluding underwriting discounts and commissions.

We expect that delivery of the Notes will be made against payment therefor on or about February 10, 2012, which is five business days following the date of pricing of the Notes (this settlement cycle being referred to as "T+5"). Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade their Notes in the U.S. secondary market on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade their Notes on the date of pricing or the next succeeding business day should consult their own advisor.

### OFFERING RESTRICTIONS

Each of the underwriters has agreed that it will not offer, sell, or deliver any of the Notes, directly or indirectly, or distribute this prospectus supplement or prospectus or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will, to the best of the underwriters' knowledge and belief, result in compliance with the applicable laws and regulations and which will not impose any obligations on IBM except as set forth in the underwriting agreement.

Noteholders may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country in which the Notes were purchased. These taxes and charges are in addition to the issue price set forth on the cover page.

#### Canada

Each underwriter has represented and agreed that the sale and delivery of the Notes to any purchaser who is a resident of a province of Canada by such underwriter shall be made so as to be exempt from the prospectus filing requirements, and so as to be exempt from or made in compliance with the dealer registration requirements of all applicable securities laws, regulations, rules,

instruments, rulings and orders, including those applicable in each of the provinces of Canada and the applicable policy statements issued by any securities regulator having jurisdiction. Each underwriter has also represented and agreed that it has not and it will not provide to any Canadian purchaser any document or other material that would constitute an offering memorandum (other than the Canadian Offering Memorandum, dated February 3, 2012 that incorporates this prospectus supplement and the accompanying prospectus) with respect to the private placement of the Notes in Canada within the meaning of applicable Canadian provincial securities laws.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require IBM or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

### **United Kingdom**

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to IBM; and
- (b) it has complied with, and will comply with, all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **LEGAL OPINIONS**

The validity of the Notes offered hereby will be passed upon for IBM by Stuart S. Moskowitz, Senior Counsel of IBM, and for the underwriters by Davis Polk & Wardwell LLP, New York, New York. McCarthy Tétrault LLP will pass upon certain matters for the underwriters regarding Canadian securities law matters. Mr. Moskowitz, together with members of his family, owns, has options to

purchase and has other interests in shares of common stock of IBM. Davis Polk & Wardwell LLP provides legal services to IBM from time to time.

#### **EXPERTS**

The financial statements and the financial statement schedule and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in the accompanying prospectus by reference to the Annual Report on Form 10-K of IBM for the year ended December 31, 2010 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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