

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13E3

Schedule filed to report going private transactions(Issuer Self-Tender Offer)

Filing Date: **1995-01-11**
SEC Accession No. **0000950130-95-000040**

([HTML Version](#) on [secdatabase.com](#))

SUBJECT COMPANY

INTERNATIONAL BUSINESS MACHINES CORP

CIK: **51143** | IRS No.: **130871985** | State of Incorporation: **NY** | Fiscal Year End: **1231**
Type: **SC 13E3** | Act: **34** | File No.: **005-38959** | Film No.: **95500947**
SIC: **3570** Computer & office equipment

Business Address
*OLD ORCHARD RD
ARMONK NY 10504
9147651900*

FILED BY

INTERNATIONAL BUSINESS MACHINES CORP

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-3

RULE 13E-3 TRANSACTION STATEMENT
(PURSUANT TO SECTION 13(E) OF THE SECURITIES EXCHANGE ACT OF 1934)

INTERNATIONAL BUSINESS MACHINES CORPORATION
(NAME OF ISSUER)

INTERNATIONAL BUSINESS MACHINES CORPORATION
(NAME OF PERSON(S) FILING STATEMENT)

DEPOSITARY SHARES, EACH REPRESENTING A ONE-FOURTH INTEREST IN A SHARE OF
SERIES A 7- 1/2% PREFERRED STOCK
(TITLE OF CLASS OF SECURITIES)

459200309
(CUSIP NUMBER OF CLASS OF SECURITIES)

JOHN E. HICKEY
VICE PRESIDENT AND SECRETARY
INTERNATIONAL BUSINESS MACHINES CORPORATION
ONE OLD ORCHARD ROAD
ARMONK, NEW YORK 10504
(914) 765-1900
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON
AUTHORIZED TO RECEIVE NOTICES AND COMMUNICATIONS
ON BEHALF OF THE PERSON FILING STATEMENT)

Copy to:

ROBERT ROSENMAN, ESQ.
CRAVATH, SWAINE & MOORE
WORLDWIDE PLAZA
825 EIGHTH AVENUE
NEW YORK, NEW YORK 10019
(212) 474-1300

This statement is filed in connection with (check the appropriate box):

- a. The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the Securities Exchange Act of 1934.
- b. The filing of a registration statement under the Securities Act

of 1933.

c. A tender offer.

d. None of the above.

Check the following box if soliciting materials or an information statement referred to in checking box

(a) are preliminary copies:

CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE**
\$1,114,500,000	\$222,900

* Assumes purchase of 44,580,000 shares at \$25 per share.

** Calculated based on the transaction valuation multiplied by one-fiftieth of one percent.

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$222,900 Filing Party: International Business Machines Corporation

Form or Registration No.: 13E-4 Date Filed: January 11, 1995

This Rule 13e-3 Transaction Statement (the "Statement") relates to the offer by International Business Machines Corporation, a New York corporation (the "Company"), to purchase any and all of its outstanding Depositary Shares (the "Depositary Shares"), each representing ownership of one-fourth of a share of Series A 7- 1/2% Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"), liquidation preference \$100 per share, of the Company, at a price of \$25.00 per Depositary Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase for Cash dated January 11, 1995 (the "Offer to Purchase"), and in the related Letter of Transmittal (which together constitute the "Offer"), copies of which are attached hereto as Exhibits (d)(1) and (d)(2), respectively.

The cross reference sheet below is being supplied pursuant to General Instruction F to Schedule 13E-3 and shows the location in the Issuer Tender Offer Statement on Schedule 13E-4 (the "Schedule 13E-4") filed by the Company with the Securities and Exchange Commission on the date hereof of the

information required to be included in response to the items of this Statement. The information set forth in the Schedule 13E-4, which is attached hereto as Exhibit (g), including all exhibits thereto, is expressly incorporated by reference and responses to each item herein are qualified in their entirety by the provisions of the Schedule 13E-4.

CROSS REFERENCE SHEET

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WHERE LOCATED IN
SCHEDULE 13E-4

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* The Item is located in the Schedule 13E-3 only.

ITEM 1. ISSUER AND CLASS OF SECURITY SUBJECT TO THE TRANSACTION.

(a) The name of the issuer is International Business Machines Corporation, a New York corporation (the "Company"), which has its principal executive offices at One Old Orchard Road, Armonk, New York 10504 (telephone number (914) 765-1900).

(b) The information set forth in the front cover page, "Section 1. Purpose of

the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" and "Section 9. Price Range of the Depositary Shares; Dividends" of the Offer to Purchase is incorporated herein by reference.

(c)-(d) The information set forth in the "Introduction" and "Section 9. Price Range of the Depositary Shares; Dividends" of the Offer to Purchase is incorporated herein by reference.

(e)-(f) The information set forth in "Section 12. Transactions and Arrangements Concerning the Depositary Shares" of the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

The issuer is the party filing this Statement.

(a)-(d) The information set forth in "Section 10. Certain Information Concerning the Company" and Schedule I of the Offer to Purchase is incorporated herein by reference.

(e)-(f) None.

(g) The information set forth in Schedule I of the Offer to Purchase is incorporated herein by reference.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS.

Not applicable.

ITEM 4. TERMS OF THE TRANSACTION.

(a) The information set forth in "Introduction", "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" and "The Offer" of the Offer to Purchase is incorporated herein by reference.

(b) Not applicable.

ITEM 5. PLANS OR PROPOSALS OF THE ISSUER OR AFFILIATE.

(a)-(e) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

(f)-(g) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

ITEM 6. SOURCE AND AMOUNTS OF FUNDS OR OTHER CONSIDERATION.

(a) The information set forth in "Section 11. Source and Amount of Funds" of the Offer to Purchase is incorporated herein by reference.

(b) The information set forth in "Section 14. Fees and Expenses" of the Offer to Purchase is incorporated herein by reference.

(c)-(d) Not applicable.

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ITEM 7. PURPOSE(S), ALTERNATIVES, REASONS AND EFFECTS.

(a) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

(b) Not applicable.

(c) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

(d) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" and "Section 2. Certain Federal Income Tax Consequences" of the Offer to Purchase is incorporated herein by reference.

ITEM 8. FAIRNESS OF THE TRANSACTION.

(a)-(b) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

(c) The information set forth in "Section 3. Certain Legal Matters; Regulatory and Foreign Approvals; No Appraisal Rights" of the Offer to Purchase is incorporated herein by reference.

(d)-(e) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

(f) None.

ITEM 9. REPORTS, OPINIONS, APPRAISALS AND CERTAIN NEGOTIATIONS.

(a) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

(b) Not applicable.

(c) Not applicable.

ITEM 10. INTEREST IN SECURITIES OF THE ISSUER.

(a)-(b) The information set forth in "Section 12. Transactions and Arrangements Concerning the Depositary Shares" of the Offer to Purchase is incorporated herein by reference.

ITEM 11. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO THE ISSUER'S SECURITIES.

The information set forth in "Section 12. Transactions and Arrangements Concerning the Depositary Shares" of the Offer to Purchase is incorporated herein by reference.

ITEM 12. PRESENT INTENTION AND RECOMMENDATION OF CERTAIN PERSONS WITH REGARD TO THE TRANSACTION.

(a) The information set forth in "Section 12. Transactions and Arrangements Concerning the Depositary Shares" of the Offer to Purchase is incorporated herein by reference.

(b) The information set forth in the front cover page, "Introduction" and "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

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ITEM 13. OTHER PROVISIONS OF THE TRANSACTION.

(a) The information set forth in "Section 3. Certain Legal Matters; Regulatory and Foreign Approvals; No Appraisal Rights" of the Offer to Purchase is incorporated herein by reference.

(b) None.

(c) Not applicable.

ITEM 14. FINANCIAL INFORMATION.

(a) The information set forth in "Section 10. Certain Information Concerning the Company" is incorporated herein by reference.

(b) Not applicable.

ITEM 15. PERSONS AND ASSETS EMPLOYED, RETAINED OR UTILIZED.

(a) None.

(b) The information set forth in the front cover page and "Section 14. Fees and Expenses" of the Offer to Purchase is incorporated herein by reference.

ITEM 16. ADDITIONAL INFORMATION.

Reference is hereby made to the Offer to Purchase and the related Letter of Transmittal, copies of which are attached hereto as Exhibits (d)(1) and (d)(2), respectively, and incorporated in their entirety herein by reference.

ITEM 17. MATERIAL TO BE FILED AS EXHIBITS.

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) (1) Form of Offer to Purchase dated January 11, 1995.

(d) (2) Form of Letter of Transmittal.

(d) (3) Form of Notice of Guaranteed Delivery.

(d) (4) Form of letter to brokers, dealers, commercial banks, trust companies and other nominees dated January 11, 1995.

(d) (5) Form of letter to clients for use by brokers, dealers, commercial banks, trust companies and other nominees dated January 11, 1994.

(d) (6) Letter to shareholders dated January 10, 1995.

(d) (7) Form of press release dated January 10, 1995.

(d) (8) Form of summary advertisement dated January 11, 1995.

(d) (9) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(d) (10) Summary of conditions for payment of fees to Soliciting Dealers.

(e) Not applicable.

(f) Not applicable.

(g) Issuer Tender Offer Statement on Schedule 13E-4.

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

International Business Machines
Corporation

/s/ Richard F. Wallman

By: _____
Richard F. Wallman
Vice President and Controller

Dated: January 11, 1995

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OFFER TO PURCHASE FOR CASH

BY

IBM

INTERNATIONAL BUSINESS MACHINES CORPORATION

OF

ANY AND ALL OF ITS OUTSTANDING DEPOSITARY SHARES,

EACH REPRESENTING

A ONE-FOURTH INTEREST IN A SHARE OF ITS SERIES A 7- 1/2%

PREFERRED STOCK

AT

\$25 NET PER DEPOSITARY SHARE

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME, ON WEDNESDAY, FEBRUARY 8, 1995, UNLESS THE OFFER IS EXTENDED.

International Business Machines Corporation, a New York corporation (the "Company"), is offering to purchase any and all of its outstanding Depositary Shares (the "Depositary Shares"), each representing a one-fourth interest in a share of Series A 7- 1/2% Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"), liquidation preference \$100 per share, of the Company, at \$25 per Depositary Share, net to the seller in cash, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which together constitute the "Offer").

THE OFFER IS NOT CONDITIONED UPON ANY MINIMUM NUMBER OF DEPOSITARY SHARES BEING TENDERED. The Offer is, however, subject to certain other conditions. See Section 8.

The Depositary Shares are listed and traded on the New York Stock Exchange (the "NYSE"). On January 9, 1995, the last trading day before the Company announced the Offer, the closing sales price of the Depositary Shares as reported on the NYSE Composite Tape was \$23.375 per Depositary Share. SHAREHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE DEPOSITARY SHARES.

The Company will pay to a Soliciting Dealer (as defined herein) a solicitation fee of \$0.375 per Depositary Share, or for transactions equal to or exceeding 20,000 Depositary Shares or \$500,000, \$0.250 per Depositary Share, for any Depositary Shares tendered, accepted for payment and paid for pursuant to the Offer, subject to certain conditions. See Section 14.

Depositary Shares tendered and purchased by the Company will not receive or otherwise be entitled to the expected regular quarterly cash dividend of \$.46875 per Depositary Share, with a record date of March 19, 1995, to be paid on April 3, 1995 by the Company for the first quarter of 1995, and will also not receive any accrued dividends in respect thereof. See Section 9.

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE COMPANY, ITS BOARD OF DIRECTORS AND ITS EXECUTIVE OFFICERS MAKE NO RECOMMENDATION AS TO WHETHER ANY SHAREHOLDER SHOULD TENDER ANY OR ALL OF SUCH SHAREHOLDER'S DEPOSITARY SHARES PURSUANT TO THE OFFER. EACH SHAREHOLDER MUST MAKE ITS OWN DECISION WHETHER TO TENDER DEPOSITARY SHARES AND, IF SO, HOW MANY DEPOSITARY SHARES TO TENDER.

The Dealer Manager for the Offer Is:

MERRILL LYNCH & CO.

January 11, 1995

IMPORTANT

Any shareholder desiring to tender all or any portion of such shareholder's Depositary Shares should either (1) complete the Letter of Transmittal or a facsimile copy thereof in accordance with the instructions in the Letter of Transmittal, mail or deliver it and any other required documents to First Chicago Trust Company of New York (the "Depositary"), and either mail or deliver the depositary receipts for such Depositary Shares to the Depositary along with the Letter of Transmittal or follow the procedure for book-entry transfer set forth in Section 5, or (2) request such shareholder's broker, dealer, commercial bank, trust company or nominee to effect the transaction for such shareholder. Shareholders having Depositary Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such person if they desire to tender their Depositary Shares. Shareholders who wish to tender Depositary Shares and whose depositary receipts for such Depositary Shares are not immediately available should tender such Depositary Shares by following the procedures for guaranteed delivery set forth in Section 5.

Questions and requests for assistance or for additional copies of this Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery may be directed to Georgeson & Company Inc. (the "Information Agent") and Merrill

Lynch & Co. (the "Dealer Manager") at the addresses and telephone numbers set forth on the back cover of this Offer to Purchase.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF THE COMPANY AS TO WHETHER SHAREHOLDERS SHOULD TENDER OR REFRAIN FROM TENDERING DEPOSITARY SHARES PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED IN THIS OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL. IF GIVEN OR MADE, SUCH RECOMMENDATION AND SUCH INFORMATION AND REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

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SUMMARY

This general summary is provided solely for the convenience of holders of Depositary Shares and is qualified in its entirety by reference to the full text and more specific details contained in this Offer to Purchase and the related Letter of Transmittal and any amendments hereto and thereto.

The Company.....	International Business Machines Corporation.
The Depositary Shares.....	Depositary Shares, each representing a one-fourth interest in a share of Series A 7- 1/2% Preferred Stock, \$0.01 par value, \$100 liquidation preference, of the Company.
Number of Depositary Shares Sought.....	44,580,000 (all of the Depositary Shares outstanding).
Purchase Price.....	\$25.00 per Depositary Share, net to the seller in cash. See Section 9.
Expiration Date of Offer.....	February 8, 1995, at 12:00 midnight, Eastern Standard Time, unless extended.
How to Tender Depositary Shares.....	See Section 5. For further information, call the Information Agent or the Dealer Manager or consult your broker for assistance.
Withdrawal Rights.....	Tendered Depositary Shares may be withdrawn at any time until the Expiration Date of the Offer and may be withdrawn after 12:00 midnight, Eastern Standard Time, on March 9, 1995. See Section 6.
Purpose of Offer.....	The Company is making the Offer because it believes that, given its current financial condition (including its substantial current cash and cash equivalents position) and the current market price of the Depositary Shares, the purchase of the Depositary Shares pursuant to the Offer is economically attractive to the Company. The Offer gives shareholders the opportunity to sell their Depositary Shares at a premium over the market price prevailing prior to the announcement of the Offer and without the usual transaction costs associated with a market sale. See Section 1.
Market Price of Depositary Shares.....	On January 9, 1995, the closing price per Depositary Share on the NYSE Composite Tape was \$23.375. Shareholders are urged to obtain a current market quotation for the Depositary Shares. See Section 9.
Dividends.....	Depositary Shares tendered and purchased by the Company will not receive or otherwise be entitled to the expected regular quarterly cash dividend of \$.46875 per Depositary Share, with a record date of March 19, 1995, to be paid

April 3, 1995, by the Company for the first quarter of 1995, and will also not receive any accrued dividends in respect thereof. See Section 9.

Brokerage Commissions.....

Not payable by shareholders.

Stock Transfer Tax.....

None, except as provided in Instruction 6 of the Letter of Transmittal.

Payment Date.....

As soon as practicable after the Expiration Date of the Offer.

Further Information.....

Additional copies of this Offer to Purchase and the Letter of Transmittal may be obtained by contacting Georgeson & Company Inc., Wall Street Plaza, New York, New York 10005 Tel: (800) 223-2064 (toll free); Banks and Brokers call collect (212) 440-9800. Questions about the Offer should be directed to Merrill Lynch & Co. at (212) 236-4565 or (212) 236-4097 (call collect).

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To the Holders of Depositary Shares of International Business Machines Corporation:

INTRODUCTION

International Business Machines Corporation, a New York corporation (the "Company"), is offering to purchase any and all of its outstanding Depositary Shares (the "Depositary Shares"), representing a one-fourth interest in a share of Series A 7- 1/2% Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"), liquidation preference \$100 per share, of the Company, at \$25 per Depositary Share (the "Purchase Price"), net to the seller in cash, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which together constitute the "Offer").

THE COMPANY, ITS BOARD OF DIRECTORS AND ITS EXECUTIVE OFFICERS MAKE NO RECOMMENDATION AS TO WHETHER ANY SHAREHOLDER SHOULD TENDER ANY OR ALL OF SUCH SHAREHOLDER'S DEPOSITARY SHARES PURSUANT TO THE OFFER. EACH SHAREHOLDER MUST MAKE ITS OWN DECISION WHETHER TO TENDER DEPOSITARY SHARES AND, IF SO, HOW MANY DEPOSITARY SHARES TO TENDER.

THE OFFER IS NOT CONDITIONED UPON ANY MINIMUM NUMBER OF DEPOSITARY SHARES BEING TENDERED. The Offer is, however, subject to certain other conditions. See Section 8.

The Depositary Shares are listed and traded on the New York Stock Exchange (the "NYSE"). On January 9, 1995, the last trading day before the Company announced the Offer, the closing sales price of the Depositary Shares as reported on the NYSE Composite Tape was \$23.375 per Depositary Share. See Section 9. SHAREHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE DEPOSITARY SHARES.

The Offer does not constitute a notice of redemption of the Series A Preferred Stock underlying the Depositary Shares pursuant to the Company's Restated Certificate of Incorporation, nor does the Company intend to effect such a redemption by making the Offer. Shareholders are not under any obligation to accept the Offer or to remit the Depositary Shares to the Company pursuant to the Offer. In accordance with the Restated Certificate of Incorporation and the Deposit Agreement which established the rights of the holders of Depositary Shares, the shares of Series A Preferred Stock (and the corresponding Depositary Shares) are not redeemable prior to July 1, 2001. On and after July 1, 2001, the Company, at its option, may redeem shares of the Series A Preferred Stock, as a whole or in part, for cash at a redemption price per share of Series A Preferred Stock of \$100 (equivalent to \$25 per Depositary Share), plus accrued and unpaid dividends to the redemption date. The Series A Preferred Stock does not have preemptive or conversion rights and is not entitled to any sinking fund or similar fund.

Tendering shareholders will not be obligated to pay brokerage commissions, solicitation fees or, subject to the Instructions to the Letter of Transmittal, stock transfer taxes on the purchase of Depositary Shares by the Company. The Company will pay all charges and expenses of the Depositary, Information Agent and Dealer Manager incurred in connection with the Offer.

SPECIAL FACTORS

SECTION 1. PURPOSE OF THE OFFER; CERTAIN EFFECTS OF THE OFFER; PLANS OF THE COMPANY AFTER THE OFFER

The Company is making the Offer because it believes that, given its current financial condition (including its substantial current cash and cash equivalents position) and the current market price of the Depositary Shares, the purchase of the Depositary Shares pursuant to the Offer is economically attractive to the Company. The Offer will enable the Company to reduce its dividend requirements and annual administrative expenses in connection with servicing the accounts of holders of the Depositary Shares. The Company's cash, cash equivalents and marketable securities position was \$10.8 billion at September 30, 1994. Cash will be reduced by approximately \$1.14 billion as a result of the consummation of the Offer if all 44,580,000 Depositary Shares are tendered. The Board of Directors of the Company has authorized the Offer by a unanimous vote.

The Company believes the Offer is fair to holders of Depositary Shares. In particular, the Offer gives holders of Depositary Shares the opportunity to sell their Depositary Shares at a 6.95% premium over the closing sales price of the Depositary Shares on January 9, 1995. The Offer will also provide shareholders who are considering a sale of all or a portion of the Depositary Shares the opportunity to sell those Depositary Shares for cash without the usual transaction costs associated with open-market sales.

Neither the Company nor the Board of Directors of the Company received any report, opinion (other than any opinion of counsel it may have received) or appraisal which is materially related to the Offer, including, but not limited to, any such report, opinion or appraisal relating to the consideration or the fairness of the consideration to be offered to the holders of the Depositary Shares or the fairness of such transaction to the Company. A majority of the directors who are not employees of the Company have not retained an unaffiliated representative to act solely on behalf of unaffiliated shareholders for the purposes of negotiating the terms of the transaction.

Following the consummation of the Offer, the business and operations of the

Company will be continued by the Company substantially as they are currently being conducted. Except as disclosed in this Offer to Purchase, the Company has no present plans or proposals that would result in (i) the acquisition by any person of additional securities of the Company, or the disposition of securities of the Company, (ii) an extraordinary corporate transaction, such as a merger, reorganization, liquidation or sale or transfer of a material amount of assets, involving the Company or any of its subsidiaries, (iii) any change in the present Board of Directors of the Company or management of the Company, including, but not limited to, a plan or proposal to change the number or term of the directors, to fill any existing vacancy on the Board of Directors or to change any material term of the employment contract of any executive officer, except in each case in connection with the Company's 1995 Annual Meeting of shareholders to be held in April 1995, (iv) any material change in the present dividend rate or policy or indebtedness or capitalization of the Company, (v) any other material change in the Company's corporate structure or business or (vi) any changes in the Company's charter, bylaws or instruments corresponding thereto or any other actions which may impede the acquisition or control of the Company by any person.

Following the expiration of the Offer, the Company may, in its sole discretion, determine to purchase any remaining Depositary Shares through privately negotiated transactions, open market purchases or another tender offer or otherwise, on such terms and at such prices as the Company may determine from time to time, the terms of which purchases or offers could differ from those of the Offer, except that the Company will not make any such purchases of Depositary Shares until the expiration of ten business days after the termination of the Offer. Any possible future purchases of Depositary Shares by the Company will depend on many factors, including the market price of the Depositary Shares, the Company's business and financial position, alternative investment opportunities available to the Company, the results of the Offer and general economic and market conditions.

The purchase of Depositary Shares pursuant to the Offer will reduce the number of holders of Depositary Shares and the number of Depositary Shares that might otherwise trade publicly, and, depending upon the number of Depositary Shares so purchased, could adversely affect the liquidity and market value of the remaining Depositary Shares held by the public.

Depending upon the number of Depositary Shares purchased pursuant to the Offer, the Depositary Shares may no longer meet the requirements of the NYSE for continued listing. As of January 9, 1995, there were 44,580,000 issued and outstanding Depositary Shares. According to the NYSE's published guidelines, the NYSE would consider delisting the Depositary Shares if, among other things, the number of publicly held Depositary Shares should fall below 100,000 or the aggregate market value of publicly held Depositary Shares should fall below \$2,000,000. If, as a result of the purchase of Depositary Shares pursuant to the Offer or otherwise, the Depositary Shares no longer meet the requirements of the NYSE for continued listing and the listing of the Depositary Shares is discontinued, the market for the Depositary Shares could be adversely affected.

In the event of the delisting of the Depositary Shares by the NYSE, it is possible that the Depositary Shares would continue to trade on another securities exchange or in the over-the-counter market and that price quotations would be reported by such exchange, by the NASD through the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or by other sources. The extent of the public market for the Depositary Shares and the availability of such quotations would, however, depend upon such factors as

the number of Shareholders remaining at such time, the interest in maintaining a market in the Depositary Shares on the part of securities firms, the possible termination of registration under the Securities Exchange Act of 1934 (the "Exchange Act") as described below, and other factors.

The Depositary Shares are presently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System, which has the effect, among other things, of allowing brokers to extend credit on the collateral of such securities. If the Depositary Shares remain listed on the NYSE, they will continue to be "margin securities." If the Depositary Shares were delisted, depending upon factors similar to those described above, they might no longer constitute "margin securities" for purposes of the margin regulations of the Board of Governors of the Federal Reserve System, and, therefore, could no longer be used as collateral for loans made by brokers.

The Depositary Shares are currently registered under the Exchange Act. Registration of the Depositary Shares under the Exchange Act may be terminated upon application of the Company to the Securities and Exchange Commission (the "Commission") if the Depositary Shares are neither held by 300 or more holders of record nor listed on a national securities exchange. Termination of registration of the Depositary Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of the Depositary Shares (although the Company would, among other things, remain subject to the reporting obligations under the Exchange Act as a result of other of its outstanding securities) and would make certain provisions of the Exchange Act, such as the requirements of Rule 13e-3 thereunder with respect to "going private" transactions, no longer applicable in respect of the Depositary Shares. If registration of the Depositary Shares under the Exchange Act were terminated, the Depositary Shares would no longer be "margin securities" or be eligible for NASDAQ reporting.

All Depositary Shares purchased by the Company pursuant to the Offer will be exchanged by the Company for the related Series A Preferred Stock which will in turn be retired, cancelled and thereafter returned to the status of authorized but unissued shares of the Company's preferred stock. Any share of Series A Preferred Stock (and the corresponding Depositary Shares) remaining outstanding after the Offer will continue to be redeemable at the option of the Company on and after July 1, 2001, as described above under "Introduction". Upon liquidation or dissolution of the Company, holders of the Series A Preferred Stock are entitled to receive a liquidation preference of \$100 per share of Series A Preferred Stock (\$25 per Depositary Share), plus all accrued and unpaid dividends thereon to the date of payment, prior to the payment of any amounts to the holders of the Company's common stock.

THE COMPANY, ITS BOARD OF DIRECTORS AND ITS EXECUTIVE OFFICERS MAKE NO RECOMMENDATION AS TO WHETHER ANY SHAREHOLDER SHOULD TENDER ANY OR ALL OF SUCH SHAREHOLDER'S DEPOSITARY SHARES PURSUANT TO THE OFFER. EACH SHAREHOLDER MUST MAKE SUCH SHAREHOLDER'S OWN DECISION WHETHER TO TENDER DEPOSITARY SHARES AND, IF SO, HOW MANY DEPOSITARY SHARES TO TENDER.

SECTION 2. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

Sales of Depositary Shares by shareholders pursuant to the Offer will be taxable transactions for Federal income tax purposes and may also be taxable transactions under applicable state, local, foreign and other tax laws. The Federal income tax consequences to a shareholder may vary depending upon the shareholder's particular facts and circumstances.

Under Section 302 of the Internal Revenue Code of 1986, as amended (the "Code"), a sale of Depositary Shares pursuant to the Offer will, as a general rule, be treated as a sale or exchange if the receipt of cash upon such sale (a) results in a "complete termination" of the shareholder's interest in the Company or (b) is "not essentially equivalent to a dividend" with respect to the shareholder. If either of these tests is satisfied, a tendering shareholder will recognize gain or loss equal to the difference between the amount of cash received by the shareholder pursuant to the Offer and the shareholder's tax basis in the Depositary Shares sold pursuant to the Offer. Recognized gain or loss will be capital gain or loss, assuming the Depositary Shares are held as capital assets, which will be long-term capital gain or loss if the Depositary Shares had been held for more than one year.

In determining whether either of the tests under Section 302 of the Code is satisfied, shareholders must take into account not only the Depositary Shares they actually own, but also any common shares or Depositary Shares they are deemed to own pursuant to the constructive ownership rules of Section 318 of the Code. Pursuant to those constructive ownership rules, a shareholder is deemed to own the common shares or Depositary Shares actually owned, and in some cases constructively owned, by certain related individuals or entities, and any common shares or Depositary Shares that the shareholder has the right to acquire by exercise of an option or by conversion or exchange of a security.

The sale of Depositary Shares pursuant to the Offer will result in a "complete termination" of a shareholder's interest in the Company if at the conclusion of the Offer either (a) the shareholder actually and constructively owns no common shares or Depositary Shares or (b) the shareholder actually owns no common shares or Depositary Shares and the shareholder is eligible to waive and does effectively waive attribution of all common shares or Depositary Shares constructively owned by the shareholder in accordance with Section 302(c) of the Code.

Even if the sale of Depositary Shares pursuant to the Offer fails to satisfy the "complete termination" test, such shareholder may nevertheless satisfy the "not essentially equivalent to a dividend" test, if the shareholder's sale of Depositary Shares pursuant to the Offer results in a "meaningful reduction" in the shareholder's proportionate interest in the Company. Whether the receipt of cash by a shareholder results in a "meaningful reduction" will depend upon the individual shareholder's facts and circumstances. However, if a shareholder actually or constructively owns no common shares, it appears that the sale of any Depositary Shares pursuant to the Offer will result in a "meaningful reduction". It also appears that the sale of any Depositary Shares in the Offer by a shareholder who also owns a small percentage of common shares (substantially less than 1%, based on an Internal Revenue Service published ruling) and who exercises no control over corporate affairs will result in a "meaningful reduction". Shareholders expecting to rely upon the "not essentially equivalent to a dividend" test should consult with their tax advisors as to its application in their particular situations.

It may be possible for a tendering shareholder to satisfy one of the above tests by contemporaneously selling or otherwise disposing of all or some of the common shares or Depositary Shares that are actually or constructively owned by such shareholder but which are not purchased pursuant to the Offer. Correspondingly, a tendering shareholder may not be able to satisfy one of the above tests because of contemporaneous acquisitions of common shares or Depositary Shares by such shareholder or a related party whose common shares or Depositary Shares would be attributed to such shareholder. Shareholders should consult their tax advisors regarding the tax consequences of such sales or acquisitions in their particular circumstances.

If neither of the tests under Section 302 is satisfied and if, as is anticipated, the Company has sufficient earnings and profits, the tendering shareholder will be treated as having received a dividend includible in gross income in an amount equal to the entire amount of cash received by the shareholder pursuant to the Offer (without regard to gain or loss, if any). In such case, the tendering shareholder's tax basis in the Depositary Shares to be purchased pursuant to the Offer will be added to such shareholder's tax basis in the Depositary Shares and the common shares retained by such shareholder (or, in the case such shareholder does not retain any common shares or Depositary Shares, the tax basis in the Depositary Shares will be added to the related person's tax basis in the Depositary Shares and the common shares that are constructively owned by such shareholder).

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In the case of a corporate shareholder, if the cash paid is treated as a dividend, the dividend income may be eligible for the 70% dividends-received deduction. The dividends-received deduction is subject to certain limitations, and may not be available if the corporate shareholder does not satisfy certain holding period requirements with respect to the Depositary Shares and common shares or if the Depositary Shares and common shares are treated as "debt financed portfolio stock". Generally, if a dividends-received deduction is available, it is expected that the dividend will be treated as an "extraordinary dividend" under Section 1059(a) of the Code, in which case such corporate shareholder's tax basis in Depositary Shares and common shares retained by such shareholder would be reduced, but not below zero, by the amount of the nontaxed portion of the dividend. Any amount of the nontaxed portion of the dividend in excess of the shareholder's basis will generally be subject to tax upon sale or disposition of those Depositary Shares or common shares, as the case may be. Corporate shareholders are urged to consult their tax advisors as to the effect of Section 1059 of the Code on their tax basis in Depositary Shares.

In the case of any foreign shareholder, the Depositary will withhold United States federal income tax at a rate of 30% from gross proceeds paid pursuant to the Offer to the foreign shareholder or his agent, unless the Depositary determines that a reduced rate of withholding is applicable pursuant to a tax treaty or that an exemption from withholding is applicable because such gross proceeds are effectively connected to the conduct of a trade or business by the foreign shareholder within the United States. For this purpose, a foreign shareholder is any shareholder that is not (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States, or (iii) any estate or trust the income of which is subject to the United States federal income taxation regardless of its source. Without definite knowledge to the contrary, the Depositary will determine whether a shareholder is a foreign shareholder by reference to the shareholder's address. A foreign shareholder may be eligible to file for a refund of such tax or a portion of such tax if such shareholder (i) meets the "complete termination" or "not essentially equivalent to a dividend" tests described above, (ii) is entitled to a reduced rate of withholding pursuant to a treaty and the Depositary withheld at a higher rate, or (iii) is otherwise able to establish that no tax or a reduced portion of tax was due.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY. EACH SHAREHOLDER IS URGED TO CONSULT SUCH SHAREHOLDER'S OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO SUCH SHAREHOLDER (INCLUDING THE APPLICABILITY AND EFFECT OF THE CONSTRUCTIVE OWNERSHIP RULES AND

STATE, LOCAL AND FOREIGN TAX LAWS) OF THE SALE OF DEPOSITARY SHARES PURSUANT TO THE OFFER.

SECTION 3. CERTAIN LEGAL MATTERS; REGULATORY AND FOREIGN APPROVALS; NO APPRAISAL RIGHTS

The Company is not aware of any license or regulatory permit that appears to be material to its business that might be adversely affected by its acquisition of Depositary Shares as contemplated in the Offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, that would be required for the Company's acquisition or ownership of Depositary Shares pursuant to the Offer. Should any such approval or other action be required, the Company currently contemplates that it will seek such approval or other action. The Company cannot predict whether it may determine that it is required to delay the acceptance for payment of, or payment for, Depositary Shares tendered pursuant to the Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in adverse consequences to the Company's business. The Company intends to make all required filings under the Exchange Act. The Company's obligation under the Offer to accept for payment, or make payment for, Depositary Shares is subject to certain conditions. See Section 8.

There is no shareholder vote required in connection with the Offer.

No appraisal rights are available to holders of Depositary Shares in connection with the Offer.

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THE OFFER

SECTION 4. EXPIRATION DATE; EXTENSION OF THE OFFER

Upon the terms and subject to the conditions of the Offer, the Company will accept for payment (and thereby purchase) any and all Depositary Shares as are properly tendered on or before the Expiration Date (and not withdrawn in accordance with Section 6) at the Purchase Price. The term "Expiration Date" means 12:00 midnight, Eastern Standard Time, on Wednesday, February 8, 1995, unless and until the Company shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall refer to the latest time and date at which the Offer, as so extended by the Company, shall expire. See Section 13 for a description of the Company's right to extend the time during which the Offer is open and to delay, terminate or amend the Offer. See also Section 8.

The Company expressly reserves the right, in its sole discretion, at any time or from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depositary and making a public announcement thereof. See Section 13. There can be no assurance, however, that the Company will exercise its right to extend the Offer.

If (a) the Company (i) increases or decreases the price to be paid for Depositary Shares or (ii) decreases the number of Depositary Shares being sought and (b) the Offer is scheduled to expire at any time earlier than the tenth business day from and including the date that notice of such increase or

decrease is first published, sent or given in the manner specified in Section 13, the Offer will be extended until the expiration of such ten business day period. For purposes of the Offer, "business day" means any day other than a Saturday, Sunday or Federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, Eastern Standard Time.

All Depositary Shares purchased pursuant to the Offer will be purchased at the Purchase Price, net to the seller in cash. All Depositary Shares not purchased pursuant to the Offer, including Depositary Shares tendered and withdrawn, will be returned to the tendering shareholders at the Company's expense as promptly as practicable.

SECTION 5. PROCEDURE FOR TENDERING DEPOSITARY SHARES

PROPER TENDER OF DEPOSITARY SHARES. For Depositary Shares to be properly tendered pursuant to the Offer:

(a) the depositary receipts for such Depositary Shares (or confirmation of receipt of such Depositary Shares pursuant to the procedures for book-entry transfer set forth below), together with a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) with any required signature guarantees (or in the case of book-entry transfer, an Agent's Message (as defined below)), and any other documents required by the Letter of Transmittal, must be received before the Expiration Date by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase; or

(b) the tendering shareholder must comply with the guaranteed delivery procedure set forth below.

A tender of Depositary Shares made pursuant to any method of delivery set forth herein will constitute a binding agreement between the tendering shareholder and the Company upon the terms and subject to the conditions of the Offer.

SIGNATURE GUARANTEES AND METHOD OF DELIVERY. No signature guarantee is required on the Letter of Transmittal if the Letter of Transmittal is signed by the registered owner of the Depositary Shares (which term, for purposes of this Section, includes any participant in The Depositary Trust Company, the Midwest Securities Trust Company or the Philadelphia Depositary Trust Company (collectively, the "Book-Entry Transfer Facilities") whose name appears on a security position listing as the owner of the Depositary Shares) tendered therewith, and payment and delivery are to be made directly to such registered owner at such

owner's address shown on the records of the Company, or if Depositary Shares are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of a recognized Medallion Program approved by The Securities Transfer Association Inc. (each such entity being hereinafter referred to as an "Eligible Institution"). In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1 of the Letter of Transmittal. If a depositary receipt representing Depositary Shares is registered in the name of a person other than the signer of a Letter of Transmittal, or if payment is to be made, or Depositary Shares not purchased or tendered are to be issued, to a person other than the registered owner, the depositary receipt must be endorsed or accompanied by an appropriate stock power, in either case signed exactly as

the name of the registered owner appears on the depositary receipt, with the signature on the depositary receipt or stock power guaranteed by an Eligible Institution. In all cases, payment for Depositary Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of depositary receipts for such Depositary Shares (or a timely confirmation of a book-entry transfer of such Depositary Shares into the Depositary's account at one of the Book-Entry Transfer Facilities), a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees (or in the case of book-entry transfer, an Agent's Message) and any other documents required by the Letter of Transmittal. The method of delivery of all documents, including depositary receipts, the Letter of Transmittal and any other required documents, is at the election and risk of the tendering shareholder. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended.

FEDERAL BACKUP WITHHOLDING. Unless an exemption applies under the applicable law and regulations concerning "backup withholding" of Federal income tax, the Depositary will be required to withhold, and will withhold, 31% of the gross proceeds otherwise payable to a shareholder or other payee pursuant to the Offer unless the shareholder or other payee provides such person's tax identification number (social security number or employer identification number) and certifies that such number is correct. Each tendering shareholder, other than a noncorporate foreign shareholder, should complete and sign the main signature form and the Substitute Form W-9 included as part of the Letter of Transmittal, so as to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is proved in a manner satisfactory to the Company and the Depositary. Noncorporate foreign shareholders should generally complete and sign a Form W-8, Certificate of Foreign Status, a copy of which may be obtained from the Depositary, in order to avoid backup withholding.

BOOK-ENTRY DELIVERY. The Depositary will establish an account with respect to the Depositary Shares at each of the Book-Entry Transfer Facilities for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in a Book-Entry Transfer Facility's system may make book-entry delivery of the Depositary Shares by causing such facility to transfer such Depositary Shares into the Depositary's account in accordance with such facility's procedure for such transfer. Even though delivery of Depositary Shares may be effected through book-entry transfer into the Depositary's account at one of the Book-Entry Transfer Facilities, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), with any required signature guarantees (or in the case of book-entry transfer, an Agent's Message) and other required documents, must, in any case, be transmitted to and received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the guaranteed delivery procedure set forth below must be followed. Delivery of the Letter of Transmittal and any other required documents to one of the Book-Entry Transfer Facilities does not constitute delivery to the Depositary.

GUARANTEED DELIVERY. If a shareholder desires to tender Depositary Shares pursuant to the Offer and such shareholder's depositary receipts are not immediately available (or the procedures for book-entry transfer cannot be completed on a timely basis) or time will not permit all required documents to reach the Depositary before the Expiration Date, such Depositary Shares may nevertheless be tendered provided that all of the following conditions are satisfied:

- (a) such tender is made by or through an Eligible Institution;

(b) the Depository receives (by hand, mail or facsimile transmission), on or prior to the Expiration Date, a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form the Company has provided with this Offer to Purchase; and

(c) the depository receipts for all tendered Depository Shares in proper form for transfer (or confirmation of book-entry transfer of such Depository Shares into the Depository's account at one of the Book-Entry Transfer Facilities), together with a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), with any required signature guarantees (or in the case of book-entry transfer, an Agent's Message) and any other documents required by the Letter of Transmittal, are received by the Depository within five NYSE trading days after the date of execution of such Notice of Guaranteed Delivery.

The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depository and forming a part of the confirmation of book-entry transfer, which states that such Book-Entry Transfer Facility has received an express acknowledgement from the participant in such Book-Entry Transfer Facility tendering the Depository Shares, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

DETERMINATIONS OF VALIDITY; REJECTION OF DEPOSITARY SHARES; WAIVER OF DEFECTS; NO OBLIGATION TO GIVE NOTICE OF DEFECTS. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Depository Shares will be determined by the Company, in its sole discretion, which determination shall be final and binding on all parties. The Company reserves the absolute right to reject any or all tenders it determines not to be in proper form or the acceptance for payment of which may, in the opinion of the Company's counsel, be unlawful. The Company also reserves the absolute right to waive any of the conditions of the Offer and any defect or irregularity in the tender of any particular Depository Shares. No tender of Depository Shares will be deemed to be properly made until all defects or irregularities have been cured or waived. None of the Company, the Depository, the Information Agent, the Dealer Manager or any other person is or will be obligated to give notice of any defects or irregularities in tenders, and none of them will incur any liability for failure to give any such notice.

SECTION 6. WITHDRAWAL RIGHTS

Except as otherwise provided in this Section 6, a tender of Depository Shares pursuant to the Offer is irrevocable. Depository Shares tendered pursuant to the Offer may be withdrawn at any time before the Expiration Date and, unless theretofore accepted for payment by the Company, may also be withdrawn after 12:00 midnight, Eastern Standard Time, on March 9, 1995.

For a withdrawal to be effective, the Depository must timely receive (at one of its addresses set forth on the back cover of this Offer to Purchase) a written, telegraphic or facsimile transmission notice of withdrawal. Such notice of withdrawal must specify the name of the person having tendered the Depository Shares to be withdrawn, the number of Depository Shares to be withdrawn and the name of the registered owner, if different from that of the person who tendered such Depository Shares. If the depository receipts have

been delivered or otherwise identified to the Depository, then, prior to the release of such depository receipts, the tendering shareholder must also submit the serial numbers shown on the particular depository receipts evidencing the Depository Shares, and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution (except in the case of Depository Shares tendered by an Eligible Institution). If Depository Shares have been delivered pursuant to the procedure for book-entry transfer set forth in Section 5, the notice of withdrawal must specify the name and the number of the account at the applicable Book-Entry Transfer Facility to be credited with the withdrawn Depository Shares and otherwise comply with the procedures of such facility.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Company, in its sole discretion, which determination shall be final and binding on all parties. None of the Company, the Depository, the Information Agent, the Dealer Manager or any other person is or will be obligated to give any notice of any defects or irregularities in any notice of withdrawal, and none of them will incur any liability for failure to give any such notice. A withdrawal of a tender of Depository Shares may not be rescinded, and Depository Shares properly withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. Withdrawn Depository Shares may, however, be retendered before the Expiration Date by again following any of the procedures described in Section 5.

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SECTION 7. ACCEPTANCE FOR PAYMENT OF DEPOSITARY SHARES AND PAYMENT OF PURCHASE PRICE

Upon the terms and subject to the conditions of the Offer, promptly after the Expiration Date, the Company will purchase and pay the Purchase Price for any and all Depository Shares (subject to certain matters discussed in Section 4 and Section 13) as are properly tendered and not withdrawn as permitted in Section 6. For purposes of the Offer, the Company will be deemed to have accepted for payment (and thereby purchased) Depository Shares which are tendered and not withdrawn when, as and if it gives oral or written notice to the Depository of its acceptance of such Depository Shares for payment pursuant to the Offer.

Payment for Depository Shares purchased pursuant to the Offer will be made by depositing the aggregate Purchase Price therefor with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payment from the Company and transmitting payment to the tendering shareholders. Notwithstanding any other provision hereof, payment for Depository Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depository of depository receipts for such Depository Shares (or a timely confirmation by a Book-Entry Transfer Facility of book-entry transfer of such Depository Shares to the Depository), a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees (or, in the case of book-entry transfer, an Agent's Message) and any other required documents. Under no circumstances will interest be paid on the Purchase Price of the Depository Shares to be paid by the Company, regardless of any delay in making such payment.

The Company will pay any stock transfer taxes with respect to the transfer and sale of Depository Shares to it pursuant to the Offer. If, however, payment of the Purchase Price is to be made to, or if depository receipts for

Depository Shares not tendered or accepted for purchase are to be registered in the name of, any person other than the registered holder, or if tendered depository receipts are registered in the name of any person other than the person signing the Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder or such person) payable on account of the transfer to such person will be deducted from the Purchase Price unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted. See Instruction 6 of the Letter of Transmittal.

ANY TENDERING SHAREHOLDER OR OTHER PAYEE WHO FAILS TO COMPLETE FULLY AND SIGN THE SUBSTITUTE FORM W-9 INCLUDED IN THE LETTER OF TRANSMITTAL (OR, IN THE CASE OF A FOREIGN INDIVIDUAL, FORM W-8 OBTAINABLE FROM THE DEPOSITARY) MAY BE SUBJECT TO REQUIRED FEDERAL INCOME TAX WITHHOLDING OF 31% OF THE GROSS PROCEEDS PAID TO SUCH SHAREHOLDER OR OTHER PAYEE PURSUANT TO THE OFFER. SEE SECTION 5.

SECTION 8. CERTAIN CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, and in addition to (and not in limitation of) the Company's right to extend or amend the Offer at any time in its sole discretion, the Company shall not be required to accept for payment or make payment for any Depository Shares tendered, and may terminate or amend the Offer, if before acceptance for payment or payment for any such Depository Shares any of the following shall have occurred (or shall have been determined by the Company to have occurred):

(a) there shall have been threatened, instituted or pending any action or proceeding by any government or governmental, regulatory or administrative agency or authority or tribunal or any other person, domestic or foreign, before any court or governmental, regulatory or administrative authority, agency or tribunal, domestic or foreign, which (i) challenges the making of the Offer, the acquisition of Depository Shares pursuant to the Offer or otherwise relates in any manner to the Offer; or (ii) in the sole judgment of the Company, could materially adversely affect the business, condition (financial or other), income, operations or prospects of the Company and its subsidiaries, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of the business of the Company or any of its subsidiaries or materially impair the Offer's contemplated benefits to the Company;

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(b) there shall have been any action threatened, pending or taken, or approval withheld, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the Offer or the Company or any of its subsidiaries, by any court or any government or governmental, regulatory or administrative authority, agency or tribunal, domestic or foreign, which, in the Company's sole judgment, would or might directly or indirectly (i) make the acceptance for payment of, or payment for, Depository Shares illegal or otherwise restrict or prohibit consummation of the Offer; (ii) delay or restrict the ability of the Company, or render the Company unable, to accept for payment, or pay for, Depository Shares; (iii) materially impair the contemplated benefits of the Offer to the Company; or (iv) materially adversely affect the business, condition (financial or other), income, operations or prospects of the Company and its subsidiaries, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of the business of the Company or any of its subsidiaries;

(c) there shall have occurred after January 11, 1995, (i) any general suspension of trading in, or limitation on prices for, securities on any United States national securities exchange or in the over-the-counter market (excluding any coordinated trading halt triggered solely as a result of a specified decrease in a market index), (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iii) the commencement of a war, armed hostilities or other international or national crisis directly or indirectly involving the United States, (iv) any limitation (whether or not mandatory) by any governmental, regulatory or administrative agency or authority on, or any event which, in the sole judgment of the Company, might affect, the extension of credit by banks or other lending institutions in the United States, (v) any significant decrease in the market price of the Depositary Shares, (vi) any change in the general political, market, economic or financial conditions in the United States or abroad that could, in the sole judgment of the Company, have a material adverse effect on the Company's business, operations, prospects or the trading in the Depositary Shares, (vii) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof or (viii) any decline in either the Dow Jones Industrial Average (3861.35 at the close of business on January 9, 1995) or the Standard and Poor's Index of 500 Industrial Companies (460.83 at the close of business on January 9, 1995) by an amount in excess of 15% measured from the close of business on January 9, 1995;

(d) after January 11, 1995, any tender or exchange offer with respect to the Depositary Shares (other than the Offer) or any other class of the Company's equity securities, or any merger, acquisition, business combination or other similar transaction with or involving the Company or any subsidiary, shall have been proposed, announced or made by any person or entity;

(e) after January 11, 1995, any change shall occur or be threatened in the business, condition (financial or other), income, operations or prospects of the Company and its subsidiaries taken as a whole, which, in the sole judgment of the Company, is or may be materially adverse to the Company; or

(f) (i) any person, entity or "group" (as that term is used in Section 13(d)(3) of the Exchange Act) shall have acquired, or proposed to acquire, beneficial ownership of more than 5% of the Company's outstanding common stock (other than a person, entity or group which had publicly disclosed such ownership in a Schedule 13D or 13G (or an amendment thereto) on file with the Securities and Exchange Commission prior to January 11, 1995), (ii) any new group shall have been formed which beneficially owns more than 5% of the Company's outstanding common stock or (iii) any person, entity or group shall have filed a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, or made a public announcement reflecting an intent to acquire the Company or any of its subsidiaries or any of their respective assets or securities;

and, in the sole judgment of the Company, in any such case and regardless of the circumstances (including any action or inaction by the Company) giving rise to such condition, such event makes it inadvisable to proceed with the Offer or with such acceptance for payment or payment.

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company regardless of the circumstances (including any action or inaction by the Company) giving rise to any such condition, and any such condition may be waived by the Company, in whole or in part, at any time and from time to time in its sole discretion; provided, however, that the Exchange Act and the rules and regulations promulgated thereunder require that all conditions to the Offer, other than those relating to the receipt of certain necessary governmental approvals, must be satisfied or waived prior to the Expiration Date. The Company's failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and circumstances shall not be deemed a waiver with respect to any other facts or circumstances; and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Company concerning the events described above and any related judgment by the Company regarding the inadvisability of proceeding with the acceptance for payment or payment for any tendered Depositary Shares will be final and binding on all parties.

SECTION 9. PRICE RANGE OF THE DEPOSITARY SHARES; DIVIDENDS

The Depositary Shares are listed and traded on the NYSE. The following table sets forth, for each period shown, the high and low sales prices of the Depositary Shares as reported on the NYSE Composite Tape and the dividends paid per Depositary Share. The Depositary Shares were first traded on May 28, 1993.

<TABLE>
<CAPTION>

	DEPOSITARY SHARE PRICE RANGE		DIVIDENDS PAID PER DEPOSITARY SHARE*
	HIGH	LOW	
<S>	<C>	<C>	<C>
1993			
2nd Quarter (commencing May 28).	25 3/8	24 1/2	.12500
3rd Quarter.....	26 1/2	24 1/4	.46875
4th Quarter.....	26 1/8	23 3/8	.46875
1994			
1st Quarter.....	26 3/8	23 7/8	.46875
2nd Quarter.....	25	22 11/16	.46875
3rd Quarter.....	25 5/16	23	.46875
4th Quarter.....	24 3/8	21 1/8	.46875
1995			
1st Quarter (through January 9, 1995).....	23 3/8	22 1/4	.46875**

</TABLE>

* Quarterly accrued dividends are paid on the first business day of the following quarter.

** The Company expects to pay the regular quarterly cash dividend of \$.46875 for the first quarter of 1995 on the payment date of April 3, 1995.

On January 9, 1995, the last trading day before the Company announced the Offer, the closing sales price of the Depositary Shares as reported on the NYSE Composite Tape was \$23.375 per Depositary Share. Shareholders are urged to obtain a current market quotation for the Depositary Shares. As of January 9, 1995, the Company had issued and outstanding 44,580,000 million Depositary Shares. As of January 5, 1994, there were approximately 11,624 record holders of Depositary Shares.

Holders of shares of the Series A Preferred Stock are entitled to receive dividends at a fixed annual rate of \$7.50 per share of Series A Preferred Stock (equivalent to \$1.875 per Depositary Share). Such dividends are cumulative and are payable, when and as declared by the Board of Directors of the Company out of funds legally available therefor, quarterly for each of the quarters ending March, June, September and December of each year, payable in arrears on the first business day that is not a legal holiday of each succeeding April, July, October and January, respectively. Each such dividend is payable to holders of record as they appear in the stock records of the Company at the close of business on each record date, which is the 15th day prior to the payment date. There are no contractual or legal restrictions on the Company's present or future ability to pay such dividends, including under its Restated Certificate of Incorporation, except those

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restrictions imposed by New York law, which provides, as a general matter, that dividends may not be paid if (i) the corporation is insolvent or after giving effect to such payment, would thereby be made insolvent or (ii) the net assets of the corporation remaining after such payment will not at least equal the amount of its stated capital.

The record date for the expected regular quarterly cash dividend of \$.46875 is March 19, 1995 for the first quarter of 1995, and the related payment date is April 3, 1995. Depositary Shares tendered and purchased by the Company accordingly will not receive or otherwise be entitled to such regular quarterly dividend expected to be paid by the Company for the first quarter of 1995, and will also not receive any accrued dividends in respect thereof.

SECTION 10. CERTAIN INFORMATION CONCERNING THE COMPANY

The Company develops, manufactures and sells advanced information processing products, including computers and microelectronic technology, software, networking systems and information technology-related services. The Company offers value worldwide through its United States, Canada, Europe/Middle East/Africa, Latin America, and Asia/Pacific business units, by providing comprehensive and competitive product choices.

SUMMARY HISTORICAL FINANCIAL INFORMATION

Set forth below is certain summary consolidated historical financial information for the Company and its subsidiaries. The historical financial information at and for the years ended December 31, 1993, and December 31, 1992, has been summarized from the Company's audited consolidated financial statements incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 1993 (the "1993 10-K"). The historical financial information at and for the nine months ended September 30, 1994, and September 30, 1993, has been summarized from the Company's unaudited consolidated financial statements as set forth in the Company's Quarterly Report on Form 10-Q for the nine months ended September 30, 1994 (the "1994 Third Quarter 10-Q"). The following summary historical financial information should be read in conjunction with, and is qualified in its entirety by reference to, such audited and unaudited consolidated financial statements and their related notes. See "Additional Information" below.

INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES

SUMMARY HISTORICAL FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(DOLLARS IN MILLIONS)

<TABLE>
<CAPTION>

	AT SEPTEMBER 30,		AT DECEMBER 31,	
	1994	1993	1993	1992

	(UNAUDITED)			
<S>	<C>	<C>	<C>	
Cash.....	\$ 1,012	\$ 873	\$ 1,090	
Cash equivalents.....	8,310	4,988	3,356	
Marketable securities, at cost, which approximates market.....	1,482	1,272	1,203	
Other current assets.....	29,346	32,069	34,043	
Total current assets.....	40,150	39,202	39,692	
Plant, rental machines and other property-- net.....	16,338	17,521	21,595	
Total investments and other assets.....	22,580	24,390	25,418	
Total assets.....	79,068	81,113	86,705	
Total current liabilities.....	28,280	33,150	36,737	
Long-term debt.....	14,077	15,245	12,853	
Other liabilities.....	12,291	11,177	7,461	
Deferred income taxes.....	1,957	1,803	2,030	
Total liabilities.....	56,605	61,375	59,081	
Total Stockholders' equity.....	22,463	19,738	27,624	
Total liabilities and Stockholders' equity....	79,068	81,113	86,705	

</TABLE>

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INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES

SUMMARY HISTORICAL FINANCIAL INFORMATION CONDENSED CONSOLIDATED STATEMENT OF
OPERATIONS (DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND RATIOS)

<TABLE>
<CAPTION>

	NINE MONTHS		YEARS ENDED	
	ENDED		ENDED	
	SEPTEMBER 30,	SEPTEMBER 30,	DECEMBER 31,	DECEMBER 31,
	1994	1993	1993	1992

	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Total revenue.....	\$44,156	\$43,320	\$62,716	\$64,523
Costs and expenses.....	41,172	52,453	71,353	72,762
Operating income (loss).....	2,984	(9,133)	(8,637)	(8,239)
Other income, principally interest.....	1,108	646	1,113	573
Interest expense.....	1,010	973	1,273	1,360
Earnings (loss) before income taxes.....	3,082	(9,460)	(8,797)	(9,026)
Provision (benefit) for income taxes.....	1,292	(1,091)	(810)	(2,161)
Net earnings (loss) before changes in ac- counting principles.....	1,790	(8,369)	(7,987)	(6,865)

Effect of changes in accounting principles				
(1).....	--	(114)	(114)	1,900
Net earnings (loss).....	1,790	(8,483)	(8,101)	(4,965)
Preferred stock dividends.....	63	27	47	--
Net earnings (loss) applicable to common shareholders (2).....	\$ 1,727	\$ (8,510)	\$ (8,148)	\$ (4,965)
Net earnings (loss) per common share before changes in accounting principles.....	\$ 2.96	\$ (14.70)	\$ (14.02)	\$ (12.03)
Net earnings (loss) per common share (3)....	\$ 2.96	\$ (14.90)	\$ (14.22)	\$ (8.70)
Average number of common shares outstanding (in millions).....	584.1	571.1	573.2	570.9
Ratio of earnings to fixed charges (4).....	2.5	(5)	(5)	(5)
Ratio of earnings to combined fixed charges and preferred stock dividends (4).....	2.4	(5)	(5)	(5)

</TABLE>

-
- (1) In the fourth quarter of 1993, the Company implemented Statement of Financial Accounting Standards 112, "Employers' Accounting for Postemployment Benefits," effective as of January 1, 1993. The cumulative effect of adopting this standard resulted in a one-time charge of \$114 million (net of approximately \$61 million of income tax benefits), which was recorded against first quarter results. In 1992, the Company implemented Statement of Financial Accounting Standards 109, "Accounting for Income Taxes." The cumulative effect of this accounting change, which resulted in recognizing previously unrecognized tax benefits for years prior to January 1, 1992, increased net earnings for 1992 by \$1,900 million.
- (2) Net (loss) earnings for the year ended December 31, 1993, and for the nine months ended September 30, 1993, reflect a restructuring charge of \$8.9 billion before taxes (\$8.0 billion after taxes or \$14.02 per common share). Net (loss) earnings for the year ended December 31, 1992 reflect a restructuring charge of \$11.6 billion before taxes (\$8.3 billion after taxes or \$14.51 per common share).
- (3) Net earnings (loss) per common share was computed by dividing earnings (loss) after deduction of preferred stock dividends by the average number of common shares outstanding.
- (4) The ratio of earnings to fixed charges has been computed by dividing earnings before income taxes (which excludes the cumulative and transition effects of accounting changes) and fixed charges by fixed charges. "Fixed charges" consist of interest on debt and that portion of rental expense deemed to be representative of interest. For purposes of calculating the ratio of earnings to combined fixed charges and preferred stock dividends, the preferred stock dividend requirements were assumed to be equal to the pre-tax earnings that would be required to cover such dividend requirements based on the Company's effective income tax rates for the respective periods. The Company did not have preferred stock dividend requirements prior to June 7, 1993.
- (5) No ratios are shown for these periods as earnings were insufficient to cover fixed charges and combined fixed charges and preferred stock dividends. As a result of the net loss incurred for the nine months ended September 30, 1993, earnings were inadequate to cover fixed charges and combined fixed charges and preferred stock dividends by \$9,165 million and \$9,195 million, respectively. As a result of the net loss incurred for the year ended December 31, 1993, earnings were inadequate to cover fixed charges and combined fixed charges and preferred stock dividends by \$8,478 million and \$8,530 million, respectively. As a result of the net loss incurred for the year ended December 31, 1992, earnings were inadequate to cover fixed charges by \$8,962 million.

ADDITIONAL INFORMATION. The Company is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports, proxy statements and other information with the Commission. The Company is required to disclose in such proxy statements certain information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company. The Company has also filed a Transaction Statement on Schedule 13E-3 and an Issuer Tender Offer Statement on Schedule 13E-4 with the Commission which includes certain additional information relating to the Offer.

Such material can be inspected and copied at the public reference facilities of the Commission, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at its regional offices at Seven World Trade Center, 13th Floor, New York, New York 10048, and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The Company's Schedule 13E-3 and Schedule 13E-4 will not be available at the Commission's regional offices. Reports, proxy materials and other information about the Company are also available at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, and the Pacific Stock Exchange, 301 Pine Street, San Francisco, California 94104. Copies may also be obtained by mail from the Commission's Public Reference Branch, 450 Fifth Street, N.W., Washington, D.C. 20549.

SECTION 11. SOURCE AND AMOUNT OF FUNDS

Assuming that the Company purchases all outstanding Depositary Shares pursuant to the Offer, the total amount required by the Company to purchase such Depositary Shares and pay related fees and expenses will be approximately \$1.14 billion. See Section 14. The Company anticipates that it will fund the purchase of Depositary Shares pursuant to the Offer and the payment of related fees and expenses from available cash of the Company.

SECTION 12. TRANSACTIONS AND ARRANGEMENTS CONCERNING THE DEPOSITARY SHARES

The Depositary Shares were issued by the Company in an underwritten public offering for cash which was registered under the Securities Act of 1933. The offering, which commenced on May 28, 1993, was for 45,000,000 Depositary Shares (including 1,000,000 Depositary Shares purchased upon exercise of the over-allotment option) at a price to the public of \$25 per Depositary Share, and the Company received aggregate proceeds of \$1,090,982,778.75 after deducting the aggregate underwriting discount of \$34,017,221.25, but before expenses.

Based upon the Company's records and upon information provided to the Company by its directors, executive officers and affiliates, neither the Company nor any of its subsidiaries nor, to the best of the Company's knowledge, any of the directors or executive officers of the Company listed on Schedule I to this Offer to Purchase or any of its subsidiaries, nor any associates of any of the foregoing, has effected any transactions in the Depositary Shares since the issuance of the Depositary Shares in May 28, 1993, except for the Company's purchase of 420,000 Depositary Shares, between October 20, 1994 and October 26, 1994, at prices ranging from \$22.82 to \$23.25 per Depositary Share or an average price of \$22.99.

Except as set forth in this Offer to Purchase, neither the Company nor, to the best of the Company's knowledge, any of its affiliates, directors or executive officers listed on Schedule I to this Offer to Purchase, or any of

the executive officers or directors of its subsidiaries, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to the Offer with respect to any securities of the Company (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer of the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding or proxies, consents or authorizations). As of January 11, 1995, neither the Company or any subsidiary or affiliate nor, to the Company's knowledge, any of their respective directors or executive officers, owns any of the Depositary Shares.

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SECTION 13. EXTENSION OF THE TENDER PERIOD; TERMINATION; AMENDMENTS

The Company expressly reserves the right, in its sole discretion, at any time or from time to time and regardless of whether or not any of the events set forth in Section 8 shall have occurred or shall be deemed by the Company to have occurred, to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, or payment for, any Depositary Shares by giving oral or written notice of such extension to the Depositary and making a public announcement thereof. During any such extension, all Depositary Shares previously tendered and not purchased or withdrawn will remain subject to the Offer, except to the extent that such Depositary Shares may be withdrawn as set forth in Section 6. The Company also expressly reserves the right, in its sole discretion, to terminate the Offer, not accept for payment and not make payment for any Depositary Shares not theretofore accepted for payment or paid for upon the occurrence of any of the conditions specified in Section 8 by giving oral or written notice of such termination to the Depositary and making a public announcement thereof. Subject to compliance with applicable law, the Company further reserves the right, in its sole discretion, and regardless of whether or not any of the events set forth in Section 8 shall have occurred or shall be deemed by the Company to have occurred, to amend the Offer in any respect (including, without limitation, by decreasing or increasing the consideration offered in the Offer to owners of Depositary Shares or by decreasing the number of Depositary Shares being sought in the Offer). Amendments to the Offer may be made at any time or from time to time effected by public announcement thereof, such announcement, in the case of an extension, to be issued no later than 9:00 a.m., Eastern Standard Time, on the next business day after the previously scheduled Expiration Date. Any public announcement made pursuant to the Offer will be disseminated promptly to shareholders in a manner reasonably designed to inform shareholders of such change. Without limiting the manner in which the Company may choose to make a public announcement, except as required by applicable law, the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service.

If the Company materially changes the terms of the Offer or the information concerning the Offer or if it waives a material condition of the Offer, the Company will extend the Offer to the extent required by Rules 13e-4(d)(2) and 13e-4(e)(2) promulgated under the Exchange Act. These rules provide that the minimum period during which an offer must remain open following material changes in the terms of the offer or information concerning the offer (other than a change in price or a change in percentage of securities sought) will depend on the facts and circumstances, including the relative materiality of such terms or information. The Commission has stated that, as a general rule, it is of the view that an offer should remain open for a minimum of five business days from the date that notice of such a material change is first

published, sent or given. If (a) the Company (i) increases or decreases the price to be paid for Depositary Shares or (ii) decreases the number of Depositary Shares being sought and (b) the Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from and including the date that notice of such increase or decrease is first published, sent or given, the Offer will be extended until the expiration of such period of ten business days.

SECTION 14. FEES AND EXPENSES

The Company has retained First Chicago Trust Company of New York as Depositary, Georgeson & Company Inc. as Information Agent and Merrill Lynch & Co. as Dealer Manager in connection with the Offer. The Information Agent and Dealer Manager will assist shareholders who request assistance in connection with the Offer and may request brokers, dealers and other nominee shareholders to forward materials relating to the Offer to beneficial owners. The Company has agreed to pay the Dealer Manager, upon acceptance for payment of Depositary Shares pursuant to the Offer, a fee of \$0.125 per Depositary Share purchased in the Offer. The Dealer Manager will also be reimbursed by the Company for its reasonable out-of-pocket expenses, including attorneys' fees. The Dealer Manager has rendered, is currently rendering and is expected to continue to render various investment banking and other advisory services to the Company. It has received, and will continue to receive, customary compensation from the Company for such services. The Depositary and Information Agent will receive reasonable and customary compensation for their services in

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connection with the Offer and will also be reimbursed for reasonable out-of-pocket expenses, including attorneys' fees. The Company has agreed to indemnify the Depositary, Information Agent and Dealer Manager against certain liabilities in connection with the Offer, including certain liabilities under the Federal securities laws. Neither the Depositary nor the Information Agent has been retained to make solicitations, and none of the Depositary, Information Agent or Dealer Manager has been retained to make recommendations, in their respective roles as Depositary, Information Agent and Dealer Manager.

The Company will pay to a Soliciting Dealer (as defined herein) a solicitation fee of \$0.375 per Depositary Share, or for transactions equal to or exceeding 20,000 Depositary Shares or \$500,000, \$0.250 per Depositary Share, for any Depositary Shares tendered, accepted for payment and paid for pursuant to the Offer. For purposes of this Section 14, "Soliciting Dealer" includes (i) any broker or dealer in securities, including the Dealer Manager in its capacity as a broker or dealer, who is a member of any national securities exchange or of the National Association of Securities Dealers, Inc. (the "NASD"), (ii) any foreign broker or dealer not eligible for membership in the NASD who agrees to conform to the NASD's Rules of Fair Practice in soliciting tenders outside the United States to the same extent as though it were an NASD member, or (iii) any bank or trust company, any one of whom has solicited and obtained a tender pursuant to the Offer. No such fee shall be payable to a Soliciting Dealer in respect of Depositary Shares registered in the name of such Soliciting Dealer unless (i) such Depositary Shares are held by such Soliciting Dealer as nominee and such Depositary Shares are being tendered for the benefit of one or more beneficial owners identified on the Letter of Transmittal or on the Notice of Solicited Tenders (included in the materials provided to brokers and dealers) or (ii) such Depositary Shares are being tendered for the benefit of the Soliciting Dealer and such Soliciting Dealer certifies on the Letter of Transmittal or on the Notice of Solicited Tenders that such Depositary Shares were acquired by the Soliciting Dealer (x) after

the announcement of the Offer, (y) at a price not in excess of the Purchase Price and (z) from a holder solicited by the Soliciting Dealer. For purposes of clause (z), "solicited" shall mean direct contact (other than the mailing of the tender offer materials) with the holder relating to the tender of Depositary Shares beneficially owned by the holder that resulted in the purchase by the Soliciting Dealer of such Depositary Shares. No such fee shall be payable to a Soliciting Dealer with respect to the tender of Depositary Shares by a holder unless the Letter of Transmittal accompanying such tender designates such Soliciting Dealer as such in the box captioned "Solicited Tenders" or the Notice of Solicited Tenders accompanying such tender designates such Soliciting Dealer. No such fee shall be payable to the Soliciting Dealer with respect to the tender of Depositary Shares by the holder of record, for the benefit of the beneficial owner, unless the beneficial owner has designated such Soliciting Dealer. No such fee shall be payable to a Soliciting Dealer unless the Soliciting Dealer returns a Notice of Solicited Tenders to the Depositary within 5 business days after the Expiration Date. No such fee shall be payable to a Soliciting Dealer if such Soliciting Dealer is required for any reason to transfer the amount of such fee to a depositing holder (other than itself). No broker, dealer, bank, trust company or fiduciary shall be deemed to be the agent of the Company, the Depositary, the Information Agent or the Dealer Manager for purposes of the Offer.

The Company will pay (or cause to be paid) any stock transfer taxes on its purchase of Depositary Shares, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Assuming all outstanding Depositary Shares are tendered pursuant to the Offer, it is estimated that the expenses incurred by the Company in connection with the Offer will be approximately as set forth below. The Company will be responsible for paying all such expenses.

<TABLE>

<S>	<C>
Dealer Manager fees.....	\$ 5,572,000
Solicitation fees.....	14,300,000
Printing and mailing fees.....	300,000
Filing fees.....	222,900
Legal, accounting and miscellaneous.....	400,000

Total.....	\$20,794,900
	=====

</TABLE>

SECTION 15. MISCELLANEOUS

The Offer is not being made to, nor will the Company accept tenders from, owners of Depositary Shares in any jurisdiction in which the Offer or its acceptance would not be in compliance with the laws of such jurisdiction. The Company is not aware of any jurisdiction where the making of the Offer or the tender of Depositary Shares would not be in compliance with applicable law. If the Company becomes aware of any jurisdiction where the making of the Offer or the tender of Depositary Shares is not in compliance with any applicable law, the Company will make a good faith effort to comply with such law. If, after such good faith effort, the Company cannot comply with such law, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Depositary Shares residing in such jurisdiction. In any jurisdiction in which the securities, blue sky or other laws require the Offer to be made by a

licensed broker or dealer, the Offer will be deemed to be made on the Company's behalf by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

INTERNATIONAL BUSINESS MACHINES CORPORATION

January 11, 1995

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SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth the name, business address and current principal occupation or employment of the directors and executive officers of the Company. Unless otherwise indicated, all occupations, offices or positions of employment listed opposite any individual's name were held by such individual during the course of the last five years. Unless otherwise indicated, each individual listed below is a citizen of the United States.

<TABLE>

<CAPTION>

NAME AND BUSINESS ADDRESS -----	CURRENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY -----
<S> Harold Brown Center for Strategic and International Studies Suite 400 1800 K Street, N.W. Washington, D.C. 20006	<C> Counselor, Center for Strategic and International Studies; General Partner, Warburg, Pincus & Company. Prior to 1993, Chairman, Foreign Policy Institute, The Johns Hopkins University.
James E. Burke Johnson & Johnson Plaza 2, Suite 200 317 George Street New Brunswick, NJ 08903-7006	Retired Chairman, Johnson & Johnson; Chairman, Partnership for a Drug-Free America.
Fritz Gerber Zurich Insurance Company P.O. Box CH-8022 Zurich, Switzerland	Chairman and Chief Executive Officer of Roche Holding Ltd.; Executive Chairman of Zurich Insurance Company. Mr. Gerber is a citizen of the Swiss Confederation.
Louis V. Gerstner, Jr. International Business Machines Corporation One Old Orchard Road Armonk, NY 10504	Chairman of the Board and Chief Executive Officer of the Company since 1993. Prior to 1990, Chairman of the Board and Chief Executive Officer of RJR Nabisco Holdings Corp.
Nannerl O. Keohane Office of the President 207 Allen Building Box 90001 Duke University Durham, NC 27708-0001	President and professor of Political Science at Duke University. Prior to July 1, 1993, President of Wellesley College.
Charles F. Knight Emerson Electric Company 8000 West Florissant Avenue P.O. Box 4100 St. Louis, MO 63136-8506	Chairman and Chief Executive Officer of Emerson Electric Co.
Thomas S. Murphy	Chairman and Chief Executive Officer of Capital

Capital Cities/ABC, Inc.
77 West 66th Street
New York, NY 10023-6298
</TABLE>

Cities/ABC, Inc.; from June 1990 to February, 1994, he served as Chairman of the Board only.

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<TABLE>
<CAPTION>

CURRENT PRINCIPAL OCCUPATION OR EMPLOYMENT
AND FIVE-YEAR EMPLOYMENT HISTORY

NAME AND BUSINESS ADDRESS

<S>

John B. Slaughter
Office of the President
Occidental College
1600 Campus Road
Los Angeles, CA 90041

Alexander J. Trotman
Ford Motor Company
American Road
Dearborn, MI 48121-1899

Lodewijk C. van Wachem
Royal Dutch Petroleum Company
P.O. Box 162
2501 AN The Hague
NETHERLANDS

Charles M. Vest
Massachusetts Institute of
Technology
President's Office
Room 3-208
77 Massachusetts Avenue
Cambridge, MA 02139

Edgar S. Woolard, Jr.
E.I. du Pont de Nemours
& Co., Inc.
1007 Market Street
Wilmington, DE 19898

Jerome B. York
International Business
Machines Corporation
One Old Orchard Road
Armonk, NY 10504

J. Thomas Bouchard
International Business
Machines Corporation
One Old Orchard Road
Armonk, NY 10504

James A. Cannavino
International Business
Machines Corporation
One Old Orchard Road
Armonk, NY 10504

Nicholas M. Donofrio
International Business
Machines Corporation

<C>

President, Occidental College.

Chairman of the Board of Directors, President and Chief Executive Officer of Ford Motor Company since November 1, 1993; from May 1, 1993 to November 1, 1993, President and Chief Operating Officer, Ford Automotive Group; prior to 1990 and to May 1, 1993, Executive Vice President, Ford North American Automotive Operations. Prior to 1990 and to 1992, President of Royal Dutch Petroleum. Member of supervisory boards, AKZO N.V. and Philips Electronics N.V. Mr. van Wachem is a citizen of the Kingdom of the Netherlands.

President, Massachusetts Institute of Technology.

Chairman and Chief Executive Officer of E.I. du Pont de Nemours and Company.

Director of Company since January 1, 1995. Senior Vice President and Chief Financial Officer of the Company since May 1993. 1990 to May 1993, Executive Vice President-Finance and Chief Financial Officer of Chrysler Corporation.

Senior Vice President, Human Resources of the Company since October 1994. Prior to October 1994, Senior Vice President and Chief Human Resources Officer, US West, Inc.

Senior Vice President, Strategy and Development of the Company.

Senior Vice President and Group Executive of the Company.

</TABLE>

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<CAPTION>

CURRENT PRINCIPAL OCCUPATION OR EMPLOYMENT
AND FIVE-YEAR EMPLOYMENT HISTORY

NAME AND BUSINESS ADDRESS	CURRENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
<S> Donato A. Evangelista International Business Machines Corporation One Old Orchard Road Armonk, NY 10504	<C> Senior Vice President and General Counsel of the Company.
Ned C. Lautenbach International Business Machines Corporation One Old Orchard Road Armonk, NY 10504	Senior Vice President and Group Executive of the Company.
G. Richard Thoman One Old Orchard Road Armonk, NY 10504	Senior Vice President and Group Executive of the Company since January 1994. From 1992 to 1994, President, Nabisco International; prior to 1990 to 1992, Co-CEO of American Express Travel Related Services Co. and CEO of American Express International. Senior Vice President and Group Executive of the Company.
John M. Thompson International Business Machines Corporation One Old Orchard Road Armonk, NY 10504	Senior Vice President and Group Executive of the Company.
Patrick A. Toole One Old Orchard Road Armonk, NY 10504	Vice President and Secretary of the Company.
John E. Hickey International Business Machines Corporation One Old Orchard Road Armonk, NY 10504	Vice President and Controller of the Company since July 1994. General Assistant Controller, October 1993 to July 1994. Prior to 1990 to October 1993, Assistant Corporate Controller, Sales and Marketing, Chrysler Corporation.
Richard F. Wallman International Business Machines Corporation One Old Orchard Road Armonk, NY 10504	Acting Treasurer of the Company since January 1995. Assistant Treasurer, August 1994 to January 1995; 1993 to August 1994, Vice President and Deputy Treasurer, RJR Nabisco; 1991 to 1993, Vice President and Assistant Treasurer, Corporate Finance and prior to 1990 to 1991, Director, Capital Markets, RJR Nabisco.

</TABLE>

Facsimile copies of the Letter of Transmittal, properly completed and duly
executed, will be accepted. The Letter of Transmittal, depositary receipts for

Depository Shares and any other required documents should be sent or delivered by each shareholder of the Company or such shareholder's broker, dealer, commercial bank or trust company to the Depository at one of its addresses set forth below.

The Depository for the Offer is:

FIRST CHICAGO TRUST COMPANY
OF NEW YORK

<TABLE>

<CAPTION>

By Hand or Overnight Delivery:	By Facsimile Transmission (for Eligible Institutions only):	By Mail:
<S>	<C>	<C>
First Chicago Trust Company of New York Tenders & Exchanges Suite 4680-IBM 14 Wall Street, 8th Floor New York, NY 10005	(201) 222-4720 or (201) 222-4721 Confirm Receipt of Notice of Guaranteed Delivery by Telephone: (201) 222-4707	First Chicago Trust Company of New York Tenders & Exchanges Suite 4660-IBM P.O. Box 2560 Jersey City, NJ 07303-2560

</TABLE>

Any questions or requests for assistance or for additional copies of this Offer to Purchase or the Letter of Transmittal may be directed to the Information Agent or Dealer Manager. Shareholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

GEORGESON
& COMPANY INC.

Wall Street Plaza
New York, New York 10005
Banks and Brokers Call Collect:
(212) 440-9800
or
ALL OTHERS CALL TOLL FREE:
(800) 223-2064

The Dealer Manager for the Offer is:

MERRILL LYNCH & CO.
250 Vesey Street
New York, New York 10281
(212) 236-4565 (call collect)
(212) 236-4097 (call collect)

LETTER OF TRANSMITTAL

TO TENDER DEPOSITARY SHARES, EACH REPRESENTING A ONE-FOURTH INTEREST IN A SHARE
OF SERIES A 7- 1/2% PREFERRED STOCK

OF

IBM

INTERNATIONAL BUSINESS MACHINES CORPORATION

PURSUANT TO ITS OFFER TO PURCHASE

DATED JANUARY 11, 1995

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN
STANDARD TIME, ON WEDNESDAY, FEBRUARY 8, 1995, UNLESS THE OFFER IS EXTENDED.

TO: FIRST CHICAGO TRUST COMPANY OF NEW YORK, DEPOSITARY

By Hand or Overnight Delivery:

First Chicago Trust Company
of New York
Tenders & Exchanges
Suite 4680-IBM
14 Wall Street, 8th Floor
New York, NY 10005

By Mail:

First Chicago Trust Company
of New York
Tenders & Exchanges
Suite 4660-IBM
P.O. Box 2560
Jersey City, NJ 07303-2560

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL
NOT CONSTITUTE A VALID DELIVERY.

This Letter of Transmittal can be used only if (a) depositary receipts for
Depositary Shares (as defined below) are to be delivered with it or (b)
Depositary Shares are being delivered concurrently by book-entry transfer to
the account maintained by the Depositary at The Depositary Trust Company, the
Midwest Securities Trust Company or the Philadelphia Depositary Trust Company
(collectively, the "Book-Entry Transfer Facilities") as set forth in Section 5
of the Offer to Purchase (as defined below).

Shareholders who cannot deliver the depositary receipts for their Depositary
Shares to the Depositary prior to the Expiration Date (as defined in the Offer
to Purchase) or who cannot complete the procedure for book-entry transfer on a
timely basis or who cannot deliver a Letter of Transmittal and all other
required documents to the Depositary prior to the Expiration Date, in any such
case, must tender their Depositary Shares pursuant to the guaranteed delivery
procedure set forth in Section 5 of the Offer to Purchase. See Instruction 2.

The name(s) and address(es) of the registered holder(s) should be printed
below, if they are not already printed below, exactly as they appear on the

and regulations thereunder, in connection with such solicitations; (ii) it is entitled to such compensation for such solicitation under the terms and conditions of the Offer to Purchase; (iii) in soliciting tenders of Depositary Shares, it has used no soliciting materials other than those furnished by the Company; and (iv) if it is a foreign broker or dealer not eligible for membership in the National Association of Securities Dealers, Inc. (the "NASD"), it has agreed to conform to the NASD's Rules of Fair Practice in making solicitations.

The payment of compensation to any Soliciting Dealer is dependent on such Soliciting Dealer returning a Notice of Solicited Tenders to the Depositary.

SOLICITING DEALERS SEEKING PAYMENT OF A FEE FOR DEPOSITARY SHARES BENEFICIALLY OWNED BY SUCH SOLICITING DEALER MUST COMPLETE THE CERTIFICATION BELOW.

CERTIFICATION BY TENDERING SOLICITING DEALERS
(SEE INSTRUCTION 9)

The undersigned Soliciting Dealer hereby certifies that the Depositary Shares tendered hereby were acquired by the Soliciting Dealer (x) after the announcement of the Offer, (y) at a price not in excess of the Purchase Price (as defined herein) and (z) from a holder solicited by the Soliciting Dealer. For purposes of clause (z), "solicited" shall mean direct contact (other than the mailing of the tender offer materials) with the holder relating to the tender of Depositary Shares beneficially owned by the holder that resulted in the purchase by the Soliciting Dealer of such Depositary Shares.

Name of Soliciting
Dealer

By _____
Name
Title:

NOTE: SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to International Business Machines Corporation, a New York corporation (the "Company"), the above-described Depositary Shares (the "Depositary Shares"), each representing a one-fourth interest in a share of Series A 7- 1/2% Preferred Stock, par value \$0.01 per share, liquidation preference \$100 per share, of the Company, pursuant to the Company's offer to purchase any and all Depositary Shares at a price of \$25 per Depositary Share (the "Purchase Price"), net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase dated January 11, 1995 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which together constitute the "Offer").

Subject to and effective upon acceptance for payment of the Depositary Shares tendered herewith in accordance with the terms of the Offer (including, if the Offer is extended or amended, the terms or conditions of any such extension or amendment), the undersigned hereby sells, assigns and transfers

to or upon the order of the Company all right, title and interest in and to all the Depositary Shares that are being tendered hereby, or orders the registration of such Depositary Shares delivered by book-entry transfer, that are purchased pursuant to the Offer and hereby irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Depositary Shares, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to:

(a) deliver depositary receipts for such Depositary Shares, or transfer ownership of such Depositary Shares on the account books maintained by any of the Book-Entry Transfer Facilities, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of the Company, upon receipt by the Depositary, as the undersigned's agent, of the Purchase Price with respect to such Depositary Shares;

(b) present depositary receipts for such Depositary Shares for cancellation and transfer on the books of the Company; and

(c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Depositary Shares, all in accordance with the terms of the Offer.

The undersigned hereby represents and warrants that

(a) the undersigned has full power and authority to tender, sell, assign and transfer the Depositary Shares tendered hereby;

(b) when and to the extent the Company accepts the Depositary Shares for purchase, the Company will acquire good, marketable and unencumbered title to the Depositary Shares, free and clear of all security interests, liens, charges, encumbrances, conditional sales agreements or other obligations relating to their sale or transfer, and not subject to any adverse claim;

(c) on request, the undersigned will execute and deliver any additional documents the Depositary or the Company deems necessary or desirable to complete the assignment, transfer and purchase of the Depositary Shares tendered hereby; and

(d) the undersigned has read and agrees to all the terms of the Offer.

The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, the Company may terminate or amend the Offer or may not be required to accept for payment any of the Depositary Shares tendered herewith.

The undersigned understands that tenders of Depositary Shares pursuant to any one of the procedures described in Section 5 of the Offer to Purchase and in the instructions hereto will constitute an agreement between the undersigned and the Company upon the terms and subject to the conditions of the Offer.

All authority herein conferred, or agreed to be conferred, shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

Unless otherwise indicated under "Special Payment Instructions", please issue the check for the Purchase Price and/or return or issue the depositary receipt(s) evidencing any Depositary Shares not tendered, not accepted for payment or for which payment is not made in the name(s) of the registered holder(s) appearing under "Description of Depositary Shares Tendered." Similarly, unless otherwise indicated under "Special Delivery Instructions", please mail the check for the Purchase Price and/or the depositary receipt(s) evidencing any Depositary Shares not tendered, not accepted for payment or for which payment is not made (and

accompanying documents, as appropriate) to the address of the registered holder(s) appearing under "Description of Depositary Shares Tendered". In the event that both the "Special Delivery Instructions" and "Special Payment Instructions" are completed, please issue the check for the Purchase Price and/or issue or return the depositary receipt(s) evidencing any Depositary Shares not tendered, not accepted for payment or for which payment is not made in the names(s) of, and deliver said check and/or depositary receipt(s) to, the person or persons so indicated. In the case of book-entry delivery of Depositary Shares, please credit the account maintained at the Book-Entry Transfer Facility indicated above with any Depositary Shares not accepted for payment or for which payment is not made. The undersigned recognizes that the Company has no obligation pursuant to the "Special Payment Instructions" to transfer any Depositary Shares from the name(s) of the registered holder(s) thereof if the Company does not accept for payment or make payment for any of the Depositary Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS (SEE INSTRUCTIONS 1, 4, 5, 6, 7, 10 AND 11)

To be completed ONLY if the check for the aggregate Purchase Price of Depositary Shares purchased and/or depositary receipts for Depositary Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned.

Issue check, and/or depositary receipts to:

Name _____

(PLEASE PRINT)

Address _____

(ZIP CODE)

(TAXPAYER IDENTIFICATION NO.)

SPECIAL DELIVERY INSTRUCTIONS (SEE INSTRUCTIONS 1, 4, 5, 6 AND 7)

To be completed ONLY if the check for the aggregate Purchase Price of Depositary Shares purchased and/or depositary receipts for Depositary Shares not tendered or not purchased are to be mailed to someone other than the undersigned or to the undersigned at an address other than that shown below the undersigned's signature(s).

Mail check, and/or

depositary receipts to:

Name _____

(PLEASE PRINT)

Address _____

(ZIP CODE)

SIGN HERE

(SEE INSTRUCTIONS 1 AND 5) (PLEASE COMPLETE SUBSTITUTE FORM W-9 BELOW)

SIGNATURE(S) OF OWNER(S)

Names(s) _____

Capacity (full title) _____

(PLEASE PRINT)

Address _____

(INCLUDE ZIP CODE)

Area Code and Telephone Number _____
Taxpayer Identification Number _____
Dated _____

(Must be signed by registered holder(s) exactly as name(s) appear(s) on depositary receipt(s) or on a security position listing or by person(s) authorized to become registered holder(s) by depositary receipts and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5.)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5)

Authorized Signature _____
Name _____
(PLEASE PRINT)

Title _____
Name of Firm _____
Address _____
(INCLUDE ZIP CODE)

Area Code and Telephone Number _____
Dated _____

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES

Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a firm which is an "Eligible Institution" (as defined in the Offer to Purchase). Signatures on this Letter of Transmittal need not be guaranteed if (a) this Letter of Transmittal is signed by the registered owner of the Depositary Shares (which term, for purposes of this document, shall include any participant in one of the Book-Entry Transfer Facilities whose name appears on a security position listing as the owner of Depositary Shares) tendered herewith and such holder(s) have not completed either of the boxes entitled "Special Payment Instructions" or "Special Delivery Instructions" on this Letter of Transmittal or (b) such Depositary Shares are tendered for the account of an Eligible Institution. See Instruction 5.

2. DELIVERY OF THE LETTER OF TRANSMITTAL AND DEPOSITARY SHARES

This Letter of Transmittal is to be used only if (a) depositary receipts for Depositary Shares are to be forwarded herewith or (b) delivery of Depositary Shares is to be made by book-entry transfer pursuant to the procedures set forth in Section 5 of the Offer to Purchase. Depositary receipts for all physically delivered Depositary Shares or a confirmation of a book-entry transfer of all Depositary Shares delivered electronically into the Depositary's account at one of the Book-Entry Transfer Facilities, together in each case with a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) with any required signature guarantees (or in the case of a book-entry transfer, an Agent's Message (as defined below)), and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the front page of this Letter of Transmittal by the Expiration Date (as defined in the Offer to Purchase).

Delivery of documents to one of the Book-Entry Transfer Facilities does not constitute delivery to the Depository.

Shareholders who cannot deliver the depository receipts for their Depository Shares to the Depository prior to the Expiration Date or who cannot complete the procedure for book-entry transfer on a timely basis or who cannot deliver a Letter of Transmittal and all other required documents to the Depository by the Expiration Date must tender their Depository Shares pursuant to the guaranteed delivery procedure set forth in Section 5 of the Offer to Purchase. Pursuant to such procedure: (a) such tender must be made by or through an Eligible Institution, (b) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Company must be received (by hand, mail or facsimile transmission) by the Depository by the Expiration Date and (c) the depository receipts for all physically delivered Depository Shares, in proper form for transfer (or a confirmation of a book-entry transfer of such Depository Shares into the Depository's account at one of the Book-Entry Transfer Facilities), together with a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) and any required signature guarantees (or in the case of book-entry transfer, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depository within five New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in Section 5 of the Offer to Purchase.

The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depository and forming a part of the confirmation of book-entry transfer, which states that such Book-Entry Transfer Facility has received an express acknowledgement from the participant in such Book-Entry Transfer Facility tendering the Depository Shares that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

THE METHOD OF DELIVERY OF DEPOSITORY SHARES, THIS LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND RISK OF THE TENDERING SHAREHOLDER. IF DELIVERY IS MADE BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED.

No alternative, conditional, or contingent tenders will be accepted, and no fractional Depository Shares will be purchased. By executing this Letter of Transmittal (or facsimile thereof), each tendering shareholder waives any right to receive any notice of the acceptance of such shareholder's tender.

3. INADEQUATE SPACE

If the space provided in the box captioned "Description of Depository Shares Tendered" is inadequate, the depository receipt numbers and/or the number of Depository Shares should be listed on a separate signed schedule and attached to this Letter of Transmittal.

4. PARTIAL TENDERS AND UNPURCHASED DEPOSITORY SHARES

Partial tenders are not applicable to shareholders who deliver Depository Shares by book-entry transfer. If fewer than all the Depository Shares represented by any depository receipt delivered to the Depository are to be tendered, fill in the number of Depository Shares that are to be tendered in the box entitled "Number of Depository Shares Tendered". If such Depository

Shares are purchased, a new depositary receipt for the remainder of the Depositary Shares represented by the old depositary receipt will be sent to and in the name of the registered holder(s) (unless otherwise provided by such holder(s) having completed either of the boxes entitled "Special Payment Instructions" or "Special Delivery Instructions" on this Letter of Transmittal) as promptly as practicable following the expiration or termination of the Offer. All Depositary Shares represented by the depositary receipt(s) listed and delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON THE LETTER OF TRANSMITTAL; STOCK POWERS AND ENDORSEMENTS

(a) If this Letter of Transmittal is signed by the registered holder(s) of the Depositary Shares tendered herewith, the signature(s) must correspond with the name(s) as written on the face of the depositary receipt without any change whatsoever.

(b) If any of the Depositary Shares tendered herewith are registered in the names of two or more joint owners, each such owner must sign this Letter of Transmittal.

(c) If any of the Depositary Shares tendered herewith are registered in different names on different depositary receipts, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of depositary receipts.

(d) If this Letter of Transmittal is signed by the registered holder(s) of the Depositary Shares tendered herewith, no endorsements of depositary receipts or separate stock powers are required unless payment is to be made, and/or the depositary receipts for Depositary Shares not tendered or not purchased are to be issued, in the name(s) of any person(s) other than the registered holder(s). If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Depositary Shares tendered herewith, however, the depositary receipts must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on the depositary receipts for such Depositary Shares. Signature(s) on any such depositary receipts or stock powers must be guaranteed by an Eligible Institution. See Instruction 1.

(e) If this Letter of Transmittal or any depositary receipt or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such proper evidence satisfactory to the Company of the authority of such person so to act must be submitted.

6. STOCK TRANSFER TAXES

The Company will pay any stock transfer taxes with respect to the transfer and sale of Depositary Shares to it or its order pursuant to the Offer. If, however, payment of the Purchase Price is to be made to, or if depositary receipts for Depositary Shares not tendered or accepted for purchase are to be registered in the name of any person other than the registered holder, or if tendered depositary receipts are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder or such person) payable on account of the transfer to such person will be deducted from the Purchase Price unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS

If the check for the Purchase Price of any Depositary Shares purchased is to be issued to, or any Depositary Shares not tendered or not purchased are to be returned in the name of, a person other than the person(s) signing this Letter of Transmittal or if the check or any depositary receipts for Depositary Shares not tendered or not purchased are to be mailed to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address other than that shown in the box entitled "Description of Depositary Shares Tendered", the boxes entitled "Special Payment Instructions" and/or "Special Delivery Instructions" on this Letter of Transmittal should be completed.

8. LOST, STOLEN OR DESTROYED DEPOSITARY RECEIPTS

Any shareholder whose depositary receipts have been lost, stolen or destroyed should contact either the Depositary or the Information Agent at their respective addresses shown on this Letter of Transmittal for special instructions.

9. SOLICITED TENDERS.

The Company will pay to a Soliciting Dealer (as defined herein) a solicitation fee of \$0.375 per Depositary Share, or for transactions equal to or exceeding 20,000 Depositary Shares or \$500,000, \$0.250 per Depositary Share, for any Depositary Shares tendered, accepted for payment and paid for pursuant to the Offer. For purposes of this Instruction 9, "Soliciting Dealer" includes (i) any broker or dealer in securities, including the Dealer Manager in its capacity as a dealer or broker, who is a member of any national securities exchange or of the National Association of Securities Dealers, Inc. (the "NASD"), (ii) any foreign broker or dealer not eligible for membership in the NASD who agrees to conform to the NASD's Rules of Fair Practice in soliciting tenders outside the United States to the same extent as though it were an NASD member, or (iii) any bank or trust company, any one of whom has solicited and obtained a tender pursuant to the Offer. No such fee shall be payable to a Soliciting Dealer in respect of Depositary Shares registered in the name of such Soliciting Dealer unless (i) such Depositary Shares are held by such Soliciting Dealer as nominee and such Depositary Shares are being tendered for the benefit of one or more beneficial owners identified on the Letter of Transmittal or on the Notice of Solicited Tenders (included in the materials provided to brokers and dealers) or (ii) such Depositary Shares are being tendered for the benefit of the Soliciting Dealer and such Soliciting Dealer certifies on the Letter of Transmittal or on the Notice of Solicited Tenders that such Depositary Shares were acquired by the Soliciting Dealer (x) after the announcement of the Offer, (y) at a price not in excess of the Purchase Price and (z) from a holder solicited by the Soliciting Dealer. For purposes of clause (z), "solicited" shall mean direct contact (other than the mailing of the tender offer materials) with the holder relating to the tender of Depositary Shares beneficially owned by the holder that resulted in the purchase by the Soliciting Dealer of such Depositary Shares. No such fee shall be payable to a Soliciting Dealer with respect to the tender of Depositary Shares by a holder unless the Letter of Transmittal accompanying such tender designates such Soliciting Dealer as such in the box captioned "Solicited Tenders" or the Notice of Solicited Tenders accompanying such tender designates such Soliciting Dealer. No such fee shall be payable to a Soliciting Dealer with respect to the tender of Depositary Shares by the holder of record, for the benefit of the beneficial owner, unless the beneficial owner has designated such Soliciting Dealer. No such fee shall be payable to a Soliciting Dealer unless the Soliciting Dealer returns a Notice of Solicited Tenders to the

Depository within 5 business days after expiration of the Offer. No such fee shall be payable to a Soliciting Dealer if such Soliciting Dealer is required for any reason to transfer the amount of such fee to a depositing holder (other than itself). No broker, dealer, bank, trust company or fiduciary shall be deemed to be the agent of the Company, the Depository or the Dealer Manager for purposes of the Offer.

10. FEDERAL INCOME TAX WITHHOLDING

Except as provided below under "Important Tax Information", each tendering shareholder is required to provide the Depository with a correct TIN on Substitute Form W-9 which is provided under "Important Tax Information" above. Failure to provide the information on the form may subject the tendering shareholder to a \$50 penalty and 31% Federal backup withholding tax may be imposed on the payments made to the shareholder or other payee with respect to Depository Shares purchased pursuant to the Offer. For further information concerning backup withholding and instructions for completing the Substitute Form W-9, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9."

11. WITHHOLDING ON FOREIGN SHAREHOLDERS

The Depository will withhold federal income tax equal to 30% of the gross payments payable to a foreign shareholder unless the Depository determines that a reduced rate of withholding or an exemption from withholding is applicable. For this purpose, a foreign shareholder is any shareholder that is not (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof or (iii) any estate or trust the income of which is subject to United States federal income taxation regardless of the source of such income. The Depository will determine a shareholder's status as a foreign shareholder and eligibility for a reduced rate of, or an exemption from, withholding by reference to the shareholder's address and to any outstanding certificates or statements concerning eligibility for a reduced rate of, or exemption from, withholding unless facts and circumstances indicate that reliance is not warranted. A foreign shareholder who has not previously submitted the appropriate certificates or statements with respect to a reduced rate of, or exemption from, withholding for which such shareholder may be eligible should consider doing so in order to avoid over-withholding. A foreign shareholder may be eligible to obtain a refund of tax withheld if such shareholder meets one of the two tests for capital gain or loss treatment described in Section 2 of the Offer to Purchase or is otherwise able to establish that no tax or a reduced amount of tax was due.

12. IRREGULARITIES

All questions as to the number of Depository Shares to be accepted and the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Depository Shares will be determined by the Company, in its sole discretion, and its determination shall be final and binding on all parties. The Company reserves the absolute right to reject any or all tenders it determines not to be in proper form or the acceptance of or payment for which may, in the opinion of the Company's counsel, be unlawful. The Company also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in the tender of any particular Depository Shares. No tender of Depository Shares will be deemed to be properly made until all defects and irregularities have been cured or waived. Unless waived, any

defects or irregularities in connection with tenders must be cured within such time as the Company shall determine. None of the Company, the Dealer Manager, the Depositary, the Information Agent nor any other person is or will be obligated to give notice of any defects or irregularities in tenders, and none of them will incur any liability for failure to give such notice.

13. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES

Requests for assistance or additional copies of the Offer to Purchase and this Letter of Transmittal may be obtained from the Information Agent or Dealer Manager at their respective addresses or telephone numbers set forth below.

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A MANUALLY SIGNED FACSIMILE HEREOF (TOGETHER WITH DEPOSITARY RECEIPTS FOR DEPOSITARY SHARES OR CONFIRMATION OF BOOK-ENTRY TRANSFER OF DEPOSITARY SHARES AND ALL OTHER REQUIRED DOCUMENTS) OR A NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE.

IMPORTANT TAX INFORMATION

Under U.S. federal income tax law, a shareholder whose tendered Depositary Shares are accepted for payment is required to provide the Depositary with such shareholder's correct taxpayer identification number ("TIN") on Substitute Form W-9 below. If the Depositary is not provided with the correct TIN, the Internal Revenue Service may subject the shareholder or other payee to a \$50 penalty. In addition, payments that are made to such shareholder or other payee with respect to Depositary Shares purchased pursuant to the Offer may be subject to 31% backup withholding.

Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements and should indicate their status by writing "exempt" across the face of the Substitute Form W-9. In order for a foreign individual to qualify as an exempt recipient, the shareholder must submit a Form W-8, signed under penalties of perjury, attesting to that individual's exempt status. A Form W-8 can be obtained from the Depositary. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

If backup withholding applies, the Depositary is required to withhold 31% of any such payments made to the shareholder or other payee. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

The box in Part 2 of the Substitute Form W-9 may be checked if the tendering shareholder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 2 is checked, the shareholder or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number below Part 2 in order to avoid backup withholding. Notwithstanding that the box in Part 2 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed the Depositary will withhold 31% on all payments made prior to the time a properly certified TIN is provided to the Depositary.

WHAT NUMBER TO GIVE THE DEPOSITARY

The shareholder is required to give the Depository the TIN (e.g., social security number or employer identification number) of the record owner of the Depository Shares or of the last transferee appearing on the transfers attached to, or endorsed on, the depository receipts evidencing the Depository Shares. If the Depository Shares are registered in more than one name or are not registered in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

PAYER'S NAME: FIRST CHICAGO TRUST COMPANY OF NEW YORK

PART 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW

Social security number
OR _____
Employer identification number

SUBSTITUTE
FORM W-9

PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)

PART 2--Awaiting TIN. []

CERTIFICATION--UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT AND COMPLETE.

NAME _____
(PLEASE PRINT)

ADDRESS _____

(INCLUDE ZIP CODE)

SIGNATURE _____ DATE _____

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (b) I intend to mail or deliver an application in the near future. I understand that, notwithstanding that I have checked the box on Part 2 (and have completed this Certificate of Awaiting Taxpayer Identification Number), all reportable payments made to me prior to the time I provide the Depository with a properly certified taxpayer identification number will be subject to a 31% backup withholding tax.

SIGNATURE

DATE

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM W-9 MAY RESULT IN A BACKUP WITHHOLDING OF 31% OF ANY PAYMENT MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED "GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9" FOR ADDITIONAL DETAILS.

The Information Agent for the Offer is:

GEORGESON
& COMPANY INC.
Wall Street Plaza
New York, New York 10005
Banks and Brokers Call Collect:
(212) 440-9800
ALL OTHERS CALL TOLL FREE:
(800) 223-2064

The Dealer Manager for the Offer is:

MERRILL LYNCH & CO.
250 Vesey Street
New York, New York 10281
(212) 236-4565 (call collect)
(212) 236-4097 (call collect)

IBM

INTERNATIONAL BUSINESS MACHINES CORPORATION

NOTICE OF GUARANTEED DELIVERY OF DEPOSITARY SHARES, EACH REPRESENTING A ONE-FOURTH INTEREST IN A SHARE OF SERIES A 7- 1/2% PREFERRED STOCK

This form or a facsimile hereof must be used to accept the Offer (as defined below) if:

(a) depositary receipts for Depositary Shares (the "Depositary Shares"), each representing a one-fourth interest in a share of Series A 7- 1/2% Preferred Stock, par value \$0.01 per share, liquidation preference \$100 per share, of INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation (the "Company"), cannot be delivered to the Depositary prior to the Expiration Date (as defined in Section 4 of the Company's Offer to Purchase dated January 11, 1995 (the "Offer to Purchase")); or

(b) the procedure for book-entry transfer (set forth in Section 5 of the Offer to Purchase) cannot be completed on a timely basis; or

(c) the Letter of Transmittal (or a facsimile thereof) and all other required documents cannot be delivered to the Depositary prior to the Expiration Date.

This form, properly completed and duly executed, may be delivered by hand, mail or facsimile transmission to the Depositary. See Section 5 of the Offer to Purchase.

TO: FIRST CHICAGO TRUST COMPANY OF NEW YORK, DEPOSITARY

By Hand or Overnight
Delivery:

By Facsimile
Transmission (for
Eligible Institutions
only):

By Mail

First Chicago Trust
Company of New York
Tenders & Exchanges
Suite 4680-IBM 14 Wall
Street, 8th Floor New
York, NY 10005

(201) 222-4720
or
(201) 222-4721

First Chicago Trust
Company of New York
Tenders & Exchanges
Suite 4660-IBM P.O. Box
2560 Jersey City, NJ
07303-2560

Confirm Receipt of
Notice of Guaranteed
Delivery by Telephone:
(201) 222-4707

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR A TRANSMISSION OF INSTRUCTIONS TO A FACSIMILE NUMBER OTHER THAN THE ONES LISTED ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" (as defined in the Offer to Purchase) under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders to the Company, upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal (which together constitute the "Offer"), receipt of which is hereby acknowledged, the number of Depositary Shares specified below pursuant to the guaranteed delivery procedure set forth in Section 5 of the Offer to Purchase.

No. of Depositary Shares tendered

SIGN HERE

Depositary Shares

Certificate Nos.
(if available):

(Signature(s))

(Signature(s))

If Depositary Shares will be delivered
by book-entry transfer:

(Name(s)) (Please Print)

Name of Tendering Institution: _____

(Address)

Account _____
at:

(Zip Code)

- The Depository Trust Company
 Midwest Securities Trust Company
 Philadelphia Depository Trust Company

(Area Code and Telephone No.)

GUARANTEE

(Not to be used for signature guarantee)

The undersigned, an "Eligible Institution", guarantees (a) that the above

named person(s) "own(s)" the Depositary Shares tendered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, (b) that such tender of Depositary Shares complies with Rule 14e-4 and (c) to deliver to the Depositary either the depositary receipts representing the Depositary Shares tendered hereby, in proper form for transfer, or confirmation of the book-entry transfer of such Depositary Shares into the Depositary's account at The Depositary Trust Company, Midwest Securities Trust Company or Philadelphia Depositary Trust Company, in any such case together with a properly completed and duly executed Letter(s) of Transmittal (or facsimile(s) thereof), with any required signature guarantees (or an Agent's Message (as defined in the Offer to Purchase)) and any other required documents within five New York Stock Exchange trading days after the date of execution of this notice.

(Name of Firm)

(Authorized Signature)

(Name)

(Address)

(Zip Code)

(Area Code and Telephone No.)

Dated: _____

DO NOT SEND DEPOSITARY RECEIPTS WITH THIS FORM. YOUR DEPOSITARY RECEIPTS MUST BE SENT WITH THE LETTER OF TRANSMITTAL.

[MERRILL LYNCH & CO. LETTERHEAD]

INTERNATIONAL BUSINESS MACHINES CORPORATION
OFFER TO PURCHASE FOR CASH ANY AND ALL OUTSTANDING DEPOSITARY SHARES, EACH
REPRESENTING A ONE-FOURTH INTEREST IN A SHARE OF SERIES A 7- 1/2% PREFERRED
STOCK, AT \$25 NET PER DEPOSITARY SHARE

January 11, 1995

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

We have been appointed Dealer Manager by International Business Machines Corporation, a New York corporation (the "Company"), in connection with its offer to purchase any and all of its outstanding Depositary Shares (the "Depositary Shares"), each representing a one-fourth interest in a share of Series A 7- 1/2% Preferred Stock, par value \$0.01 per share, liquidation preference \$100 per share, of the Company, at a price of \$25 per Depositary Share (the "Purchase Price"), upon the terms and subject to the conditions set forth in the Company's Offer to Purchase dated January 11, 1995 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer").

For your information and for forwarding to your clients for whom you hold Depositary Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. Offer to Purchase dated January 11, 1995;
2. Letter of Transmittal for your use and for the information of your clients, together with Guidelines for Certification of Taxpayer Number on a Substitute Form W-9 providing information relating to backup Federal income tax withholding;
3. Notice of Guaranteed Delivery to be used to accept the Offer if the Depositary Shares and all other required documents cannot be delivered to First Chicago Trust Company of New York (the "Depositary") by the Expiration Date (as defined in the Offer to Purchase);
4. A form of letter that may be sent to your clients for whose accounts you hold Depositary Shares registered in your name or in the name of your nominee, with space provided for obtaining such client's instructions and designation of Soliciting Dealer with regard to the Offer; and
5. Return envelope addressed to First Chicago Trust Company of New York, the Depositary.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME, ON WEDNESDAY, FEBRUARY 8, 1995, UNLESS THE OFFER IS EXTENDED.

NEITHER THE COMPANY NOR ITS BOARD OF DIRECTORS MAKES ANY RECOMMENDATION AS TO WHETHER ANY SHAREHOLDER SHOULD TENDER ANY OR ALL OF SUCH SHAREHOLDER'S

DEPOSITARY SHARES PURSUANT TO THE OFFER. EACH SHAREHOLDER MUST MAKE ITS OWN DECISION WHETHER TO TENDER DEPOSITARY SHARES AND, IF SO, HOW MANY DEPOSITARY SHARES TO TENDER.

The Company will pay to a Soliciting Dealer (as defined herein) a solicitation fee of \$0.375 per Depositary Share, or for transactions equal to or exceeding 20,000 Depositary Shares or \$500,000, \$0.250 per Depositary Share, for any Depositary Shares tendered, accepted for payment and paid for pursuant to the Offer. For purposes of this letter, "Soliciting Dealer" includes (i) any broker or dealer in securities, including the Dealer Manager in its capacity as a broker or dealer, who is a member of any national securities exchange or of the National Association of Securities Dealers, Inc. (the "NASD"), (ii) any foreign broker or dealer not eligible for membership in the NASD who agrees to conform to the NASD's Rules of Fair Practice in soliciting tenders outside the United States to the same extent as though it were an NASD member, or (iii) any bank or trust company, any one of whom has solicited and obtained a tender pursuant to the Offer. No such fee shall be payable to a Soliciting Dealer in respect of Depositary Shares registered in the name of such Soliciting Dealer unless (i) such Depositary Shares are held by such Soliciting Dealer as nominee and such Depositary Shares are being tendered for the benefit of one or more beneficial owners identified on the Letter of Transmittal or the Notice of Solicited Tenders or (ii) such Depositary Shares are being tendered for the benefit of the Soliciting Dealer and such Soliciting Dealer certifies on the Letter of Transmittal or the Notice of Solicited Tenders that such Depositary Shares were acquired by the Soliciting Dealer (x) after the announcement of the Offer, (y) at a price not in excess of the Purchase Price and (z) from a holder solicited by the Soliciting Dealer. For purposes of clause (z), "solicited" shall mean direct contact (other than the mailing of the tender offer materials) with the holder relating to the tender of Depositary Shares beneficially owned by the holder that resulted in the purchase by the Soliciting Dealer of such Depositary Shares. No such fee shall be payable to a Soliciting Dealer with respect to the tender of Depositary Shares by a holder unless the Letter of Transmittal accompanying such tender designates such Soliciting Dealer as such in the box captioned "Solicited Tenders" or the Notice of Solicited Tenders accompanying such tender designates such Soliciting Dealer. No such fee shall be payable to a Soliciting Dealer with respect to the tender of Depositary Shares by the holder of record, for the benefit of the beneficial owner, unless the beneficial owner has designated such Soliciting Dealer. No such fee shall be payable to a Soliciting Dealer if such Soliciting Dealer is required for any reason to transfer the amount of such fee to a depositing holder (other than itself). No broker, dealer, bank, trust company or fiduciary shall be deemed to be the agent of the Company, the Depositary or the Dealer Manager for purposes of the Offer.

The Company, upon request, will reimburse you for customary handling and mailing expenses incurred by you in forwarding any of the enclosed materials to your clients. The Company will pay all stock transfer taxes applicable to its purchase of Depositary Shares pursuant to the Offer, subject to Instruction 6 of the Letter of Transmittal.

In order for a Soliciting Dealer to receive a solicitation fee, the Depositary must have received from such Soliciting Dealer a properly completed and duly executed Notice of Solicited Tenders in the form attached hereto (or facsimile thereof) within 5 business days after expiration of the Offer.

Any inquiries you may have with respect to the Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, the Information Agent or the Dealer Manager at the addresses and telephone numbers set forth on the back cover of the Offer to Purchase.

Very truly yours,

Merrill Lynch & Co.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU THE AGENT OF THE COMPANY, THE INFORMATION AGENT, THE DEALER MANAGER OR THE DEPOSITARY, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND STATEMENTS CONTAINED THEREIN.

NOTICE OF SOLICITED TENDERS

List below the number of Depositary Shares whose tender you have solicited. All Depositary Shares beneficially owned by a beneficial owner, whether in one account or several, and in however many capacities, must be aggregated for purposes of completing the tables below. Any questions as to what constitutes beneficial ownership should be directed to the Depositary. If the space below is inadequate, list the Depositary Shares in a separate signed schedule and affix the list to this Notice of Solicited Tenders. Please do not complete the sections of the table headed "TO BE COMPLETED ONLY BY DEPOSITARY."

ALL NOTICES OF SOLICITED TENDERS SHOULD BE RETURNED TO THE DEPOSITARY AT THE ADDRESS SET FORTH ON THE BACK COVER OF THE OFFER TO PURCHASE. ALL QUESTIONS CONCERNING THE NOTICES OF SOLICITED TENDERS SHOULD BE DIRECTED TO THE INFORMATION AGENT AT THE TELEPHONE NUMBER SET FORTH ON THE BACK COVER OF THE OFFER TO PURCHASE.

SOLICITED TENDERS OF DEPOSITARY SHARES NOT BENEFICIALLY OWNED BY SOLICITING DEALER

FOR TRANSACTIONS LESS THAN 20,000 DEPOSITARY SHARES OR \$500,000

<TABLE>
<CAPTION>

Table with 4 columns: TO BE COMPLETED BY THE SOLICITING DEALER, TO BE COMPLETED BY THE SOLICITING DEALER, TO BE COMPLETED ONLY BY DEPOSITARY, TO BE COMPLETED ONLY BY DEPOSITARY. Includes rows for Beneficial Owners 1-5 and a Total row.

</TABLE>

* Complete if Depositary Shares delivered by book-entry transfer.

FOR TRANSACTIONS EQUAL TO OR EXCEEDING 20,000 DEPOSITARY SHARES OR \$500,000

<TABLE>
<CAPTION>

	TO BE COMPLETED BY THE SOLICITING DEALER	TO BE COMPLETED BY THE SOLICITING DEALER	TO BE COMPLETED ONLY BY DEPOSITARY	TO BE COMPLETED ONLY BY DEPOSITARY
BENEFICIAL OWNERS	NUMBER OF SHARES TENDERED	VOI TICKET NUMBER*	NUMBER OF SHARES ACCEPTED	FEE \$.250 PER DEPOSITARY SHARE
<S>	<C>	<C>	<C>	<C>
Beneficial Owner No. 1..	-----	-----	-----	-----
Beneficial Owner No. 2..	-----	-----	-----	-----
Beneficial Owner No. 3..	-----	-----	-----	-----
Beneficial Owner No. 4..	-----	-----	-----	-----
Beneficial Owner No. 5..	-----	-----	-----	-----
Total.....	-----	-----	-----	-----

</TABLE>

* Complete if Depositary Shares delivered by book-entry transfer.

SOLICITED TENDERS OF DEPOSITARY SHARES BENEFICIALLY OWNED BY SOLICITING DEALER
FOR TRANSACTIONS LESS THAN 20,000 DEPOSITARY SHARES OR \$500,000

<TABLE>
<CAPTION>

	TO BE COMPLETED BY THE SOLICITING DEALER	TO BE COMPLETED BY THE SOLICITING DEALER	TO BE COMPLETED ONLY BY DEPOSITARY	TO BE COMPLETED ONLY BY DEPOSITARY
	NUMBER OF SHARES TENDERED	VOI TICKET NUMBER*	NUMBER OF SHARES ACCEPTED	FEE \$.375 PER DEPOSITARY SHARE
<S>	<C>	<C>	<C>	<C>
	-----	-----	-----	-----
	-----	-----	-----	-----
	-----	-----	-----	-----
	-----	-----	-----	-----
Total....	-----	-----	-----	-----

</TABLE>

* Complete if Depositary Shares delivered by book-entry transfer.

FOR TRANSACTIONS EQUAL TO OR EXCEEDING 20,000 DEPOSITARY SHARES OR \$500,000

<TABLE>
<CAPTION>

	TO BE COMPLETED BY THE SOLICITING DEALER	TO BE COMPLETED BY THE SOLICITING DEALER	TO BE COMPLETED ONLY BY DEPOSITARY	TO BE COMPLETED ONLY BY DEPOSITARY
<S>	<C>	<C>	<C>	<C>
	NUMBER OF SHARES TENDERED	VOI TICKET NUMBER*	NUMBER OF SHARES ACCEPTED	FEE \$.250 PER DEPOSITARY SHARE
	-----	-----	-----	-----
	-----	-----	-----	-----
	-----	-----	-----	-----
	-----	-----	-----	-----
	-----	-----	-----	-----
Total....	-----	-----	-----	-----

</TABLE>

*Complete if Depositary Shares delivered by book-entry transfer.

All questions as to the validity, form and eligibility (including time of receipt) of Notices of Solicited Tenders will be determined by the Depositary, in its sole discretion, which determination will be final and binding. Neither the Depositary nor any other person will be under any duty to give notification of any defects or irregularities in any Notice of Solicited Tenders or incur any liability for failure to give such notification.

The undersigned hereby confirms that: (i) it has complied with the applicable requirements of the Securities Exchange Act of 1934, and the applicable rules and regulations thereunder, in connection with such solicitation; (ii) it is entitled to such compensation for such solicitation under the terms and conditions of the Offer to Purchase; (iii) in soliciting tenders of Depositary Shares, it has used no soliciting materials other than those furnished by the Company; and (iv) if it is a foreign broker or dealer not eligible for membership in the NASD, it has agreed to conform to the NASD's Rules of Fair Practice in making solicitations.

The undersigned hereby certifies that the Depositary Shares beneficially owned by the Soliciting Dealer and tendered in connection herewith were acquired by the Soliciting Dealer (x) after the announcement of the Offer, (y) at a price not in excess of the Purchase Price and (z) from a holder solicited by the Soliciting Dealer. For purposes of clause (z), "solicited" shall mean direct contact (other than the mailing of the tender offer materials) with the holder relating to the tender of Depositary Shares beneficially owned by the holder that resulted in the purchase by the Soliciting Dealer of such Depositary Shares.

Printed Firm Name

Address

Authorized Signature

Area Code and Telephone Number

INTERNATIONAL BUSINESS MACHINES CORPORATION
OFFER TO PURCHASE FOR CASH ANY AND ALL OUTSTANDING DEPOSITARY SHARES,
EACH REPRESENTING A ONE-FOURTH INTEREST IN A SHARE OF SERIES A 7- 1/2%
PREFERRED STOCK,
AT \$25 NET PER DEPOSITARY SHARE

January 11, 1995

To Our Clients:

Enclosed for your consideration are the Offer to Purchase dated January 11, 1995, and the related Letter of Transmittal (which together constitute the "Offer"), in connection with the Offer by INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation (the "Company"), to purchase any and all of its outstanding Depositary Shares (the "Depositary Shares"), each representing a one-fourth interest in a share of Series A 7- 1/2% Preferred Stock, par value \$0.01 per share, liquidation preference \$100 per share, of the Company, at a price of \$25 per Depositary Share, upon the terms and subject to the conditions of the Offer. We are the holder of record of Depositary Shares held for your account. A tender of such Depositary Shares can be made only by us as the holder of record and pursuant to your instructions. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER DEPOSITARY SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish us to tender any or all of the Depositary Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer to Purchase and the Letter of Transmittal. We also request that you designate, in the box captioned "Solicited Tenders", any Soliciting Dealer who solicited your tender of Depositary Shares.

Your attention is invited to the following:

1. The Offer and withdrawal rights expire at 12:00 midnight, Eastern Standard Time, on Wednesday, February 8, 1995, unless the Offer is extended.

2. The Offer is not conditioned upon any minimum number of Depositary Shares being tendered. The Offer is, however, subject to certain other conditions, as described in Section 8 of the Offer to Purchase.

3. Any stock transfer taxes applicable to the sale of Depositary Shares to the Company pursuant to the Offer will be paid by the Company, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

If you wish to have us tender any or all of your Depositary Shares, please so

instruct us by completing, executing and returning to us the attached instruction form. An envelope to return your instructions to us is enclosed. If you authorize tender of your Depositary Shares, all such Depositary Shares will be tendered unless otherwise specified on the attached instruction form. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf by the expiration of the Offer.

THE OFFER IS NOT BEING MADE TO, NOR WILL TENDERS BE ACCEPTED FROM OR ON BEHALF OF, HOLDERS OF DEPOSITARY SHARES IN ANY JURISDICTION IN WHICH THE MAKING OF THE OFFER OR ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF SUCH JURISDICTION. IN THOSE JURISDICTIONS THE LAWS OF WHICH REQUIRE THAT THE OFFER BE MADE BY A LICENSED BROKER OR DEALER, THE OFFER SHALL BE DEEMED TO BE MADE ON BEHALF OF THE COMPANY BY ONE OR MORE REGISTERED BROKERS OR DEALERS LICENSED UNDER THE LAWS OF SUCH JURISDICTION.

INSTRUCTIONS WITH RESPECT TO OFFER TO PURCHASE FOR CASH ANY AND ALL OUTSTANDING DEPOSITARY SHARES, EACH REPRESENTING A ONE-FOURTH INTEREST IN A SHARE OF SERIES A 7- 1/2% PREFERRED STOCK

OF

INTERNATIONAL BUSINESS MACHINES CORPORATION

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated January 11, 1995, and the related Letter of Transmittal in connection with the offer by International Business Machines Corporation, a New York corporation (the "Company"), to purchase any and all of its outstanding Depositary Shares (the "Depositary Shares"), each representing a one-fourth interest in a share of Series A 7- 1/2% Preferred Stock, par value \$0.01 per share, liquidation preference \$100 per share, of the Company, at a price of \$25 per Depositary Share, net to the undersigned in cash.

This will instruct you to tender the number of Depositary Shares indicated below held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal.

By checking this box, all Depositary Shares held for the account of the undersigned, including fractional Depositary Shares, will be tendered. If fewer than all Depositary Shares are to be tendered, please check the box and indicate below the aggregate number of Depositary Shares to be tendered. (Unless otherwise indicated, it will be assumed that all Depositary Shares held for the account of the undersigned are to be tendered.)

Depositary Shares

Please designate in the box below any Soliciting Dealer who solicited your tender:

SOLICITED TENDERS

The undersigned represents that the Soliciting Dealer who solicited and obtained this tender is:

Name of Firm: _____
(Please Print)

Name of Individual Broker or Financial Consultant: _____

Identification Number (if known): _____

Address: _____

(Include Zip Code)

SIGN HERE

Signature (s)

Please print name(s) and address(es)
here

Dated

[LETTERHEAD OF INTERNATIONAL BUSINESS MACHINES CORPORATION]

January 10, 1995

Dear Shareholder:

IBM is offering to purchase all of the depositary shares of its Series A 7 1/2 percent Preferred Stock, issued in 1993.

We believe this offer makes good financial sense for IBM. And it gives you the opportunity to sell your shares at a premium over the prevailing market price prior to the announcement of the offer and without the usual transaction costs.

Neither IBM nor its Board of Directors makes any recommendation as to whether you should sell your shares. That's entirely your decision. The offer is explained in more detail in the enclosed offer to purchase. I encourage you to read this material before making any decision. If you choose to sell, please follow the instructions in the enclosed materials.

If you have any questions regarding this offer, please call Georgeson & Company, Inc., for general information, or Merrill Lynch & Co., the offer's dealer manager, at the phone numbers on the back cover of the enclosed offer to purchase.

Sincerely,

/s/ Louis V. Gerstner, Jr.

LOUIS V. GERSTNER, JR.

PRESS RELEASE

IBM FILES PREFERRED STOCK TENDER OFFER

ARMONK, N.Y., January 10, 1995 . . . International Business Machines Corporation announced today that effective tomorrow, January 11, 1995, it will commence a tender offer to purchase for cash any and all of the 44,580,000 outstanding depositary shares representing its Series A 7 1/2 percent preferred stock for a price of \$25.00 net per depositary share.

"This is a prudent and effective use of a portion of our cash," said Jerome B. York, senior vice president and chief financial officer of IBM. "Over the past year, we've reduced our debt level by more than \$4 billion. Although preferred stock technically is equity, it is a long-term, fixed-rate obligation similar to debt. As such, this tender offer will help to further reduce IBM's ongoing financial obligations commensurate with our long-term capital structure goals."

Under the offer, depositary shares tendered and purchased by IBM will not receive or otherwise be entitled to the regular quarterly cash dividend expected to be paid for the first quarter of 1995 and also will not receive any accrued dividends for that period. The tender offer will be made only by means of, and upon the terms and subject to the conditions set forth in, IBM's offer to purchase dated January 11, 1995, and related letter of transmittal. The offer is not conditioned upon any minimum number of depositary shares being tendered. The offer and withdrawal rights will expire at 12:00 midnight (EST) on February 8, 1995, unless the offer is extended.

Merrill Lynch & Co. will act as dealer manager in connection with the tender offer. Information about the offer can be obtained from the dealer manager or Georgeson & Co., the information agent for the tender offer. The toll-free telephone number for Georgeson & Co. is (800) 223-2064.

The depositary shares were issued in a public offering on May 28, 1993. Each depositary share represents a one-fourth interest in a share of the preferred stock.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Depositary Shares. The Offer is made solely by the Offer to Purchase dated January 11, 1995 and the related Letter of Transmittal and is not being made to (nor will tenders be accepted from or on behalf of) holders of Depositary Shares residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In any jurisdiction the securities laws of which require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed made on behalf of the Company by one or more brokers or dealers licensed under the laws of such jurisdiction.

IBM

NOTICE OF OFFER TO PURCHASE FOR CASH
 BY
 INTERNATIONAL BUSINESS MACHINES CORPORATION
 OF
 ANY AND ALL OF ITS OUTSTANDING DEPOSITARY SHARES, EACH
 REPRESENTING A ONE-FOURTH INTEREST IN A SHARE OF ITS SERIES A 7- 1/2%
 PREFERRED STOCK
 AT
 \$25 PER SHARE

International Business Machines Corporation, a New York corporation (the "Company"), is offering to purchase any and all of its outstanding Depositary Shares (the "Depositary Shares"), each representing a one-fourth interest in a share of Series A 7- 1/2% Preferred Stock, par value \$0.01 per share, liquidation preference \$100 per share, of the Company, at \$25 per Depositary Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase dated January 11, 1995 (the "Offer to Purchase"), and in the related Letter of Transmittal (which together constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME, ON WEDNESDAY, FEBRUARY 8, 1995, UNLESS THE OFFER IS EXTENDED.

THE COMPANY, ITS BOARD OF DIRECTORS AND ITS EXECUTIVE OFFICERS MAKE NO RECOMMENDATION AS TO WHETHER ANY SHAREHOLDER SHOULD TENDER ANY OR ALL OF SUCH SHAREHOLDER'S DEPOSITARY SHARES PURSUANT TO THE OFFER. EACH SHAREHOLDER MUST MAKE ITS OWN DECISION WHETHER TO TENDER DEPOSITARY SHARES AND, IF SO, HOW MANY DEPOSITARY SHARES TO TENDER.

Depositary Shares tendered and purchased by the Company will not receive or otherwise be entitled to the expected regular quarterly cash dividend of \$0.46875 per Depositary Share, with a record date of March 19, 1995, to be paid

on April 3, 1995 by the Company for the first quarter of 1995, and will also not receive any accrued dividends in respect thereof. See Section 9 of the Offer to Purchase.

The Company is making the Offer because it believes that, given its current financial condition (including its substantial current cash and cash equivalents position) and the current market price of the Depositary Shares, the purchase of the Depositary Shares pursuant to the Offer is economically attractive to the Company. The Offer will enable the Company to reduce its dividend requirements and annual administrative expenses in connection with servicing the accounts of holders of the Depositary Shares. The Company also believes the Offer is fair to holders of Depositary Shares. The Offer will provide shareholders who are considering a sale of all or a portion of the Depositary Shares the opportunity to sell those Depositary Shares for cash without the usual transaction costs associated with open-market sales. See Section 1 of the Offer to Purchase.

THE OFFER IS NOT CONDITIONED UPON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 8 OF THE OFFER TO PURCHASE.

Upon the terms and subject to the conditions of the Offer, the Company will accept for payment (and thereby purchase) any and all Depositary Shares as are properly tendered (and not withdrawn) on or before 12:00 midnight, Eastern Standard Time, on Wednesday, February 8, 1995, or the latest time and date at which the Offer, if extended by the Company, shall expire (the "Expiration Date"). The Company expressly reserves the right, in its sole discretion, at any time or from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to First Chicago Trust Company of New York (the "Depositary") and making a public announcement thereof. See Sections 4, 5, 7 and 13 of the Offer to Purchase.

The Company will pay to a Soliciting Dealer (as defined in the Offer to Purchase) a solicitation fee of \$0.375 per Depositary Share, or for transactions equal to or exceeding 20,000 Depositary Shares or \$500,000, \$0.25 per Depositary Share, for any Depositary Shares tendered and accepted for payment and paid for pursuant to the Offer, subject to certain conditions. See Section 14 of the Offer to Purchase.

Subject to the provisions in Section 6 of the Offer to Purchase, Depositary Shares tendered pursuant to the Offer may be withdrawn at any time before the Expiration Date and, unless theretofore accepted for payment by the Company, may also be withdrawn after 12:00 Midnight, Eastern Standard Time, on Thursday, March 9, 1995. See Section 6 of the Offer to Purchase.

For a withdrawal to be effective, the Depositary must timely receive (at one of its addresses set forth on the back cover of the Offer to Purchase) a written, telegraphic or facsimile transmission notice of withdrawal. Such notice of withdrawal must specify the name of the person having tendered the

Depository Shares to be withdrawn, the number of Depository Shares to be withdrawn and the name of the registered owner, if different from that of the person who tendered such Depository Shares. If the depository receipts have been delivered or otherwise identified to the Depository, then, prior to the release of such depository receipts, the tendering shareholder must also submit the serial numbers shown on the particular depository receipts evidencing the Depository Shares and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in Section 5 of the Offer to Purchase) (except in the case of Depository Shares tendered by an Eligible Institution). If Depository Shares have been delivered pursuant to the procedure for book-entry transfer set forth in Section 5 of the Offer to Purchase, the notice of withdrawal must specify the name and number of the account at the applicable Book-Entry Transfer Facility (as defined in Section 5 of the Offer to Purchase) to be credited with the withdrawn Depository Shares and otherwise comply with the procedures of such facility. A withdrawal of a tender of Depository Shares may not be rescinded, and any Depository Shares properly withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. Withdrawn Depository Shares may, however, be retendered before the Expiration Date by again following any of the procedures described in Section 5 of the Offer to Purchase.

THE OFFER TO PURCHASE AND THE LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION THAT SHOULD BE READ BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER. These documents are being mailed to recordholders of Depository Shares and will be furnished to brokers, dealers, banks and similar persons whose nominees, appear on the Company's shareholders list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Depository Shares.

The information required to be disclosed by Rule 13e-4(d)(1) of the General Rules and Regulations under the Securities Exchange Act of 1934 is contained in the Offer to Purchase and is incorporated herein by reference.

Any questions or requests for assistance may be directed to the Information Agent and the Dealer Manager at the addresses and telephone numbers set forth below. Requests for additional copies of the Offer to Purchase, Letter of Transmittal or other tender offer materials may be directed to the Information Agent and the Dealer Manager and such copies will be furnished at the Company's expense. Shareholders may also contact their broker, dealer, commercial bank or trust company for assistance concerning the Offer.

The Information Agent for the Offer is:

GEORGESON
& COMPANY INC.

WALL STREET PLAZA
NEW YORK, NEW YORK 10005
BANKS AND BROKERS CALL COLLECT:
(212) 440-9800

ALL OTHERS CALL TOLL FREE:
(800) 223-2064

The Dealer Manager for the Offer is:

MERRILL LYNCH & CO.
WORLD FINANCIAL CENTER
NORTH TOWER
NEW YORK, NEW YORK 10281-1305
(212) 236-4565 (CALL COLLECT)
(212) 236-4097 (CALL COLLECT)

January 11, 1995

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER.-- Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF--
<p><S></p> <ol style="list-style-type: none"> 1. An individual's account 2. Two or more individuals (joint account) 3. Husband and wife (joint account) 4. Custodian account of a minor (Uniform Gift to Minors Act) 5. Adult and minor (joint account) 6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person 7.a. The usual revocable savings trust account (grantor is also trustee) 	<p><C></p> <p>The individual</p> <p>The actual owner of the account or, if combined funds, any one of the individuals/1/</p> <p>The actual owner of the account or, if joint funds, either person/1/</p> <p>The minor/2/</p> <p>The adult or, if the minor is the only contributor, the minor/1/</p> <p>The ward, minor, or incompetent person/3/</p> <p>The grantor- trustee/1/</p>

b. So-called trust account The actual
that is not a legal or owner/1/
valid trust under State
law

</TABLE>

<TABLE>

<CAPTION>

FOR THIS TYPE OF ACCOUNT: GIVE THE EMPLOYER
IDENTIFICATION
NUMBER OF--

<S>

<C>

- | | |
|--|---|
| 8. Sole proprietorship
account | The Owner/1/ |
| 9. A valid trust, estate,
or pension trust | Legal entity (Do
not furnish the
identifying
number of the
personal
representative
or trustee
unless the legal
entity itself is
not designated
in the account
title.)/5/ |
| 10. Corporate account | The Corporation |
| 11. Religious, charitable,
or educational
organization account | The organization |
| 12. Partnership account
held in the name of the
business | The partnership |
| 13. Association, club, or
other tax-exempt
organization | The organization |
| 14. A broker or registered
nominee | The broker or
nominee |
| 15. Account with the
Department of
Agriculture in the name
of a public entity
(such as a State or
local government,
school district, or
prison) that receives
agricultural program
payments | The public
entity |

</TABLE>

- (1) List first and circle the name of the person whose number you furnish.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
- (4) Show the name of the owner.
- (5) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE
FORM W-9 PAGE 2

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

- . A corporation.
- . A financial institution.
- . An organization exempt from tax under section 501(a), or an individual retirement plan.
- . The United States or any agency or instrumentality thereof.
- . A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- . A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- . An international organization or any agency, or instrumentality thereof.
- . A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- . A real estate investment trust.
- . A common trust fund operated by a bank under section 584(a).
- . An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- . An entity registered at all times under the Investment Company Act of 1940.
- . A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- . Payments to nonresident aliens subject to withholding under section 1441.
- . Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- . Payments of patronage dividends where the amount received is not paid in money.
- . Payments made by certain foreign organizations.

Payments of interest not generally subject to backup withholding include the following:

- . Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- . Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- . Payments described in section 6049(b)(5) to non-resident aliens.
- . Payments on tax-free covenant bonds under section 1451.
- . Payments made by certain foreign organizations.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

PRIVACY ACT NOTICE.--Section 6109 requires most recipients of dividends, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

IBM OFFER TO PURCHASE FOR CASH ANY AND ALL OUTSTANDING DEPOSITARY SHARES, EACH REPRESENTING A ONE-FOURTH INTEREST IN A SHARE OF SERIES A 7- 1/2% PREFERRED STOCK, AT \$25 NET PER DEPOSITARY SHARE

Conditions for Payment of Fees to Soliciting Dealers

IBM will pay to a Soliciting Dealer a solicitation fee of \$0.375 per Depositary Share (or for transactions equal to or exceeding 20,000 shares or \$500,000, \$0.25 per Depositary Share) for shares that have been tendered, accepted for payment and paid for pursuant to the Offer, AS LONG AS THE

FOLLOWING CONDITIONS ARE MET:

(A) The Soliciting Dealer is NOT the beneficial owner of the Depositary Shares and is designated as Soliciting Dealer by the beneficial owner.

OR

(B) If the Soliciting Dealer beneficially owns such shares, the Soliciting Dealer certifies that the shares were acquired:

1. after the announcement of the Offer; and
2. at a price not in excess of \$25.00 per Depositary Share; and
3. from a holder "solicited" by the Soliciting Dealer, who has direct contact with the holder (other than the mailing of the tender offer materials).

All of the above is subject to additional conditions, including that the Soliciting Dealer completes and delivers a Notice of Solicited Tenders to the Depositary within 5 business days of the expiration of the Offer, as set forth in full in Section 14 of the OFFER TO PURCHASE.

These conditions are required as a matter of law and are set forth in full in Section 14 (page 16) of the OFFER TO PURCHASE.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-4

ISSUER TENDER OFFER STATEMENT
(PURSUANT TO SECTION 13(E) (1) OF THE SECURITIES EXCHANGE ACT OF 1934)

INTERNATIONAL BUSINESS MACHINES CORPORATION
(NAME OF ISSUER)

INTERNATIONAL BUSINESS MACHINES CORPORATION
(NAME OF PERSON(S) FILING STATEMENT)

DEPOSITARY SHARES, EACH REPRESENTING A ONE-FOURTH INTEREST IN A SHARE OF
SERIES A 7- 1/2% PREFERRED STOCK
(TITLE OF CLASS OF SECURITIES)

459200309
(CUSIP NUMBER OF CLASS OF SECURITIES)

JOHN E. HICKEY

VICE PRESIDENT AND SECRETARY
INTERNATIONAL BUSINESS MACHINES CORPORATION
ONE OLD ORCHARD ROAD
ARMONK, NEW YORK 10504
(914) 765-1900
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON
AUTHORIZED TO RECEIVE NOTICES AND COMMUNICATIONS
ON BEHALF OF THE PERSON FILING STATEMENT)

Copy to:

ROBERT ROSENMAN, ESQ.
CRAVATH, SWAIN & MOORE
WORLDWIDE PLAZA
825 EIGHTH AVENUE
NEW YORK, NEW YORK 10019
(212) 474-1300

JANUARY 11, 1995

CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE**
\$1,114,500,000	\$222,900

* Assumes purchase of 44,580,000 shares at \$25 per share.

** Calculated based on the transaction valuation multiplied by one-fiftieth of one percent.

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: N/A

Filing Party: N/A

Form or Registration No.: N/A

Date Filed: N/A

ITEM 1. SECURITY AND ISSUER.

(a) The name of the issuer is International Business Machines Corporation, a New York corporation (the "Company"), which has its principal executive offices at One Old Orchard Road, Armonk, New York 10504 (telephone number (914) 765-1900).

(b) The information set forth in the front cover page, "Introduction", "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer", "Section 4. Expiration Date; Extension of the Offer" and "Section 12. Transactions and Arrangements Concerning the Depositary Shares" of the Offer to Purchase, a copy of which is attached hereto as Exhibit (a)(1), (the "Offer to Purchase") is incorporated herein by reference.

(c) The information set forth in the "Introduction" and "Section 9. Price Range of the Depositary Shares; Dividends" of the Offer to Purchase is incorporated herein by reference.

(d) This statement is being filed by the issuer.

ITEM 2. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a)-(b) The information set forth in "Section 11. Source and Amount of Funds" of the Offer to Purchase is incorporated herein by reference.

ITEM 3. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE ISSUER OR AFFILIATE.

(a)-(j) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

ITEM 4. INTEREST IN SECURITIES OF THE ISSUER.

The information set forth in "Section 12. Transactions and Arrangements Concerning the Depositary Shares" of the Offer to Purchase is incorporated herein by reference.

ITEM 5. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE ISSUER'S SECURITIES.

The information set forth in "Section 12. Transactions and Arrangements Concerning the Depositary Shares" of the Offer to Purchase is incorporated herein by reference.

ITEM 6. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in the front cover page and "Section 14. Fees and Expenses" of the Offer to Purchase is incorporated herein by reference.

ITEM 7. FINANCIAL INFORMATION.

(a)-(b) The financial information set forth in "Section 10. Certain Information Concerning the Company" of the Offer to Purchase is incorporated herein by reference.

ITEM 8. ADDITIONAL INFORMATION.

(a) Not applicable.

(b) The information set forth in "Section 3. Certain Legal Matters; Regulatory and Foreign Approvals; No Appraisal Rights" of the Offer to Purchase is incorporated herein by reference.

1

(c) The information set forth in "Section 1. Purpose of the Offer; Certain Effects of the Offer; Plans of the Company After the Offer" of the Offer to Purchase is incorporated herein by reference.

(d) Not applicable.

(e) Reference is hereby made to the Offer to Purchase and the related Letter of Transmittal, copies of which are attached hereto as Exhibits (a) (1) and (a) (2), respectively, and incorporated in their entirety herein by reference.

ITEM 9. MATERIAL TO BE FILED AS EXHIBITS.

(a) (1) Form of Offer to Purchase dated January 11, 1995.

(a) (2) Form of Letter of Transmittal.

(a) (3) Form of Notice of Guaranteed Delivery.

(a) (4) Form of letter to brokers, dealers, commercial banks, trust companies and other nominees dated January 11, 1995.

(a) (5) Form of letter to clients for use by brokers, dealers, commercial banks, trust companies and other nominees dated January 11, 1995.

(a) (6) Letter to shareholders dated January 10, 1995.

(a) (7) Form of press release dated January 10, 1995.

(a) (8) Form of summary advertisement dated January 11, 1995.

(a) (9) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(a) (10) Summary of conditions for payment of fees to Soliciting Dealers.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

(e) Not applicable.

(f) Not applicable.

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

International Business Machines
Corporation

/s/ Richard F. Wallman

By: _____
Richard F. Wallman
Vice President and Controller

EXHIBIT INDEX

<TABLE>
<CAPTION>

SEQUENTIALLY
NUMBERED
PAGE

EXHIBIT NO.

DESCRIPTION

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<C>	<S>	
(a) (1)	--Form of Offer to Purchase dated January 11, 1995.	
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