

INTERNATIONAL BUSINESS MACHINES CORP
Form 11-K
June 29, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from to

Commission file number 1-2360

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

IBM Savings Plan

Director of Compensation and Benefits

Capital Accumulation Programs

IBM Corporation

North Castle Drive

Armonk, New York 10504

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

INTERNATIONAL BUSINESS MACHINES CORPORATION

New Orchard Road

Armonk, New York 10504

IBM SAVINGS PLAN

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

SIGNATURE

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

IBM Savings Plan

Date: June 27, 2006

By:

/s/ Timothy S. Shaughnessy
Timothy S. Shaughnessy
Vice President and Controller

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of IBM Savings Plan (the Plan) at December 31, 2005 and 2004, and the changes in net assets available for benefits for the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

/s/ PricewaterhouseCoopers LLP

New York, NY
June 27, 2006

**IBM SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AT DECEMBER 31,**

	2005	2004
	(Dollars in thousands)	
Assets:		
Investments, at fair value (Note 7)	\$ 28,421,430	\$ 27,045,734
Participant loans, at fair value	291,865	293,193
Total investments	28,713,295	27,338,927
Receivables:		
Participant contributions	35,538	33,525
Employer contributions	10,914	10,559
Income, sales proceeds and other receivables	8,794	5,347
Total receivables	55,246	49,431
Total assets	28,768,541	27,388,358
Liabilities:		
Payable for cash collateral	1,909,001	1,932,125
Accrued expenses and other liabilities	10,577	1,070
Total Liabilities	1,919,578	1,933,195
Net assets available for benefits	\$ 26,848,963	\$ 25,455,163

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

**IBM SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31,**

	2005 (Dollars in thousands)
Additions to net assets attributed to:	
Investment income:	
Net appreciation in fair value of investments (Note 7)	\$ 756,087
Interest income from investments	354,877
Dividends	96,023
	1,206,987
Contributions	
Participants	1,204,249
Employer	331,621
	1,535,870
Transfers from other benefit plans, net	136,406
Total additions	2,879,263
Deductions from net assets attributed to:	
Distributions to participants	1,462,965
Administrative expenses	22,498
Total deductions	1,485,463
Net increase in net assets during the year	1,393,800
Net assets available for benefits:	
Beginning of year	25,455,163
End of year	\$ 26,848,963

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

**IBM SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the IBM Savings Plan (the Plan) provides only general information. Participants should refer to the Plan prospectus for a complete description of the Plan's provisions.

General

The Plan was established by resolution of IBM's Retirement Plans Committee (the Committee) effective July 1, 1983 and Plan assets are held in trust for the benefit of its participants. The Plan offers all eligible active, full-time and part-time regular and long-term supplemental U.S. employees of IBM and certain of its domestic related companies and partnerships an opportunity to defer from one to eighty percent of their eligible compensation for contribution to any of twenty-three investment funds. The investment objectives of the twenty-three funds are described in Note 3, Description of Investment Funds. In addition, participants are able to contribute up to 10% of their eligible compensation on an after-tax basis. (After-tax contributions are not available for employees working in Puerto Rico.) Annual contributions are subject to the legal limits allowed by Internal Revenue Service (IRS) regulations.

Effective January 1, 2005, the Plan allows participants to invest their account balances in more than 175 mutual fund investment options through a mutual fund window. Participants may direct investments into this mutual fund window in addition to the various primary investment funds offered by the Plan.

Effective January 1, 2005, participants also have the choice to enroll in a disability protection program under which a portion of the participant's account is used to pay premiums to purchase term insurance (underwritten by Metropolitan Life Insurance Company), which will pay the amount of their 401(k) deferral contributions and/or matching contributions into their accounts in the event the participant becomes disabled while insured.

At December 31, 2005 and 2004, the number of participants with an account balance in the Plan was 223,186 and 223,578, respectively.

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

Administration

The Plan is administered by the Committee, which appointed certain officials of IBM to assist in administering the Plan. The Committee appointed State Street Bank and Trust Corporation (SSBT), as Trustee, to safeguard the assets of the funds and State Street Global Advisors (SSGA), the institutional investment management affiliate of State Street Bank and Trust Corporation, The Vanguard Group and other investment managers to direct investments in the various funds. Hewitt Associates (Hewitt) is the provider of record keeping, participant services, and operator of the IBM Savings Plan Service Center in Lincolnshire, Illinois. Communications services are provided by Hewitt as well as The Vanguard Group.

Fidelity Investments Institutional Operations Company, Inc. is the provider of administrative services relating to the mutual fund window that became effective January 1, 2005.

Contributions

For eligible employees hired prior to January 1, 2005 (and certain employees hired thereafter in connection with a particular transaction, as noted in the IBM Savings Plan document), IBM contributes to the Plan a matching contribution equal to fifty percent of the first six percent of annual eligible compensation the employee defers (such that the maximum match is three percent of eligible compensation).

Effective January 1, 2005, other eligible employees (i.e., generally those hired on and after January 1, 2005) participate in the IBM Savings Plan under certain new Plan provisions referred to as the IBM Pension Program offered through the IBM Savings Plan. These employees are automatically enrolled to make 401(k) contributions at three percent of eligible compensation after approximately thirty days of employment with IBM unless they elect otherwise. After completing one year of service, IBM contributes to the Plan a matching contribution equal to one hundred percent of the first six percent of annual eligible compensation the employee defers (such that the maximum match is six percent). IBM matching contributions for such employees will be automatically adjusted after year-end to provide the full IBM matching contribution for their aggregate 401(k) deferral contributions for the year.

Starting January 1, 2008, IBM intends to introduce an enhanced plan design that will be called the 401(k) Plus Plan and will provide employer contributions for eligible participants as follows, based upon which, if any, IBM pension formula the employee was eligible for on December 31, 2007:

IBM Pension Plan Eligibility at 12/31/07	2008 Automatic Contribution	2008 IBM Matching Contribution
Pension Credit Formula	4%	100% on 6% of eligible pay
Personal Pension Account	2%	100% on 6% of eligible pay
401(k) Pension Program	1%	100% on 5% of eligible pay

Under the intended 2008 plan design, some participants who were eligible to participate in the Personal Pension Account may also receive transition credits contributed to the IBM Savings Plan, if

they had been eligible for transition credits under the IBM Personal Pension Account formula. In addition, an additional contribution equal to 5% of eligible compensation (referred to as a Special Savings Award) will be added to the accounts of participants who are non-exempt employees and who participated in the Pension Credit Formula as of December 31, 2007.

Eligible compensation under the IBM Savings Plan includes regular salary, commissions, overtime, shift premium and similar additional compensation payments for nonscheduled workdays, recurring payments under any form of employee variable compensation plan, regular IBM Short-Term Disability Income Plan payments, holiday pay, and vacation pay, but excludes payments made under any executive incentive pay plan.

Participants may choose to have their contributions invested entirely in one of, or in any combination of, the following funds in multiples of one percent. These funds and their investment objectives are more fully described in Note 3, Description of Investment Funds.

Life Strategy Funds (4)

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

Core Funds (6)

Stable Value Fund
Inflation Protected Bond Fund
Total Bond Market Fund
Total International Stock Market Index Fund
Total Stock Market Index Fund
Real Estate Investment Trust Index Fund

Extended Choice Funds (13)

Money Market Fund
Long-Term Corporate Bond Fund
High Yield and Emerging Markets Bond Fund
Equity Income Fund
European Stock Index Fund
Large Company Index Fund
Large-Cap Value Index Fund
Small-Cap Value Index Fund
Large-Cap Growth Index Fund
Pacific Stock Index Fund
Small/Mid-Cap Stock Index Fund
Small-Cap Growth Index Fund
IBM Stock Fund

IBM Savings Plan participants also have access to the mutual fund window investments effective January 1, 2005, as previously described.

Participants may change their deferral percentage and investment selection for future contributions at any time. The changes will take effect for the next eligible pay cycle so long as the request is completed before the respective cutoff dates. Also, the participant may transfer part or all of existing account balances among funds in the Plan once daily, subject to the IBM Savings Plan restrictions on trading. The restrictions include:

- Direct transfers from the Stable Value Fund to the Money Market Fund are prohibited. Any funds that are transferred out of the Stable Value Fund cannot be transferred into the Money Market Fund for a period of 90 days.
- 30-Day Trading Block. When money is transferred out of an investment fund other than the Stable Value Fund, the Money Market Fund or the Mutual Fund Window, the participant must wait 30 calendar days before being able to transfer money back into that fund.

A service fee will be assessed for each transfer in excess of eight in a calendar year.

IBM is committed to preserving the integrity of the IBM Savings Plan as a long-term savings vehicle for its employees. Frequent, short-term trading that is intended to attempt to take advantage of pricing lags in mutual funds can harm long-term investors, or increase trading expense in general. Therefore, the IBM Savings Plan reserves the right to take appropriate action to curb short-term round trip transactions (buying/selling) into the same fund within five (5) business days.

Participant Accounts

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

Participants may transfer rollover contributions of pre-tax dollars from other qualified savings plans or conduit Individual Retirement Accounts (IRAs that exclusively hold a pre-tax distribution from a qualified plan) into their Plan accounts. Rollovers must be made in cash within the time limits specified by the IRS; stock or in-kind rollovers cannot be accepted. These rollovers are limited to active employees on the payroll of IBM (or affiliated companies) who have existing accounts in the Plan. Retirees are not eligible for such rollovers, except that a retiree or separated employee who has an existing account in the Plan may rollover a lump-sum distribution from an IBM-sponsored qualified retirement plan, including the IBM Personal Pension Plan. After-tax funds may also be rolled over in the Plan. Participant contributions for 2005 of \$1,204 million include rollover activity totaling approximately \$84 million.

The interest of each participant in each of the funds is represented by units/shares credited to the participant's account.

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

Contributions made to the Plan as well as interest, dividends or other earnings of the Plan are generally not included in the taxable income of the participant until withdrawal, at which time all earnings and contributions withdrawn generally are taxed as ordinary income to the participant. Additionally, withdrawals by the participant before attaining age 59 1/2 generally are subject to a penalty tax of 10 percent.

Consistent with provisions established by the IRS, the Plan's 2005 limit on employee salary deferrals was \$14,000. (The limit increases to \$15,000 for 2006.) Those who were age 50 or older during 2005 could take advantage of a higher pre-tax contribution limit of \$18,000 (which increases to \$20,000 for 2006). The IRS scheduled increases for the maximum contribution limit will stop in 2006. The 2005 maximum annual deferral amount for employees residing in Puerto Rico was limited by local government regulations to the lesser of \$8,000 or ten percent of eligible compensation.

Vesting

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

Distributions

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

In addition, participants who (1) retire under the prior IBM Retirement Plan provisions of the IBM Personal Pension Plan, or (2) become eligible for benefits under the IBM Long-Term Disability Plan or the IBM Medical Disability Income Plan, or (3) separate and have attained age 55, may also elect to receive the balance of their account either in annual installments over a period not to exceed ten years or over the participant's life expectancy, recalculated annually, or defer distribution until age 70 1/2.

Withdrawals for financial hardship are permitted provided they are for a severe and immediate financial need, and the distribution is necessary to satisfy that need. Employees are required to fully use the Plan loan program, described below, before requesting a hardship withdrawal. Only an

employee's deferral contributions are eligible for hardship withdrawal; earnings and IBM matching contributions are not eligible for withdrawal. Employees must submit evidence of hardship to Hewitt, who will determine whether the situation qualifies for a hardship withdrawal based on direction from IBM. A hardship withdrawal is taxed as ordinary income to the employee and may be subject to the 10 percent additional tax on early distributions.

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

Participant Loans

Participants may borrow up to one-half of the value of the account balance, not to exceed \$50,000 within a twelve month period. Loans will be granted in \$50 increments subject to a minimum loan amount of \$500. Participants are limited to two simultaneous outstanding Plan loans. Repayment of a loan shall be made through semi-monthly payroll deductions over a term of one to four years. The loan shall bear a fixed rate of interest, set quarterly, for the term of the loan, determined by the plan administrator to be 1.25 percent above the prime rate. The interest shall be credited to the participant's account as the semi-monthly repayments of principal and interest are made. Interest rates on outstanding loans at December 31, 2005 and 2004 ranged from 5.00 percent to 11.00 percent and 5.00 percent to 11.50 percent, respectively.

Participants may prepay the entire remaining loan principal after payments have been made for three full months. Employees on an approved leave of absence may elect to make scheduled loan payments directly to the Plan. Participants may continue to contribute to the Plan while having an outstanding loan, provided that the loan is not in default.

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

Termination of Service

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

Termination of the Plan

IBM reserves the right to terminate this Plan at any time by action of the Committee. In that event, each participant or beneficiary receiving or entitled to receive payments under the Plan would receive the balance of the account at such time and in such manner as the Committee shall determine at its discretion.

In the event of a full or partial termination of the Plan, or upon complete discontinuance of contributions under the Plan, the rights of all affected participants in the value of their accounts would be nonforfeitable.

Risks and Uncertainties

The Plan provides for various investment options that include in any combination of mutual funds, commingled funds, life-cycle funds, equities, fixed income securities, synthetic guaranteed investment contracts (GICs), and derivative contracts. Investment securities are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

The Plan is exposed to credit loss in the event of non-performance by the companies with whom the investment contracts are placed. However, the Committee does not anticipate non-performance by these companies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared under the accrual basis of accounting, except distributions, which are recorded when paid.

Valuation of Investments

The Plan's investments are stated at fair value, except benefit-responsive investment contracts, which are stated at contract value. Investments in mutual funds and commingled funds are valued at the net asset values per share as quoted by such companies or funds as of the valuation date. IBM common stock is valued daily at the New York Stock Exchange closing price. Other equity securities are valued at the last reported sales price or closing price. Fixed income securities traded in the over-the-counter market are valued at the bid prices. Short-term securities are valued at amortized cost, which includes cost and accrued interest, which approximates fair value. Participant loans are valued at cost plus accrued interest, which approximates fair value.

Investment Contracts

The Plan entered into benefit-responsive investment contracts, such as synthetic investment contracts (GICs), (through the Stable Value Fund) with various third parties. Contract value represents contributions made to investment contracts, plus earnings, less participant withdrawals and administrative expenses.

A synthetic GIC provides for a fixed return on principal over a specified period of time, e.g., monthly crediting rate, through fully benefit-responsive wrapper contracts issued by a third party, which are backed by underlying assets owned by the Plan. The contract value of the synthetic GIC held by the Stable Value Fund was \$5,713 million and \$5,191 million at December 31, 2005 and 2004, respectively. The fair value of the synthetic GIC was (\$122) million and (\$274) million at December 31, 2005 and 2004, respectively, attributable to the amounts by which the contract value of the investment contracts were less than the value of the underlying assets.

The average yield and crediting interest rates of the investment contracts was 5.57 percent and 5.42 percent at December 31, 2005 and 2004, respectively. Fully benefit-responsive investment contracts are reported at contract value, which approximates fair value.

On December 29, 2005, the Financial Accounting Standards Board (FASB) released FASB Staff Position No. AAG INV-1 and SOP94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Audit Guide and Defined-Contribution Health and Welfare and Pension Plans (the "FSP"). The FSP clarifies the definition of fully benefit responsive investment contracts for contracts held by defined contribution plans. The FSP also establishes enhanced financial statement presentation and disclosure requirements for defined contribution plans subject to the FSP effective for financial statements for annual periods ending after December 15, 2006.

Upon adoption of the FSP for the Plan year ending December 31, 2006, the Plan's statement of net assets available for benefits will present net assets reflecting all investments at fair value and separately, the amount necessary to adjust the portion of net assets attributable to each fully benefit-responsive investment contract from fair value to contract value. The adoption of this FSP is not expected to have any impact on the net assets of the Plan.

Use of Estimates

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

Security Transactions and Related Investment Income

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

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

Administrative Expenses and Investment Management Fees

All administrative costs of the Plan are deducted from participants' account balances. These costs include (a) brokerage fees and commissions, which are included in the cost of investments and in determining net proceeds on sales of investments, (b) investment management fees, which are paid from the assets of the respective funds; those fees comprise fixed annual charges and charges based on a percentage of net asset value and are included as part of administrative expenses, and (c) operational expenses required for administration of the Plan including trustee, recordkeeping, participant reports and communications, and service center expenses, which are charged against the fund's assets on a pro rata basis throughout the year and are included as part of administrative expenses.

NOTE 3 - DESCRIPTION OF INVESTMENT FUNDS

The objectives of the twenty-three investment funds to which employees may contribute monies are described below:

Life Strategy Funds - four blended funds that build a portfolio of diversified investments - U.S. stocks, international stocks, real estate equity stocks and fixed-income investments - from the

existing core funds noted below. The funds are structured by the IBM Retirement Fund organization and managed by the underlying funds managers.

- x **Income Plus Life Strategy Fund** - target allocation 30% stocks, 70% bonds; seeks returns that modestly outpace inflation on a fairly consistent basis.
- x **Conservative Life Strategy Fund** - target allocation 50% stocks, 50% bonds; seeks returns that moderately outpace inflation over the long term.
- x **Moderate Life Strategy Fund** - target allocation 65% stocks, 35% bonds; seeks relatively high returns at a moderate risk level.
- x **Aggressive Life Strategy Fund** - target allocation 85% stocks, 15% bonds; seeks high returns over the long term.

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

- x **Stable Value Fund** - seeks to preserve principal and provide income at a stable rate of interest that is competitive with intermediate-term rates of return. The fund is managed by multiple money managers.
- x **Inflation Protected Bond Fund** - seeks over the long term to provide a rate of return over and above the rate of inflation, thereby preserving the long-term spending power of the money invested. The fund is managed by State Street Global Advisors.
- x **Total Bond Market Fund** - seeks to modestly exceed the return of its benchmark index (Lehman Brothers Aggregate Bond Index), which consists of more than 5,000 U.S. Treasury, federal agency, mortgage-backed, and corporate securities. The fund is managed by State Street Global Advisors.
- x **Total International Stock Market Index Fund** - seeks long-term capital growth with a market rate of return for a diversified group of non-U.S. equities in such major markets as Europe and Asia plus the emerging markets of the world. It attempts to match the performance of the Morgan Stanley Capital International All Country World Ex-U.S. Free Index. The fund is managed by State Street Global Advisors.
- x **Total Stock Market Index Fund** - seeks long-term growth of capital and income. It attempts to match the performance of the Dow Jones Wilshire 5000 Total Market Index. The fund is managed by The Vanguard Group.
- x **Real Estate Investment Trust (REIT) Index Fund** - seeks a total rate of return approximating the returns of the MSCI U.S. REIT index. Investment consists of U.S. publicly traded real estate equity securities. The fund is managed by Barclays Global Investors.

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

x **Money Market Fund** - seeks liquidity and preservation of capital while providing a variable rate of income based on current short-term market interest rates. The fund is managed by State Street Global Advisors.

- x **Long-Term Corporate Bond Fund** - seeks a high and sustainable level of interest income by investing in a widely diversified group of long-term bonds issued by corporations with strong credit ratings. The fund is managed by State Street Global Advisors.
- x **Equity Income Fund** - seeks both long-term capital appreciation and dividend income by investing in large- and mid-cap U.S. stocks. The fund is managed by State Street Global Advisors.
- x **European Stock Index Fund** - seeks long-term growth of capital that corresponds to an index of European stocks. It attempts to match the investment results of the Morgan Stanley Capital International Europe Index. The fund is managed by The Vanguard Group.
- x **Large Company Index Fund** - seeks long-term growth of capital and income from dividends by holding all the stocks that make up the Standard & Poor's 500 Index. The fund is managed by The Vanguard Group.
- x **Large-Cap Value Index Fund** - seeks long-term growth of capital and income from dividends. The fund holds all the stocks in the Russell 1000 Value Index in approximately the same proportion as those stocks represented in the index. The fund is managed by The Vanguard Group.
- x **Small-Cap Value Index Fund** - seeks long-term growth of capital by attempting to replicate the performance of the Russell 2000 Value Index. The fund is managed by The Vanguard Group.
- x **Large-Cap Growth Index Fund** - seeks long-term growth of capital by holding all the stocks in the Russell 1000 Growth Index in approximately the same proportion as those stocks represented in the index. The fund is managed by The Vanguard Group.
- x **Pacific Stock Index Fund** - seeks long-term growth of capital by attempting to match the performance of the Morgan Stanley Capital International Pacific Index. The fund is managed by The Vanguard Group.
- x **Small/Mid-Cap Stock Index Fund** - seeks long-term growth of capital with a market rate of return from a diversified group of medium- and small-company stocks. The fund holds stocks in the Russell 3000 index that are not part of the Standard and Poor's 500 index and attempts to match the performance of the Russell SmallCap Completeness Index. The fund is managed by State Street Global Advisors.
- x **Small-Cap Growth Index Fund** - seeks long-term growth of capital by attempting to match the performance of the Russell 2000 Growth Index. The fund is managed by The Vanguard Group.
- x **IBM Stock Fund** - invests in IBM common stock and holds a small interest-bearing cash balance of approximately 0.25% for liquidity purposes. The fund is managed by State Street Global Advisors.
- x **High Yield and Emerging Markets Bond Fund** - seeks to provide attractive returns, with somewhat less volatility than stocks. The fund invests in below investment grade U.S. corporate and emerging market dollar bonds and is managed by Pacific Investment Management Company, LLC (PIMCO).

Securities Lending

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

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The primary risk in lending securities is a borrower may default during a sharp rise in the price of the security that was borrowed, resulting in a deficiency in the collateral posted by the borrower. The funds seek to minimize this risk by requiring that the value of the securities that are loaned to be computed each day and that additional collateral is furnished each day, if necessary. The addition of the securities lending provision does not change the investment objectives for the funds. The value of loaned securities in the State Street Bank agency program amounted to \$1,852 million and \$1,879 million at December 31, 2005 and 2004, respectively. The value of cash collateral obtained and reinvested in short-term investments of \$1,909 million and \$1,932 million for December 31, 2005 and 2004, respectively, is reflected as a liability in the Plan's financial statements. Securities lending is also permitted in the Vanguard and SSGA commingled funds.

NOTE 4 - PLAN TRANSFERS

The transfers below represent participant investment account balances attributable to employees transferred to IBM in 2005 primarily as a result of IBM acquisitions:

Significant transfers were:

- x Ascential Corporation - net transfer totaling \$111,239,156
- x Healthlink, Inc. - net transfer totaling \$12,886,149
- x Corio, Inc. - net transfer totaling \$9,125,280

In 2005, there were also transfers into the Plan totaling \$3,154,996 related to participant account balances from other companies. Total plan transfers were \$136,405,581, which includes participant loan balances in addition to the transfers noted above.

NOTE 5 - TAX STATUS

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

NOTE 6 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

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

	2005 (Dollars in thousands)	2004
Net assets available for benefits per the financial statements	\$ 26,848,963	\$ 25,455,163
Benefit obligations currently payable	7,116	3,871
Net assets available for benefits per the Form 5500	\$ 26,841,847	\$ 25,451,292

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

	Year Ended December 31, 2005 (Dollars in thousands)
Benefits paid to participants per the financial statements	\$ 1,462,965
Less:	
Amounts payable at December 31, 2004	3,871
Plus:	
Amounts payable at December 31, 2005	7,116
Benefits paid to participants per the Form 5500	\$ 1,466,210

NOTE 7 - INVESTMENT VALUATIONS

The following schedules summarize the value of investments, and the related net appreciation in fair value of investments by type of investment:

	Value Determined By Quoted Market Prices (Dollars in thousands)	Contract Value	Total
At December 31, 2005			
Investments at Fair Value			
Commingled Funds	\$ 14,207,603		\$ 14,207,603
Common Stock non-employer	3,141,918		3,141,918
IBM Common Stock	2,044,358		2,044,358
Short-Term Investments	2,144,121		2,144,121
Mutual Funds	1,098,412		1,098,412
Fixed Income Securities	71,761		71,761
Total	\$ 22,708,173		\$ 22,708,173
Investments at Contract Value			
Investment contracts		\$ 5,713,257	5,713,257
Total	\$ 22,708,173	\$ 5,713,257	\$ 28,421,430
At December 31, 2004			
Investments at Fair Value			
Commingled Funds	\$ 12,016,899		\$ 12,016,899
Common Stock non-employer	4,574,368		4,574,368
IBM Common Stock	2,590,210		2,590,210
Short-Term Investments	2,188,918		2,188,918
Mutual Funds	481,377		481,377
Fixed Income Securities	3,397		3,397
Total	\$ 21,855,169		\$ 21,855,169
Investments at Contract Value			
Investment contracts		\$ 5,190,565	5,190,565
Total	\$ 21,855,169	\$ 5,190,565	\$ 27,045,734

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

	2005	
	(Dollars in thousands)	
Investments at fair value as determined by quoted market price:		
Commingled Funds	\$	558,453
Common Stock non-employer		506,669
IBM Common Stock	(396,167)
Fixed Income	(520)
Mutual Funds		87,652
Total	\$	756,087

Investments

The investments that represent 5% or more of the Plan's net assets available for benefits at December 31, 2005 and 2004 are as follows:

Investments	2005	2004
	(Dollars in thousands)	
Large Company Index Fund (Vanguard)	\$ 4,562,615	\$ 4,883,337
Total Stock Market Index Fund (Vanguard)	2,201,948	2,004,369
IBM Common Stock	2,044,358	2,590,210
Investment Contract Royal Bank of Canada, 5.57% (5.42% 2004)	1,428,314	1,297,641
Investment Contract JPMorgan Chase, 5.57% (5.42% 2004)	1,428,314	2,335,754

NOTE 8 - RELATED-PARTY TRANSACTIONS

At December 31, 2005, a significant portion of the Plan's assets were invested in State Street Global Advisors funds. State Street Global Advisors parent company, State Street Bank and Trust Corporation, also acts as the trustee for the Plan and, therefore, these investments qualify as party-in-interest transactions. The Plan also pays a fee to the trustee and the trustee also is a security lending agent. These transactions qualify as party-in-interest transactions as well.

At December 31, 2005 the Plan held 24,862,508 shares of IBM common stock valued at \$2,044,358,384. At December 31, 2004, the Plan held 26,269,305 shares of IBM common stock valued at \$2,590,209,713.

IBM SAVINGS PLAN
Schedule H, line 4i - Schedule of Assets (Held at End of Year)
AT DECEMBER 31, 2005

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
IBM Stock Fund				
*	Managed by State Street Global Advisors	IBM Common Stock*		\$2,044,358,384
		24,862,508 shares		
*	Managed by State Street Global Advisors	SSBT Short-Term Investments*		1,848,568
Mutual Funds				
	Managed by the Vanguard Group	European Stock Index		262,513,573
	Managed by the Vanguard Group	Pacific Stock Index		487,645,110
	Managed by Fidelity Investments	Mutual Fund Window		348,253,390
Commingled Trust Funds				
	Managed by The Vanguard Group	Large Company Index		4,562,615,228
	Managed by The Vanguard Group	Total Stock Market Index		2,201,947,903
*	Managed by State Street Global Advisors	SSBT Inflation Protected Bond*		1,031,854,355
*	Managed by State Street Global Advisors	SSBT Money Market*		916,114,096
*	Managed by State Street Global Advisors	SSBT Total Bond Market*		780,025,443
*	Party-In-Interest			

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
Commingled Trust Funds - continued				
	Managed by Barclays Global Investors	BGI Real Estate Investment Trust		\$691,657,580
	Managed by The Vanguard Group	Small Cap Value Index		690,636,074
	Managed by The Vanguard Group	Large Cap Value Index		574,529,628
	Managed by The Vanguard Group	Large Cap Growth Index		313,461,235
*	Managed by The Vanguard Group	Small Cap Growth Index		281,933,146
	Managed by State Street Global Advisors	SSBT Long-Term Corporate Bond*		231,162,969
Separately-Managed Funds IBM				
*	Managed by State Street Global Advisors	SSBT Small/Mid Cap Stock Index* (refer to Exhibit A - investments)		3,025,056,406
*	Managed by State Street Global Advisors	SSBT Total International Stock Market Index* (refer to Exhibit B - investments)		1,931,665,572
*	Managed by State Street Global Advisors	SSBT Equity Income* (refer to Exhibit C - investments)		117,138,578
	Managed by Pacific Management Investment Company (PIMCO)	High Yield and Emerging Markets Bond (refer to Exhibit D investments)		71,483,473
*	Party-In-Interest			

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	Short-Term Investments			
	Managed by JPMorgan Chase Bank N.A.	Short-Term Investments purchased with cash collateral from securities lending(refer to Exhibit E - investments)		\$1,909,000,935
	Stable Value Fund Investment Contracts			
	Underlying assets managed by various investment companies	Synthetic GIC Global Wrapper (the fair value of wrap contracts is (\$122) million, Rate of Interest 5.57%, refer to Exhibit F - investments)		5,713,257,446
	Short-Term Investments			
*	Managed by State Street Global Advisors	SSGA Short-Term Investments*		233,271,214
*	Loans to Participants			291,864,892
	Interest rates range: 5.00% - 11.00%, Terms: one to four years			
*	Party-In-Interest			
	Royal Bank of Canada, 5.57%			\$1,428,314,362
	JPMorgan Chase, 5.57%			1,428,314,362
	UBS, 5.57%			1,142,651,489
	Bank of America, 5.57%			1,142,651,489
	State Street Bank and Trust, 5.57%			571,325,744

EXHIBIT A Small/Mid-Cap Stock Index
(Managed by State Street Global Advisors)

IBM SAVINGS PLAN AT DECEMBER 31, 2005

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

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost (n/a)	(e) Current value
		Shares		
	1 800 CONTACTS	COM	6,900	\$ 80,799
	1ST SOURCE CORP	COM	15,690	394,604
	21ST CENTURY INS GROUP	COM	29,300	474,074
	3COM CORP	COM	427,350	1,538,460
	3D SYS CORP DEL	COM	14,715	264,870
	4 KIDS ENTERTAINMENT INC	COM	16,100	252,609
	99 CENTS ONLY STORES	COM	49,464	517,393
	A C MOORE ARTS + CRAFTS INC	COM	15,700	228,435
	A S V INC	COM	18,200	454,636
	AAMES INVT CORP MD	COM	41,000	264,860
	AAON INC	COM	10,650	190,848
	AAR CORP	COM	39,200	938,840
	AARON RENTS INC	CL B	39,775	838,457
	AASTROM BIOSCIENCES INC	COM	82,355	173,769
	ABAXIS INC	COM	18,100	298,288
	ABERCROMBIE AND FITCH CO	CL A	87,230	5,685,651
	ABGENIX INC	COM	96,075	2,066,573
	ABIOMED INC	COM	20,000	184,800
	ABM INDS INC	COM	43,500	850,425
	ABX AIR INC	COM	66,454	520,335
	ACADIA PHARMACEUTICALS INC	COM	23,000	226,550
	ACADIA RLTY TR	COM	31,500	631,575
	ACCO BRANDS CORP	COM	35,736	875,532

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ACCREDITED HOME LENDERS HLDG	COM	19,900	986,642
ACCURIDE CORP	COM	5,295	68,306
ACE CASH EXPRESS INC	COM	8,557	199,806
ACTEL CORP	COM	26,400	336,072
ACTIVISION INC NEW	COM	247,598	3,401,997
ACTUANT CORP	CL A	28,600	1,595,880
ACUITY BRANDS INC	COM	49,100	1,561,380
ACXIOM CORP	COM	90,600	2,083,800
ADAMS RESPIRATORY THERAPEUTICS	COM	4,863	197,730
ADAPTEC INC	COM	125,800	732,156
ADE CORP MASS	COM	6,200	149,172
ADESA INC	COM	87,100	2,126,982
ADMINISTAFF INC	COM	23,100	971,355
ADOLOR CORP	COM	47,242	689,733
ADTRAN INC	COM	69,700	2,072,878
ADVANCE AMER CASH ADVANCE	COM	63,800	791,120
ADVANCE AUTO PARTS	COM	112,000	4,867,520
ADVANCED DIGITAL INFORMATION	COM	76,000	744,040
ADVANCED ENERGY INDS INC	COM	20,600	243,698
ADVANCED MED OPTICS INC	COM	65,164	2,723,855
ADVANTA CORP	CL B	23,000	746,120
ADVENT SOFTWARE INC	COM	25,698	742,929
ADVISORY BRD CO	COM	21,400	1,020,138
ADVO INC	COM	33,950	956,711
AEROFLEX INC	COM	85,400	918,050
AEROPOSTALE	COM	60,900	1,601,670
AFC ENTERPRISES INC	COM	16,175	244,566
AFFILIATED MANAGERS GROUP INC	COM	34,949	2,804,657
AFFORDABLE RESIDENTIAL CMNTYS	COM	21,900	208,707
AFFYMETRIX INC	COM	65,200	3,113,300
AFTERMARKET TECHNOLOGY CORP	COM	15,061	292,786
AGCO CORP	COM	102,200	1,693,454
AGERE SYS INC	COM	188,600	2,432,940
AGILE SOFTWARE CORP DEL	COM	57,200	342,056
AGILYSYS INC	COM	36,180	659,200
AGL RES INC	COM	78,300	2,725,623
AGREE RLTY CORP	COM	2,540	73,406

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AIRGAS INC	COM	65,800	2,164,820
AIRSPAN NETWORKS INC	COM	17,785	101,197
AIRTRAN HOLDINGS INC	COM	92,600	1,484,378
AK STL HLDG CORP	COM	120,727	959,780
AKAMAI TECHNOLOGIES INC	COM	142,948	2,848,954
ALABAMA NATL BANCORPORATION DE	COM	16,180	1,047,817
ALAMO GROUP INC	COM	4,900	100,450
ALAMOSA HOLDINGS INC	COM	133,557	2,485,496
ALASKA AIR GROUP INC	COM	29,900	1,068,028
ALASKA COMMUNICATIONS SYS INC	COM	1,200	12,192
ALBANY INTL CORP	CL A	27,860	1,007,418
ALBANY MOLECULAR RESH INC	COM	34,300	416,745
ALBEMARLE CORP	COM	35,800	1,372,930
ALDERWOODS GROUP INC	COM	46,300	734,781
ALERIS INTL INC	COM	33,900	1,092,936
ALEXANDER + BALDWIN INC	COM	45,200	2,451,648
ALEXANDERS INC	COM	2,100	515,550
ALEXANDRIA REAL ESTATE EQUIT	COM	23,100	1,859,550
ALEXION PHARMACEUTICALS INC	COM	26,200	530,550
ALFA CORP	COM	33,700	542,570
ALICO INC	COM	3,600	162,684
ALIGN TECHNOLOGY INC	COM	54,000	349,380
ALKERMES INC	COM	98,000	1,873,760
ALLEGHANY CORP DEL	COM	4,977	1,413,468
ALLETE INC	COM	24,300	1,069,200
ALLIANCE DATA SYSTEMS CORP	COM	82,000	2,919,200
ALLIANCE GAMING CORP	COM	55,000	716,100
ALLIANCE IMAGING INC DEL	COM	10,700	63,665
ALLIANCE ONE INTL INC	COM	85,000	331,500
ALLIANT ENERGY CORP	COM	121,300	3,401,252
ALLIANT TECHSYSTEMS INC	COM	37,934	2,889,433
ALLIED CAP CORP NEW	COM	141,552	4,157,382
ALLIED HEALTHCARE INTL INC	COM	28,625	175,758
ALLOY INC	COM	39,900	115,311
ALLSCRIPTS HEATHCARE SOLUT	COM	29,800	399,320
ALON USA ENERGY INC	COM	10,700	210,255
ALPHA NAT RES INC	COM	27,245	523,376

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ALPHARMA INC	CL A	43,050	1,227,356
ALTIRIS INC	COM	22,200	374,958
AMB PPTY CORP	COM	88,300	4,341,711
AMBASSADORS GROUP INC	COM	13,200	302,148
AMCOL INTL CORP	COM	24,800	508,896
AMCORE FINL INC	COM	28,100	854,521
AMEDISYS INC	COM	14,700	620,928
AMERCO	COM	9,583	690,455
AMERICA SVC GROUP INC	COM	12,100	191,906
AMERICAN AXLE + MFG HLDGS INC	COM	46,400	850,512
AMERICAN CAMPUS CMNTYS INC	COM	12,500	310,000
AMERICAN CAP STRATEGIES LTD	COM	106,743	3,865,164
AMERICAN DENTAL PARTNERS INC	COM	14,850	268,488
AMERICAN EAGLE OUTFITTERS INC	COM	126,000	2,895,480
AMERICAN ECOLOGY CORP	COM	12,700	183,261
AMERICAN EQUITY INVT LIFE	COM	25,900	337,995
AMERICAN FINL GROUP INC OHIO	COM	51,100	1,957,641
AMERICAN FINL RLTY TR	COM	120,400	1,444,800
AMERICAN GREETINGS CORP	CL A	65,500	1,439,035
AMERICAN HEALTHWAYS INC	COM	34,900	1,579,225
AMERICAN HOME MTG INVT CORP	COM	40,928	1,333,025
AMERICAN ITALIAN PASTA CO	CL A	19,550	132,940
AMERICAN MED SYS HLDGS	COM	66,400	1,183,912
AMERICAN NATL INS CO	COM	8,500	994,415
AMERICAN PHARMACEUTICAL PART	COM	22,000	853,380
AMERICAN PHYSICIANS CAP INC	COM	10,200	467,058
AMERICAN REPROGRAPHICSCO	COM	17,000	431,970
AMERICAN RETIREMENT CORP	COM	23,935	601,487
AMERICAN SCIENCE + ENGR INC	COM	9,760	608,731
AMERICAN STS WTR CO	COM	18,000	554,400
AMERICAN SUPERCONDUCTOR CORP	COM	25,100	197,537
AMERICAN TOWER CORP	CL A	412,864	11,188,614
AMERICAN VANGUARD CORP	COM	9,600	225,600
AMERICAN WOODMARK CORP	COM	11,300	280,127
AMERICANWEST BANCORPORATION	COM	13,980	330,347
AMERICAS CAR MART INC	COM	8,850	146,202
AMERICREDIT CORP	COM	145,800	3,736,854

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AMERIGROUP CORP	COM	57,200	1,113,112
AMERIS BANCORP	COM	12,480	247,603
AMERISTAR CASINOS INC	COM	28,400	644,680
AMERITRADE HLDG CORP NEW	COM	250,200	6,004,800
AMERON INTL CORP	COM	8,800	401,104
AMERUS GROUP CO	COM	42,300	2,397,141
AMES NATL CORP	COM	6,870	176,628
AMETEK INC NEW	COM	72,200	3,071,388
AMICAS INC	COM	23,170	114,923
AMIS HLDGS INC	COM	33,300	354,645
AMKOR TECHNOLOGY INC	COM	119,400	668,640
AMLI RESIDENTIAL PPTYS TR	SH BEN INT	29,893	1,137,429
AMN HEALTHCARE SVCS INC	COM	15,490	306,392
AMPHENOL CORP NEW	CL A	92,700	4,102,902
AMR CORP DEL	COM	186,900	4,154,787
AMSURG CORP	COM	31,600	722,376
AMYLIN PHARMACEUTICALS INC	COM	116,100	4,634,712
ANALOGIC CORP	COM	16,100	770,385
ANAREN INC	COM	22,100	345,423
ANCHOR BANCORP WIS INC	COM	22,460	681,436
ANDERSONS INC	COM	6,425	276,789
ANDRX CORP DEL	COM	80,120	1,319,576
ANGELICA CORP	COM	9,400	155,476
ANIMAS CORP DEL	COM	15,500	374,325
ANIXTER INTL INC	COM	35,450	1,386,804
ANNALY MTG MGMT INC	COM	129,700	1,418,918
ANNTAYLOR STORES CORP	COM	74,650	2,576,918
ANSOFT CORP	COM	7,526	256,260
ANSYS INC	COM	36,800	1,570,992
ANTEON INTERNATIONAL CORP	COM	31,800	1,728,330
ANTHRACITE CAP INC	COM	55,500	584,415
ANTIGENICS INC DEL	COM	27,700	131,852
ANWORTH MTG ASSET CORP 1	COM	58,800	429,240
APOGEE ENTERPRISES INC	COM	28,300	459,026
APOLLO INVT CORP	COM	71,950	1,290,064
APPLEBEES INTL INC	COM	79,312	1,791,658
APPLERA CORP CELERA GENOMICS	COM	89,534	981,293

APPLIED DIGITAL SOLUTIONS INC	COM	55,305	158,725
APPLIED FILMS CORP	COM	18,300	380,091
APPLIED INDL TECHNOLOGIES INC	COM	33,950	1,143,776
APPLIED SIGNAL TECHNOLOGY INC	COM	10,700	242,890
APRIA HEALTHCARE GROUP INC	COM	53,900	1,299,529
APTARGROUP INC	COM	37,800	1,973,160
AQUA AMER INC	COM	132,620	3,620,526
AQUANTIVE INC	COM	58,800	1,484,112
AQUILA INC DEL NEW	COM	380,266	1,368,958
ARAMARK CORP	CL B	69,700	1,936,266
ARBITRON INC	COM	33,660	1,278,407
ARBOR RLTY TR INC	COM REITS	8,900	230,688
ARCH CHEMICALS INC	COM	24,800	741,520
ARCH COAL INC	COM	65,673	5,221,004
ARCHIPELAGO HLDGS INC	COM	28,100	1,398,537
ARCTIC CAT INC	COM	18,600	373,116
ARDEN GROUP INC	CL A	2,400	218,376
ARDEN RLTY INC	COM	69,400	3,111,202
ARENA PHARMACEUTICALS INC	COM	34,680	493,150
ARES CAP CORP	COM	29,860	479,850
ARGON ST INC	COM	7,895	244,587
ARGONAUT GROUP INC	COM	33,000	1,081,410
ARIAD PHARMACEUTICALS INC	COM	57,500	336,375
ARIBA INC	COM	73,011	536,631
ARKANSAS BEST CORP	COM	25,300	1,105,104
ARMOR HLDGS INC	COM	37,100	1,582,315
ARQULE INC	COM	10,600	64,872
ARRAY BIOPHARMA INC	COM	24,701	173,154
ARRIS GROUP INC	COM	105,800	1,001,926
ARROW ELECTRS INC	COM	122,650	3,928,480
ARROW FINL CORP	COM	8,751	228,839
ARROW INTERNATIONAL INC	COM	20,500	594,295
ARTESYN TECHNOLOGIES INC	COM	38,900	400,670
ARTHROCARE CORP	COM	21,800	918,652
ARVINMERITOR INC	COM	76,712	1,103,886
ASBURY AUTOMOTIVE GROUP INC	COM	15,500	255,130
ASHFORD HOSPITALITY TR INC	COM	35,300	370,297

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ASIAINFO HLDGS INC	COM	35,000	139,300
ASPECT MED SYS INC	COM	14,900	511,815
ASPEN TECHNOLOGY INC	COM	42,530	333,861
ASSET ACCEP CAP CORP	COM	7,000	157,220
ASSOCIATED BANC CORP	COM	143,415	4,668,158
ASSURANT INC	COM	113,200	4,923,068
ASTA FDG INC	COM	7,300	199,582
ASTECH INDS INC	COM	17,400	568,284
ASTORIA FINL CORP	COM	103,500	3,042,900
ASYST TECHNOLOGIES INC	COM	57,300	327,756
ATARI INC	COM	14,120	15,250
ATHEROGENICS INC	COM	44,200	884,442
ATHEROS COMMUNICATIONS INC	COM	27,700	360,100
ATLAS AMER INC	COM	11,908	717,100
ATMEL CORP	COM	468,280	1,446,985
ATMI INC	COM	40,700	1,138,379
ATMOS ENERGY CORP	COM	86,100	2,252,376
ATP OIL + GAS CORPORATION	COM	15,780	584,018
ATWOOD OCEANICS INC	COM	14,200	1,108,026
AUDIBLE INC	COM	21,030	270,025
AUDIOVOX CORP	CL A	20,700	286,902
AUGUST TECHNOLOGY CORP	COM	23,680	260,243
AUTOBYTEL INC	COM	40,100	198,094
AUTOLIV	COM	93,600	4,251,312
AVALONBAY CMNTYS INC	COM	76,200	6,800,850
AVANIR PHARMACEUTICALS	CL A	86,365	297,096
AVATAR HLDGS INC	COM	6,500	356,980
AVIALL INC	COM	32,100	924,480
AVID TECHNOLOGY INC	COM	41,878	2,293,239
AVISTA CORP	COM	57,100	1,011,241
AVNET INC	COM	152,283	3,645,655
AVOCENT CORP	COM	55,875	1,519,241
AVX CORP NEW	COM	62,000	897,760
AXCELIS TECHNOLOGIES INC	COM	122,100	582,417
AZTAR CORP	COM	39,730	1,207,395
BADGER METER INC	COM	5,235	205,421
BALCHEM CORP	COM	10,155	302,721

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BALDOR ELEC CO	COM	36,700	941,355
BALDWIN + LYONS INC	CL B	9,250	224,775
BANCFIRST CORP	COM	4,600	363,400
BANCORP INC DEL	COM	4,025	68,425
BANCORPSOUTH INC	COM	87,860	1,939,070
BANCTRUST FINL GROUP INC	COM	8,034	161,483
BANDAG INC	COM	12,200	520,574
BANK CORP	COM	2,970	33,888
BANK GRANITE CORP	COM	14,850	275,171
BANK HAWAII CORP	COM	55,900	2,881,086
BANK MUTUAL CORP	COM	52,092	552,175
BANK OF THE OZARKS INC	COM	12,400	457,560
BANKATLANTIC BANCORP INC	CL A	52,900	740,600
BANKFINANCIAL CORP	COM	16,168	237,346
BANKRATE INC	COM	12,000	354,240
BANKUNITED FINL CORP	COM	32,700	868,839
BANNER CORP	COM	11,800	368,160
BANTA CORP	COM	27,200	1,354,560
BARNES + NOBLE INC	COM	54,600	2,329,782
BARNES GROUP INC	COM	18,400	607,200
BARR PHARMACEUTICALS INC	COM	108,628	6,766,438
BARRETT BILL CORP	COM	11,200	432,432
BASSETT FURNITURE INDS INC	COM	10,700	197,950
BE AEROSPACE INC	COM	64,000	1,408,000
BEA SYS INC	COM	361,860	3,401,484
BEACON ROOFING SUPPLY INC	COM	15,300	439,569
BEARINGPOINT INC	COM	175,400	1,378,644
BEASLEY BROADCAST GROUP INC	CL A	5,400	72,954
BEAZER HOMES USA INC	COM	45,188	3,291,494
BEBE STORES INC	COM	20,137	282,522
BECKMAN COULTER INC	COM	65,150	3,707,035
BEDFORD PPTY INVS INC	COM	17,300	379,562
BEL FUSE INC	CL B	11,600	368,880
BELDEN CDT INC	COM	50,450	1,232,494
BELL MICROPRODUCTS INC	COM	23,200	177,480
BELO CORP	COM SER A	104,200	2,230,922
BENCHMARK ELECTRS INC	COM	45,149	1,518,361

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BENTLEY PHARMACEUTICALS INC	COM	18,600	305,226
BERKLEY W R CORP	COM	112,814	5,372,203
BERKSHIRE HILL BANCORP INC	COM	5,500	184,250
BERRY PETE CO	CL A	20,300	1,161,160
BEVERLY ENTERPRISES INC	COM	120,800	1,409,736
BEVERLY HILLS BANCORP DE	COM	5,700	59,109
BFC FINL CORP	CL A	9,975	55,062
BIG 5 SPORTING GOODS CORP	COM	20,341	445,264
BIMINI MTG MGMT INC	CL A	17,700	160,185
BIO RAD LABORATORIES INC	CL A	19,400	1,269,536
BIO REFERENCE LABS INC	COM	3,800	71,478
BIOENVISION INC	COM	49,685	324,443
BIOMARIN PHARMACEUTICAL INC	COM	76,300	822,514
BIOMED RLTY TR INC	COM	45,600	1,112,640
BIOSCRIP INC	COM	36,842	277,789
BIOSITE INC	COM	18,400	1,035,736
BISYS GROUP INC	COM	135,800	1,902,558
BJS RESTAURANTS INC	COM	13,800	315,468
BJS WHSL CLUB INC	COM	75,950	2,245,082
BKF CAP GROUP INC	COM	7,900	149,705
BLACK BOX CORP	COM	20,400	966,552
BLACK HILLS CORP	COM	34,950	1,209,620
BLACKBAUD INC	COM	4,700	80,276
BLACKBOARD INC	COM	15,500	449,190
BLACKROCK INC	CL A	20,200	2,191,296
BLAIR CORP	COM	5,250	204,435
BLOCKBUSTER INC	CL A	197,500	740,625
BLOUT INTL INC NEW	COM	26,400	420,552
BLUE COAT SYS INC	COM	9,100	416,052
BLUE NILE INC	COM	13,100	528,061
BLUEGREEN CORP	COM	25,400	401,320
BLYTH INC	COM	30,300	634,785
BOB EVANS FARMS INC	COM	37,600	867,056
BOIS D ARC ENERGY LLC 1	COM	12,500	198,250
BOK FINL CORP	COM	22,352	1,015,451
BOMBAY COMPANY INC	COM	42,900	126,984
BON TON STORES INC	COM	3,200	61,216

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BORDERS GROUP INC	COM	77,100	1,670,757
BORG WARNER INC	COM	59,800	3,625,674
BORLAND SOFTWARE CORP	COM	87,300	570,069
BOSTON BEER INC	CL A	7,900	197,500
BOSTON PPTYS INC	COM	113,825	8,437,847
BOSTON PRIVATE FINL HLDGS INC	COM	30,600	930,852
BOTTOMLINE TECHNOLOGIES DEL	COM	15,235	167,890
BOWATER INC	COM	58,950	1,810,944
BOWNE + CO INC	COM	36,700	544,628
BOYD GAMING CORP	COM	43,500	2,073,210
BOYKIN LODGING CO	COM	5,750	70,265
BRADY CORP	CL A	45,000	1,628,100
BRANDYWINE RLTY TR	SH BEN INT	57,700	1,610,407
BRE PPTYS INC	COM	53,100	2,414,988
BRIGGS + STRATTON CORP	COM	55,900	2,168,361
BRIGHAM EXPL CO	COM	21,500	254,990
BRIGHT HORIZONS FAMILY SOLUT	COM	28,200	1,044,810
BRIGHTPOINT INC	COM	24,000	665,520
BRINKER INTL INC	COM	90,800	3,510,328
BRINKS CO	COM	63,332	3,034,236
BRISTOL WEST HLDGS INC	COM	10,500	199,815
BROADWING CORP	COM	42,870	259,364
BROCADE COMMUNICATIONS SYS INC	COM	285,300	1,161,171
BROOKDALE SR LIVING INC	COM	9,300	277,233
BROOKFIELD HOMES CORP	COM	17,223	856,500
BROOKLINE BANCORP INC DEL	COM	71,017	1,006,311
BROOKS AUTOMATION INC NEW	COM	81,885	1,026,019
BROWN + BROWN INC	COM	115,500	3,527,370
BROWN SHOE INC NEW	COM	20,400	865,572
BRUKER BIOSCIENCES CORP	COM	22,307	108,412
BRUSH ENGINEERED MATLS INC	COM	22,000	349,800
BUCKEYE TECHNOLOGIES INC	COM	33,550	270,078
BUCKLE INC	COM	7,900	254,696
BUCYRUS INTL INC NEW	CL A	18,900	996,030
BUFFALO WILD WINGS INC	COM	2,400	79,704
BUILD A BEAR WORKSHOP INC	COM	10,000	296,400
BUILDERS FIRSTSOURCE INC	COM	7,600	162,412

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BUILDING MATLS HLDG CORP	COM	15,100	1,029,971
BURLINGTON COAT FACTORY WHSE	COM	19,800	796,158
C COR NET CORPORATION	COM	50,100	243,486
C D I CORP	COM	13,860	379,764
C H ROBINSON WORLDWIDE INC	COM	176,200	6,524,686
C+D TECHNOLOGIES	COM	25,600	195,072
CABELAS INC	COM	28,400	471,440
CABLEVISION SYS CORP	COM	206,575	4,848,315
CABOT CORP	COM	65,500	2,344,900
CABOT MICROELECTRONICS CORP	COM	29,155	855,116
CABOT OIL + GAS CORP	COM	54,450	2,455,695
CACHE INC	COM	15,150	262,398
CACI INTL INC	CL A	32,600	1,870,588
CADENCE DESIGN SYS INC	COM	285,418	4,829,273
CAL DIVE INTL INC	COM	83,200	2,986,048
CALAMOS ASSET MGMT INC	CL A	21,780	684,981
CALGON CARBON CORP	COM	43,500	247,515
CALIFORNIA COASTAL CMNTYS INC	COM	8,980	352,285
CALIFORNIA PIZZA KITCHEN INC	COM	22,800	728,916
CALIFORNIA WATER SERVICE GRP	COM	19,900	760,777
CALIPER LIFE SCIENCES INC	COM	9,115	53,596
CALLAWAY GOLF CO	COM	79,250	1,096,820
CALLON PETE CO DEL	COM	16,900	298,285
CAMBREX CORP	COM	27,900	523,683
CAMDEN NATL CORP	COM	11,600	381,408
CAMDEN PPTY TR	COM	49,683	2,877,639
CANDELA CORP	COM	25,200	363,888
CANTEL MED CORP	COM	12,950	232,323
CAPITAL CITY BK GROUP INC	COM	13,781	472,550
CAPITAL CORP OF THE WEST	COM	6,460	209,627
CAPITAL CROSSING BK	COM	2,100	70,140
CAPITAL LEASE FDG INC	COM	24,300	255,879
CAPITAL SOUTHWEST CORP	COM	3,000	271,500
CAPITAL TR INC MD	CL A	13,700	401,136
CAPITALSOURCE INC	COM	80,200	1,796,480
CAPITOL BANCORP LTD	COM	13,900	520,416
CAPITOL FED FINL	COM	25,300	833,382

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CARACO PHARMACEUTICAL LABS	COM	4,400	39,512
CARAUSTAR INDS INC	COM	32,800	285,032
CARBO CERAMICS INC	COM	22,650	1,280,178
CARDINAL FINL CORP	COM	15,444	169,884
CAREER ED CORP	COM	101,500	3,422,580
CARLISLE COS INC	COM	33,450	2,313,068
CARMAX INC	COM	102,300	2,831,664
CARMIKE CINEMAS INC	COM	10,000	253,600
CARPENTER TECHNOLOGY CORP	COM	26,800	1,888,596
CARRAMERICA RLTY CORP	COM	59,900	2,074,337
CARRIZO OIL + GAS INC	COM	15,640	386,464
CARTER HOLDINGS	COM	17,400	1,023,990
CASCADE BANCORP	COM	18,000	414,180
CASCADE CORP	COM	14,400	675,504
CASCADE NAT GAS CORP	COM	10,100	197,051
CASELLA WASTE SYS INC	CL A	13,500	172,665
CASEYS GEN STORES INC	COM	53,700	1,331,760
CASH AMER INTL INC	COM	33,300	772,227
CASTLE A MCO	COM	8,300	181,272
CASUAL MALE RETAIL GROUP INC	COM	38,000	232,940
CATALINA MARKETING CORP	COM	60,000	1,521,000
CATAPULT COMMUNICATIONS CORP	COM	7,000	103,530
CATHAY GENERAL BANCORP	COM	49,182	1,767,601
CATO CORP NEW	CL A	28,650	614,543
CB RICHARD ELLIS GROUP INC	CL A	48,700	2,865,995
CBIZ INC	COM	83,643	503,531
CBL + ASSOC PPTYS INC	COM	45,600	1,801,656
CBOT HLDGS INC	CL A	3,300	309,408
CBRL GROUP INC	COM	51,600	1,813,740
CCC INFORMATION SVCS GROUP INC	COM	11,224	294,293
CDW CORP	COM	65,000	3,742,050
CEC ENTMT INC	COM	36,625	1,246,715
CEDAR SHOPPING CTRS INC	COM	23,100	325,017
CELANESE CORP DE	COM SER A	55,100	1,053,512
CELGENE CORP	COM	173,580	11,247,984
CELL GENESYS INC	COM	46,500	275,745
CELL THERAPEUTICS INC	COM	61,500	134,070

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CENTENE CORP DEL	COM	43,600	1,146,244
CENTENNIAL BK HLDGS INC DEL	COM	31,800	393,366
CENTENNIAL COMMUNICATIONS CORP	CL A	18,300	284,016
CENTER FINL CORP CA	COM	12,004	302,021
CENTERPOINT PPTYS TR	COM	50,800	2,513,584
CENTRACORE PPTYS TR	COM	11,500	309,005
CENTRAL COAST BANCORP	COM	14,253	352,619
CENTRAL EUROPEAN DISTR CORP	COM	15,013	602,622
CENTRAL GARDEN + PET CO		21,300	978,522
CENTRAL PAC FINL CORP	COM	32,563	1,169,663
CENTRAL PKG CORP	COM	18,200	249,704
CENTRAL VT PUBLIC SERVICE	COM	13,800	248,538
CENTURY ALUM CO	COM	21,500	563,515
CENVEO INC	COM	42,545	559,892
CEPHALON INC	COM	62,538	4,048,710
CEPHEID	COM	39,800	349,444
CERADYNE INC CALIF	COM	26,525	1,161,795
CERES GROUP INC	COM	39,300	203,181
CERIDIAN CORP NEW	COM	160,900	3,998,365
CERNER CORP	COM	31,300	2,845,483
CERTEGY INC	COM	55,400	2,247,024
CF INDS HLDGS INC	COM	45,100	687,775
CH ENERGY GROUP INC	COM	17,700	812,430
CHAMPION ENTERPRISES INC	COM	79,000	1,075,980
CHAPARRAL STL CO DEL	COM	23,963	724,881
CHARLES AND COLVARD LTD	COM	15,085	304,717
CHARLES RIV LABORATORIES INTL	COM	73,136	3,098,772
CHARLOTTE RUSSE HLDG INC	COM	14,200	295,786
CHARMING SHOPPES INC	COM	126,500	1,669,800
CHARTER COMMUNICATIONS INC DEL	CL A	322,100	392,962
CHARTER FINL CORP WEST PT GA	COM	5,200	185,692
CHARTERMAC	SH BEN INT	42,700	904,386
CHATTEM INC	COM	21,200	771,468
CHECKFREE CORP NEW	COM	85,800	3,938,220
CHECKPOINT SYS INC	COM	41,900	1,032,835
CHEESECAKE FACTORY	COM	82,450	3,082,806
CHEMED CORP NEW	COM	26,200	1,301,616

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CHEMICAL FINL CORP	COM	28,356	900,587
CHEMTURA CORP	COM	235,225	2,987,358
CHENIERE ENERGY INC	COM	51,200	1,905,664
CHEROKEE INC DEL NEW	COM	7,700	264,803
CHESAPEAKE CORP	COM	20,900	354,882
CHESAPEAKE ENERGY CORP	COM	355,435	11,277,953
CHICAGO MERCANTILE EXCHANGE	COM	35,690	13,115,718
CHICOS FAS INC	COM	187,800	8,250,054
CHILDRENS PL RETAIL STORES INC	COM	22,000	1,087,240
CHINA ENERGY SVGS TECHNOLOGY	COM	2,715	22,589
CHIQUITA BRANDS INTL INC	COM	45,200	904,452
CHITTENDEN CORP	COM	50,287	1,398,481
CHOICE HOTELS INC	COM	37,000	1,545,120
CHOICEPOINT INC	COM	94,399	4,201,699
CHRISTOPHER + BANKS CORP	COM	42,575	799,559
CHURCH + DWIGHT INC	COM	66,100	2,183,283
CHURCHILL DOWNS INC	COM	7,300	268,129
CIBER INC	COM	61,000	402,600
CIMAREX ENERGY CO	COM	82,152	3,533,358
CINCINNATI BELL INC NEW	COM	266,432	935,176
CIRCOR INTL INC	COM	15,600	400,296
CIRRUS LOGIC INC	COM	86,300	576,484
CITADEL BROADCASTING CORP	COM	58,400	784,896
CITIZENS + NORTHN CORP	COM	9,084	232,812
CITIZENS BKG CORP MICH	COM	49,882	1,384,226
CITIZENS INC AMER	CL A	35,313	192,457
CITY BK LYNNWOOD WASH	COM	9,700	345,029
CITY HLDG CO	COM	19,600	704,620
CITY NATL CORP	COM	43,000	3,114,920
CKE RESTAURANTS INC	COM	62,600	845,726
CKX INC	COM	20,165	262,145
CLAIRE S STORES INC	COM	90,400	2,641,488
CLARCOR INC	COM	55,600	1,651,876
CLARK INC	COM	16,800	222,600
CLEAN HBRS INC	COM	16,010	461,248
CLEAR CHANNEL OUTDOOR HLDGS IN	COM CL A	36,200	725,810
CLECO CORP NEW	COM	55,700	1,161,345

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CLEVELAND CLIFFS INC	COM	23,400	2,072,538
CLICK COMM INC	COM	9,500	199,690
CLIFTON SVGS BANCORP INC	COM	11,691	117,611
CMG INFORMATION SVCS INC	COM	485,600	738,112
CNA FINL CORP	COM	28,900	945,897
CNA SURETY CORP	COM	15,900	231,663
CNET NETWORKS INC	COM	143,008	2,100,788
CNF INC	COM	56,000	3,129,840
CNS INC	COM	17,035	373,237
COACHMEN INDS INC	COM	22,100	261,001
COASTAL FINL CORP DEL	COM	16,421	211,174
COBIZ INC	COM	13,950	254,309
COCA COLA BOTTLING CO CONS	COM	3,900	167,700
COEUR D ALENE MINES CORP IDAHO	COM	252,000	1,008,000
COGENT COMMUNICATIONS GRP INC	COM	1,200	6,588
COGENT INC	COM	23,200	526,176
COGNEX CORP	COM	41,500	1,248,735
COGNIZANT TECHNOLOGY SOLUTIONS	CL A	139,300	7,013,755
COHERENT INC	COM	33,300	988,344
COHU INC	COM	23,700	542,019
COINSTAR INC	COM	26,600	607,278
COLDWATER CREEK INC	COM	37,305	1,138,922
COLE KENNETH PRODTNS INC	CL A	7,400	188,700
COLLEGIATE FDG SVCS INC	COM	13,708	270,733
COLONIAL BANCGRUPOINC	COM	160,740	3,828,827
COLONIAL PPTYS TR	SH BEN INT	47,860	2,009,163
COLONY BANKCORP CORP	COM	1,005	25,105
COLOR KINETICS INC	COM	12,000	172,680
COLUMBIA BANCORP	COM	7,800	321,750
COLUMBIA BKY SYS INC	COM	16,427	468,991
COLUMBIA EQUITY TR INC	COM	10,600	171,190
COLUMBIA SPORTSWEAR CO	COM	15,950	761,294
COMFORT SYS USA INC	COM	40,100	368,920
COMMERCE BANCORP INC N J	COM	181,660	6,250,921
COMMERCE BANCSHARES INC	COM	66,942	3,489,017
COMMERCE GROUP INC MASS	COM	27,780	1,591,238
COMMERCIAL BANKSHARES INC	COM	4,335	153,329

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COMMERCIAL CAP BANCORP INC	COM	38,239	654,652
COMMERCIAL METALS CO	COM	62,800	2,357,512
COMMERCIAL NET LEASE RLTY INC	COM	55,542	1,131,391
COMMERCIAL VEH GROUP INC	COM	16,469	309,288
COMMONWEALTH TEL ENTERPRISES	COM	22,900	773,333
COMMSCOPE INC	COM	61,900	1,246,047
COMMUNITY BANCORP NEV	COM	2,800	88,508
COMMUNITY BK SYS INC	COM	31,400	708,070
COMMUNITY BKS INC MILLERSBURG	COM	24,852	695,856
COMMUNITY HEALTH SYS INC NEW	COM	94,000	3,603,960
COMMUNITY TR BANCORP INC	COM	16,857	518,353
COMPASS MINERALS INTL INC	COM	17,900	439,266
COMPUCREDIT CORP	COM	23,038	886,502
COMPUTER PROGRAMS + SYS INC	COM	7,900	327,297
COMPX INTL INC	CL A	9,000	144,180
COMSTOCK RES INC	COM	41,500	1,266,165
COMSYS IT PARTNERS INC	COM	1,394	15,404
COMTECH TELECOMMUNICATIONS	COM	22,395	683,943
CONCUR TECHNOLOGIES INC	COM	25,900	333,851
CONEXANT SYS INC	COM	511,451	1,155,879
CONMED CORP	COM	35,690	844,425
CONNECTICUT WTR SVC INC	COM	8,850	216,914
CONNETICS CORP	COM	37,000	534,650
CONNS INC	COM	10,600	390,822
CONOR MEDSYSTEMS INC	COM	10,600	205,110
CONSECO INC	COM	148,600	3,443,062
CONSOL ENERGY INC	COM	95,100	6,198,618
CONSOLIDATED COMM HOLDINGS INC	COM	18,200	236,418
CONSOLIDATED GRAPHICS INC	COM	13,600	643,824
CONSOLIDATED TOMOKA LD CO	COM	6,500	460,850
CONTINENTAL AIRLS INC	COM CL B	91,000	