

On March 9, 2017, the Commonwealth of Pennsylvania's Department of Labor and Industry sued IBM in Pennsylvania state court regarding a 2006 contract for the development of a custom software system to manage the Commonwealth's unemployment insurance benefits programs. The matter is pending in a Pennsylvania court.

In December 2017, CIS General Insurance Limited (CISGIL) sued IBM UK regarding a contract entered into by IBM UK and CISGIL in 2015 to implement and operate an IT insurance platform. The contract was terminated by IBM UK in July 2017 for non-payment by CISGIL. CISGIL alleges wrongful termination, breach of contract and breach of warranty. The matter is pending in the London High Court with trial beginning in January 2020.

In May 2015, a putative class action was commenced in the United States District Court for the Southern District of New York related to the company's October 2014 announcement that it was divesting its global commercial semiconductor technology business, alleging violations of the Employee Retirement Income Security Act (ERISA). Management's Retirement Plans Committee and three current or former IBM executives are named as defendants. On September 29, 2017, the Court granted the defendants' motion to dismiss the first amended complaint. On December 10, 2018, the Second Circuit Court of Appeals reversed the District Court order. On January 14, 2020, the Supreme Court of the United States vacated the decision and remanded the case to the Second Circuit.

The company is party to, or otherwise involved in, proceedings brought by U.S. federal or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), known as "Superfund," or laws similar to CERCLA. Such statutes require potentially responsible parties to participate in remediation activities regardless of fault or ownership of sites. The company is also conducting environmental investigations, assessments or remediations at or in the vicinity of several current or former operating sites globally pursuant to permits, administrative orders or agreements with country, state or local environmental agencies, and is involved in lawsuits and claims concerning certain current or former operating sites.

The company is also subject to ongoing tax examinations and governmental assessments in various jurisdictions. Along with many other U.S. companies doing business in Brazil, the company is involved in various challenges with Brazilian tax authorities regarding non-income tax assessments and non-income tax

litigation matters. The total potential amount related to all these matters for all applicable years is approximately \$925 million. The company believes it will prevail on these matters and that this amount is not a meaningful indicator of liability.

NOTE S. EQUITY ACTIVITY

The authorized capital stock of IBM consists of 4,687,500,000 shares of common stock with a \$.20 per share par value, of which 887,110,455 shares were outstanding at December 31, 2019, and 150,000,000 shares of preferred stock with a \$.01 per share par value, none of which were outstanding at December 31, 2019.

Stock Repurchases

The Board of Directors authorizes the company to repurchase IBM common stock. The company repurchased 9,979,516 common shares at a cost of \$1,331 million, 32,949,233 common shares at a cost of \$4,447 million, and 27,237,179 common shares at a cost of \$4,323 million in 2019, 2018 and 2017, respectively. These amounts reflect transactions executed through December 31 of each year. Actual cash disbursements for repurchased shares may differ due to varying settlement dates for these transactions. At December 31, 2019, \$2,008 million of Board common stock repurchase authorization was available. The company suspended its share repurchase program effective with the close of the Red Hat acquisition on July 9, 2019, in order to focus on reducing debt related to the acquisition.

Other Stock Transactions

The company issued the following shares of common stock as part of its stock-based compensation plans and employees stock purchase plan: 4,569,917 shares in 2019, 3,998,245 shares in 2018, and 4,311,998 shares in 2017. The company issued 2,041,347 treasury shares in 2019, 424,589 treasury shares in 2018 and 463,083 treasury shares in 2017, as a result of restricted stock unit releases and exercises of stock options by employees of certain acquired businesses and by non-U.S. employees. Also, as part of the company's stock-based compensation plans, 2,000,704 common shares at a cost of \$272 million, 1,173,416 common shares at a cost of \$171 million, and 1,226,080 common shares at a cost of \$193 million in 2019, 2018 and 2017, respectively, were remitted by employees to the company in order to satisfy minimum statutory tax withholding requirements. These amounts are included in the treasury stock balance in the Consolidated Balance Sheet and the Consolidated Statement of Equity.