

Frequently Asked Questions (FAQ) for Customers Fixed Term License

Revision #5 July 29, 2005

What is Fixed Term License (FTL)?

This is a new option where customers may license software products for a limited time period. These Fixed Term Licenses come with Software Maintenance included for the period of the license. This option will be available for selected software products and will have unique part numbers. Many of IBM's customers have asked for this flexibility and we are pleased to offer this option as part of the standard Passport Advantage and Passport Advantage Express agreements.

Will FTL have Automatic Renewal like Software Maintenance?

Yes, Automatic or Continuous Renewal is a process where Software Maintenance and FTL will be continuously renewed at the Anniversary date unless the customer notifies IBM prior to that date. The customer will still receive renewal notices from IBM and is encouraged to work with their Business Partner or their IBM representative to place their renewal order prior to their Anniversary date. If an order is not placed or if the customer has not notified IBM that they wish to cancel their renewal, their current quotation for Software Maintenance or FTL will be invoiced. This will ensure that the customer will not experience a lapse in their entitlement to Software Maintenance or the use of their FTL.

When does Automatic Renewal for FTL take effect?

This became effective for all Passport Advantage and Passport Advantage Express customers on May 23, 2005.

Are all customers affected by this announcement?

All customers are affected by this announcement except customers in those countries excluded in the International Passport Advantage Agreement (IPAA). Even though the terms apply to all customers except as stated above, as a matter of process, ELA, Government, and any customer with whom IBM is already engaged in discussing an open renewal quotation will NOT be sent an invoice for continuous renewal.

If a customer notifies IBM that they do not wish to renew FTL, what are, if any, the ramifications?

The customer will lose the right to use the software at the end of the last day of the term of their license. If the customer decides at a later time to acquire the same product again under a Fixed Term License, the Initial FTL is required – they cannot take advantage of the lower-priced Subsequent FTL offering.

How will IBM notify the customer when their Software Maintenance coverage or FTL is coming up for renewal?

The current process still applies with this announcement. The customer will receive a quote from IBM, hardcopy and in electronic format on Passport Advantage Online for customers, approximately 75 days prior to their Anniversary date. If renewal has not

taken place, for customers that have provided us with a valid e-mail address, a reminder is sent approximately 30 and 15 days prior to the Anniversary date. The customer has a choice of sending the quote to their preferred Business Partner for quotation and ordering, or acquiring from IBM at the quoted price.

Can the customer still use their Business Partner to renew?

Yes, it is business as usual in placing orders and renewing Software Maintenance or FTL with their preferred Business Partner. Our Business Partners are and will continue to be a critical part of our renewal process.

If a customer normally works with their IBM representative/Business Partner when they renew their Software Maintenance or FTL, do they now wait until they are invoiced?

No. Customers are encouraged to work with their Business Partner or with their IBM Software Maintenance representative as soon as they receive their first renewal quote. If the renewal is not placed, or the customer has not taken explicit action to notify IBM they are declining the renewal, prior to the Anniversary, IBM will invoice the customer.

How can customers notify IBM of their desire to amend their Software Maintenance coverage or FTL as part of the renewal process?

The customer can work with either their Business Partner or their Software Maintenance representative identified on their renewal quotation.

If a customer is no longer using all of their entitled software, can they renew a portion of their current entitlement when they receive their invoice?

No. The customer needs to reconcile their entitlements prior to the Anniversary with their Business Partner or IBM representative as described above.

When a customer receives their invoice from IBM, can they pay their Business Partner instead?

Customers are encouraged to work with their Business Partner as soon as they receive their quote and to place their renewal order prior to their Anniversary. If the customer receives an invoice from IBM and they wish to engage their Business Partner, they must supply the Business Partner with the invoice and the renewal quote number. The Business Partner will work with IBM to place the renewal order.

What does a customer do when they receive their invoice from IBM and they do not want to renew?

Under the new terms of the IBM International Passport Advantage Agreement and the IBM International Passport Advantage Express Agreement, the customer must notify IBM of their desire not to renew prior to the Anniversary; otherwise, payment of the invoice is due.

How can customers notify IBM of their desire not to renew their FTL?

Customers, who have access to their renewals on Passport Advantage Online for customers, can perform the notification there with just a few clicks, but otherwise IBM

must receive written notification that the customer does not want to renew their Software Maintenance coverage. This notification can be made either directly to the IBM renewal representative shown on the customer's renewal quote, or through their Business Partner. In either case, the notification must be received by IBM before the Anniversary.

Once a customer has been sent an invoice, can they still renew on-line using Passport Advantage Online for customers?

Once the Anniversary is passed and the renewal invoice has been generated, the customer cannot complete the renewal on Passport Advantage Online for customers. Payment can be made to IBM accounts receivable as noted on the invoice, or the customer can still choose to complete their renewal using their preferred Business Partner.

What happens when a customer is sent an invoice and they do not contact their Business Partner or IBM?

Payment is due according to terms of the invoice.

Will Software Maintenance and FTL renewals be on the same renewal quotation?

No, they will be separated – Software Maintenance renewals on one quote and FTL renewals on another.

Is there an upgrade path / price from a Fixed Term License to a standard OTC license for same product? Does it matter if FTL term + SWM is still valid?

IBM has not defined upgrade paths between FTL and OTC parts for a product (where both exist).

Are Fixed Term License parts available under the Passport Advantage Agreement - Attachment for Service Providers?

There is nothing in the design of either FTL or the Attachment for Service Providers that prohibits FTL parts from participating. However, at this time, the only products that currently offer FTL licenses are Rational products and all Rational products are excluded from participation under the Attachment for Service Providers.

How and when will additional Fixed Term License products be announced? Will the offering be expanded to other brands than Rational?

Adding more products from a wider range of IBM software brands is under review.

Does IBM plan to announce shorter initial FTL terms than 12 months?

We have no plans to announce FTL durations other than 12 months at this time.