

Passport Advantage July 2011 Revision FAQs

Section 1: Passport Advantage Enrollment

Q: How is IBM going to handle new enrollments made during the notification period between April 18 and July 18?

A: We will be sending the contract change notification to all PA customers who enroll new Sites during this period, giving them the contractually-required three months' notice. This means that we could have some Sites whose notice periods don't end until as late as October 18, 2011. However, we will be using a slightly different notification letter for these customers that while providing the required notice will also say that we will assume the customer to have agreed to the terms of the entire new Agreement if they make any acquisition of products covered by the newly integrated terms for SaaS and Appliances during their notice period.

Q: What should a seller, including a business partner seller, do if they are in active discussion with a customer that *could* result in an enrollment before July 18, 2011?

A: First, we must be clear that we can't accept an enrollment using the new enrollment forms (PA8 terms) before July 18, 2011. However, we would advise that in all such scenarios, a seller in this situation should have the discussion about the upcoming program revision with the customer now so they are primed for the notification they will receive, and in exceptional cases IBM C&N could construct a letter that the customer can sign that indicates that while they are enrolling under PA prior to July 18, 2011, they explicitly agree to be bound by the new PA revision as soon as it goes into effect on July 18, 2011 without waiting for their notification period to run its course.

Q: Will IBM accept the pre-July 18, 2011 enrollment forms after July 18th?

A: Because the current enrollment forms include statements about sets of terms and conditions (e.g., subcapacity) that will no longer be in place as of July 18, 2011, we cannot accept those enrollment forms after that date. There can be no exceptions and if an old enrollment form is received, it will be rejected and the customer will be requested to complete the new enrollment form before their enrollment can be accepted. The new enrollment forms will be made available on the public PA "Agreements and forms" page shortly before they come into effect and can be used for any enrollment that will be submitted to IBM AFTER July 18, 2011. Please

note that IBM's online enrollment for PA web site, available for all countries, will be live with the new forms on July 18th – customers should always be encouraged to use this form of enrollment because it provides best data integrity due to there being no need to transcribe data from handwriting to stored text.

Q: As of July 18, 2011, will a customer who does not have a 500 PA point initial order be able to enroll in Passport Advantage or will they continue to have to use Passport Advantage Express?

A: The 500 point minimum initial order requirement for enrollment into Passport Advantage has been eliminated as of July 18. Customers with an initial order of less than 500 PA points will now be able to make a choice of program based on other factors such as whether they want to be enrolled in a relationship type of agreement (PA) versus a transactional agreement (PA Express), whether they want to have the possibility of getting discounts if they have multiple orders in a specified period of time that could qualify them for entitled price levels (PA) instead of list pricing only (PA Express), or whether they want to have a single renewal a year (PA) instead of having renewals done on a per transaction basis (PA Express). PA Express will continue to NOT have points since it is a transactional program.

Q: Do customers still need to indicate sub capacity on their enrollment form or has that changed as well since sub capacity is no longer a separate Attachment?

A: Customers only need to indicate sub-cap on the enrollment form until the new Agreement comes into effect in July when the enrollment forms will be changing and will no longer include any separate mention of sub capacity terms. The new enrollment forms will be posted on the public PA web page, as usual.

Q: Prior to July 18, 2011, if a customer does not have a 500 point initial order but wants to enroll in Passport Advantage, can this be done?

A: Prior to July 18, if a customer wants to enroll in Passport Advantage with less than the required 500 pt initial order, they should discuss this with their IBM or business partner seller to determine if an exception can be considered.

Section 2: Autorenewal

Q: What is autorenewal and when does it come into effect?

A: Autorenewal doesn't happen until the customer has allowed their current S&S coverage to come to an end without either ordering a renewal or notifying IBM that they do not intend to renew.. It's only then that autorenewal comes into play, the customer's coverage is renewed and an invoice is sent to the customer at their entitled price level per the quote they had previously received. IBM raises the invoice per the terms in the agreement.

Q: How do we ensure we de-select government customers from autorenewal correctly?

A: Government customers are "excluded from autorenewal invoicing by rule" in the system, meaning they will be autorenewed but will not be sent invoices. However, this relies on us being able to determine who is and is not a government customer and we do this by looking at the contract variant. Obviously this is a PA statement rather than a PAE statement because government pricing is only available in PA and contract variant recording is only available in PA. If government customers are enrolled as straight commercial customers they will not be automatically excluded.

Q: Why does IBM expect customers to agree to renew at entitled price after having discounted pricing in the previous year?

A: We expect customers to renew before their current coverage expires, as stated in the agreement. Having said that, we have years of experience with autorenewal and customers receiving invoices and still wanting to negotiate pricing; this will be handled as part of the process.

Q: A large portion of revenue is through the channel. I understand that the auto-renewal invoice will be sent directly to a customer even if the prior transaction was via a channel partner. Does this mean we are cutting the channel partners out of the renewal business in countries where autorenewal is implemented?

A: No, we have not excluded the channel from being able to participate fully in renewals; quite the contrary, we continue to strongly encourage them to get the renewals done with their customers before the customers' current coverage expires, as stated in the agreement. However, again we have a lot of experience with autorenewal and the channel and we have accommodated channel orders for a post-Anniversary (and therefore autorenewal invoiced) renewal as part of the process.

Section 3: “all or nothing S&S” requirement

Q: Under the new terms, what are a customer's options in terms of S&S?

A: For each PA or PA Express Site, the customer has two options: (1) To have S&S for all of their license inventory of a product they have “in service” or (2) To have S&S for none of their license inventory of a product they have “in service”. There is no third option to have S&S for only some of their license inventory of a product they have “in service”. Of course, the customer may also obtain S&S for some or even all of their “not in service” (“on the shelf”) licenses which may save them money if they want to bring them back into service later and avoid paying S&S Reinstatement charges.

Q: What does the term “Partial renewal” mean?

A: This can be a confusing term. Partial renewal is sometimes used to describe the renewing of S&S for only a portion of a customer’s inventory of licenses for a given product relative to their entire inventory, regardless of whether that entire inventory is “in service” or not. On the other hand, it is sometimes used to describe a situation where a customer wants to renew S&S for only a portion of their “in service” license inventory for a product, implying in addition that they do not want to renew S&S for any part of their license inventory that is NOT “in service” – what we sometimes call “on the shelf”. It is always important to understand which situation is being discussed when using the term “partial renewal” since in the first situation described above, the partial renewal would be allowed if the portion being renewed represented at least the entire license inventory currently “in service” but the second situation described above is no longer allowed at all under the new “all or nothing S&S” terms.

Q: If some of the customer’s license inventory is not “in service” but is “on the shelf”, do they have to have S&S for those licenses that aren’t “in service”?

A: The “all or nothing” rule applies only to “in service” licenses. It may also make sense, financially, for a customer to have S&S for some or all of their license inventory that they have “on the shelf” at the moment in addition to those “in service”, especially if they expect to bring some of these back into service soon. S&S Reinstatement pricing, which is required to bring these “on the shelf” licenses back into service after a lapse of coverage is typically three times the price of S&S renewal.

Q: Does the customer lose the right to use the licensed software if they do not renew S&S?

A: No, their licenses are unaffected – same as today if a customer allows S&S to lapse.

Q: What is the scope of the “all or nothing S&S” requirement? Is it on a per product basis for each renewal Site or does it operate across multiple Sites and even across the customer’s entire Enterprise?

A: The scope is at the same level as we perform renewals – at the per product per Site level. If a customer has 100 licenses of Product A in use at Site 123, and another 200 licenses for Product A in use at Site 345, they will get two renewal quotes, one from each Site. The customer can renew all or none of the 100 licenses at Site 123, and can renew all or none of the 200 licenses at Site 345 – there is no requirement for them to renew S&S for all 300 or for none of them.

Q: What is IBM’s definition of “in service” for purposes of the “all or nothing S&S” requirement?

A: “In service” means the license is being used to deploy software in any way and for any purpose. Nonproduction purposes are just as included as production purposes.

Q: Will customers tell us what licenses they have “in service” and what they don’t? Can we determine what is and is not “in service” in some other way?

A: There are no tools to help with this except the knowledge of the customer’s environment and their license purchase and S&S renewal history. As with most licensing practices for software from IBM, we expect our customers to be compliant with the terms of their agreements with IBM.

Q: Will current customers be grandfathered so they don’t have to comply with the “all or nothing S&S” requirement?

A: There will be no grandfathering. The requirement to cover all or nothing of “in service” licenses comes into effect with the customer’s first renewal after the effective date of the agreement change; For most customers, this will be July 18th.

Q: Will we require customers to state, in writing, how many of their licenses are in service and how many are not?

A: If a customer has 1000 licenses and tells us they only have 500 in service, we may ask them to put this statement in writing; Some sellers will want to engage actively with customers in this regard and get them to acknowledge the new terms and explicitly state their compliance with the “all or nothing S&S” requirement, including telling us how many of their licenses are “in service” and how many are not.

Q: (a) If a customer is actively using all 1000 of their licenses but using 500 of them to license an old version of the product where that particular version has gone “end of service” (EOS) even though the product continues to be sold and is available in newer versions for which support is still available as part of S&S, do they still need to have S&S for all 1000 or none at all?

(b) If a customer is actively using their entire inventory (e.g., 400) of their licenses for a given product but using 200 of them to license an older version, perhaps because that older version is required for a stable application or is being used for an application that doesn’t yet work with a more up-to-date version of the product, do they still need to have S&S for all 400 or none at all?

A: Yes, the requirement covers all “in service” use regardless of the type of deployment or version of the software in use. The requirement is at the product level, not at the product version level. Our S&S terms have always allowed for the fact that a customer might keep their S&S current while still using their licenses to deploy older versions than those currently available or even older than we are still supporting. They may do this in order to keep their upgrade and support options open for the time when they do want to upgrade. Our terms explicitly state that in order to receive support for a product, the customer must be using a version of that product for which we currently offer support, but S&S is required for all licenses “in service” or for none “in service”.

Q: Must a customer who is using all their licenses of a given product to deploy an old version of software, perhaps even a version of the product which is no longer supported, follow the same “all or nothing” rule?

A: Yes, if the software is in service, the customer can only cover all or none.

Q: If a customer has their entire inventory (e.g., 400) of licenses for a given product in service but has only 200 of them with current S&S and has allowed S&S for the other 200 of them to lapse because those licenses are being used to license an older version of the product, will they have to make the “all or nothing” decision for all 400 at their next renewal?

A: At their next renewal, they must choose all or none, yes. If they choose the “all” option, S&S for the licenses for which S&S has been allowed to lapse must be obtained using S&S Reinstatement parts.

Q: What if the customer has 1000 licenses in service, but only wants to pay for 500 and is willing to state that they will not be calling in for support for the other 500 or using any updates that we make available to them under active S&S for them?

A: The compliance risk is too great in this case and our terms explicitly prohibit it.

Q: If licenses are in service and customer has no plans to use S & S, and their project for which the licensed software has been deployed will only be for six months, does the customer have to pay for a full year?

A: They have the same “all or nothing” choice to make and if they choose “all”, then yes they must acquire S&S for the whole year, business as usual – Passport Advantage terms do not allow for partial year coverage except for prorating coverage to synchronize coverage across products to a single Anniversary (PA statement only – no prorated coverage is allowed for PA Express).

Q: If a customer covers “none” of his licenses of a given product with S&S and their business grows and they acquire more licenses, do they then have to immediately cover all licenses and therefore pay S&S Reinstatement on all others for which they have allowed S&S to lapse since we do not offer licenses without S&S included?

A: The “all or nothing” rules will be applied to their next renewal. As long as they don’t apply any of the benefits of S&S they get with the new licenses, including updated and placing support requests, for the benefit of the existing, lapsed S&S, licenses, it is possible that they could be compliant with the terms if they tightly manage their environment(s) where the licenses and software are being used, but they will have to make the “all or nothing” decision at their next renewal. If they choose the “all” option, S&S for the licenses for which S&S has been allowed to lapse must be obtained using S&S Reinstatement parts.

Q: Will there be an amnesty type program, where customers can cover lapsed licenses at a lower than S&S Reinstatement price for a specified amount of time?

A: There are no current plans for such an amnesty program.

Q: How do these terms impact Government and Academic customers?

A: The same as for commercial customers.

Q: Recognizing that IBM is placing a lot of focus on “ON TIME” renewals, has there been a change in the process for allowing customers to renew prorated lines at a later date?

A: There has been no specific change of policy or process. However, we strongly advise that customers renew prorated line-items (in PA) when

their normal renewal is due in order to avoid an accidental lapse of coverage which can therefore lead to S&S Reinstatement charges as well as causing them to be noncompliant with the "all or nothing" clause of the contract.

Q: In regards to the requirement that customers must renew all licenses in service or nothing at all, is this specific to the product, brand or all the products under a given Site?

A: The "all or nothing S&S" requirement applies at the product level only. At a particular Site, a customer can choose to have all their licenses for Notes covered by S&S while having none of another product's licenses covered.

Section 4: Agreement change & notification

Q: How do the new PA terms affect IBM's GSA Schedule U.S. Federal Government customers?

A: the same as for all other customers.

Q: Recognizing that IBM is placing a lot of focus on "ON TIME" renewals, has there been a change in the process for allowing customers to renew prorated lines at a later date?

A: There has been no specific change of policy in this regard as far as PA8 and PAE7 are concerned but you are correct that we should always encourage customers to renew prorated line-items (in PA) when their normal renewal is due in order to avoid an accidental lapse of coverage which can therefore lead to S&S Reinstatement charges as well as causing them to be noncompliant with the "all or nothing" clause of the contract.

Q: The new contract talks about Transaction Documents. What are these?

A: "Transaction Documents" is a generic term that can mean a number of different things that further affect and/or qualify the terms of the agreement or a particular transaction. For example, an IBM quote is a transaction document that has some standardization due to it being system-generated before the order to which the transaction document applies is received or accepted by IBM, but a PoE isn't a transaction document because it's an output based on an order accepted under a set of predetermined terms and conditions.

Q: Does the revision of the agreements mean that the Subcapacity Attachment, the Fixed Term Use Attachment (SaaS), and the hardware Attachment (Appliances) are no longer needed?

Yes, these three attachments have been incorporated into the main body of the PA and PA Express Agreements and are no longer required.

Q: is the current Attachment for Service Providers (xSP) still valid and unchanged?

A: We are currently looking at whether the current XSP Attachment needs to be updated to fit properly with the new PA Agreement.

Section 5: Resources

Q: What additional resources are in place?

A: Additional resources and information will be provided via Passport Advantage Online. Customers should contact their IBM or reseller sales representative for additional help and information, and IBM business partners should use their VAD or IBM sales contacts