Subject: IBM Passport Advantage Sub-Capacity Licensing

Dear Passport Advantage Sub-Capacity customer,

As you know, sub-capacity licenses and Software Maintenance are offered under the terms of the IBM International Passport Advantage Agreement Attachment for Sub-Capacity Terms (Z125-7174) ("Attachment"). These terms require you to:

1) implement the IBM Tivoli License Compliance Manager Program;
2) register with IBM's License Management System application; and
3) submit to IBM, each quarter, program use reports.

Customers with complex computing environments have expressed their concerns with some aspects of these reporting requirements. IBM has listened to that feedback and is working to improve the reporting process for sub-capacity licensing. IBM will enhance the IBM Tivoli License Compliance Manager for IBM Software program (ITLCM) to simplify the implementation, especially for complex computing environments.

Until these enhancements are announced, IBM is temporarily suspending the Sub-Capacity customer requirements described in subsections 1 through 3 of Section 4, "Your Responsibilities under Sub-Capacity Terms," of the Attachment. Those requirements that are being temporarily suspended currently read as follows:

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4. Your Responsibilities under Sub-Capacity Terms

You agree to:

1. promptly install and configure the most current version of ITLM, in accordance with the ITLM Administration guide, to enable you to collect Program use data daily on all Eligible Machines subject to Sub-Capacity terms;

2. register your ITLM administrative servers with the License Management System application at: http:www.ibm.com/software/lms ;

3. send to IBM by the Due Date:

   a) the initial IBM Use Report, which is based on the data for the entire initial Reporting Period, for each Eligible Machine subject to Sub-Capacity terms; and

   b) subsequent IBM Use Reports, which are based on the data for each entire Reporting Period thereafter, for each Eligible Machine subject to Sub-Capacity terms;

You remain responsible for having the requisite number of license authorizations to comply with the requirements described in Section 2, "Authorizations" of the Attachment and for complying with all other terms of the Attachment.

We are confident that the upcoming enhancements, planned by fourth quarter 2007, will improve your ability to manage the licensing of your IBM programs in a sub-capacity environment.

For additional information about Passport Advantage Sub-Capacity Licensing, visit this web site: http://www-142.ibm.com/software/sw-lotus/services/cwepassport.nsf/wdocs/subcaplicensing

For additional information about Passport Advantage, visit this web site: http://www.ibm.com/software/passportadvantage

If you have further questions, please contact your IBM Representative, your IBM Business Partner, or send an e-mail to subcap@us.ibm.com.

Sincerely,

Your IBM Passport Advantage team