



IBM Software Advantage for Workstations Offering Enhanced

IBM Software Advantage for Workstations offering was announced in USS 95-094, dated June 20, 1995, to provide a comprehensive approach to acquiring software and maintaining version and release currency.

On October 8, 1996, the offering was enhanced to additionally provide CD Media and Documentation Packs. Refer to USS 96-169, dated October 8, 1996.

The offering is designed for the small single site to the worldwide enterprise customer. With a single agreement, customers can aggregate spending for their workstation software to earn the best discount level for their overall software acquisitions.

Today, IBM is enhancing the IBM Software Advantage for Workstations offering with the introduction of a lower spending level and enhanced discount grid for program participation, increased flexibility in the Upgrade Protection option, a new option designed for federal, state and local government and an attractive renewal option.

These enhancements have been designed to:

- Provide value and incentives to renew at time of current agreement expiration
- Enhance the attractiveness of the Upgrade Protection Option
- Extend offering eligibility and enhanced discounts to more customers
- Demonstrate continued leadership with other volume licensing offerings in the industry

It is expected that Software Advantage customers can meet the new minimum entry level. Therefore, the forecast option is eliminated and no longer available for new customer agreements or renewable for existing agreements.

IBM is withdrawing the quarterly payment option for upgrade protection. This withdrawal does not affect the cost proration of upgrade protection when acquired with a new license.

This announcement is provided for your information only and is subject to change without notice. For additional information, contact your IBM representative.

Description

IBM Software Advantage for Workstations offers customers a two year agreement during which spending for eligible programs, CD media and doc packs and upgrade protection of eligible programs is aggregated to determine the discount level of follow-on acquisitions. In anticipation of the need of our customers to establish annual spending plans and IBM's desire to better enable customer participation in the Software Advantage for Workstations offering, IBM is announcing the IBM Software Advantage for Workstations renewal option, a new lower entry spending level and enhanced discounts for program participation. The renewal terms are designed to encourage renewals prior to agreement expiration and help customers begin their new agreement with attractive discounts by recognizing their prior agreement spending. Customers who renew at expiration of their Software Advantage for Workstations agreement will receive SRP credit equal to 20% of the actual acquisitions made under the expiring agreement term. This SRP credit, plus the aggregated SRP credit earned with the renewal agreement commitment transaction, will determine the initial discount level for the next agreement term.

The IBM Software Advantage for Workstations discount grid has been enhanced to allow participation at a lower entry level and enable easier participation by mid-tier customers and independent departments within larger enterprises. The new lower entry spending level now provides these smaller organizations the ability to acquire Upgrade Protection, which is only available through the Software Advantage for Workstations offering. The new grid supports the following spending levels and discounts:

Spending Level	Percent
\$ 10,000	20%
50,000	25%
200,000	30%
500,000	35%
1,000,000	40%
2,500,000	45%

It is expected that Software Advantage customers can meet the new minimum entry level. Therefore, the forecast option is eliminated and no longer available for new customer agreements or renewable for existing agreements. The discount level for all new Software Advantage Agreements will be based on the initial order plus any applicable SRP credit. Deeper discount levels may be reached with additional follow on acquisitions.

Customers with a current Software Advantage Agreement in place under the Commitment Option will have their agreements revised to reflect the new discount schedule level, if applicable. Forecast Option agreements will not be changed.

Today IBM is announcing increased flexibility for Software Advantage customers who have chosen Upgrade Protection for programs that have counterpart programs that run on either OS/2®, Microsoft NT, or Microsoft Windows operating systems and who wish to migrate from one operating system to another operating system within their Software Advantage Agreement period.

Customers who have Upgrade Protection for such eligible programs and subsequently wish to migrate to one of the other operating systems, may exchange their Upgrade Protection to that for the other operating system counterpart program and thereby be entitled to future upgrades to the counterpart program when announced within their Software Advantage Agreement period, with

the following difference: When a future upgrade of an eligible server program to which entitlement was transferred becomes available, if there is a usage charge for that sever, the customer will be required to obtain user access through the Software Advantage offering unless there are usage charges on the sever program from which entitlement was transferred.

In addition, when the customer is licensed for the most current version of the eligible program and has Upgrade Protection for that program, the licenses for that program may be exchanged for an equal number of licenses for the counterpart program, as well as exchanging their Upgrade Protection to that of the counterpart program, with the following difference: If there are usage charges on a counterpart sever program, the customer will be required to obtain user access through the Software Advantage offering unless there are usage charges on the server program that is being exchanged.

Customers have the opportunity to exchange their Upgrade Protection or license and Upgrade Protection entitlement once for each eligible program within their Software Advantage Agreement period.

In response to our business partners' need for improved ease of administration, the quarterly payment option of upgrade protection is being withdrawn. This withdrawal does not affect the cost proration that is applied to upgrade protection when acquired with a new license.

New Software Advantage terms are available for federal, state, and local government customers. Each department or agency may establish an agreement. The new terms provide for the acquisition of eligible programs and Upgrade Protection at the maximum published discount level, without a minimum spending level requirement. As before, CD media packs and documentation packs are not discounted. Other standard Software Advantage terms continue to apply.

Administrative Information

Effective immediately, IBM will only accept Software Advantage for Workstations commitment contracts. With the announcement of a lower spending level, it is expected that participating customers can make a minimal commitment to earn a better discount than was available with the forecast option. Therefore, the forecast option is no longer available for any new customers or contracts and will not be renewable for existing contracts.

The Software Advantage for Workstations Agreement, Supplement and Exhibit have been revised to reflect the changes included in this announcement.

The Software Advantage Administration Center (SAAC) will revise existing Commitment Option agreements to reflect the deeper discount level based on the new grid schedule, when applicable. The SAAC will send written confirmation of this positive change to the customer, and copy the participating remarketers. Customer signatures are not required for these agreement revisions.

Two IBM promotions are being announced today that provide further incentives for Software Advantage renewals and recognition of Lotus Passport participation. See those announcement for further administrative details.

All Software Advantage renewal agreements and government agreements will be handled by the Software Advantage Administration Center (SAAC) in Raleigh, North Carolina.

The Software Advantage agreement for a government customer does not require a customer signature. All other agreement and supplement information is required.

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