



IBM Point of Sale 2003 Incentive Program

ANNOUNCEMENT LETTER NUMBER

503-003

DATE OF ANNOUNCEMENT

20030114

TYPE OF ANNOUNCEMENT

Partners

TITLE OF ANNOUNCEMENT

IBM Point of Sale 2003 Incentive Program

DESCRIPTION OF ANNOUNCEMENT, CHARGES AND AVAILABILITY

THE OFFER

Eligible IBM Point of Sale (POS) Business Partners can receive incentive payments that are based on the IBM revenue they generate during the 2003 calendar year.

START AND/OR END DATES

Only revenue generated from IBM invoices to eligible POS Business Partners that are dated on or after January 1, 2003, but no later than December 31, 2003, qualifies under this program.

WHO IS ELIGIBLE?

The following IBM Business Partners are eligible for this program:

- o Solution Providers who acquire products directly from IBM
- o Solution Providers who acquire IBM products from IBM Business Partner -- Distributors
- o Systems Integrators

IBM Business Partner -- Distributors are responsible for making their IBM Business Partner - Solution Providers aware of this program.

IBM Business Partners who are operating under the Solution Provider -- Complementary Marketing or Systems Integrator -- Complementary Marketing terms are not eligible for this program.

WHERE IS IT AVAILABLE?

This program is available only in:

- o the United States (including Puerto Rico)
- o Canada

This program is not available in Caribbean North countries.

Overview

QUALIFYING/ELIGIBLE PRODUCTS

All IBM Point of Sale hardware and software products listed in the IBM Point of Sale Product Table of the IBM Business Partner Exhibit.

ADDITIONAL INFORMATION/CONDITIONS

Payments

Eligible POS Business Partners' payments will be calculated quarterly and a payment will be issued if the amount exceeds \$1,000. If the amount is less than \$1,000, the amount due will be rolled over into the following quarter until the amount due exceeds \$1,000. At the end of the calendar year, all amounts \$50 or greater will be paid. Accumulated rewards that total less than \$50 will be forfeited.

Payment Schedules

Revenue generated will be determined based on performance from January 1, 2003 to March 31, 2003; April 1, 2003 to June 30, 2003; July 1, 2003 to September 30, 2003, and October 1, 2003 to December 31, 2003. The following schedule will be utilized:

| QUALIFIED REVENUE | PAYMENT BASIS |
|--------------------------|---------------------------|
| less than \$12,500 | No payment |
| \$12,500 -- \$62,499 | .5% of revenue generated |
| \$62,500 -- \$124,999 | .9% of revenue generated |
| \$125,000 -- \$1,249,999 | 1.2% of revenue generated |
| \$1,250,000 and higher | 1.3% of revenue generated |

Payments are generated approximately eight weeks after the end of each performance period.

Bonus Payments

A one-time bonus will be paid to eligible Business Partners who have attained the status of "Advanced" or "Premier" in the IBM PartnerWorld (R) Program by March 31, 2003. Eligible "Advanced" Business Partners will receive \$3,000 and "Premier" Business Partners will receive \$5,000 or 5% of the previous year's full IBM POS generated revenue, whichever is less. This one-time bonus will be paid at the end of the first calendar quarter. For Business Partners who achieve the status of "Advanced" or "Premier" after March 31, 2003, the one-time bonus will be paid at the end of the quarter during which they have achieved their new PartnerWorld designation. In no case will the total Bonus Payments exceed \$5,000.

Other Conditions

Business Partners must be "Active" (Code D) POS Business Partners as of the last day of each quarter to qualify for participation in that quarter's payments.

All revenue generated will be calculated in U.S. currency. Payments to U.S.-based Business Partners will be made in U.S. dollars and payments to Canadian-based Business Partners will be in Canadian dollars.

If a credit or return is issued against generated revenue on which previous payments were made by IBM, no further payments will be made until those already issued are recovered.