Enterprise Consumption Solution

IBM Federal Addendum for Tailored Fit Pricing for IBM Z Software Consumption Solution

IBM

This Addendum for Tailored Fit Pricing for IBM Z Software Consumption Solution ('Addendum') modifies or is in addition to each of the following which may be in effect between Client and IBM: the (i) Attachment for Country Multiplex Pricing (Z126-6965); (ii) Attachment for IBM System z Advanced Workload License Charges (Z125-8538); (iii) Attachment for IBM System z Advanced Entry Workload License Charges (Z125-8755); and (iv) Attachment for zNALC License Charges on System z (Z125-7454) (each an Applicable Attachment); and governs Client's entitlement to the special IBM Program pricing specified in this Addendum.

1.　　Definitions

Annual MSU Baseline – for each Enterprise Solution with Tailored Fit for IBM Z Software Consumption Solution pricing, the total number of MSUs that are available for each twelve (12) month Period (or prorated Period) of the Term and included in the Monthly Baseline Charges as specified in Section 8 of this Addendum.

Base Entitlements – the MSU quantity of license entitlements required at transition into a consumption-based licensing model for IBM sub-capacity eligible one-time charge (OTC) programs. The Base Entitlement level is determined per Section 7 and specified in Section 8 of this Addendum.

Eligible Machine(s) – a z14, z14 ZR1 or later technology for which Client is the licensee of all Programs.

Eligible Program(s) – sub-capacity eligible IBM MLC and OTC Programs licensed directly to Client and specified in Section 8 of this Addendum.

Enterprise Solution - a distinct workload or set of workloads that share a common and distinct technical or business purpose, and which has an Enterprise Solution ID assigned by IBM.   The solution may be one or a set of LPARs.

Enterprise Solution ID — the unique 64-character Solution ID assigned by IBM to an Enterprise Solution that is defined in this Addendum and provided to the client via the LMS application.

Enterprise Solution License Charges (ESLC) – the pricing methodology used for eligible MLC Programs for Enterprise Solution Workload(s) based on MSUs consumed.

Enterprise Solution Name — the name chosen by the Client to identify each Enterprise Solution to appear on the Enterprise Tailored Fit Report for any Eligible Machine running this Enterprise Solution Workload. The initial Enterprise Solution Name is defined in this Addendum but may be changed by the client using the IBM License Management Support (LMS) application available at http://www.ibm.com/software/lms.

Enterprise Solution Workload - a client's Enterprise Solution workload(s) running on Eligible Machines as approved by IBM, in its sole discretion, to receive Tailored Fit Pricing for IBM Z Software Consumption Solution pricing.

Enterprise Tailored Fit Pricing (Enterprise TFP) Report - a report generated by SCRT to enable IBM to determine the number of MSUs consumed by each Enterprise Solution.

Growth Charges – the ESLC charges per MSU for Eligible Programs for all MSUs in excess of the Annual MSU Baseline of an Enterprise Solution. The initial Growth Charges as specified in Section 8 of this Addendum.

Monthly Baseline Charges – the monthly ESLC charges for Eligible IBM MLC Programs for the Annual MSU Baseline of an Enterprise Solution. The initial Monthly Baseline Charges are specified in Section 8 of this Addendum.

OTC Entitlement Factor – the conversion factor for an IBM sub-capacity eligible OTC program that normalizes the Base Entitlements to the Annual MSU Baseline. The OTC Entitlement Factor is used to calculate OTC program requirements for MSU utilization above the Annual MSU Baseline. Initial OTC Entitlement Factors greater than 1.00 will be capped at 1.00 for MSU utilization in excess of the Annual MSU Baseline.

Period – a 12 month period commencing at the start of, or the anniversary of, the start of the TFP Term. Note that the Period in the first or final year may be less than 12 months due to contract length, or a cancellation of TFP contract, in which case the Annual MSU Baseline will be pro-rated accordingly. A Period may also be pro-rated for the purpose of OTC Program entitlement checking pursuant to terms of other contracts between Client and IBM.

Reporting Period - the period that begins on the second day of a month and ends on the first day of the following month.

Supplement –- an IBM Supplement for Tailored Fit Pricing for IBM Z Software Consumption Solution in effect between Client and IBM.

Term – the term of the Addendum for Tailored Fit Pricing for IBM Z Software Consumption Solution as specified in Section 8 of this Addendum.

Total MSU Consumption – the total MSUs consumed by an Enterprise Solution in a Period as reported on an Enterprise TFP Report.

2. IBM Responsibilities

IBM will:
a. provide the SCRT and Enterprise Solution ID(s) and make available to Client instructions to use;
b. subject to Client's compliance with this Addendum, apply the ESLC pricing to Eligible Programs for Enterprise Solution Workload(s), in accordance with this Addendum and any related Supplement.

3. IBM Rights

IBM may reject any Enterprise Tailored Fit Report that reflects data generated by or otherwise concerning an ineligible or unauthorized Enterprise Solution ID.

4. Client Responsibilities

Software Consumption Solution pricing is conditional upon (i) Client's utilization only of capacity authorized by IBM for Client's use, and (ii) accurate capacity utilization measurement data being generated by operating systems and processed by SCRT.

Client will:

a. supply to IBM the following information for section 8 of this Addendum for each Enterprise Solution: (i) Enterprise Solution name, (ii) machine type and serial number for all Eligible Machines where the Enterprise Solution will be deployed, and (iii) the list of all Enterprise Solution Workload programs;
b. promptly install any future operating system service or Product specific service required by IBM for the Enterprise Solution, and implement any IBM directed technical measures to maintain the Enterprise Solution;
c. for each Eligible Machine for which Client qualifies for an Enterprise Solution, specify the Enterprise Solution ID to SCRT for all LPARs dedicated to the Enterprise Solution;
d. for each Eligible Machine for which Client qualifies for an Enterprise Solution, submit monthly SCRT Enterprise TFP Reports using Coordinated Universal Time (UTC) to IBM in accordance with all terms regarding creation, management and submission of SCRT Reports specified in this Addendum and in each Attachment that is in effect between Client and IBM;
e. not submit an SCRT Report that uses an Enterprise Solution ID which is not authorized by IBM;
f. IBM will invoice for all additional charges and other liabilities Client becomes obligated to pay if Client submits an altered SCRT Report or fails to otherwise comply with the terms of this Addendum. Client's liability for such charges becomes due in accordance with the Prompt Payment Act.
g. notify IBM in writing of any Programs to be added or removed from an Enterprise Solution to adjust the Monthly Baseline Charges and Growth Charges, as applicable.

5. General

a. MLC Program charges for Enterprise Solution Workload(s) will be based upon the Monthly Baseline Charges and an annual review of Total MSU consumption. See MLC Program Charges in Section 6.
b. Enterprise Solution Workload(s) must remain in the appropriate Enterprise Solution.
c. Each LPAR must be dedicated to a single Enterprise Solution and may not be moved to another Enterprise Solution.
d. Verification requirements for Parallel Sysplex aggregation are suspended during the term of this Addendum.
e. This offering is only applicable in the original country of signature, and to Machines and Enterprise Solution Workload(s) operating within the Client's Enterprise. The terms and conditions of this Addendum may not be assigned or transferred outside the Client Enterprise, nor country of signature.
f. Enterprise Solution License Charges (ESLC) are subject to future announced price changes and changes to effective TTO benefit.

g. This Addendum and any Supplement(s) only applies to that part of Client's Enterprise that existed as of the effective date of this Addendum and not by any business entities or portions of business entities that become part of Client's Enterprise through merger activity after the effective date of this Addendum. IBM in its sole discretion may modify the Addendum to accommodate such activity.

h. At the expiration of this Addendum, Client may renew the contract for an additional mutually agreed term with any generally available IBM pricing offering for which they are eligible.

i. Client may cancel their Software Consumption Solution and terminate this Addendum for any reason by sending 30 day written notice to IBM. Upon notification, the Annual MSU Baseline will be prorated to the effective date of termination and the Total MSU Consumption for the revised Period reconciled with the revised Annual MSU Baseline per Sections 6 and 7 below. Following such cancellation Client may not initiate a new Software Consumption Solution for at least six (6) months.

6. MLC Program Charges

IBM will invoice Monthly Baseline Charges each month. At the end of each Period, the Total MSU Consumption for the Period is compared to the Annual MSU Baseline. If the Total MSU Consumption for the Period exceeds the Annual MSU Baseline, the number of MSUs above the Annual MSU Baseline will be billed at the Growth Charges per MSU.

If the Total MSU Consumption for the Period is below the Annual MSU Baseline the number of MSUs below the Annual MSU Baseline will be carried over to the following Period by adding the MSUs not consumed to the Annual MSU Baseline for the following Period. For the avoidance of doubt, as an example, if the Total MSU Consumption for the Period is 10,900 MSUs and the Annual MSU Baseline is 11,000 MSUs, the 100 MSUs not consumed will be added to the Annual MSU Baseline for the following Period. The Annual MSU Baseline for the following Period will be 11,100 MSUs. Annual MSU Baseline MSUs not consumed by the earlier of the expiration or termination of the Addendum are forfeited.

Licensing requirements for MLC programs that are not sub-capacity eligible MSU based will continue to be licensed under their announced terms and conditions.

7. IPLA One-time Charge (OTC) Programs

IBM OTC programs may be licensed at the full capacity of the Machines within the Software Consumption Solution or alternatively, IBM OTC programs that are eligible for Sub-Capacity Pricing ("OTC Eligible Programs") may be converted to a consumption-based licensing model. Client's elected treatment of OTC Sub-Capacity eligible Programs shall be documented in Section 8 of this Addendum.

Conversion to consumption-based terms for OTC Eligible Programs requires that Client has executed (i) the IBM Amendment for IBM System z Programs Sub-Capacity Pricing (z125-6929), and/or (ii) the IBM Amendment for Sub-Capacity for One-Time Charge Programs with Country Multiplex Pricing (z126-6968). The terms of this Addendum modify or are in addition to those agreements and are broken down into two steps: a) the initial transition to consumption-based model, & b) ongoing reconciliation of Total MSU Consumption compared to owned OTC program entitlements.

a) **Initial transition to TFP consumption-based licensing model**.
Note: This is a one-time activity based on actual program utilization during the period used to establish the Annual MSU Baseline.
1) Identify the eligible OTC Program's MSU peak during the period in which the Annual MSU Baseline was established. This defines the Base Entitlements required at transition to TFP and are documented in section 8 below. The Base Entitlement level may be adjusted from the Program MSU peak to align with the client's committed Annual MSU Baseline.
2) Calculate the eligible OTC Program's OTC Entitlement Factor by multiplying the Base Entitlement level by 5,000 and dividing the result by the Annual MSU Baseline, with the result capped at 1.00. The Entitlement Factor is used during the annual reconciliation process for calculating incremental OTC Program entitlement requirements above the Base Entitlement level should MSU consumption be in excess of the Annual MSU Baseline. OTC Factors are documented in section 8 below.

For example, a Client with an OTC program with an MSU peak of 1,000 MSUs and an Annual MSU Baseline of 10,500,000, would be required to have Base Entitlements of at least 1,000 MSUs. This would then support the consumption of up to 10,500,000 MSUs annually. The OTC Program would have an OTC Entitlement Factor of .47619048 (1,000*5,000/10,500,000) calculated and documented in Section 8 below.

b) **Ongoing reconciliation of Total MSU Consumption compared to owned program entitlements.**
At the end of each Period (or pro-rated Period), the Total MSU Consumption will be compared to the Annual MSU Baseline. If the Total MSU Consumption for the Period is below the Annual MSU Baseline,

Z126-8554 US -FED-04 12-2023

no additional OTC Program entitlements will be required, and the existing Base Entitlement level will remain in effect for the following Period.

If the Total MSU Consumption for the Period exceeds the Annual MSU Baseline, additional OTC Program entitlements in excess of Base Entitlement level will be calculated and compared to client's owned entitlement level as follows:

1) MSUs consumed in excess of the Annual MSU Baseline will be divided by 5,000 (the 1:5000 conversion rate) and multiplying the result by the program's OTC Entitlement Factor.

   For the example above: with a Total MSU Consumption of 12,000,000 MSUs, the customer would require an additional 143 MSUs of entitlement, derived from the formula: 12,000,000-10,500,000 / 5,000 *.47619048 rounded up to nearest MSU.

2) The incremental OTC Program entitlements calculated in step 1) will be added to the Base Entitlements level (established in Section 7.a.1 and documented in Section 8) and then compared to the client's owned entitlements at that point in time. In the example above, Base Entitlements (1,000) plus additional entitlements for the growth (143) equals 1,143. If the client owns 1,100 MSUs of Base Entitlements, 43 MSUs of incremental entitlements would be required (1143 – 1000 = 43). However, if the client owns 1,200 MSUs of Base Entitlements, no incremental entitlements would be required.

The consumption-based licensing model described above is only applicable for Sub-Capacity eligible MSU based OTC programs within an Enterprise Consumption Solution. Eligible OTC programs using consumption-based tracking will continue to be aggregated with program entitlements that are not using consumption-based tracking; for example, within an Application Development and Test Solution. Entitlement requirements for IBM OTC programs that are not sub-capacity eligible MSU based will continue to be licensed under their announced terms and conditions.

8. **Client Specific Information**

   a. Enterprise Consumption Solution Term:

   Enterprise Consumption Solution Start Date:

   Enterprise Consumption Solution End Date:

   b. Enterprise Solution:

   (1) Enterprise Solution Name (maximum 40 characters):

   (2) Annual MSU Baseline: Add table for prorated periods (partial years) at end of term

   (3) Initial Monthly Baseline Charges:

   (4) Initial Growth Charges per MSU:

   (5) Eligible Machines in the Enterprise Solution:

Machine Type	Serial Number

   (6) MLC Programs in the Enterprise Solution:

Program ID	Entitlement ID	Entitlement Description

Z126-8554 US -FED-04 12-2023

(7)   OTC Programs in the Enterprise Solution:

Client elected OTC Program treatment: (Consumption-based or Full Capacity)

Program ID	S&S ID	Program Description	Base Entitlements (MSUs)	OTC Entitlement Factor

This Addendum, including any Supplements, each Applicable Attachment and the Agreement identified below is the complete agreement regarding the Tailored Fit Pricing for IBM Z Software Consumption Solution. Additional or different terms in any written communication from Client (e.g. purchase order) are void.

The terms of this Addendum is accepted when incorporated by reference into the Client Purchase Order or Contract.

Z126-8554 US -FED-04 12-2023