July 10, 2009

CLIENT NAME
CLIENT COMPANY NAME
CLIENT ADDRESS
CITY, STATE ZIP

Dear _____,

I am writing in response to your inquiring regarding the recently announced product being marketed by Neon Enterprise Software.

Initially, since your question implicates "specialty engines" I would like to provide some background. In 2004, as part of our long standing practice of reducing the Total Cost of Ownership (TCO) per unit of work performed on the IBM mainframe infrastructure (including strategies such as Parallel Sysplex License Charging, Measured Usage Charging, etc), IBM introduced the first specialty engine for z/OS, the zAAP processor, to help lower the cost of using specific CPU-heavy application technologies that are supported by z/OS. At that time support for Java programs was provided and support for some XML parsing was added in 2007.   In 2006, IBM introduced the zIIP processor to help lower the cost of a wider range of processing and IBM also made its proprietary interface available to ISVs so that they too could implement similar techniques to lower the cost of their software when executing on zIIPs. The zIIP and zAAP processors (collectively referred to as "Specialty Engines") were aggressively priced when compared to general purpose processors and also had the added benefit of lowering total software charges since IBM and other SW providers instituted pricing structures providing that the software designated to run on the Specialty Engines was without charge.

Currently, IBM does not have enough information about the referenced product to comment on any specific product-related claims. IBM is attempting to learn more about the product and how it is supposed to work, but the vendor has not yet offered to provide IBM with any detailed information and seems to be restricting access to such information.
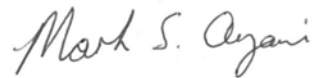
In general, any product which is designed to cause additional workloads, not designated by IBM or other SW providers as eligible to run on the Specialty Engines, to nevertheless to be routed to a Specialty Engine should be evaluated to determine whether installation and use of such a product would violate, among other things, the IBM Customer Agreement (for instance, Section 4 regarding authorized use of IBM program products such as z/OS) and/or the license governing use of the IBM "Licensed Internal Code" (frequently referred to as "LIC") running on IBM System z servers, or license agreements with any third party software providers.

IBM would also caution its customers regarding any claimed ability to reduce IBM Program license charges by off-loading workloads to Specialty Engines beyond the eligible workload identified by IBM. IBM's applicable pricing terms governing Eligible Workloads on zIIPs and zAAPs will not apply to zIIPs and zAAPs running anything other than IBM specified eligible workloads. Therefore, customers should not anticipate any reduction (and may actually experience an increase) in the IBM Program License Charges associated with non-Eligible Workloads which may be off-loaded to IBM Specialty Engines, since the non-Eligible Workload

running on the Specialty Engine will cause the software running on the Specialty Engine to be chargeable. IBM cannot comment on the potential impact on the software charges from other third party software providers.

Please contact me via email (anzani@us.ibm.com), via telephone at (00) 1 845 435 1722, or Ray Jones (rayjones@us.ibm.com), (00) 1 781 676 7630, with any questions or if you would like to discuss an approach for addressing your concerns. Thank you.

Sincerely,

Mark S. Anzani

Mark S. Anzani
VP and Chief Technology Officer, IBM System z