

IBM Customer Agreement

This IBM Customer Agreement (called the "Agreement") governs transactions by which Customer purchases Machines, licenses ICA Programs, obtains Program licenses, acquires Services (including, without limitation, customized development and support, business consulting, and maintenance Services), leases Machines and finances Products and Services from IBM Canada Limited ("IBM").

1. General

1.1 Agreement Structure

This Agreement is organized in six Parts:

Part 1 – General includes terms regarding Agreement Structure, Definitions, Acceptance of Terms, Delivery, Charges and Payment, Changes to Agreement Terms, IBM Business Partners, Intellectual Property Protection, Limitation of Liability, General Principles of Our Relationship, Agreement Termination, and Geographic Scope and Governing Law.

Part 2 – Warranties defines applicable Warranties for IBM Machines, ICA Programs, IBM Services, and Systems, and terms regarding Extent of Warranty.

Part 3 – Machines includes Machine terms regarding Production Status, Title and Risk of Loss, Installation, and Machine Code.

Part 4 – ICA Programs includes ICA Program terms regarding License, Distributed System License Option, Program Services, Compliance Verification, and License Termination.

Part 5 – Services includes Services terms regarding Personnel, Materials Ownership and License, Customer Resources, Service for Machines (during and after warranty), Maintenance Coverage, Automatic Service Renewal, and Termination and Withdrawal of a Service.

Part 6 - Leased or Financed Items includes terms applicable to leasing and financing arrangements that IBM offers.

1.2 Attachments and Transaction Documents

Additional terms for Products and Services are in documents called "Attachments", sometimes referred to as Amendments, and "Transaction Documents" provided by IBM. In general, Attachments contain terms that may apply to more than one Product or Services transaction, while Transaction Documents (such as a statement of work, supplement, schedule, invoice, exhibit, change authorization, or addendum) contain specific details and terms related to each individual transaction. Customer may receive one or more Transaction Documents for a single transaction. Attachments and Transaction Documents are part of this Agreement only for those transactions to which they apply. Each transaction is separate and independent from other transactions.

If there is a conflict among the terms of this Agreement, Attachments, and Transaction Documents, those of an Attachment prevail over those of this Agreement, and the terms of a Transaction Document prevail over those of both this Agreement and an Attachment.

1.3 Definitions

Customer-set-up Machine – an IBM Machine that Customer is responsible for installing according to instructions provided with it.

Date of Installation –

- a. for an IBM Machine that IBM is responsible for installing, the business day after the day IBM installs it or, if Customer defers installation, makes it available to Customer for subsequent installation by IBM;
- b. for a Customer-set-up Machine and a non-IBM Machine, the second business day after the Machine's standard transit allowance period; and
- c. for a Program --
 - (1) basic license, the second business day after the Program's standard transit allowance period,
 - (2) copy, the date (specified in a Transaction Document) on which IBM authorizes Customer to make a copy of the Program, and

- (3) chargeable component (also called a feature), the date Customer uses the chargeable component or a copy. Customer agrees to notify IBM of the chargeable component's Date of Installation.

Designated Machine – either i) the machine on which Customer will use an ICA Program for processing and which IBM requires Customer to identify to IBM by type/model and serial number, or ii) any machine on which Customer uses the ICA Program if IBM does not require Customer to provide this identification.

Enterprise – any legal entity (such as a corporation) and the subsidiaries it owns by more than 50 percent. The term "Enterprise" applies only to the portion of the Enterprise located in Canada.

ICA Program – an IBM Program licensed under Part 4 of this Agreement.

Licensed Internal Code (called "LIC") – Machine Code used by certain IBM Machines IBM specifies (called "Specific Machines").

Machine – a hardware device, its features, conversions, upgrades, elements, or accessories, or any combination of them. The term "Machine" includes an IBM Machine and any non-IBM Machine (including other equipment) that IBM may provide to Customer.

Machine Code – microcode, basic input/output system code (called "BIOS"), utility programs, device drivers, diagnostics, and any other code (all subject to any exclusions in the license provided with it) delivered with an IBM Machine for the purpose of enabling the Machine's function as stated in its Specifications. The term "Machine Code" includes LIC.

Materials – literary works or other works of authorship (such as software programs and code, documentation, reports, and similar works) that IBM may deliver to Customer as part of a Service. The term "Materials" does not include Programs, Machine Code, or other items available under their own license terms or agreements.

Non-IBM Program – a Program licensed under a separate third party license agreement.

Other IBM Program – an IBM Program licensed under a separate IBM license agreement (e.g., IBM International Program License Agreement).

Product – a Machine or a Program.

Program – the following, including the original and all whole or partial copies:

- a. machine-readable instructions and data;
- b. components;
- c. audio-visual content (such as images, text, recordings, or pictures); and
- d. related licensed materials.

The term "Program" includes any ICA Program, Other IBM Program, or Non-IBM Program that IBM may provide to Customer. The term does not include Machine Code, or Materials.

Service – performance of a task, assistance, support, or access to resources (such as an information database) that IBM makes available to Customer.

Specifications – information specific to a Product. IBM Machine Specifications are in a document entitled "Official Published Specifications." ICA Program Specifications are in a document entitled "Licensed Program Specifications."

Specified Operating Environment – the machines and programs with which an ICA Program is designed to operate, as described in its Licensed Program Specifications.

1.4 Acceptance of Terms

Customer accepts the terms in Attachments and Transaction Documents by i) signing them (by hand or electronically), ii) using the Product or Service, or allowing others to do so, or iii) making any payment for the Product or Service.

A Product or Service becomes subject to this Agreement when IBM accepts Customer's order by i) sending Customer a Transaction Document, ii) shipping the Machine or making the Program available to Customer, or iii) providing the Service.

Any Attachment or Transaction Document will be signed by both parties if requested by either party.

1.5 Delivery

Delivery dates are estimates unless otherwise specifically agreed in a Transaction Document. Transportation charges, if applicable, will be specified in a Transaction Document. For Programs IBM provides to Customer in tangible form, IBM fulfills its shipping and delivery obligations upon the delivery of such Programs to the IBM-designated carrier, unless otherwise agreed to in writing by Customer and IBM.

1.6 Charges and Payment

1.6.1 Charges

A Transaction Document specifies the amount payable for Products or Services, based on one or more of the following types of charges: one-time, recurring, time and materials, or fixed price. Additional charges may apply (such as special handling or travel related expenses). IBM will inform Customer in advance whenever additional charges apply.

Recurring charges for a Product begin on its Date of Installation. Charges for Services are billed as specified in a Transaction Document, which may be in advance, periodically during the performance of the Service, or after the Service is completed. Unless otherwise provided in this Agreement (including any applicable Attachment or Transaction Document): i) Services for which Customer prepays must be used within the applicable contract period; and ii) IBM does not give credits or refunds for any prepaid or other charges already due or paid.

If a Transaction Document provides an estimated total charge for time and materials or for usage charges, the estimate is for planning purposes only. IBM invoices charges based on actual time and materials expended or Customer's actual or authorized use, subject to any specified minimum commitment.

1.6.2 Usage Charges

One-time and recurring charges may be based on measurements of actual or authorized use (for example, authorized capacity for Machines, number of users or processor size for Programs, or meter readings for maintenance Services). Customer agrees to provide actual usage data as described in an Attachment or Transaction Document.

If Customer makes changes to its environment that impact usage charges (for example, change authorized capacity for Machines or change processor size or configuration for Programs), Customer agrees to promptly notify IBM and pay any applicable charges. Recurring charges will be adjusted accordingly. In the event that IBM changes the basis of measurement, its terms for changing charges will apply.

1.6.3 Changes to Charges

From time to time, IBM may change its charges. Customer receives the benefit of a decrease in charges for amounts that become due on or after the effective date of the decrease.

Unless provided otherwise in an Attachment or Transaction Document, IBM may increase recurring charges for Products and Services, as well as labour rates and minimums for Services provided under this Agreement, by giving Customer three months' written notice. An increase applies on the first day of the invoice or charging period on or after the effective date IBM specifies in the notice.

IBM may increase one-time charges without notice. If IBM increases a one-time charge, IBM will announce it as effective either immediately, or at a future date. When the increase is effective immediately, the lower charge will apply to orders IBM received before the announcement date if:

- a. Customer's requested delivery date falls within three months after the announcement date; or
- b. the invoice date is within three months after the announcement date for the following Program charges: "Additional License", "Distributed Feature", or a group upgrade.

IBM may change the terms of the prior two sentences on three months' written notice.

Upon reasonable notice, IBM may verify the usage data and other information affecting the calculation of charges under this Agreement. Such verification will be conducted in a manner that minimizes disruption to Customer's business and may be conducted on Customer's premises, during Customer's normal business hours. Customer agrees to i) provide records, system tools outputs, and other electronic or hard copy system information reasonably necessary for such verification, and ii) promptly pay any additional, valid charges and other liabilities determined as a result of such verification.

1.6.4 Payment

Amounts are due upon receipt of invoice and payable as specified in a Transaction Document. However, charges for Leased or Financed Items are due and payable as described in the section entitled "Leased or Financed Items. Customer agrees to pay accordingly, including any late payment fee. Payment may be made electronically to an account specified by IBM or by other means agreed to by the parties.

1.6.5 Taxes

If any authority imposes upon any transaction under this Agreement a duty, tax, levy, or fee, excluding those based on IBM's net income, then Customer agrees to pay that amount as specified in an invoice, unless Customer supplies exemption documentation. Customer is responsible for any personal property taxes for each Product from the date IBM ships it to Customer. Additional taxes and tax related charges may apply if IBM personnel are required to perform Services outside their normal tax jurisdiction. As practical, IBM will work to mitigate such additional tax and tax-related charges and will inform Customer in advance if these additional charges apply and are payable by Customer.

1.7 Changes to the Agreement Terms

In order to maintain flexibility in our business relationship, IBM may change the terms of this Agreement by providing Customer at least three months' written notice. However, these changes are not retroactive. They apply, as of the effective date IBM specifies in the notice, only to new orders, on-going transactions that do not expire, and transactions with a defined renewable contract period. For transactions with a defined renewable contract period, Customer may request that IBM defer the change effective date until the end of the current contract period.

Customer acknowledges its agreement to have these changes apply for such transactions by i) placing new orders for Products or Services after the change effective date, ii) failing to request that the change effective date be deferred until the start of the next renewal period, iii) allowing transactions to renew after receipt of the change notice, or iv) failing to terminate non-expiring transactions prior to the change effective date. Changes to charges are implemented as described in the Charges and Payment section above.

Otherwise, for a change to be valid, both parties must sign it.

1.8 IBM Business Partners

IBM has signed agreements with certain organizations (called "IBM Business Partners") to promote, market, and support certain Products and Services. Customer may order IBM Products or Services that are promoted or marketed to Customer by IBM Business Partners or other suppliers, however, i) this Agreement applies only if a Transaction Document subject to this Agreement is provided for the specific transaction, and ii) such Business Partners and suppliers remain independent and separate from IBM.

IBM is not responsible for the actions or statements of IBM Business Partners or other suppliers, any obligations either has to Customer, or any products or services that they supply to Customer under their agreements.

1.9 Intellectual Property Protection

For purposes of this Intellectual Property Protection section, the term "Product" also includes Machine Code.

1.9.1 Third Party Claims

If a third party claims that a Product IBM provides to Customer infringes that party's patent or copyright, IBM will defend Customer against that claim at IBM's expense and pay all costs, damages, and attorney's fees that a court finally awards or that are included in a settlement approved by IBM, provided that Customer:

- a. promptly notifies IBM in writing of the claim; and
- b. allows IBM to control, and cooperates with IBM in, the defense and any related settlement negotiations.

1.9.2 Remedies

If such a claim is made or appears likely to be made, Customer agrees to permit IBM to enable Customer to continue to use the Product, or to modify it, or replace it with one that is at least functionally equivalent. If IBM determines that none of these alternatives is reasonably available, Customer agrees to return the Product to IBM on IBM's written request. IBM will then give Customer a credit equal to:

- a. for a Machine, Customer's net book value calculated according to generally-accepted accounting principles; and
- b. for an ICA Program, the amount paid by Customer or 12 months' charges (whichever is less).

1.9.3 Claims for Which IBM is Not Responsible

IBM has no obligation regarding any claim based on any of the following:

- a. anything provided by Customer or a third party on Customer's behalf that is incorporated into a Product or IBM's compliance with any designs, specifications, or instructions provided by Customer or a third party on Customer's behalf;
- b. modification of a Product by Customer or a third party on Customer's behalf, or an ICA Program's use other than in accordance with its applicable licenses and restrictions;
- c. the combination, operation, or use of a Product with any product, hardware device, program, data, apparatus, method, or process that IBM did not provide as a system, if the infringement would not have occurred were it not for such combination, operation or use;
- d. the distribution, operation or use of a Product outside Customer's Enterprise; or
- e. infringement by a non-IBM Product or an Other IBM Program alone.

This Intellectual Property Protection section states IBM's entire obligation and Customer's exclusive remedy regarding any third party intellectual property claims.

1.10 Limitation of Liability

1.10.1 Items for which IBM May be Liable

Circumstances may arise where, because of a default on IBM's part or other liability, Customer is entitled to recover damages from IBM. Regardless of the basis on which Customer is entitled to claim damages from IBM (including fundamental breach, negligence, misrepresentation, or other contract or tort claim), IBM's entire liability for all claims in the aggregate arising from or related to each Product or Service or otherwise arising under this Agreement will not exceed the amount of any actual direct damages up to the greater of \$100,000, or the charges (if recurring, 12 months' charges apply) for the Product or Service that is the subject of the claim. For purposes of this Limitation of Liability section, the term "Product" also includes Materials and Machine Code.

This limit also applies to any of IBM's subcontractors and Program developers. It is the maximum for which IBM and its subcontractors and Program developers are collectively responsible. The following amounts are not subject to a cap on the amount of damages:

- a. payments referred to in the Intellectual Property Protection section above; and
- b. damages for bodily injury (including death) and physical harm to real property and tangible personal property caused by IBM's negligence.

1.10.2 Items for Which IBM is Not Liable

Except as expressly required by law without the possibility of contractual waiver, under no circumstances is IBM, its subcontractors, or Program developers liable for any of the following even if informed of their possibility:

- a. loss of, or damage to, data;
- b. special, incidental, consequential or indirect damages (other than as part of the payments referred to in the Intellectual Property Protection section or for bodily injury including death caused by our negligence) including, but not limited to, lost profits, business, revenue, goodwill or anticipated savings; or
- c. exemplary damages

1.11 General Principles of Our Relationship

1.11.1 Notices and Communications

Written communications, including notices to the receiving party's designated representative, are to be sent to the address (physical, e-mail or facsimile) specified in an applicable Attachment or Transaction Document. The parties consent to the use of electronic means and facsimile transmissions to send and receive communications in connection with our business relationship arising out of this Agreement, and such communications are acceptable as a signed writing. An identification code (called a "user ID")

contained in an electronic document is sufficient to verify the sender's identity and the document's authenticity.

1.11.2 Assignment and Resale

Neither party may assign this Agreement, in whole or in part, without the prior written consent of the other. Any attempt to assign without consent is void. The assignment of this Agreement, in whole or in part, within the Enterprise of which either party is a part or to a successor organization by merger or acquisition does not require the consent of the other. IBM is also permitted to assign its rights to payments without obtaining Customer's consent. It is not considered an assignment for IBM to divest a portion of its business in a manner that similarly affects all of its customers.

Customer agrees not to resell any Service without IBM's prior written consent. Any attempt to do so is void.

Customer agrees to acquire Machines with the intent to use them within its Enterprise and not for remarketing, leasing, or transferring to a third party, unless Customer is arranging lease-back financing for the Machines

1.11.3 Compliance with Laws

IBM will comply with laws applicable to IBM generally as a provider of information technology Products and Services. IBM is not responsible for determining the requirements of laws applicable to Customer's business, including those relating to Products and Services that Customer acquires under this Agreement, or that IBM's provision of or Customer's receipt of particular Products or Services under this Agreement meets the requirements of such laws. Notwithstanding anything in this Agreement to the contrary, neither party is obligated to take any action that would violate law applicable to that party.

Each party will comply with applicable export and import laws and regulations, including but not limited to, those that apply to goods of US origin and those that restrict or prohibit export for certain end uses or to certain end users.

1.11.4 Dispute Resolution

Each party will allow the other reasonable opportunity to comply before it claims that the other has not met its obligations under this Agreement. The parties will attempt in good faith to resolve all disputes, disagreements, or claims between the parties relating to this Agreement. Unless otherwise required by applicable law without the possibility of contractual waiver or limitation, i) neither party will bring a legal action, regardless of form, arising out of or related to this Agreement or any transaction under it more than two years after the cause of action arose; and ii) after such time limit, any legal action arising out of this Agreement or any transaction under it and all respective rights related to any such action lapse.

1.11.5 Other Principles of Our Relationship

- a. Neither party grants the other the right to use its (or any of its Enterprise's) trademarks, trade names, or other designations in any promotion or publication without prior written consent.
- b. The exchange of any confidential information will be made under a separate, signed confidentiality agreement. However, to the extent confidential information is exchanged in connection with any Product or Service under this Agreement, the applicable confidentiality agreement is incorporated into, and subject to, this Agreement.
- c. This Agreement and any transaction under it do not create an agency, joint venture, or partnership between Customer and IBM. Each party is free to enter into similar agreements with others to develop, acquire, or provide competitive products and services.
- d. Each party grants only the licenses and rights specified in this Agreement. No other licenses or rights (including licenses or rights under patents) are granted either directly, by implication, or otherwise. The rights and licenses granted to Customer under this Agreement may be terminated if Customer fails to fulfill its applicable payment obligations.
- e. Customer authorizes International Business Machines Corporation and its subsidiaries (and their successors and assigns, contractors and IBM Business Partners) to store and use Customer's business contact information wherever they do business, in connection with IBM Products and Services or in furtherance of IBM's business relationship with Customer.
- f. No right or cause of action for any third party is created by this Agreement or any transaction under it, nor is IBM responsible for any third party claims against Customer except as described in the Intellectual Property Protection section above or as permitted by the Limitation of Liability section

above for bodily injury (including death) or physical harm to real or tangible personal property caused by IBM's negligence for which IBM is legally liable to that third party.

- g. Customer is responsible for selecting the Products and Services that meet its needs and for the results obtained from the use of the Products and Services, including Customer's decision to implement any recommendation concerning Customer's business practices and operations.
- h. Where approval, acceptance, consent or similar action by either party is required under this Agreement, such action will not be unreasonably delayed or withheld.
- i. Neither party is responsible for failure to fulfill any non-monetary obligations due to events beyond its control.
- j. As reasonably required by IBM to fulfill its obligations under this Agreement, Customer agrees to provide IBM with sufficient and safe access (including remote access) to Customer's facilities, systems, information, personnel, and resources, all at no charge to IBM. IBM is not responsible for any delay in performing or failure to perform caused by Customer's delay in providing such access or performing other Customer responsibilities under this Agreement.

1.11.6 Data Privacy – All Customers except Public Bodies who are subject to Public Sector Privacy Legislation

For purposes of this section, "Personal Data" refers to information relating to an identified or identifiable individual made available by one of the parties, its personnel or any other individual to the other in connection with this Agreement. In addition to each party's obligations under any existing agreements, the following provisions apply in the event that one party makes Personal Data available to the other:

a. General

- (1) Each party is responsible for complying with any obligations applying respectively to each party under applicable Canadian data privacy laws and regulations ("Laws").
- (2) Neither party will request Personal Data beyond what is necessary to fulfill the purpose(s) for which it is requested. The purpose(s) for requesting Personal Data shall be reasonable. The Parties will agree in advance as to the type of Personal Data which is required to be made available.

b. Security Safeguards

- (1) Each party acknowledges that it is solely responsible for determining and communicating to the other the appropriate technological, physical and organizational security measures required to protect Personal Data.
- (2) Each party will ensure that Personal Data is protected in accordance with the security safeguards communicated by the other and agreed to by the receiving party.
- (3) Each party will ensure that any third party to whom Personal Data is transferred is bound by the applicable terms of this section.
- (4) Additional or different services required to comply with the Laws will be deemed a request for new services.

c. Use

Each party agrees that Personal Data will only be used, accessed, managed, transferred, disclosed to third parties or otherwise processed to fulfill the purpose(s) for which it was made available.

d. Access Requests

- (1) Each party agrees to reasonably cooperate with the other in connection with requests to access or amend Personal Data.
- (2) Each party agrees to reimburse the other for any reasonable charges incurred in providing each other assistance.
- (3) Each party agrees to amend Personal Data only upon receiving instructions to do so from the other party or its personnel.

e. Retention

Each party will promptly return to the other or destroy all Personal Data which is no longer necessary to fulfill the purpose(s) for which it was made available, unless otherwise instructed by the other or its personnel, or required by law.

1.11.7 Data Privacy – Public Body Customers Only Who are Subject to Public Sector Privacy Legislation

For purposes of this section, "Personal Data" refers to information relating to an identified or identifiable individual made available by IBM, our personnel, or any other individual to Customer in connection with this Agreement. In addition to each party's obligations under any existing agreements, the following provisions shall apply in the event that IBM makes Personal Data available to Customer:

a. General

- (1) Each party is responsible for complying with any obligations applying respectively to the parties under applicable Canadian data privacy laws and regulations.
- (2) Customer will not request Personal Data beyond what is necessary to fulfill the purpose(s) for which it is requested. The purpose(s) for requesting the Personal Data shall be reasonable.

b. Security Safeguards

- (1) IBM acknowledges that it is solely responsible for determining and communicating to Customer the appropriate technological, physical and organizational security safeguards required to protect Personal Data.
- (2) Customer will ensure that Personal Data is protected in accordance with the security safeguards communicated to Customer.
- (3) Customer will ensure that any third party to whom Personal Data is transferred is bound by the applicable terms of this section.

c. Use

Customer agrees that Personal Data will only be used, accessed, managed, transferred, disclosed to third parties or otherwise processed to fulfill the purpose(s) for which it was made available.

d. Access Requests

- (1) The parties will reasonably cooperate with each other in connection with requests to access or amend Personal Data.
- (2) Customer will amend Personal Data only upon receiving instructions to do so from IBM or its personnel.

e. Retention

Customer will promptly return to IBM or destroy all Personal Data which is no longer necessary to fulfill the purpose(s) for which it was made available, unless otherwise instructed by IBM or its personnel or required by law.

1.12 Agreement Termination

Either party may terminate this Agreement on written notice to the other following the expiration or termination of the terminating party's obligations under this Agreement, including any applicable Attachment or Transaction Document.

Either party may terminate this Agreement if the other does not comply with any of its terms, provided the one who is not complying is given written notice and reasonable time to comply. License termination and termination of a Services transaction are described in Parts 4 and 5, respectively. However, if Customer is acquiring Products and Services from IBM under Part 6 - Leased or Financed Items, then the Lease can only be ended as described in Part 6.

Any terms of this Agreement that by their nature extend beyond the Agreement termination remain in effect until fulfilled, and apply to both parties' respective successors and assignees.

1.13 Geographic Scope and Governing Law

The rights, duties, and obligations of each party are valid only in Canada except that all licenses are valid as specifically granted.

Both parties agree to the application of the laws in the Province of Ontario to govern, interpret, and enforce all of Customer's and IBM's respective rights, duties, and obligations arising from, or relating in any manner to, the subject matter of this Agreement, without regard to conflict of law principles.

If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions of this Agreement remain in full force and effect.

Nothing in this Agreement affects any statutory rights of consumers that cannot be waived or limited by contract.

2. Warranties

2.1 The IBM Warranties

2.1.1 Warranty for IBM Machines

IBM warrants that each IBM Machine is free from defects in materials and workmanship and conforms to its Specifications.

The warranty period for an IBM Machine is a fixed period commencing on its Date of Installation and specified in a Transaction Document. During the warranty period, IBM provides repair and exchange Service for the IBM Machine, without charge, under the type of Service IBM designates for the IBM Machine. If an IBM Machine does not function as warranted during the warranty period and IBM is unable to either i) make it do so or ii) replace it with one that is at least functionally equivalent, Customer may return it to IBM for a refund.

Additional terms regarding Service for Machines during and after the warranty period are contained in Part 5.

2.1.2 Warranty for ICA Programs

IBM warrants that each warranted ICA Program, when used in the Specified Operating Environment, will conform to its Specifications.

During the warranty period, IBM provides defect-related Program Services without charge. Program Services are available for a warranted ICA Program for at least one year following its general availability. The warranty period for an ICA Program expires when its Program Services are no longer available.

If an ICA Program does not function as warranted during the first year after Customer obtains its license and IBM is unable to make it do so, Customer may return the ICA Program and the charges Customer paid for the license will be refunded. To be eligible, Customer must have obtained its license while Program Services (regardless of the remaining duration) were available for the ICA Program. Additional terms regarding Program Services are contained in Part 4.

2.1.3 Warranty for IBM Services

IBM warrants that it performs each IBM Service using reasonable care and skill and according to its current description (including any completion criteria) contained in this Agreement, an Attachment, or a Transaction Document. Customer agrees to provide timely written notice of any failure to comply with this warranty so that IBM can take corrective action.

2.1.4 Warranty for Systems

When IBM specifies in an Attachment or Transaction Document that it is providing Products to Customer that are intended to operate together as a system, IBM warrants that those Products are compatible and, when installed in accordance with their Specifications, will operate with one another. This warranty is in addition to IBM's other applicable warranties.

2.2 Extent of Warranty

The warranties stated above will not apply to the extent that there has been misuse (including, but not limited to, use of any Machine capacity or capability, other than that authorized by IBM in writing), accident, modification, unsuitable physical or operating environment, operation in other than the Specified Operating Environment, improper maintenance by Customer or a third party, or failure or damage caused by a product for which IBM is not responsible. The warranty for IBM Machines is voided by removal or alteration of Machine or parts identification labels.

THESE WARRANTIES ARE CUSTOMER'S EXCLUSIVE WARRANTIES AND REPLACE ALL OTHER WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.2.1 Items Not Covered by Warranty

IBM does not warrant uninterrupted or error-free operation of a Product or Service or that IBM will correct all defects.

IBM will identify IBM Machines and ICA Programs that it does not warrant.

Unless otherwise specified in an Attachment or Transaction Document, IBM provides Materials, non-IBM Products (including those provided with, or installed on, an IBM Machine at Customer's request), and non-IBM Services **WITHOUT WARRANTIES OR CONDITIONS OF ANY KIND**. However, non-IBM manufacturers, developers, suppliers, or publishers may provide their own warranties to Customer. Warranties, if any, for Other IBM Programs and Non-IBM Programs may be found in their license agreements.

3. Machines

3.1 Production Status

Each IBM Machine is manufactured from parts that may be new or used. In some cases, a Machine may not be new and may have been previously installed. Regardless, IBM's applicable warranty terms described in Part 2 apply.

3.2 Title and Risk of Loss

IBM transfers title to a Machine to Customer or, if applicable, Customer's lessor, upon payment of all the amounts due. For a feature, conversion, or another type of upgrade acquired for a Machine, IBM reserves transfer of title until IBM receives payment of all the amounts due and, as applicable, all removed parts, which become IBM's property.

For each Machine, IBM bears the risk of loss or damage up to the time it is delivered to the IBM-designated carrier for shipment to Customer or Customer's designated location. Thereafter, Customer assumes the risk. Each Machine will be covered by insurance, arranged and paid for by IBM for Customer, covering the period until it is delivered to Customer or Customer's designated location. For any loss or damage, Customer must i) report the loss or damage in writing to IBM within 10 business days of delivery and ii) follow the applicable claim procedure.

3.3 Installation

3.3.1 Machine Installation

Customer agrees to provide an environment meeting the requirements for the Machine as specified in its published documentation.

IBM has standard installation procedures. IBM will successfully complete these procedures before it considers an IBM Machine (other than a Machine for which Customer defers installation or a Customer-set-up Machine) installed.

Customer is responsible for installing a Customer-set-up Machine and a non-IBM Machine according to instructions provided by IBM or the Machine's manufacturer.

3.3.2 Upgrades and Engineering Changes

As used in this section, the term "upgrade" includes, without limitation, features and conversions. IBM sells upgrades for installation on Machines, and, in certain instances, only for installation on a designated, serial-numbered Machine. Within 30 days of the shipment of an upgrade, Customer agrees to install the upgrade or, if IBM is responsible for the installation, to allow IBM to install the upgrade. Otherwise, IBM may terminate the transaction and Customer must return the upgrade at Customer's expense.

Customer agrees to allow IBM to install mandatory engineering changes (such as those required for safety) on a Machine.

Many upgrades and engineering changes require the removal of parts and the transfer of ownership and possession of the removed parts to IBM. Customer is responsible for the return of all removed parts to IBM upon installation of the upgrade or engineering change. As applicable, Customer represents that Customer has permission from the owner and any lien holders to i) install upgrades and engineering changes and ii) transfer ownership and possession of removed parts to IBM. Customer further represents that all removed parts are genuine, unaltered, and in good working order. A part that replaces a removed part will assume the warranty or maintenance Service status of the replaced part.

3.4 Machine Code

Machine Code is licensed under the terms and restrictions of the Machine Code license agreement (e.g. IBM License Agreement for Machine Code, IBM Agreement for Licensed Internal Code, or equivalent) provided with the Machine Code. Customer acceptance of the terms of this Agreement includes acceptance of IBM's Machine Code license agreements, current versions of which are available at the following URL http://www.ibm.com/servers/support/machine_warranties/support_by_product.html or by

contacting an IBM representative. Machine Code license agreements may be amended by IBM from time to time. Such amended license terms will apply only to Machine Code that is supplied after such amended terms become effective.

Machine Code is licensed only for use to enable a Machine to function in accordance with its Specifications and only for the capacity and capability for which Customer has acquired IBM's written authorization. Customer agrees to use Machine Code only as specified in this Agreement and as may be further authorized or restricted in its applicable license agreement. Without limiting additional restrictions in the applicable license, Customer may not:

- a. otherwise copy, display, transfer, adapt, modify, or distribute (electronically or otherwise) Machine Code, except as IBM may authorize in the Machine's user documentation or in writing to Customer;
- b. reverse assemble, reverse compile, otherwise translate, or reverse engineer Machine Code unless expressly permitted by applicable law without the possibility of contractual waiver;
- c. sublicense or assign the license for Machine Code; or
- d. lease Machine Code or any copy of it.

International Business Machines Corporation, one of its subsidiaries, or a third party owns Machine Code including the original and all whole or partial copies of Machine Code. Machine Code is copyrighted and licensed (not sold).

Title will not be transferred when IBM supplies features, conversions or upgrades which consist solely of Machine Code.

The capacity of certain Machines is limited by technological measures in Machine Code. Customer agrees to IBM's implementation of such technological measures to limit Machine capacity.

4. ICA Programs

4.1 License

When IBM accepts Customer's order, IBM grants Customer a nonexclusive license to use the ICA Program only within Customer's Enterprise in Canada. ICA Programs are owned by International Business Machines Corporation, one of its subsidiaries, or a third party and are copyrighted and licensed (not sold).

4.1.1 Authorized Use

Under each license, IBM authorizes Customer to:

- a. use the ICA Program's machine-readable portion on only the Designated Machine. If the Designated Machine is inoperable, Customer may use another machine temporarily. If the Designated Machine cannot assemble or compile the ICA Program, Customer may assemble or compile the ICA Program on another machine.

If Customer changes a Designated Machine previously identified to IBM, Customer agrees to notify IBM of the change and its effective date;

- b. use the ICA Program to the extent of authorizations Customer has obtained;
- c. make and install copies of the ICA Program, to support the level of use authorized, provided Customer reproduces the copyright notices and any other legends of ownership on each copy or partial copy; and
- d. use any portion of the ICA Program IBM i) provides in source form, or ii) marks restricted (for example, "Restricted Materials of IBM") only to --
 - (1) resolve problems related to the use of the ICA Program, and
 - (2) modify the ICA Program so that it will work together with other products.

4.1.2 Customer's Additional Obligations

For each ICA Program, Customer agrees to:

- a. comply with any additional or different terms in its Licensed Program Specifications or an Attachment or Transaction Document;
- b. ensure that anyone who uses it (accessed either locally or remotely) does so only for Customer's authorized use and complies with IBM's terms regarding ICA Programs; and
- c. maintain a record of all copies and provide it to IBM at its request.

4.1.3 Actions Customer May Not Take

Customer agrees not to:

- a. reverse assemble, reverse compile, otherwise translate, or reverse engineer the ICA Program unless expressly permitted by applicable law without the possibility of contractual waiver; or
- b. sublicense, assign, rent, or lease the ICA Program or transfer it outside Customer's Enterprise.

4.2 Distributed System License Option

For some ICA Programs, Customer may make a copy under a Distributed System License Option (called a "DSLO" copy). IBM charges less for a DSLO copy than for the original license (called the "Basic" license). In return for the lesser charge, Customer agrees to do the following while licensed under a DSLO:

- a. have a Basic license for the ICA Program;
- b. provide problem documentation and receive Program Services (if any) only through the location of the Basic license; and
- c. distribute to, and install on, the DSLO's Designated Machine, any release, correction, or bypass that IBM provides for the Basic license.

4.3 Program Services

IBM provides Program Services for warranted ICA Programs. If IBM can reproduce Customer's reported problem in the Specified Operating Environment, IBM will issue defect correction information, a restriction, or a bypass. IBM provides Program Services for only the unmodified portion of a current release of an ICA Program.

IBM provides Program Services i) on an on-going basis (with at least six months' written notice before IBM terminates Program Services), ii) until the date IBM specifies, or iii) for a period IBM specifies.

4.4 Compliance Verification

IBM's right to verify Customer's usage data and other information affecting the calculation of charges also includes the right to verify Customer's compliance with other terms of this Agreement (including applicable Attachments and Transaction Documents) relating to Customer's use of ICA Programs at all sites and for all environments in which Customer installs or uses ICA Programs for any purpose. IBM may use an independent auditor to assist with such verification, provided IBM has a written confidentiality agreement in place with such auditor.

Customer agrees to create, retain, and provide to IBM and its auditors written records, system tools outputs, and other system information sufficient to provide auditable verification that Customer's installation and use of ICA Programs complies with the Agreement terms, including IBM's applicable licensing and pricing terms. IBM will notify Customer in writing if any such verification indicates that Customer is not in compliance with Agreement terms. The rights and obligations in this section remain in effect during the period any ICA Programs are licensed to Customer and for two years thereafter.

4.5 License Termination

Customer may terminate the license for an ICA Program at any time on prior written notice to IBM.

For ICA Program licenses that Customer acquired for a one-time charge, replacement licenses may be acquired for an upgrade charge, if available. When Customer obtains licenses for these replacement ICA Programs, Customer agrees to terminate the license of the replaced ICA Programs when charges become due, unless IBM specifies otherwise.

IBM may terminate Customer's license if Customer fails to comply with the license terms. If IBM does so, Customer's authorization to use the ICA Program is also terminated.

5. Services

5.1 Personnel

Each party will assign personnel that are qualified to perform the tasks required of such party under this Agreement and is responsible for the supervision, direction, control, and compensation of its personnel. Subject to the foregoing, each party may determine the assignment of its personnel and its contractors.

IBM may engage subcontractors to provide or assist in providing Services, in which case IBM remains responsible for the fulfillment of its obligations under this Agreement and for the performance of the Services.

5.2 Materials Ownership and License

IBM will specify Materials to be delivered to Customer. IBM will deliver one copy of the specified Materials to Customer. IBM grants, or will have granted, to Customer an irrevocable, worldwide, paid-up license to use, execute, reproduce, display, perform, and distribute, within Customer's Enterprise only, copies of the specified Materials.

Customer agrees to reproduce the copyright notice and any other legend of ownership on any copies made under the licenses granted in this section.

5.3 Customer Resources

If Customer is making available to IBM any facilities, software, hardware or other resources in connection with our performance of Services, Customer agrees to obtain any licenses or approvals related to these resources that may be necessary for IBM to perform the Services and develop Materials. IBM will be relieved of its obligations that are adversely affected by Customer's failure to promptly obtain such licenses or approvals. Customer agrees to reimburse IBM for any reasonable costs and other amounts that IBM may incur from Customer's failure to obtain these licenses or approvals.

Unless otherwise agreed in an Attachment or Transaction Document, Customer is responsible for i) any data and the content of any database Customer makes available to IBM in connection with a Service under this Agreement, ii) the selection and implementation of procedures and controls regarding access, security, encryption, use, and transmission of data, and iii) backup and recovery of the database and any stored data.

5.4 Service for Machines (during and after warranty)

5.4.1 Service for Machines

IBM provides certain types of Service to keep Machines in, or restore them to, conformance with their Specifications. IBM will inform Customer of the available types of Service for a Machine. At its discretion, IBM will i) either repair or exchange the failing Machine and ii) provide the Service either at Customer's location or a service center. IBM manages and installs selected engineering changes that apply to IBM Machines and may also perform preventive maintenance.

Any feature, conversion, or upgrade IBM services must be installed on a Machine which is i) the designated, serial-numbered Machine, if applicable, and ii) at an engineering-change level compatible with the feature, conversion, or upgrade.

When the type of Service requires that Customer deliver the failing Machine to IBM, Customer agrees to ship it suitably packaged (prepaid unless IBM specifies otherwise) to a location IBM designates. After IBM has repaired or exchanged the Machine, IBM will deliver it to Customer at IBM's expense unless IBM specifies otherwise. IBM is responsible for loss of, or damage to, Customer's Machine while it is i) in IBM's possession or ii) in transit in those cases where IBM is responsible for the transportation charges.

Customer agrees:

- a. to obtain authorization from the owner to have IBM service a Machine that Customer does not own;
- b. where applicable, before IBM provides Service, to --
 - (1) follow the problem determination and service request procedures that IBM provides,
 - (2) secure all programs, data, and funds contained in a Machine, and
 - (3) inform IBM of changes in a Machine's location.
- c. to follow the Service instructions that IBM provides (which may include installing Machine Code and other software updates either downloaded from an IBM Internet Web site or copied from other electronic media); and
- d. when Customer returns a Machine to IBM for any reason --
 - (1) to securely erase from any Machine all programs not provided by IBM with the Machine and data, including without limitation, the following: i) information about identified or identifiable individuals or legal entities ("Personal Data") and ii) Customer's confidential or proprietary information and other data. If removing or deleting Personal Data is not possible, Customer agrees to transform such information (e.g., by making it anonymous) so that it no longer qualifies as Personal Data under applicable law;

- (2) to remove all funds from Machines returned to IBM. IBM is not responsible for any funds, programs not provided by IBM with the Machine, or data contained in a Machine that Customer returns to IBM; and
- (3) IBM may ship all or part of the Machine or its software to other IBM or third party locations around the world to perform its responsibilities under this Agreement, and Customer authorizes IBM to do so.

5.4.2 Replacements

When Service involves the exchange of a part or Machine, the item IBM replaces becomes its property and the replacement becomes Customer's. Customer represents that all removed items are genuine and unaltered. The replacement may not be new, but will be in good working order and at least functionally equivalent to the item replaced. The replacement assumes the warranty or maintenance Service status of the replaced item. Before IBM exchanges a part or Machine, Customer agrees to remove all features, parts, options, alterations, and attachments not under IBM's service. Customer also agrees to i) ensure that the part or Machine is free of any legal obligations or restrictions that prevent its exchange and ii) transfer ownership and possession of removed parts to IBM.

Service for some IBM Machines involves IBM providing Customer with an exchange replacement for installation by Customer. Such exchange replacements may be i) a part of a Machine (called a Customer Replaceable Unit, or "CRU," e.g., keyboard, memory, or hard disk drive), or ii) an entire Machine. Customer may request IBM to install the replacement CRU or Machine, however, Customer may be charged for the installation. IBM provides information and replacement instructions with Customer's Machine and at any time on Customer's request. IBM specifies in the materials shipped with a replacement whether the failing CRU or Machine must be returned to IBM. When return is required, return instructions and a container are shipped with the replacement, and Customer may be charged for the replacement if IBM does not receive the failing CRU or Machine within 15 days of Customer's receipt of the replacement.

5.4.3 Items Not Covered

Repair and exchange Services do not cover:

- a. accessories, supply items, consumables (such as batteries and printer cartridges), and structural parts (such as frames and covers);
- b. Machines damaged by misuse, accident, modification, unsuitable physical or operating environment, or improper maintenance by Customer or a third party;
- c. Machines with removed or altered Machine or parts identification labels;
- d. failures caused by a product for which IBM is not responsible;
- e. service of Machine alterations; or
- f. service of a Machine on which Customer is using capacity or capability, other than that authorized by IBM in writing.

5.5 Warranty Service Upgrade

For certain Machines, Customer may select a Service upgrade from the standard type of warranty Service for the Machine. IBM charges for the Service upgrade during the warranty period.

Customer may not terminate the Service upgrade or transfer it to another Machine during the warranty period. When the warranty period ends, the Machine will convert to maintenance Service.

5.6 Maintenance Coverage

5.6.1 Automatic Maintenance Coverage (following warranty)

All IBM Machines Customer acquires under this Agreement will automatically be covered by billable maintenance Service, unless Customer requests otherwise in writing, following expiration of their warranty. The type of Service will be that provided for IBM Machines of the same type installed at that location. If there are no similar IBM Machines, then the type of Service will be the basic Service available for that Machine type. Customer may cancel the automatic coverage by notifying IBM in writing within one month after the date of the Machine's first maintenance Service invoice. However, Customer will be charged for any maintenance Service which IBM has performed at Customer's request.

5.6.2 Other Maintenance Coverage

When Customer orders maintenance Service for Machines, IBM will inform Customer of the date on which maintenance Service will begin. IBM may inspect the Machine within one month following that date. If the Machine is not in an acceptable condition for service, Customer may have IBM restore it for a charge or Customer may withdraw its request for maintenance Service. However, Customer will be charged for any maintenance Service which IBM has performed at Customer's request. For greater certainty this paragraph does not apply to Maintenance Coverage acquired under subsection 5.6.1.

5.7 Automatic Service Renewal

Renewable Services renew automatically for a same length contract period unless either of us provides written notification (at least one month prior to the end of the current contract period) to the other of its decision not to renew.

5.8 Termination and Withdrawal of a Service

Either party may terminate a Service transaction if the other materially fails to meet its obligations concerning the Service.

Customer may terminate a Service, on notice to IBM provided Customer has met all minimum requirements and paid any adjustment charges specified in the applicable Attachments and Transaction Documents.

For a maintenance Service, Customer may terminate without adjustment charge, provided any of the following circumstances occur:

- a. Customer permanently removes the eligible Product, for which the Service is provided, from productive use within Customer's Enterprise;
- b. the eligible location, for which the Service is provided, is no longer controlled by Customer (for example, because of sale or closing of the facility); or
- c. the Machine has been under maintenance Service for at least one year and Customer gives IBM one month's written notice prior to terminating the maintenance Service.

Customer agrees to pay IBM for i) all charges for Services IBM provides and any Products and Materials IBM delivers through Service termination, and ii) reimbursable expenses IBM incurs through Service termination. If Customer terminates without cause, Customer also agrees to pay any applicable adjustment or termination charges and for expenses IBM incurs as a result of such termination (which IBM will take reasonable steps to mitigate).

IBM may withdraw a Service or support for an eligible Product on three months' written notice to Customer. If IBM withdraws a Service for which Customer has prepaid and IBM has not yet fully provided it to Customer, IBM will give Customer a prorated refund.

Any terms which by their nature extend beyond termination or withdrawal remain in effect until fulfilled and apply to respective successors and assignees.

6. Leased or Financed Items

This Part along with other applicable Sections of this Agreement contains the terms that apply to leasing and/or financing arrangements which IBM offers. The relevant Sections depend on the Products and Services which Customer leases or finances from IBM under this Agreement but always includes Part 1 - General.

The details of the leasing or financing arrangement will be provided in a Transaction Document which may be signed by both parties. Together, the relevant Sections of this Agreement and the Transaction Document describe the "Lease" which covers both leasing and financing arrangements.

IBM can lease Machines and certain items to Customer under a leasing arrangement. In this case, IBM has title to them. These types of items are called "Leased Items".

IBM can also finance the acquisition cost of and the charges related to Machines, Programs, certain Services and other items, under a financing arrangement. These types of items are called "Financed Items" and any financing arrangements, or transactions contemplating, relating to or connected with the Financed Items, are considered, treated and accounted for by IBM as a loan or loans to Customer.

When a provision applies to either type of item, the term "Leased or Financed Items" is used.

The Leased or Financed Items are called:

- a. "IBM Items" if they are manufactured by or for IBM; or
- b. "Non-IBM Items" if they are manufactured or supplied by another entity other than IBM.

6.1 Rents

The periodic payments or repayments due for the Leased or Financed Items are defined as "Rents". Unless IBM informs Customer otherwise, the following applies:

- a. the date on which Rents start is called the "Commencement Date". The obligations under a Lease, including paying Rents, begin on any of the following dates, as appropriate:
 - (1) the first business day after the Product's Date of Installation;
 - (2) the starting date of the Service;
 - (3) the date Customer signs a Transaction Document advising IBM that items not supplied by IBM are delivered and accepted by Customer. Such a document may be called a "Certificate of Acceptance"; or
 - (4) in the case of other Financed Items not included above, the date upon which IBM provides funds for those Financed Items to the Customer.
- b. Rents are due as stated in the Transaction Document.
- c. Customer's obligation to pay Rents is unconditional until performed in full, and such payments of Rents shall not be subject to any deduction, withholding, set-off or counterclaim by Customer for any reason whatsoever. Customer's obligation to pay Rents is not affected by any failure, dissatisfaction, performance issues or any other reason whatsoever, of any Leased or Financed Items.
- d. If Customer's Rents are not paid on their due date, Customer agrees to pay IBM overdue interest for the late payment of Rents, at the interest rate stated in the Transaction Document, on the unpaid amount (including any unpaid interest). The overdue interest for late payment of Rents will cover each month or partial month from the due date until the date the Rents are paid.

6.2 Term

The initial term of the Lease begins on the Commencement Date and ends after the last payment period stated in the Transaction Document.

6.3 Credit Process

For each transaction under this Part, IBM shall be at liberty, in its sole discretion, to conduct a credit review and investigation at IBM's expense. Upon the results of such review and investigation, IBM may, in its sole discretion, decline to enter into any further lease or financing transactions with Customer.

6.4 Selection of Leased or Financed Items

The Leased or Financed Items Customer has selected may only be used for commercial, industrial or professional purposes. Its selection is Customer's full responsibility.

6.5 Suitable Environment

Customer agrees to keep the Leased or Financed Items in a suitable environment and in good condition, at Customer's expense, except for ordinary wear and tear.

The Leased or Financed Items are, and always will be, personal property. They cannot become a fixture or realty, and Customer will not permit any liens, encumbrances, claims or liabilities on them. As long as Customer is not in default under the Lease, IBM will not interfere with Customer's quiet possession of the Leased or Financed Items.

6.6 Financing or Leasing of Non-IBM Items

6.6.1 Financing of Non-IBM Items

Since Customer has selected the supplier of the Non-IBM Items, Customer will have the following obligations:

a. Delivery and Installation

Customer agrees to arrange for the delivery and installation of the Non-IBM Items and to pay any related charges. When the Non-IBM Items are delivered, Customer should examine them immediately. If they are not in good condition or do not match the supplier's specifications, Customer agrees to promptly give

the supplier written notice. Only the supplier will be liable for any product claims, such as warranty claims.

Since Customer is arranging the delivery of these Non-IBM Items, IBM will not be liable if the delivery is delayed or fails to occur.

b. Agreements with supplier

Customer agrees to sign any applicable agreements for Non-IBM Items with the supplier. However, any part of the supplier's agreement that is inconsistent with this Agreement will have no legal effect.

6.6.2 Leasing of Non-IBM Items

For Non-IBM Items that IBM may purchase pursuant to a Lease, Customer may act on IBM's behalf for the delivery and installation of these Non-IBM Items. Customer will have all of the delivery and installation rights that IBM would have against the supplier. IBM will transfer to Customer from the supplier of these Non-IBM Items any warranties, any limitation of remedies and liability, and patent and copyright protection, that are in the supplier's agreement.

If Non-IBM Items which are Leased or Financed Items are proven to be unsatisfactory, Customer will make any and all claims only against the supplier of the Non-IBM Items and not against IBM.

6.7 Insurance

Customer shall maintain property insurance for Leased Items and, as applicable, for Financed Items and general liability insurance with reputable insurers as further specified below.

6.7.1 Responsibility for loss and damage

Customer shall bear the risk of loss, theft or damage for Leased or Financed Items. The loss of any Leased or Financed Items under an insurance policy shall be payable to IBM in accordance with its interest in the Leased or Financed Items. At IBM's request, Customer agrees to give IBM a certificate or other proof of insurance that shows IBM's name as an additional insured and IBM's interest in the Leased or Financed Items.

If any Leased or Financed Items are stolen or damaged beyond repair, Customer may purchase such Leased or Financed Items for an amount equal to the remaining Rents attributable to such Leased or Financed Items plus any other amounts due under the Transaction Documents with respect to such Leased or Financed Items, plus either: (i) the Leased Items' end of lease purchase option price if stated in the Transaction Document; or (ii) the Leased Items' projected fair market retail value at the end of the scheduled Term of the Lease as determined by IBM.

Thereafter, Customer shall have no further liability for the Lease with respect to such Leased or Financed Items. If any Leased or Financed Items incur repairable damage, Customer agrees to place the Leased or Financed Items in good condition and working order promptly and at Customer's expense or under Customer's insurance agreement, and such Leased or Financed Items shall at all times (before, during and after such repair) be IBM's property, free and clear of any and all liens or encumbrances.

6.7.2 Responsibility for general liability

Customer agrees to pay for and maintain comprehensive general liability insurance of \$1,000,000 or more, for each occurrence.

If Customer does not meet Customer's obligations regarding liability, IBM will do so and then charge Customer the cost.

6.8 Inspections

Upon IBM's request, Customer agrees to allow IBM to inspect the Leased or Financed Items and its maintenance records during Customer's normal business hours.

6.9 Assignment by IBM

Notwithstanding Section 1.11.2 of this Agreement, IBM may sell, assign or otherwise transfer, in whole or in part the Lease or Leases, IBM's interest or rights in the Lease or Leases (including the right to receive Rents) or IBM's interest or rights in the Leased or Financed Items, without prior notification to or prior consent of Customer. Any assignee will be subject to Customer's right of quiet possession. Customer agrees not to assert against any such assignee any setoff, defense or counterclaim that Customer may have against IBM or any other person. Customer may not sell, assign or otherwise transfer, in whole or in part, the Lease or Leases or the Leased or Financed Items, without IBM's prior written consent.

6.10 Subleasing or Relocation

Customer may not sublease the Leased or Financed Items to another end-user in Canada or relocate the Leased or Financed Items within Canada, without IBM's prior written consent. Under no circumstance can the Leased or Financed Items be subleased or relocated outside of Canada.

6.11 Altering Leased Items

Customer may alter Leased Items only after notifying IBM in writing. An alteration is any field-installable upgrade, feature or accessory added to Leased Items. The alteration may be manufactured by IBM or by another entity, and may be new or used, leased or purchased.

6.11.1 Removing Parts

If the alteration includes removing leased parts which belong to IBM, the parts remain IBM's property and cannot be sold, exchanged, leased, assigned or disposed in any manner. Customer is responsible for storing and safekeeping IBM's leased parts while they are removed from the Leased Items.

Some IBM alterations are "Net Priced" transactions which mean that the associated replacement parts are provided on an exchange basis. All removed parts in an IBM Net Priced alteration remain the property of IBM.

6.11.2 Restoring the Leased Items before Customer returns it

Subject to any further obligations set out below under "Customer's Options at the End of Lease", before returning the Leased Items to IBM, Customer agrees to reinstall any of IBM's leased parts that were removed and restore it to its original condition prior to its alteration, at Customer's expense. Any non-IBM alteration must be removed. If an IBM alteration is not removed when IBM receives the Leased Items, then the alteration will become IBM's property free of charge and any legal claims.

6.11.3 Leasing an alteration

Customer may lease an alteration from IBM under terms in effect at that time. If Customer buys the Leased Items before the Lease ends, then Customer will also buy the related alteration. Once IBM has leased an alteration to Customer, Customer may not remove it from the Leased Items.

6.12 Customer's Options During the Lease

If Customer is not in default, Customer may purchase the Leased Items or prepay the Financed Items at any time by giving IBM written notice at least 1 month before the desired date of purchase or prepayment. The purchase price will be described in a Transaction Document or provided to Customer at Customer's request.

If Customer purchases the Leased Items, then IBM will transfer to Customer all IBM's rights, title and interest in and to the Leased Items on an "as is, where is" basis. If Customer purchases the Leased Items, then Customer agrees to prepay any related Financed Items.

6.13 Customer's Options at the End of the Lease

If Customer is not in default, before the end of the initial Term of a Lease, Customer may choose any one of the following options by giving IBM 1 month written notice before the end of the Lease. These options are applicable to Leased Items only. It is Customer's responsibility to provide 1 month's prior written notice of Customer's end of Term decision.

6.13.1 Returning the Leased Items

Customer may return the Leased Items to IBM's central warehouse near Toronto and unless otherwise agreed, Customer is responsible for a) de-installation, packing and return of the Leased Items and any associated costs including, without limitation, disassembly, transportation and loading costs and b) the cost to qualify the Leased Items for the manufacturer's maintenance service, or, if not available, the cost to return the Leased Items to good working condition.

Prior to return of the Leased Items to IBM, Customer is responsible for removing all information and data including but not limited to programs not licensed to specific Leased Items, information about identified or identifiable individuals or legal entities and, if applicable, removing all funds from any Leased Items returned to IBM. IBM has no obligation to remove Customer's or any other party's information from Leased Items.

6.13.2 Purchasing the Leased Items

Customer may purchase the Leased Items shown at their fair market retail value as determined by IBM unless otherwise agreed to by the parties. IBM will warrant the title to be free and clear, but only of liens, claims and other encumbrances created by, under or through IBM.

6.13.3 Renewing the Lease

Customer may renew the Lease in respect of the Leased Items at a term and rate based upon the fair market retail value of the Leased Items at the end of the Lease as determined by IBM unless otherwise agreed to by the parties.

6.13.4 Automatic lease extension

If Customer does not choose one of the options above which are available to Customer at the end of the initial Term of the Lease, then IBM will automatically extend the Lease so that Customer may have continuous use of the Leased Items. The extended Lease will be from month-to-month and under the same terms in effect at that time, except that the Rents shall be equal to the sum of the payments in respect of the Lease over the initial term divided by the initial Term of the Lease. Either IBM or Customer can end the automatic extension with 1 month prior written notice.

At the end of the initial Term of the Lease, Financed Items will be considered paid in full.

6.14 Events of Default

If any of the following occurs, Customer will be in default under a Lease or Leases:

- a. Customer does not pay any amount required under a Lease within 7 days after the due date;
- b. Customer sells or disposes of any of the Leased or Financed Items or IBM's leased parts without IBM's prior consent;
- c. Customer violates any of the covenants Customer makes in any application for credit or in any agreement with IBM (including any Lease) with respect to the Leased or Financed Items;
- d. Customer's breach any provision of the Lease and such breach continues for 15 days after IBM sends Customer written notice;
- e. Customer ceases, or it is reasonable to conclude that Customer intends to cease, to carry on business or operations;
- f. Customer admits its inability to pay its debts generally as they become due or otherwise acknowledges its insolvency;
- g. Customer makes an assignment for the benefit of creditors;
- h. Customer consents to the appointment of a trustee, receiver or other similar official over it or a substantial part of Customer's property, or one is appointed for Customer or for a substantial part of Customer's property without Customer's consent, whether any such appointment is made by court order or otherwise;
- i. bankruptcy, reorganization, liquidation, dissolution or insolvency proceedings of any kind are started by or against Customer;
- j. a court order, judgment or similar process (including without limitation, an execution, distress or other enforcement process under any personal property legislation or otherwise) is issued or imposed on or in respect of any Leased or Financed Items, and is not removed within 15 days after it was issued or imposed; or
- k. Customer has a material change in ownership or enters into any transaction where all or any material portion of its assets or undertaking becomes the property of another entity without IBM's prior written consent.

Any failure to require strict performance by Customer or any waiver by IBM of any provision of the Lease, shall not be interpreted as a consent or waiver of any other breach of the same provision or any other provision.

6.15 IBM's Remedies if Customer Defaults

6.15.1 What IBM may do

If Customer is in default, IBM may do one or more of the following:

- a. terminate any Lease;

- b. declare and recover from Customer, all amounts due to IBM at that time and in the future under any and all Leases or otherwise;
- c. use any collateral pledged as security to satisfy amounts due;
- d. take possession of any or all of the Leased or Financed Items, wherever located, and without any court order or process of law;
- e. require Customer to return any or all of the Leased or Financed Items to IBM, and for each day that Customer fails to do so, Customer will pay an amount equal to the current Rents prorated on the basis of a 30 day month;
- f. recover from Customer any reasonable legal expenses incurred in exercising any of IBM's rights and remedies; or
- g. pursue any other remedy available at law, such as seeking damages, specific performance or an injunction.

IBM may enforce its rights and remedies together or individually over a period of time. IBM's remedies shall survive the termination of the Lease or this Agreement. If IBM enforces its rights and remedies, and if there is any provincial legislation which would restrict IBM's right to recover the full amount due to IBM, then Customer waives the benefit of this legislation to the extent permitted by law. The rights and remedies of IBM under this Agreement or any Lease are cumulative and are in addition to and not in substitution for any other rights or remedies provided by applicable law.

6.15.2 Disposing of the Leased or Financed Items

If IBM takes possession of any Leased or Financed Items, IBM will sell, lease or dispose of it in a commercially reasonable manner. IBM may notify Customer of our action. Any net proceeds will be applied toward the amount due under the Lease. Customer will pay IBM any deficiency between the net proceeds and the unpaid amounts.

6.16 Indemnity

Except as otherwise specifically provided in this Agreement, the Lease is a net lease and Customer will be responsible for all costs and expenses arising out of the Lease. Customer agrees to indemnify IBM for any losses, actions, claims, damages and reasonable expenses (collectively the "Claims") regarding any matter arising under any Lease, including reasonable legal, and collection fees. However, this does not include any Claims that result from IBM's negligence.

If IBM notifies Customer of a Claim that is subject to indemnification under this Section, Customer agrees to assume full responsibility for its settlement or defense.

The conditions of this Section will survive the expiration or termination of any Lease or this Agreement.

6.17 Security

Customer grants to IBM by way of a security interest, charge and hypothec a security interest (including without limitation, a purchase-money security interest) in the Leased or Financed Items as security for Customer's payments and obligations under the Lease (including without limitation, all Rents).

To help IBM carry out the Lease more effectively, Customer agrees to sign and deliver to IBM any additional, relevant documents (including without limitation, any financing statements), and take any additional action that IBM reasonably requests.

6.18 Accounting

IBM does not make any representations whatsoever regarding the accounting treatment applicable to leasing and financing transactions under any Lease.

This Agreement, including its applicable Attachments and Transaction Documents, is the complete agreement regarding transactions by which Customer purchases Machines, licenses ICA Programs, obtains Program licenses, acquires Services and leases Machines and finances Products and Services from IBM, and replaces any prior oral or written communications between Customer and IBM. In entering into this Agreement, including each Attachment and Transaction Document, neither party is relying on any representation that is not specified in this Agreement including without limitation any representations concerning: i) estimated completion dates, hours, or charges to provide any Service; ii) performance or function of any Product or system, other than as expressly warranted in Part 2 above; iii) the experiences or recommendations of other parties; or iv) results or savings Customer may achieve. Additional or different terms in any written communication from Customer (such as a purchase order) are void.

Each party accepts the terms of this Agreement by signing this Agreement (or another document that incorporates it by reference) by hand or, where recognized by law, electronically. Once signed, i) any reproduction of this Agreement, an Attachment, or Transaction Document made by reliable means (for example, electronic image, photocopy or facsimile) is considered an original and ii) all Products and Services ordered under this Agreement are subject to it.

(Remove the following "English Language in Province of Quebec" Clause, if not required)
Both of us agree to write this document in English. Les parties ont convenu de rédiger le présent document en langue anglaise.

Agreed to:
{Customer Legal Name}

Agreed to:
IBM Canada Limited

By _____
Authorized signature

By _____
Authorized signature

Title:

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Name (type or print):

Name (type or print):

Date:

Date:

Customer identification number:

Agreement number:

Customer address:

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