WINDOWS 98 & WINDOWS NT 5.0 FIRSTWAVE
LETTER OF AGREEMENT

The Windows NT5 FirstWave Program (the "Program") is offered by Microsoft to facilitate the creation of applications that will support the currently unreleased versions of Microsoft's Windows NT, version 5.0 ("Windows NT5") and Windows 98 ("Windows 98") operating systems. This letter of agreement ("Agreement") defines the agreement between MS and COMPANY with respect to COMPANY's participation in the Program – its benefits, requirements, and duration.

A. Benefits of Program Offered by Microsoft. In addition to the obligations listed in **Section 2** of the General Terms, below, Microsoft expects to provide the following services benefiting participants in the Program (subject to the terms of this Letter of Agreement):

Technical Benefits

1. Microsoft will provide Company, free of charge, with one one-year membership to MSDN, Universal edition, which will include the necessary applications, SDKs, tools and technical information needed for the development of applications for Windows NT5.
2. Microsoft will provide Company with early access to select specifications and beta releases of Windows NT5 and SDKs on an ongoing basis via CDs and secure FTP site.
3. Microsoft will support Company's development of New Version and Company Product in three special Program-sponsored technical workshops in Redmond, WA.
4. Microsoft will provide enhanced technical support to Company in its development of New Version through normal channels – Microsoft Developer Support, escalating through Microsoft's Developer Relations Group as necessary.

Marketing Benefits

5. Microsoft will include mention of completed New Version in a Microsoft press release timed for the Windows NT5 launch.
6. Microsoft will provide a quote for the New Version to be used by Company in a Microsoft approved press release regarding the support of Windows NT5 by Company Product and New Version.
7. Microsoft will include a link from the Microsoft web site to Company's web site in reference to shipping New Version.
8. Microsoft may provide other co-marketing opportunities from time to time, related to Windows NT5. By being in this program and shipping New Version, Company will be among the first to be invited to participate in these co-marketing activities.
9. Microsoft shall create either a third-party support CD-ROM or web links from Windows NT5 web site. This is intended to contain Company Product support files and marketing "data sheet" information. Inclusion of Company Product support files including migration DLLs, web links and /or product information shall be at Microsoft's sole discretion.
10. Microsoft shall include on a Windows NT5 third-party support CD-ROM a demonstration version (maximum 10 megabytes in size) of New Version if New Version is finished on or before RTM.
11. Microsoft will invite Company to exhibit Company Product and New Version at the Windows NT5 product launch fair, in accordance with the terms of the applicable Exhibitor Agreement and subject to space availability.

GOVERNMENT EXHIBIT 970

CONFIDENTIAL
MS/IL

Benefits of Microsoft logo programs

- License from Microsoft® to use the Logo on your product box, in advertising, collateral or on your company Website to designate that your product(s) have received the Logo.
- Exposure for your product in the Windows® Logo Partner Software Showcase at the Microsoft.com website. Includes listing of your product graphic & website URL.
- Microsoft quotes for your press release announcing the launch of your product recently approved under the Microsoft logo program.
- Invitation to exclusive Windows Logo Forum events for updates on key Microsoft strategic initiatives.
- Subscription to monthly Microsoft Windows Partner electronic newsletter.
- Discounts and special premium invitations to participate in quarterly Windows NT® and Windows 95 business and games application CD samplers distributed directly to qualified Microsoft customers.
- Visibility for products qualified to be marketed with the Microsoft logo in Microsoft Logo Partner ad campaigns.
- Invitation to participate in co-op Partner marketing campaigns and events focused around Microsoft product launches.
- Invitation to Microsoft's annual exclusive Logo Partner Marketing Summit.
- Opportunity to participate in Microsoft Partner Pavilions at trade shows such as COMDEX (offered only to Logo Partners).
- Invitation to special press events showcasing Logo Partners.

B. Obligations of Company as a Program Participant. As a Program participant, in addition to the obligations listed in **Section 3** of the General Terms, below, Company shall agree to provide the following (subject to the terms of this Letter Agreement):

1. Company shall submit New Version for Designed for Windows 98 and Windows NT 5.0 or Designed for BackOffice logo testing within 3 months of Windows NT5 RTM date.
2. Company will develop New Version as a WIN32-based application and support the following Windows NT5-specific technical features:
    - Provide application setup support for the Microsoft Installation Service and install as a "Clean Application" based on the Designed for Windows Logo Guidelines.
    - Supply a Windows 95 to Windows NT5 Migration DLL for upgrading the Windows 95 version of application to a Windows NT5 system during a system upgrade.
    - Support the Windows NT5 Directory Service: advertise your service(s) in the directory, locate your service(s) from clients through the directory and extend the directory service with application specific information. (example, employee badge number for a HR type application)
    - Use the Windows NT5 Security Service for authentication, encryption, access control, signing & sealing.
    - Support the Component Object Model with your application. DCOM applications must use the Class Store.
    - Operate properly in a multiple-monitor environment.
    - If there are any unique hardware devices required, they should support running in a Plug and Play environment: Listen for Windows Messages about new devices.
    - Support Advanced Configuration and Power Interface (ACPI)/OnNow: Listen for Windows Messages for power status

RSC 617

- Support Web Based Enterprise Management: Model the application(s) by using, and where necessary, extending the Common Information Model (CIM). Ship this definition as a Managed Object File (MOF) and, if the standard WBEM providers are not sufficient, deliver a WBEM Provider to populate the model.
- For any management and configuration of the application(s), provide a snap-in for the Microsoft Management Console (MMC)

3. Company will adhere to the following user interface guidelines:

   - If the user interface is HTML based. Internet Explorer 4.0 must be allowed to be set as the default browser.
   - HTMLHelp must be used to implement the application's help system.
   - UI must conform to Windows 98 / Windows NT5 logo guidelines.
   - Application will support desktop banners for the application and its files.
   - If the application is written in Java. the Microsoft Virtual Machine for Java will be the default VM.

4. Company will provide Microsoft with an Internet URL pointing to a Company maintained Web page that provides up-to-date support and marketing information about Company Product. Company agrees to maintain this URL until, at a minimum, December 31, 1998.

5. Company will send at least one (but no more than three` of its most appropriate staff to each of the three Program Weeks in Redmond, WA (Fall 97. Winter 98. Spring 98). Company will make all reasonable efforts to ensure that the staff sent are prepared to make effective use of their time in the Lab. Company will ensure that the staff sent to the Lab will have as their primary objective, the preparation of New Version for demonstration at Windows NT5 launch event. Company may only be excused from this requirement by Microsoft prior acceptance of the demo version of New Version.

6. For use in Windows NT5 product launch press release, Company will provide Microsoft with a quote from a senior executive, announcing Company's intention to ship New Version for Windows NT5. Company will also provide by that date, the name, title, phone number, and email address of Company Product's press contact person, for inclusion in Microsoft' release. Company is invited to issue its own press release, simultaneous with Microsoft' press release, giving more details on Company's announcement.

7. Company shall use reasonable efforts to support any other press activity that Microsoft carries out relating to Windows 98 and Windows NT5.

8. Company shall publicly state that their reference implementation of Company Product is on Windows NT5 and publicly state that Company Product is fully scalable and most manageable when running on Windows NT5.

C. General Terms of Program. General terms for participation in the Program are as follows:

1. DEFINITIONS

1.1 "Services" shall mean the joint marketing and support services provided by Microsoft during the Program, as described above and in **Section 2**.

1.2 "Beta Software" shall mean the beta release(s) of Windows 98 and Windows NT5 provided by Microsoft during the Term.

1.3 "Beta License" shall mean the license agreement(s) governing Company's use of the Beta Software as provided by Microsoft upon Company's acceptance into the beta program for the Beta Software.

RSC 618

1.4 "RTM" shall mean "Release To Manufacture," the date on which manufacturing of Windows NT5 for general commercial release begins.

1.5 "Commercial Release" shall mean the approximate date on which Windows NT5 is available for purchase in the retail channel for purchase.

1.6 "Company Product" shall mean the current commercially available version of Company's product(s) listed here: Purify NT, Visual Quantify, ClearCase, ClearQuest, Rose
(list to be provided by Company prior to execution of this Agreement).

1.7 "New Version" shall mean the version of Company Product developed by Company to run on Windows NT5.

1.8 "Term" shall mean the period commencing upon the Effective Date and continuing through Commercial Release plus ninety (90) days.

2. MICROSOFT OBLIGATIONS

2.1. Beta Programs. Microsoft shall ensure Company's participation in the Windows 98 and Windows NT5 beta programs.

2.2 Microsoft Developer Network. Microsoft shall provide, at no charge to Company, one one-year subscription to the Microsoft Developer Network, Universal Edition ("MSDN").

3. COMPANY OBLIGATIONS

3.1 Development. During the Term, Company agrees to use best efforts to develop and make commercially available the following software that provides support for Windows 98 and Windows NT5: (a) (if applicable) a migration utility or support files for any Company Product that runs on Windows 98 and/or Windows NT, which shall be ready for release as of RTM; and (b) a New Version within 90 days of Windows NT5 Commercial Release.

3.2 Additional Activities. During the Term, Company shall also use reasonable efforts to participate in and provide the additional marketing and support services set forth above in **Section B**.

4. EXPENSES

Company shall bear all time, material and travel expenses with respect to: (i) any Company personnel or Company-authorized contractors assisting or participating in the Program-related activities under **Section 3.2**; (ii) any Company personnel or Company-authorized contractors assisting or participating in any joint publicity activities or participation in any Microsoft-sponsored events relating to the Program; and (ii) Company's obligations as set forth in **Section 3.1**.

5. SCHEDULE CHANGES

Company understands that Microsoft may unilaterally adjust the date of RTM for Windows NT5 at any time during the term of this Agreement, and that any such change will necessarily affect scheduled beta releases and Company's delivery of Company Product and New Version.

6. OWNERSHIP; NO IMPLIED LICENSE

Except as expressly licensed to Company in the Beta License, Microsoft retains all right, title and interest in and to Windows NT5, including the Beta Software. Nothing in this Agreement and the Beta License shall be construed as granting Company, by implication, estoppel or otherwise, a license to any Microsoft product, technology or

RSC 619

intellectual property other than as expressly granted with respect to Windows NT5. Company retains all right, title and interest in and to Company Product and New Version.

7. CONFIDENTIALITY

7.1 Definition. "Confidential Information" shall mean: (i) information relating to product plans, costs, prices and names, marketing plans, business opportunities, personnel, and R&D relating to: Windows 98 and Windows NT5 in the case of Microsoft, and New Version in the case of Company; (ii) any information regarding the Program designated by Microsoft as confidential in writing; and (iii) the terms, conditions and content of this Agreement, including without limitation, Company's participation in the Program. Notwithstanding the foregoing, either party may disclose that Company is a participant in beta programs with the intent of developing Company products that will support Windows 98 and/or Windows NT5.

"Confidential Information" shall not include information that: (i) is or becomes generally known or available by publication, commercial use or otherwise through no fault of the receiving party; (ii) is known and has been reduced to tangible form by the receiving party at the time of disclosure and is not subject to restriction; (iii) is independently developed or learned by the receiving party; (iv) is lawfully obtained from a third party that has the right to make such disclosure; or (v) is made generally available by the disclosing party without restriction on disclosure.

7.2 Scope. This confidentiality obligations of this Agreement are not intended to cover general confidential information disclosed between the parties, and this Agreement shall not be construed as a "blanket" confidentiality agreement between the parties. Only that confidential information necessary for each party to perform its obligations under this Agreement should be disclosed.

7.3 Duty. Each party shall protect the other's Confidential Information from unauthorized dissemination and use with the same degree of care that such party uses to protect its own like information. Neither party will use the other's Confidential Information for purposes other than those necessary to directly further the purposes of this Agreement. Neither party will disclose to third parties the other's Confidential Information without the prior written consent of the other party. Except as expressly provided in this Agreement, no ownership or license right is granted in any Confidential Information.

7.4 Independent Development. The parties' obligations of confidentiality under this Agreement shall not be construed to limit either party's right to independently develop, license or acquire products without use of the other party's Confidential Information.

8. CONFLICT OF TERMS

With respect to use of the Beta Software and MSDN, to the extent any terms and conditions of this Agreement conflict with the terms and conditions of the Beta License and end user license agreement accompanying MSDN, the Beta License and MSDN end user license agreement (respectively) shall govern and control. Otherwise, during the Term, to the extent the terms and conditions of the Beta License and/or the MSDN end user license agreement conflict with the terms and conditions of this Agreement, this Agreement shall govern and control.

9. WARRANTIES

Each party warrants and represents that it has the full power to enter into this Agreement and that its obligations hereunder shall be performed in a professional manner.

10. TERMINATION

10.1 Termination. Company may terminate this Agreement for its convenience effective upon 30 days written notice to Microsoft.

10.2 Effect of Termination. In the event of expiration of the Term or termination of this Agreement for any reason: (i) **Sections 4, 6, 7, 8, 9, and 11** shall survive; and (ii) the Beta License and the MSDN end user license agreement shall survive unless and to the extent that Microsoft terminates this Agreement for cause due to Company's breach of said Beta License and/or end user license agreement.

11. LIMITATION OF LIABILITIES

NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

12. GENERAL

12.1 Notices. All notices and requests in connection with this Agreement shall be deemed given as of the day they are received either by messenger, delivery service, or in the United States of America mails, postage prepaid, certified or registered, return receipt requested, and addressed as follows:

To Company:

Rational Software
19880 Homestead Rd
Cupertino CA 95014
Attention: Janine Rood
Phone: 408-863-4262
Fax: 408-863-4120

To Microsoft:

Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399
Attention: Peter Plamondon
Phone: (206) 936-4419
Fax: (206) 936-7329
Copy to: Law & Corporate Affairs

or to such other address as a party may designate pursuant to this notice provision.

12.2 Independent Entities. Nothing in this Agreement shall be construed as creating an employer-employee relationship, a partnership, or a joint venture between the parties.

12.3 Taxes. Company shall be solely responsible for any federal, state or local taxes, including but not limited to use, excise, sales or income taxes, which are or may be assessed for Company's use, license or receipt under this Agreement of the Beta Software, MSDN and the Services.

12.4 Governing Law. This Agreement shall be governed by the laws of the State of Washington as though entered into between Washington residents and to be performed entirely within the State of Washington. In any action or suit to enforce any right or remedy under this Agreement or to interpret any provision of this Agreement, the prevailing party shall be entitled to recover its costs, including reasonable attorneys' fees.

12.5 Assignment. This Agreement shall be binding upon and inure to the benefit of each party's respective successors and lawful assigns; provided, however, that Company may not assign its rights or delegate its obligations under this Agreement, in whole or in part, without the prior written approval of Microsoft.

12.6 Construction. If for any reason a court of competent jurisdiction finds any provision of this Agreement, or portion thereof, to be unenforceable, that provision of the Agreement will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect. Failure by either party to enforce any provision of this Agreement will not be deemed a waiver of future enforcement of that or any other provision. This Agreement has been negotiated by the parties and their respective counsel and will be interpreted fairly in accordance with its terms and without any strict construction if favor or against either party.

12.7 Entire Agreement. This Agreement does not constitute an offer by Microsoft and it shall not be effective until signed by both parties. This Agreement constitutes the entire agreement between the parties with respect to the Services and all other subject matter hereof and merges all prior and contemporaneous communications. It shall not be modified except by a written agreement dated subsequent to the date of this Agreement and signed on behalf of Company and Microsoft by their respective duly authorized representatives.

The parties have entered into this Agreement effective as of the latter of the dates written below.

MICROSOFT CORPORATION	**Company**
By (Sign)	By (Sign)
Shawn L Marrissey	Janine Ford
Name (Print)	Name (Print)
Evangelist	Dir, Partner Relations
Title	Title
4.1.97	2/3/98
Date	Date

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