the termination of the Merger Agreement, (ii) the consummation of the Merger, or (iii) the termination of the Voting Agreement by mutual consent of the parties thereto.

b. Employment Agreements.

In connection with the execution of the Merger Agreement, Cisco entered into employment agreements on March 18, 2009 with the following employees of Pure Digital who currently have the following positions with Pure Digital (and are expected to have the positions with Cisco as set forth opposite their names in Subsection 10(e) "Information about Pure Digital - Interests of Certain Persons in the Merger"):

Name	Title
Jonathan Kaplan	Chairperson and Chief Executive Officer
Stewart Muller	Executive Vice President, Sales and Marketing
Andre Neumann-Loreck	Chief Operating Officer
Simon Fleming-Wood	Vice President, Marketing
John Furlan	Vice President, Engineering
Robert Evans	Vice President, Manufacturing
Ariel Braunstein	Vice President, Products
David McLaren	Vice President, Software Engineering

The description of terms set forth in this paragraph applies to the employment agreements for each of Jonathan Kaplan, Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, David McLaren, Stewart Muller and Andre Neumann-Loreck. Such employment agreements will become effective upon the closing date of the Merger. The term of each of these employment agreements is for two years after the closing date of the Merger unless terminated earlier as provided for therein. Each employment agreement, among other things, sets forth the title, base salary, grade and employee benefits of each such employee upon the closing date of the Merger. Pursuant to the employment agreements, should Cisco terminate the employee's employment without cause (as defined therein) or the employee resign his employment for good reason (as defined therein), prior to the second anniversary of the closing date of the Merger, and if the employee executes a general release of claims in favor of Cisco, Cisco will pay the respective employee a lump-sum cash severance amount equal to six months of the employee's base salary on the sixty-first day following the termination date. In connection with the employment agreements, each employee also executed a proprietary information and inventions agreement, a technology transfer agreement, an arbitration agreement, a conflict of interest agreement, a non-competition agreement (as described below) and a benefits waiver (as described below), each in the form attached as an exhibit to the employment agreement. Robert Evans, Simon Fleming-Wood, John Furlan, and Andre Neumann-Loreck also executed equity agreements with regard to their Pure Digital Options, in the forms attached as exhibits to their respective employment agreements. Ariel Braunstein and Jonathan Kaplan also executed equity agreements with regard to their Pure Digital Options and Pure Digital Common Stock, in the forms attached as exhibits to their respective employment agreements.

c. **Non-Competition Agreements.**

In connection with the execution of the Merger Agreement and their employment agreements with Cisco, and in consideration for both a cash bonus payment of $240,000 to be paid by Pure Digital and the consideration to be received as stockholders in connection with the Merger, each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, David McLaren, Stewart Muller and Andre Neumann-Loreck entered into non-competition agreements with Cisco. Such agreements were a condition to Cisco's willingness to enter into the Merger Agreement. Each of these non-competition agreements requires that during the Restrictive Period (as defined below) the employee will not as an employee, agent, consultant, advisor, independent contractor, general partner, officer, director, stockholder, investor, lender or guarantor of any corporation, partnership or other entity, or in any other capacity directly or indirectly:

- Participate or engage in any Restricted Business (as defined below);
- Render any service to any person or entity that engages in a Restricted Business; or
- Permit his name to be used in connection with a business that is competitive or substantially similar to a Restricted Business.

For purposes of the non-competition agreement, "**Restricted Business**" means the design, development, distribution, manufacture, production, marketing, sale or servicing of any product, or the provision of any service, that directly relates to, or render any services to any business engaged in, the provision of products, software, solutions and related services for the capturing, processing, sharing, consumption, display, viewing, distribution and/or transmission of digital photographs, images and/or video, and like content (including without limitation Sony Corporation, Canon, Inc., Victor Company of Japan, Limited, Panasonic Corporation, Aiptek International Inc. and Aiptek Inc., DXG Technology Corp., Thomson S.A., Sakar International, Inc., Mustek, Inc. and Mustek, Inc. USA, Creative Technology Ltd. , Eastman Kodak Co., Nokia Corporation, Samsung Electronics, Motorola, Inc., Sony Ericsson Mobile Communications AB, LG Electronics, LG Telecom, and Zenith Electronics, Research in Motion Ltd., Apple, Inc., Palm, Inc., Sanyo Electric Co., Ltd., Logitech International S.A., Hewlett-Packard Company, Nikon Corporation, Konica Minolta Holdings, Inc., Polaroid Corporation, Dell, Inc., Hitachi Ltd.).

For purposes of the non-competition agreement, the "**Restrictive Period**" commences on the closing date of the Merger and continues until the second anniversary of the closing date of the Merger.

d. **Benefits Waivers.**

Pursuant to Pure Digital's standard severance policy, each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, David McLaren and Andre Neumann-Loreck may be eligible for cash severance benefits of two to four weeks of base salary, depending on title and length of service, upon a termination of employment by Pure

Digital. In addition, Stewart Muller is entitled to specified cash severance benefits in the event he is terminated for certain reasons and is entitled to specified equity acceleration benefits in connection with an acquisition of Pure Digital such as the proposed Merger, each as further described below. Cisco has required that these Pure Digital officers agree to waive such severance and acceleration benefits in connection with the proposed Merger, but subject to a modified "give back" of such benefits under certain circumstances. This waiver and "give back" structure is a customary acquisition practice of Cisco that is implemented in order to standardize the terms of benefits (such as the triggers for, and amounts of, severance and acceleration) across the management teams of acquired companies. With respect to severance benefits, the "give back" for these officers is described in the section above entitled "Employment Agreements." With respect to acceleration benefits, the "give back" for Mr. Muller is described below in this section; for the Pure Digital officers listed above other than Mr. Muller, no "give back" is necessary as they do not have existing Pure Digital acceleration benefits.

More specifically, pursuant to his employment agreement with Pure Digital, if the employment of Stewart Muller was terminated for any reason other than for cause or permanent disability (as each term is defined therein), he would be entitled to continuous payments of his base salary for six months. Furthermore if within 12 months following a change of control of Pure Digital, Mr. Muller's employment would be terminated without cause or he would resign because he was not offered substantially the same employment with an acquiring company or would be required to work in an office greater than 50 miles from his current work location, then Mr. Muller would be entitled to acceleration of his Pure Digital Options in an amount the greater of (i) 12/48th of the total of his Pure Digital Options or (ii) 50% of the then unvested amount of his Pure Digital Options. If they were terminated by Pure Digital for any reason, each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, David McLaren, and Andre Neumann-Loreck would be entitled to Pure Digital's standard severance policy of two to four weeks of base salary, depending on title and length of service.

In connection with the execution of the Merger Agreement and their employment agreements with Cisco, each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, David McLaren, Stewart Muller and Andre Neumann-Loreck, executed a standard benefits waiver pursuant to which each employee agreed to (i) waive any acceleration of vesting or lapse of Pure Digital's repurchase rights with respect to unvested Pure Digital Options granted to them prior to execution of the Merger Agreement or Unvested Pure Digital Shares issued upon the exercise of such unvested Pure Digital Options, to which they might otherwise be entitled to in connection with the Merger and (ii) waive any and all right or entitlement to any severance benefits pursuant to any agreement with Pure Digital or Pure Digital policy.

Pursuant to the benefits waiver of Stewart Muller, in the event of his termination by Cisco without cause (as defined in his employment agreement) or termination by him for good reason (as defined in his employment agreement) within twelve months following the closing date of the Merger, the vesting and exercisability applicable to Mr. Muller's outstanding unvested Cisco options converted from Pure Digital Options granted prior to execution of the Merger Agreement and unvested Cisco shares of common stock converted from Unvested Pure Digital Shares issued upon the exercise of such unvested Pure Digital Options, shall accelerate, vest and/or become exercisable, with respect to the greater of 12/48th of the total, or 50% of the then-unvested Cisco options and/or Cisco shares.

e. Equity Agreements.

In connection with the execution of the Merger Agreement and their employment agreements with Cisco, each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, and Andre Neumann-Loreck executed equity agreements with regard to their Pure Digital Options (and in the case of Ariel Braunstein and Jonathan Kaplan, both their Pure Digital Options and Pure Digital Common Stock) pursuant to which the employee agreed to have vesting restrictions placed upon some of their already vested Pure Digital Options (the "**Revested Options**") (and in the case of Ariel Braunstein and Jonathan Kaplan, both their already vested Pure Digital Options and already vested Pure Digital Common Stock (the "**Revested Shares**")). The Revested Options and Revested Shares will vest in equal monthly installments at the end of each of the twenty-four months following the closing date of the Merger, such that the Revested Options and Revested Shares will be fully vested on the second anniversary of the closing date of the Merger. If, prior to the second anniversary of the closing date of the Merger, the employee is terminated without cause (as defined in their employment agreement with Cisco), resigns for good reason (as defined in their employment agreement with Cisco), dies, becomes terminally ill (as determined pursuant to Cisco's Option Vesting Acceleration Policy for Death and Terminal Illness as in effect on the closing date of the Merger) or is permanently disabled (as defined in their Equity Agreements), the Revested Options and Revested Shares held by the employee will immediately vest in full.

f. Transitional Arrangements.

Alan Henricks, Pure Digital's Chief Financial Officer, and Robert Cartwright, Pure Digital's President OTUC, will not become Continuing Employees with Cisco. Therefore, their employment with Pure Digital will be terminated effective upon the closing of the Merger. Subject to the execution of a release of claims, each of Mr. Cartwright and Mr. Henricks will receive a lump sum severance payment of three months of their respective base salary. Unvested Pure Digital Options held by Mr. Henricks and Mr. Cartwright will accelerate under the terms of Pure Digital's 2002 Stock Plan and be cashed out in connection with the Merger as described in Section 5(f) - Conversion of Pure Digital Capital Stock; Assumption and Cash Out of Pure Digital Options; Assumption of New Restricted Stock Units. As of March 18, 2009, Mr. Henricks held approximately 192,375 unvested Pure Digital Options, and Mr. Cartwright held approximately 56,771 unvested Pure Digital Options.

Cisco has requested that each of Mr. Henricks and Mr. Cartwright continue to provide services in a consulting role following the completion of the Merger. In order to incentivize them to serve as consultants for a three month period through an independent third party firm, Cisco has offered these executive officers COBRA benefits for themselves and their dependents for three months following the close of the Merger, and a retention bonus equal to three months of their respective current base salaries, payable upon completion of the consulting period. Mr. Henricks will be eligible for a retention bonus of $60,000 and Mr. Cartwright will be eligible for a retention bonus of $53,750. Neither Mr. Henricks, nor Mr. Cartwright will receive New Restricted Stock Units from Pure Digital nor will they receive any Cisco equity awards.

f. Escrow Agreement.

(1) Escrow Agreement; Deposit of Escrow Shares.

Prior to the closing, Cisco, U.S. Bank, N.A. (as escrow agent) and the Stockholders' Agent shall have executed an Escrow Agreement. The Escrow Shares are to be delivered to and deposited with the escrow agent to constitute an escrow fund to be governed by the provisions of the Escrow Agreement and Merger Agreement. The escrow fund shall be available to compensate Cisco (on behalf of itself or any other Indemnified Person) for Indemnifiable Damages pursuant to the indemnification obligations of the Pure Digital Holders.

As soon as reasonably practicable (and in any event within ten business days) after the closing date, Cisco shall cause to be deposited with the escrow agent the Escrow Shares. If an Pure Digital Holder holds unvested Pure Digital shares as of immediately prior to the Effective Time, then the Escrow Shares will consist of unvested Cisco shares and vested Cisco shares in the same relative proportion as the number of such unvested Pure Digital Shares bore to the number of vested Pure Digital shares held by such holder as of immediately prior to the Effective Time. Thereafter, with respect to each installment of unvested Cisco shares held by such holder that vests, a percentage (equal to the percentage of the total number of Cisco shares issued in the Merger represented by the total number of Escrow Shares) of such installment shall vest in escrow.

(2) Resolution of Claims.

The period during which claims for Indemnifiable Damages under the Merger Agreement may be initiated against the escrow fund shall commence at the closing and terminate at 11:59 p.m. Pacific Time on the date that is 18 months following the closing date (the "**Escrow Period**").

On or before the last day of the Escrow Period, Cisco may deliver to the escrow agent a certificate signed by any officer of Cisco (an "**Officer's Certificate**"): (i) stating that an Indemnified Person has incurred, paid, reserved or accrued, or reasonably believes in good faith that it may in the future incur, pay, reserve or accrue, Indemnifiable Damages (or, with respect to any tax matters, that any tax authority may raise such matter in audit of Cisco or its subsidiaries, which could give rise to Indemnifiable Damages); (ii) stating the amount of such Indemnifiable Damages (which, in the case of Indemnifiable Damages not yet incurred, paid, reserved or accrued, may be the maximum amount believed in good faith by Cisco to be incurred, paid, reserved or accrued in the future); and (iii) specifying in reasonable detail (based upon the information then possessed by Cisco) the individual items of such Indemnifiable Damages included in the amount so stated and the nature of the claim to which such Indemnifiable Damages are related. No delay in providing such Officer's Certificate within the Escrow Period shall affect an Indemnified Person's rights, unless (and then only to the extent that) the Stockholders' Agent or the Pure Digital Holders are materially prejudiced thereby.

At the time of delivery of any Officer's Certificate to the escrow agent, a duplicate copy of such Officer's Certificate shall be delivered to the Stockholders' Agent by or on behalf of Cisco (on behalf of itself or any other Indemnified Person) and for a period of 20 days after such delivery to the escrow agent of such Officer's Certificate, the escrow agent shall make no payment unless the escrow agent shall have received written authorization from the Stockholders' Agent to make such delivery. After the expiration of such 20-day period, the escrow agent shall make delivery of Escrow Shares held in the escrow fund having a value equal to such Indemnifiable Damages to Cisco unless Stockholders' Agent objects in writing to any claim or claims made in the Officer's Certificate, and such statement shall have been delivered to the escrow agent and to Cisco prior to the expiration of such 20-day period.

If the Stockholders' Agent objects in writing to any claim or claims by Cisco made in any Officer's Certificate within such 20-day period, Cisco and the Stockholders' Agent shall attempt in good faith for 45 days after Cisco's receipt of such written objection to resolve such objection. If Cisco and the Stockholders' Agent shall so agree, a memorandum setting forth such agreement shall be prepared and signed by both parties and delivered to the escrow agent. The escrow agent shall be entitled to conclusively rely on any such memorandum and the escrow agent shall distribute assets from the escrow fund in accordance with the terms of such memorandum. If no such agreement can be reached during the 45-day period for good faith negotiation, but in any event upon the expiration of such 45-day period, either Cisco or the Stockholders' Agent may bring suit in the courts of the State of New York and the Federal courts of the United States of America, in each case, located within the City of New York in the State of New York to determine whether the Indemnified Person is entitled to indemnification with respect to the matters described in the Officer's Certificate and the amount which constitutes Indemnifiable Damages for which recovery from the escrow fund may be made. The decision of the trial court with respect to such matters shall be nonappealable, binding and conclusive and the escrow agent shall be entitled to act in accordance with such decision and the escrow agent shall distribute assets from the Escrow Fund in accordance therewith.

If, upon the resolution of any claim for Indemnifiable Damages stated in an Officer's Certificate Cisco (on behalf of itself or any other Indemnified Person) shall be entitled to receive any assets from the escrow fund, the escrow agent shall deliver to Cisco out of the escrow fund as soon as practicable Escrow Shares having aggregate value equal to the amount of such Indemnifiable Damages. For the purpose of compensating Cisco (on behalf of itself or any other Indemnified Person) for any Indemnifiable Damages, each whole share of Cisco common stock in the escrow fund shall be deemed to have a value equal to the Cisco Stock Price (as adjusted to appropriately reflect any stock split, reverse stock split, stock dividend, reorganization, reclassification, combination, recapitalization or other like change with respect to Cisco common stock occurring after the Effective Time).

(3) <u>Release of Escrow Shares.</u>

Such portion of the escrow fund at the conclusion of the Escrow Period that may be necessary to satisfy any unresolved or unsatisfied claims for Indemnifiable Damages specified in any Officer's Certificate delivered to the Stockholders' Agent and escrow agent prior to expiration of the Escrow Period (the "**Reserve Amount**") shall remain in the escrow fund until such claims for Indemnifiable Damages have been resolved or satisfied. Prior to such resolution or satisfaction, none of the Reserve Amount shall be delivered or distributed to any person. For purposes of determining at any particular time the number of Escrow Shares in the escrow fund that are necessary or sufficient to satisfy and/or provide for all such claims, Cisco shall be assumed to be entitled to the full amount of Indemnifiable Damages stated in such Officer Certificate(s). The amount retained in the escrow fund after the expiration of the Escrow Period with respect to a particular pending claim shall be available to Cisco only with respect to such pending claim and shall not be available to Cisco for any other pending claim. The remainder of the escrow fund, if any, shall be distributed to the Pure Digital Holders promptly (and in any event no later than ten business days) after the expiration of the Escrow Period in accordance with each such holder's pro rata share.

Promptly following the resolution or satisfaction of any claim for Indemnifiable Damages relating to any portion of the Reserve Amount (and in any event no later than ten Business Days after such resolution and satisfaction), such portion of the Reserve Amount shall be paid to Cisco and/or to the Pure Digital Holders on a pro rata basis in accordance with each such holder's pro rata share, in accordance with the terms of a memorandum setting forth an agreement between Cisco and the Stockholders' Agent or trial court decision, as applicable.

g. Indemnification of Pure Digital's Directors, Officers and Employees.

Until the sixth anniversary of the Effective Time, Cisco will cause Pure Digital to fulfill and honor in all respects the obligations of Pure Digital to the individuals who are or were directors and officers as of or prior to the Effective Time (the "**Pure Digital Indemnified Parties**") pursuant to any indemnification provisions under Pure Digital's certificate of incorporation or bylaws as in effect on the Agreement Date and pursuant to any indemnification agreements between Pure Digital and such Pure Digital Indemnified Parties existing as of the Agreement Date and listed on the disclosure letter, with respect to claims arising out of matters occurring at or prior to the Effective Time (subject to applicable legal requirements).

8. Pure Digital Stockholder Approval.

a. General.

This Information Statement is being provided to Pure Digital Stockholders with respect to the public hearing to be held by the Commissioner in connection with the proposed issuance of shares of Cisco Common Stock in connection with the Merger. Pure Digital will, promptly after the issuance of the Permit or receipt of notice from the Commissioner that no permit will be issued, solicit your approval of certain resolutions related to the Merger, as more fully described below.

b. Purposes; Recommendation of the Pure Digital Board.

Pure Digital will deliver to you a written consent of the stockholders of Pure Digital so that each Pure Digital Stockholder may consent to certain actions necessary to complete the Merger. These actions will include the approval of:

- the Merger Agreement and the Escrow Agreement described in this Information Statement, and the other agreements required to be executed and delivered in connection with the transactions contemplated by the Merger Agreement; and

- the appointment of Bruce Dunlevie as Stockholders' Agent for and on behalf of the stockholders of Pure Digital for the purposes of administering claims for damages pursuant to the terms of the Merger Agreement and the Escrow Agreement.

It is the unanimous and unqualified recommendation of the Pure Digital Board that Pure Digital Stockholders should adopt the Merger Agreement and approve the Merger. The Pure Digital Board further concludes that the terms and conditions of the Merger and the Merger Agreement are fair, just, reasonable, equitable, advisable and in the best interests of Pure Digital and Pure Digital Stockholders, and therefore unanimously approved the Merger and the Merger Agreement, and unanimously resolved to recommend the approval thereof by Pure Digital Stockholders.

c. Pure Digital Voting Agreement. Benchmark Capital IV, L.P., Benchmark Capital Partners IV, L.P., Crescendo IV, L.P., Crescendo IV Entrepreneur Fund, L.P., Crescendo IV Entrepreneur Fund A, L.P., Crescendo IV AG & Co. Beteiligungs KG, Crescendo Holdings IV, LLC, Jeff Jordan, Jonathan Kaplan, Glazer/Kaplan Revocable Trust, Kapzer Descendants Trust, Sequoia Capital X, Sequoia Technology Partners X, Sequoia Capital X Principals Fund, Steamboat Ventures, LLC, Steamboat Ventures Manager, LLC, Thomas McGrath, Jr., Alan Henricks, Andre Neumann-Loreck, Andre Neumann-Loreck and Kay Yun JTWROS, Robert Cartwright and Stewart Muller are parties to an Amended and Restated Voting Agreement dated as of March 18, 2009 (as amended, the "**Pure Digital Voting Agreement**"). Under Pure Digital Voting Agreement, each party has agreed to vote all shares of Pure Digital capital stock then owned or controlled by such party, as recommended by the Pure Digital Board, to adopt the Merger Agreement and approve the Merger and the other transactions contemplated by the Merger Agreement.

d. Required Consent.

Under Delaware Law and the General Corporation Law of the State of California ("**California Law**"), and pursuant to Pure Digital's certificate of incorporation, as amended, the written consent of (i) the holders of not less than a majority of all shares of Pure Digital Common Stock issued and outstanding, voting as a separate class; (ii) the holders of not less than a majority of all shares of Pure Digital Preferred Stock issued and outstanding, voting as a separate class on an as-converted to Pure Digital Common Stock basis; and (iii) the holders of not less than a majority of all shares of Pure Digital Common Stock and Pure Digital Preferred Stock issued and outstanding, voting together as a single class (on an as converted basis), is required to approve and adopt the Merger Agreement and the transactions contemplated thereby.

e. Consent Procedure; Duration of Consents.

Section 228 of Delaware Law states that, unless otherwise provided in the certificate of incorporation, any action required to be taken or which may be taken at any annual or special meeting of stockholders of a corporation may be taken without a meeting, without prior notice and without a vote, if the consent or consents of the stockholders is in writing, setting forth the action taken, and is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on such action were present and voted. Those written consents must be delivered to the corporation for inclusion in the minutes or filing with the corporate records. Pure Digital's certificate of incorporation, as amended, and bylaws do not limit the applicability of Section 228 of the Delaware Law.

Delaware Law requires that a written consent must bear the date the stockholder signed the written consent. To be effective, written consents signed by holders of the requisite number of outstanding shares of capital stock of Pure Digital sufficient to approve the Merger must be delivered to Pure Digital in the manner provided in Section 228 of Delaware Law within 60 days after the earliest dated consent is delivered to Pure Digital.

If the Merger Agreement, the transactions contemplated by the Merger Agreement and the appointment of Bruce Dunlevie are approved and adopted, prompt notice of the approval and adoption will be given to stockholders of Pure Digital who have not consented.

You should also review, "The Merger and Related Transactions – Related Agreements – Voting Agreement and Irrevocable Proxies" for a description of the agreements officers, directors and certain other Pure Digital Stockholders signed at the time the Merger Agreement agreeing to vote all of their shares of capital stock of Pure Digital in favor of the Merger.

f. Revocation of Consents.

Pure Digital Stockholders may revoke a signed written consent by giving written notice of revocation to Pure Digital. A revocation must be in writing and signed by the record holder and must clearly state that the written consent of the stockholder previously given is no longer effective. To prevent confusion, a notice of revocation must be dated. To be effective, written notice of revocation must be delivered prior to the time that the requisite number of the outstanding shares of capital stock of Pure Digital on the record date for such action have delivered unrevoked written consents to Pure Digital as described above.

g. Appraisal and Dissenter's Rights.

Under applicable state laws regarding dissenting stockholders' appraisal rights, stockholders of Pure Digital who do not provide written consent in favor of the adoption and approval of the Merger Agreement and the Merger may, under certain conditions, become entitled to be paid cash for the fair market value of their stock in lieu of the consideration set forth in the Merger Agreement.

The Merger Agreement provides that shares of capital stock of Pure Digital that are outstanding immediately prior to the Effective Time of the Merger and have not been voted in favor of the Merger will not be converted into the consideration set forth in the Merger Agreement if the holder of the shares validly exercises and perfects statutory appraisal rights with respect to the shares, although the shares will be automatically converted into the consideration set forth in the Merger Agreement on the same basis that all other shares of capital stock of Pure Digital are converted in the Merger when and if the holder of those shares withdraws his, her or its demand for appraisal or otherwise becomes legally ineligible to exercise appraisal rights. We advise any stockholders of Pure Digital considering exercising appraisal rights to consult legal counsel.

Because Pure Digital is a Delaware corporation, the availability of dissenting stockholders' appraisal rights for stockholders of Pure Digital is determined by the Delaware Law, which is summarized below. However, due to the location of a majority of the stockholders of Pure Digital in California and Pure Digital's other contacts with the State of California, Section 2115 of the California Law provides that California Law regarding dissenting stockholders' appraisal rights may also apply to stockholders of Pure Digital in the Merger. Because of the potential applicability of California Law, summaries of both Delaware Law and California Law regarding dissenting stockholders' appraisal rights are provided below. Because neither Delaware Law nor California Law regarding appraisal rights expressly addresses the question of which law supersedes in this situation, stockholders of Pure Digital will be permitted to exercise dissenters' appraisal rights under either Delaware Law or California Law, except to the extent that a court or applicable legal authority rules otherwise.

(1) Appraisal Rights under Delaware Law.

The following is a summary of the procedures to be followed under Section 262 of Delaware Law, the full text of which is attached hereto as **Exhibit 4** and is incorporated herein by reference. The summary does not purport to be a complete statement of, and is qualified in its entirety by reference to, Section 262 of the Delaware Law and to any amendments to such section after the date of this Information Statement. Failure to follow any of the procedures of Section 262 of the Delaware Law may result in termination or waiver of appraisal rights under Section 262 of the Delaware Law. Stockholders of Pure Digital should assume that Pure Digital will take no action to perfect any appraisal rights of any stockholder. Any stockholder of Pure Digital who desires to exercise his, her or its appraisal rights should review carefully Section 262 of the Delaware Law and is urged to consult his, her or its legal advisor before electing or attempting to exercise such rights.

Only a holder of record of shares of capital stock of Pure Digital who has not consented to the Merger will be entitled to seek appraisal. The demand for appraisal must be executed by or for the holder of record, fully and correctly, as such holder's name appears on the holder's certificates evidencing shares of capital stock of Pure Digital. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, the demand should be made in that capacity, and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand must be made by or for all owners of record. An authorized agent, including one or more joint owners, may execute the demand for appraisal for a holder of record; however, such agent must identify the record owner or owners and expressly disclose in such demand that the agent is acting as agent for the record owner or owners of such shares.

A record holder, such as a broker who holds shares of capital stock of Pure Digital as a nominee for beneficial owners, some or all of whom desire to demand appraisal, must exercise rights on behalf of such beneficial owners with respect to the shares held for such beneficial owners. In such case, the written demand for appraisal should set forth the number of shares covered by such demand. Unless a demand for appraisal specifies a number of shares, such demand will be presumed to cover all shares held in the name of such record owner.

Under Sections 228(e) and 262(d)(2) of the Delaware Law, Pure Digital is required to mail to each holder of capital stock of Pure Digital who has not consented in writing to the adoption and approval of the Merger Agreement and the Merger and the transactions contemplated thereby a notice of corporate action taken without a meeting and notice of availability of appraisal rights. The notice of corporate action taken without a meeting, notice of availability of appraisal rights and a copy of Section 262 of the Delaware Law must be delivered to the applicable stockholders of Pure Digital by either Pure Digital following receipt of the requisite approval of the adoption and approval of the Merger Agreement, the Merger and the transactions contemplated thereby, or by Pure Digital or Cisco within 10 days following the effective date of the Merger. Such notice, if given on or after the effective date of the Merger, must also notify the stockholders of the effective date of the Merger. Any stockholder entitled to appraisal rights may, on or before 20 days after the date of mailing of the notice of corporate action taken without a meeting and notice of availability of appraisal rights, demand in writing from Pure Digital an appraisal of his, her or its shares of capital stock of Pure Digital. Such demand will be sufficient if it reasonably informs Pure Digital of the identity of the stockholder and that the stockholder intends to demand an appraisal of the stockholder's shares. Failure to make such a demand on or before the expiration of such 20-day period will foreclose a stockholder's rights to appraisal. If the notice of corporate action taken without a meeting did not notify the stockholders of the effective date of the Merger, either (i) Pure Digital must send a second notice before the effective date of the Merger notifying each stockholder entitled to appraisal rights of the effective date of the Merger or (ii) Pure Digital will send such second notice to each stockholder entitled to appraisal rights on or within ten days after the effective date of the Merger, provided, however, that if such second notice is sent more than twenty days following the sending of the first notice, such second notice need only be sent to each of those stockholders entitled to appraisal rights and who has demanded appraisal rights of his, her or its shares in accordance with Section 262(d).

A Pure Digital Stockholder who elects to exercise appraisal rights must mail or deliver the written demand for appraisal to:

Pure Digital Technologies, Inc.
30 Maiden Lane, 6th Floor
San Francisco, CA 94108
Attention: General Counsel
Fax No.: (415) 445-7623

A stockholder may withdraw a demand for appraisal within 60 days after the effective time of the Merger. Thereafter, the approval of Pure Digital will be needed for such a withdrawal. Upon withdrawal of a demand for appraisal, a stockholder of Pure Digital will be entitled to receive the consideration set forth in the Merger Agreement in exchange for his, her or its shares of capital stock of Pure Digital.

Within 120 days after the effective time of the Merger, in compliance with Section 262 of the Delaware Law, any stockholder of Pure Digital who is a "dissenting stockholder," which means that such stockholder has properly demanded an appraisal and who has not withdrawn the stockholder's demand as provided above, and Pure Digital each have the right to file in the Delaware Court of Chancery a petition demanding a determination of the value of the shares held by all of the dissenting stockholders. If, within 120 days after the effective time of the Merger, no petition shall have been filed as provided above, all rights to appraisal will cease and all of the dissenting stockholders who owned shares of capital stock of Pure Digital will become entitled to receive the consideration set forth in the Merger Agreement in exchange for his, her or its shares of capital stock of Pure Digital. Pure Digital is not obligated and does not currently intend to file a petition. Any dissenting stockholder is entitled, within 120 days after the effective time of the Merger and upon written request to Pure Digital, to receive from Pure Digital a statement setting forth the aggregate number of shares not voted in favor of the Merger and with respect to which demands for appraisal have been received and the aggregate number of dissenting stockholders.

Upon the filing of a petition by a dissenting stockholder, the Delaware Court of Chancery may order a hearing and that notice of the time and place fixed for the hearing on the petition be mailed to Pure Digital and all the dissenting stockholders. Notice will also be published at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware, or in another publication deemed advisable by the Delaware Court of Chancery. The costs relating to these notices will be borne by Pure Digital.

If a hearing on the petition is held, the Delaware Court of Chancery is empowered to determine which dissenting stockholders have complied with the provisions of Section 262 of the Delaware Law and are entitled to an appraisal of their shares. The Delaware Court of Chancery may require that dissenting stockholders submit their share certificates for notation thereon of the pendency of the appraisal proceedings. The Delaware Court of Chancery is empowered to dismiss the proceedings as to any dissenting stockholder who does not comply with such requirement. Accordingly, dissenting stockholders are cautioned to retain their share certificates pending resolution of the appraisal proceedings.

The shares will be appraised by the Delaware Court of Chancery at the fair value thereof as of the effective time of the Merger exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining the value, the court is to take into account all relevant factors. In *Weinberger v. UOP, Inc. et al.*, decided February 1, 1983, the Delaware Supreme Court expanded the considerations that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered and that "fair price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated, in making this determination of fair value, that the court must consider market value, asset value, dividends, earnings, prospects, the nature of the enterprise and any other factors which could be ascertained as of the date of the Merger which "throw any light on future prospects of the merged corporation." The Delaware Supreme Court noted that Section 262 of the Delaware Law provides that fair value is to be determined "exclusive of any element of value arising from the accomplishment or expectation of the Merger." In *Weinberger*, the Delaware Supreme Court held that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the Merger and not the product of speculation, may be considered."

The Delaware Court of Chancery may also (i) determine a fair rate of interest (simple or compound), if any, to be paid to dissenting stockholders in addition to the fair value of the shares for the period from the effective time of the Merger to the date of payment, (ii) assess costs of the proceeding among the parties as the Delaware Court of Chancery deems equitable and (iii) order all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Determinations by the Delaware Court of Chancery are subject to appellate review by the Delaware Supreme Court.

Dissenting stockholders are generally permitted to participate in the appraisal proceedings. No appraisal proceedings in the Delaware Court of Chancery shall be dismissed as to any dissenting stockholder without the approval of the Delaware Court of Chancery, and this approval may be conditioned upon terms which the Delaware Court of Chancery deems just. From and after the effective time of the Merger, dissenting stockholders will not be entitled to vote their shares for any purpose and will not be entitled to receive payment of dividends or other distributions in respect of such shares payable to stockholders of record thereafter.

(2) Appraisal Rights Under California Law.

Although Pure Digital is incorporated in the State of Delaware, as noted above, due to the location of a majority of its stockholders and Pure Digital's other contacts with the State of California, the provisions of the California Law relating to the rights of dissenting stockholders in a Merger may apply to the Merger.

If the Merger is completed, when the Merger becomes effective, stockholders of Pure Digital who do not vote in favor of the Merger and comply with the procedures prescribed in Chapter 13 of the California Law will be entitled to a judicial appraisal of the fair market value of their shares, which, for purposes of the exercise of appraisal rights under California Law, is determined as of the day before the first announcement of the terms of the Merger, excluding any appreciation or depreciation in consequence of the Merger, and to require Pure Digital to purchase the stockholder's shares for cash at such fair market value.

The following is a brief summary of the statutory procedures that must be followed by a stockholder of Pure Digital in order to dissent from the Merger and perfect appraisal rights under the California Law. This summary is not intended to be complete and is qualified in its entirety by reference to Chapter 13 of the California Law, the full text of which is attached to this Information Statement as **Exhibit 5** and is incorporated herein by reference.

In order to exercise appraisal rights under California Law, a stockholder of Pure Digital must be entitled to vote on the proposal to approve the Merger, or be a transferee of record of shares held by such a stockholder. Under Chapter 13 of the California Law, appraisal rights can only be exercised with respect to shares of capital stock of Pure Digital that are outstanding on the record date for the determination of stockholders of Pure Digital entitled to vote on the Merger.

Under Sections 603(b) and 1301(a) of the California Law, Pure Digital is required to mail within ten days after the date of adoption and approval of the Merger Agreement, the Merger and the transactions contemplated thereby by at least a majority of the stockholders of Pure Digital to each holder of stock of Pure Digital who has not consented in writing to the approval and adoption of the Merger Agreement, the Merger and the transactions contemplated thereby. The notice of corporate action taken without a meeting and notice of availability of appraisal rights contains a statement of the price determined by Pure Digital to represent the fair market value of dissenting shares. The statement of the fair market value of the stock of Pure Digital constitutes an offer by Pure Digital to purchase at that price any shares of stock of Pure Digital for which appraisal rights are perfected. As required by California Law, attached to this Information Statement as **Exhibit 5** is a copy of Sections 1300, 1301, 1302, 1303 and 1304 of the California Law.

A stockholder of Pure Digital wishing to require Pure Digital to purchase his, her or its shares of capital stock of Pure Digital pursuant to Chapter 13 of the California Law must:

- not vote in favor of approval of the Merger;

- make written demand upon Pure Digital to have Pure Digital purchase those shares for cash at their fair market value. The demand must be made by a person who was a stockholder of record on the record date, must state the number and class of shares held of record by the dissenting stockholder and must contain a statement of what the stockholder claims to be the fair market value of the shares as of the last day before the Merger was first announced. The statement of fair market value by the stockholder will constitute an offer by the stockholder to sell the shares of capital stock to Pure Digital at the specified price. The written demand must be received by Pure Digital within thirty days after the date on which the notice of the approval of the Merger by the stockholders of Pure Digital is mailed to the stockholder. If the stockholder's demand is not received by Pure Digital within this thirty-day period, then the stockholder will forfeit his, her or its appraisal rights; and

- submit to Pure Digital, within thirty days after the date on which the notice of approval of the Merger by the stockholders of Pure Digital is mailed to the stockholder, at Pure Digital's principal office or the office of its transfer agent, the certificates representing any shares of capital stock of Pure Digital with respect to which demand for purchase is being made, to be stamped or endorsed with a statement that the shares are dissenting shares or to be exchanged for certificates of appropriate denomination so stamped or endorsed.

Written demands, notices or other communications concerning the exercise of appraisal rights should be addressed to:

Pure Digital Technologies, Inc.
30 Maiden Lane, 6th Floor
San Francisco, CA 94108
Attention: General Counsel
Fax No.: (415) 445-7623

Under California Law, a dissenting stockholder may not withdraw his, her or its demand for payment of the fair market value of the stockholder's dissenting shares in cash unless Pure Digital consents.

If the stockholder and Pure Digital agree that the shares of capital stock of Pure Digital as to which the stockholder is seeking appraisal rights are dissenting shares, and also agree upon the price to be paid to purchase the shares, then the dissenting stockholder is entitled to the agreed price with interest thereon at the legal rate on judgments under California Law from the date of the Merger Agreement. Any agreements fixing the fair market value of any dissenting shares as between Pure Digital and any dissenting stockholder must be filed with the secretary of Pure Digital.

However, if Pure Digital denies that the stockholder's shares qualify as dissenting shares eligible for purchase under Chapter 13 of the California Law, or Pure Digital and the stockholder fail to agree upon the fair market value of the shares, then the stockholder may, within six months after the date on which Pure Digital mailed to the stockholder the notice of approval of the Merger by the stockholders of Pure Digital, but not thereafter, file a complaint in the California Superior Court of the proper county requesting the Court to determine whether the stockholder's shares qualify as dissenting shares that are eligible to be repurchased pursuant to the exercise of appraisal rights, the fair market value of such shares, or both, or may intervene in any action pending on such a complaint.

If the Court is requested to determine the fair market value of the shares, it shall appoint one or more impartial appraisers to determine the fair market value of the shares. Within ten days of their appointment, the appraisers, or a majority of them, will make and file a report with the Court. If the Court finds the report reasonable, the Court may confirm it. However, if the appraisers cannot determine the fair market value within ten days of their appointment, or within a longer time determined by the Court or the report is not confirmed by the Court, then the Court will determine the fair market value. If the Court determines that the stockholder's shares qualify as dissenting shares, then, following determination of their fair market value, Pure Digital will be obligated to pay the dissenting stockholder the fair market value of the shares, as so determined, together with interest thereon at the legal rate from the date on which judgment is entered. Payment on this judgment will be due upon the endorsement and delivery to Pure Digital of the certificates for the shares as to which the appraisal rights are being exercised.

The costs of the appraisal action, including reasonable compensation to the appraisers appointed by the court, will be allocated among Pure Digital and dissenting stockholders as the Court deems equitable. However, if the appraisal of the fair market value of the shares exceeds the price offered by Pure Digital, then Pure Digital shall pay such costs. If the fair market value of the shares awarded by the Court exceeds 125% of the price offered by Pure Digital for the shares in the notice of approval of the Merger by the stockholders of Pure Digital, then the Court may in its discretion include attorneys' fees, fees of expert witnesses and interest at the legal rate on judgments in the costs payable by Pure Digital.

(3) Certain Differences Between Delaware and California Law on Appraisal Rights.

As noted above, there are several differences between the laws of Delaware and California with respect to dissenting stockholders' appraisal rights. These differences include, but are not limited to the following:

- under Delaware Law, in order to exercise dissenters' rights, a stockholder must deliver a written appraisal demand within twenty days following the notice by Pure Digital of the effective time of the Merger. By comparison, under California Law a stockholder who has not voted in favor of the Merger is not required to deliver a written appraisal demand until thirty days after the date on which the notice of the approval of the Merger by the stockholders of Pure Digital is mailed to the stockholder; and

- under Delaware Law, Pure Digital or a dissenting stockholder must file a petition for an appraisal of dissenting shares within 120 days after the effective time of the Merger to exercise appraisal rights. By comparison, under California Law, if the parties do not agree on the status of shares as dissenting shares or their fair market value, the stockholder has until six months after the date on which the notice of approval of the Merger by the stockholders of Pure Digital was mailed to the stockholder to file a complaint in the California Superior Court requesting a determination of these matters.

Stockholders of Pure Digital considering whether to seek appraisal should bear in mind that the fair value of their capital stock of Pure Digital determined under Section 262 of the Delaware Law or Chapter 13 of the California Law could be more than, the same as or less than the value of consideration to be issued and paid in the Merger as set forth in the Merger Agreement. Also, Pure Digital reserves the right to assert in any appraisal proceeding that, for purposes thereof, the "fair value" or "fair market value" of the capital stock of Pure Digital is less than the value of the consideration to be issued and paid in the Merger as set forth in the Merger Agreement.

The process of dissenting and exercising appraisal rights requires strict compliance with technical prerequisites. Stockholders wishing to dissent should consult with their own legal counsel in connection with compliance with Section 262 of the Delaware Law or Chapter 13 of the California Law.

Any stockholder who fails to comply with the requirements of Section 262 of the Delaware Law, attached as **Exhibit 4** to this Information Statement, or Chapter 13 of the California Law, attached as **Exhibit 5** to this Information Statement, will forfeit his, her or its rights to dissent from the Merger and exercise appraisal rights and will receive the consideration to be issued and paid in the Merger as set forth in the Merger Agreement.

h. Comparison of Stockholder Rights.

Upon consummation of the Merger, those Pure Digital Stockholders who have elected to receive Cisco Common Stock will become stockholders of Cisco and the rights of such Pure Digital Stockholders will no longer be defined and governed by Pure Digital's certificate of incorporation and bylaws. Instead, each Pure Digital Stockholder's rights as a stockholder of Cisco will be defined and governed by Cisco's articles of incorporation and bylaws.

Pure Digital is incorporated under the laws of the State of Delaware and Cisco is incorporated under the laws of the State of California. Certain differences in the rights of holders of Pure Digital Common Stock and Cisco Common Stock arise from differences between Delaware Law and California Law. Differences between Delaware Law and California Law include, but are not limited to, differences in the consent required to amend the corporation's bylaws, the extent to which directors and officers of a corporation are indemnified, who may call special meetings of stockholders, permissible payments of dividends and rights of stockholders to inspect stockholder lists.

In addition, certain differences in the rights of holders of Pure Digital Common Stock and Cisco Common Stock arise primarily from differences in their respective certificates or articles of incorporation and bylaws. The holders of Pure Digital Preferred Stock will hold shares of Cisco Common Stock, which does not have any liquidation preferences or preferred dividends rights. Further, such holders of Pure Digital Preferred Stock will no longer have the contractual stockholder rights they negotiated with Pure Digital in past financings.

In addition, Pure Digital Stockholders will generally have more liquidity with respect to their investment in Cisco Common Stock following the Merger. Generally, a Pure Digital Stockholder will have more liquidity as a result of the Merger, because shares of Cisco Common Stock are traded on the Nasdaq Stock Market whereas no established trading market exists for any class of capital stock of Pure Digital.

This section does not include a complete description of all differences among the rights of these stockholders, nor does it include a complete description of the specific rights of these stockholders. In addition, the identification of some differences in the rights of these stockholders as material is not intended to indicate that other differences that are equally important or that you deem important do not exist. The summary set forth in this section, therefore, is qualified by reference to Delaware Law and California Law, Pure Digital's certificate of incorporation, as amended, and bylaws, and Cisco's articles of incorporation and bylaws.

9. Information About Cisco.

a. Description of Business.

Cisco designs, manufactures, and sells Internet Protocol (IP)-based networking and other products related to the communications and information technology (IT) industry and provides services associated with these products and their use. Cisco markets a broad line of products for transporting data, voice, and video within buildings, across campuses, and around the world. Cisco's products are designed to transform how people connect, communicate, and collaborate.

Cisco's products, which include primarily routers, switches, and advanced technology products, are installed at large enterprises, public institutions, telecommunications companies, commercial businesses and personal residences. Cisco conducts its business globally and is managed geographically in five segments: the United States and Canada, European Markets, Emerging Markets, Asia Pacific, and Japan. The Emerging Markets theater consists of Eastern Europe, Latin America, the Middle East and Africa, and Russia and the Commonwealth of Independent States.

Cisco was incorporated in the state of California in December 1984. Cisco's principal corporate office is located at 170 West Tasman Drive, San Jose, California 95134. Pure Digital securityholders may contact Cisco's Investor Relations department at 408-526-4000 for additional information regarding investments in Cisco securities, and may contact Mark Gorman, Senior Director, Mergers & Acquisitions, Legal Services at 408-526-4000 for additional information regarding the Merger.

b. Market Price Information.

Cisco

Shares of Cisco Common Stock are traded on the Nasdaq Stock Market under the symbol "CSCO." The following table sets forth the range of high and low closing prices reported on the Nasdaq Stock Market (or its predecessor, the Nasdaq National Market) for shares of Cisco Common Stock for the periods indicated.

	High	Low
Fiscal Year 2007		
Third Fiscal Quarter (ended April 28, 2007)	$28.85	$24.82
Fourth Fiscal Quarter (ended July 28, 2007)	$30.39	$25.33
Fiscal Year 2008		
First Fiscal Quarter (ended October 27, 2007)	$33.60	$28.58
Second Fiscal Quarter (ended January 26, 2008)	$34.24	$22.30
Third Fiscal Quarter (ended April 26, 2008)	$26.29	$21.77
Fourth Fiscal Quarter (ended July 26, 2008)	$27.72	$20.56
Fiscal Year 2009		
First Quarter (ended October 25, 2008)	$25.25	$15.90
Second Quarter (ended January 24, 2009)	$18.70	$14.20
Third Quarter (through March 31, 2009)	$17.39	$13.61

Because the market price of Cisco Common Stock is subject to fluctuation, the market value of the shares of Cisco Common Stock that holders of Pure Digital capital stock will receive in connection with the Merger may increase or decrease following the time such shares are distributed by Cisco. Pure Digital Stockholders are urged to obtain current market quotations for Cisco Common Stock. No assurance can be given as to the future prices or markets for Cisco Common Stock.

Merger Sub

There is no established public market for any class of Merger Sub capital stock.

c. Directors and Executive Officers.

Cisco

The directors and executive officers of Cisco are as follows:

Name	Position
Carol A. Bartz	Lead Independent Director
M. Michele Burns	Director
Michael D. Capellas	Director
Larry R. Carter	Director
John T. Chambers	Director, Chairman and Chief Executive Officer
Brian L. Halla	Director
Dr. John L. Hennessy	Director
Richard Kovacevich	Director
Roderick C. McGeary	Director
Michael K. Powell	Director
Steven M. West	Director
Jerry Yang	Director
Susan L. Bostrom	Executive Vice President, Chief Marketing Officer, Global Policy and Government Affairs
Jonathan Chadwick	Senior Vice President, Corporate Controller, and Principal Accounting Officer
Mark Chandler	Senior Vice President, Legal Services, General Counsel and Secretary
Wim Elfrink	Executive Vice President, Cisco Services and Chief Globalization Officer
Richard J. Justice*	Executive Vice President, Worldwide Operations and Business Development
Randy Pond	Executive Vice President, Operations, Processes, and Systems
Frank Calderoni	Executive Vice President, Chief Financial Officer

* On February 23, 2009, Richard J. Justice notified Cisco of his decision to step down as Executive Vice President, Worldwide Operations and Business Development of Cisco, effective on or about April 26, 2009. Thereafter, Mr. Justice is expected to serve part-time as Executive Vice President – Executive Advisor. Effective when

Mr. Justice steps down from his current position, Cisco expects to appoint Robert Lloyd, currently Senior Vice President, U.S., Canada, and Japan of Cisco, to succeed Mr. Justice.

Merger Sub

The directors and executive officers of Merger Sub are as follows:

Name	**Position**
Ned Hooper	President, Chief Executive Officer, and Director
Jonathan Chadwick	Vice President and Chief Financial Officer
David Holland	Vice President
Mark Gorman	Vice President and Secretary
Robert Johnson	Vice President and Assistant Secretary

d. Where You Can Find More Information About Cisco.

Cisco files annual, quarterly and special reports, proxy statements and other information with the SEC. These materials can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices at 175 W. Jackson Boulevard Suite 900, Chicago, IL 60604 and 233 Broadway, New York, New York 10279. Copies of these materials can also be obtained from the SEC at prescribed rates by writing to the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC maintains a World Wide Web site at http://www.sec.gov that contains reports, proxy and other information regarding entities, including Cisco, that file electronically with the SEC. The Cisco recommends that you download and read the following documents and all reports filed by Cisco pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act:

- Cisco's Quarterly Report on Form 10-Q for the fiscal quarter ended January 24, 2009;
- Cisco's Quarterly Report on Form 10-Q for the fiscal quarter ended October 25, 2008;
- Cisco's Definitive Proxy Statement on Schedule 14A filed with the SEC on September 25, 2008; and
- Cisco's Annual Report on Form 10-K for the fiscal year ended July 26, 2008.

Each document filed by Cisco pursuant to the Exchange Act subsequent to the date of this Information Statement and prior to the Effective Time shall be deemed to be incorporated into this Information Statement by reference and to be a part hereof from the date of filing of such document. Any document contained herein or in a document incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated herein by reference modified or supersedes such statement. A copy of any or all SEC filings will be provided without charge to any holder of any Pure Digital capital stock upon the oral or written request of any such holder. Requests should be directed to Cisco at its Office of Investor Relations at (408) 526-8890.

10. Information About Pure Digital.

a. Description of Business.

Pure Digital provides digital imaging solutions for the consumer market. Pure Digital's flagship product, the Flip Video camcorder, combines hardware and software solutions to give consumers the power to capture and share video using a variety of technologies. Flip Video camcorders have on-board software to enable editing, organizing, and seamless video uploading to a variety of web-based video sharing sites, as well as a built-in, "flip"-out USB connector to enable transfer of videos from the camcorder to a computer.

b. Market Price Information. There is not now, and there has not been since Pure Digital's inception, any public market for its capital stock.

c. Directors and Executive Officers.

The directors and officers of Pure Digital are as follows:

Name	Position
John Ball	Director
Bruce Dunlevie	Director
Jeff Jordan	Director
Jonathan Kaplan	Director, Chairman and Chief Executive Officer
Thomas McGrath, Jr.	Director
Michael Moritz	Director
David Spreng	Director
Alan Henricks	Chief Financial Officer
Andre Neumann-Loreck	Chief Operating Officer
Stewart Muller	Executive Vice President, Sales and Marketing
Robert Cartwright	President, OTUC
Ariel Braunstein	Vice President, Products
Robert Evans	Vice President, Manufacturing
Simon Fleming-Wood	Vice President, Marketing
John Furlan	Vice President, Engineering
David McLaren	Vice President, Software Engineering
Mark Schuster	Vice President, Sales

d. Financial Information.

For financial information regarding Pure Digital, reference is hereby made to Pure Digital's (i) audited financial statements for the fiscal year ended December 31, 2006 and December 31, 2007, and (ii) unaudited financial statements for the fiscal year ended December

31, 2008 and the one-month period ended January 31, 2009, copies of which are attached hereto as **Exhibit 6** and incorporated herein by reference.

e. Interests of Certain Persons in the Merger.

Pure Digital Stockholders should be aware that certain officers, directors, employees and significant stockholders of Pure Digital have interests in the Merger that are in addition to their interests as Pure Digital Stockholders generally, including the following:

Cisco Employment Arrangements. Certain employees of Pure Digital have been, or will be, offered employment with Cisco in connection with the Merger. Concurrently with the execution of the Merger Agreement, the following individuals ("**Key Employees**") executed employment agreements with Cisco pursuant to which they will have the following positions with Cisco, effective upon the closing of the Merger:

Name	**Position**
Ariel Braunstein	Director II Product Marketing
Robert Evans	Director II Operations
Simon Fleming-Wood	Director II Marketing
John Furlan	Director II Engineering
Jonathan Kaplan	Senior Vice President I CBG
David McLaren	Director II Engineering
Stewart Muller	Vice President I Flip Sales and Marketing
Andre Neumann-Loreck	Vice President, I WW Product Development and Operations

In connection with such Cisco employment agreements, Cisco requested that each Key Employee waive their preexisting severance benefits and vesting acceleration of their stock options and/or restricted stock, as described above. This waiver is effected by the employee executing a document referred to as a "benefits waiver."

New Restricted Stock Units. Prior to the closing of the Merger, the following Key Employees will receive New Restricted Stock Units in the amounts listed below:

Name	**Value of New Restricted Stock Units**
Ariel Braunstein	$500,000
Robert Evans	$500,000
Simon Fleming-Wood	$650,000
John Furlan	$650,000
David McLaren	$500,000
Stewart Muller	$800,000
Andre Neumann-Loreck	$800,000

Cash Bonuses to Officers. Each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, David McLaren, Stewart Muller and Andre Neumann-Loreck are entitled to a cash bonus payment of $240,000 in connection with the Merger as partial consideration for entering into a Non-Competition Agreement, as described above. Such bonus payments have been promised to these individuals in order to provide additional incentive to enter into non-competition agreements with Cisco, which agreements were a condition to Cisco's willingness to enter into the Merger Agreement. Such bonus payments will be payable upon the closing of the Merger. In addition, Jonathan Kaplan is also entitled to a Retention Bonus payment of $1,350,000 payable upon the closing of the Merger. Pure Digital may also provide Retention Bonuses to each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, David McLaren, Stewart Muller and Andre Neumann-Loreck, payable prior to the closing of the Merger.

New Options. Prior to the closing of the Merger, the following Key Employees will receive New Pure Digital Options in the amounts listed below:

Name	**New Options**
Simon Fleming-Wood	42,000
John Furlan	35,000

Cisco Restricted Stock Units. Within thirty days of the closing date of the Merger, and subject to approval by the Cisco Board of Directors, Jonathan Kaplan will be awarded a restricted stock unit grant for 55,000 shares of Cisco common stock.

Transitional Arrangements. Cisco has requested that Alan Henricks, Pure Digital's Chief Financial Officer, and Robert Cartwright, Pure Digital's President OTUC, continue to provide services in a consulting role following the completion of the Merger. In order to incentivize them to serve as consultants for a three month period through an independent third party firm, Cisco has offered these executive officers COBRA benefits for themselves and their dependents for three months following the close of the Merger, and a retention bonus equal to three months of their respective current base salaries, payable upon completion of the consulting period. Mr. Henricks will be eligible for a retention bonus of $60,000 and Mr. Cartwright will be eligible for a retention bonus of $53,750.

Other Pure Digital Employees

Pure Digital currently has approximately 96 full time employees, in addition to the eight Key Employees and two officers listed above. Cisco currently intends to extend offers of at-will full-time employment to substantially all Pure Digital employees. Prior to the closing of the Merger, Pure Digital will grant RSUs to certain employees of Pure Digital and may provide Retention Bonuses to certain employees of Pure Digital, including certain of its officers (which for such officers would be in addition to the cash bonuses described above).

In addition, following the closing of the Merger, Cisco may grant additional options to purchase Cisco Common Stock and RSUs to acquire Cisco common stock to certain employees of Pure Digital, including certain of its officers, in connection with offers of employment to such persons.

Acceleration of Pure Digital Options and Shares

Pursuant to a letter agreement dated July 29, 2008 between Pure Digital and Stewart Muller, Executive Vice-President, Sales and Marketing of Pure Digital, if Mr. Muller's employment is terminated without cause or if he resigns following a constructive termination within twelve months of a change of control, then he is entitled to acceleration of his Pure Digital Options in an amount equal to the greater of (i) 12/48th of the total, or (ii) 50% of the then unvested, Pure Digital Options. Mr. Muller has entered into a benefits waiver that modifies this acceleration provision, as described above.

Jeff Jordan and Thomas McGrath, both of whom is a member of the Pure Digital Board, are entitled to accelerated vesting of 100% of outstanding unvested equity awards if his position as a member of the Pure Digital Board is terminated in connection with a change of control, which termination is contemplated pursuant to the terms of the Merger Agreement. Accordingly, Mr. Jordan's and Mr. McGrath's equity holdings will fully accelerate in connection with the Merger. As of March 18, 2009, Mr. Jordan held 57,292 unvested Pure Digital Options, and Mr. McGrath held no unvested Pure Digital Options.

Alan Henricks and Robert Cartwright are entitled to accelerated vesting of 100% of outstanding unvested Pure Digital Options under the terms of Pure Digital's 2002 Stock Plan. As of March 18, 2009, Mr. Henricks held approximately 192,375 unvested Pure Digital Options, and Mr. Cartwright held approximately 56,771 unvested Pure Digital Options.

Severance Payments.

Pursuant to a letter agreement dated July 29, 2008 between Pure Digital and Stewart Muller, Executive Vice-President, Sales and Marketing of Pure Digital, if Mr. Muller's employment is terminated without cause within twelve months of the commencement of his employment he is entitled to receive six months of his then-current base salary. Mr. Muller has entered into a benefits waiver with respect to these benefits, as described above.

Because they will not become Continuing Employees of Cisco, subject to the execution of a release of claims, each of Mr. Cartwright and Mr. Henricks will receive a lump sum severance payment of three months of their respective base salary.

Director and Officer Indemnification. The Merger Agreement provides for indemnification of Cisco and its officers, directors, agents and employees, and each person, if any, who controls or may control Cisco within the meaning of the Securities Act from and against any and all losses, liabilities, damages, fees, reductions in value, costs and expenses, including costs of investigation, defense and settlement and reasonable fees and expenses of lawyers (other than costs relating to in-house legal counsel), experts and other professionals. See "The Merger and Related Transactions – Related Agreements – Indemnification of Pure Digital's Directors, Officers and Employees" for more information.

11. Roles of Legal Counsel.

a. Role of Fenwick & West LLP. Fenwick & West LLP represents Cisco for the purposes of the Merger. Fenwick & West LLP does not represent any Pure Digital securityholder in connection with the Merger and/or any of the other transactions contemplated by the Merger Agreement. Pure Digital securityholders should consult independent legal counsel with any questions regarding Pure Digital, the Merger, the Merger Agreement and/or the transactions contemplated thereby.

b. Role of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP. Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP ("**Gunderson Dettmer**") represents Pure Digital for the purposes of the Merger. Gunderson Dettmer does not represent any Pure Digital securityholder in connection with the Merger and/or any of the other transactions contemplated by the Merger Agreement. Pure Digital securityholders should consult independent legal counsel with any questions regarding the Merger, the Merger Agreement and/or the transactions contemplated thereby. An affiliate of Gunderson Dettmer holds an aggregate of 195,845 shares of Pure Digital capital stock.

C. SOLICITATION OF STOCKHOLDER APPROVAL.

Pure Digital Stockholder approval will be solicited promptly after the issuance of the Permit following the fairness hearing.

D. MISCELLANEOUS.

This Information Statement constitutes notice pursuant to Article IV(B), Section 2(d)(iv) of Pure Digital Amended and Restated Certificate of Incorporation that the Merger is a "Liquidation Transaction" (as such term is defined in Pure Digital Amended and Restated Certificate of Incorporation).

Exhibit 1

Merger Agreement

(as attached)

Exhibit 2

Escrow Agreement

(as attached)

<u>Exhibit 3</u>

Risk Factors

Pure Digital stockholders who consent to or vote in favor of the Merger and elect to receive Cisco securities as consideration for their Pure Digital shares will be choosing to invest in Cisco Common Stock. An investment in Cisco Common Stock involves some degree of risk. Pure Digital stockholders should carefully review the"the risk factors set forth below.

This Information Statement contains forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 with respect to Cisco's and Pure Digital's financial condition, results of operations and business and on the expected impact of the Merger on Cisco's financial performance. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" and similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. In evaluating the Merger, Pure Digital stockholders should carefully consider the risks and uncertainties described below.

Risk Factors Relating to the Merger

Each Pure Digital stockholder's interest in the stock paid in connection with the Merger and deposited in escrow is subject to indemnity obligations. The stock deposited in escrow will be withheld for a period of 18 months after the closing of the Merger. The stock deposited in escrow may be paid to the extent necessary to compensate claims for damages covered by the escrow. At the end of this period, the escrow stock will be released to the extent not required to satisfy any unsatisfied or disputed claims for damages covered by the escrow. There can be no assurance that all or any of the stock deposited in escrow will eventually be distributed to Pure Digital stockholders. See "The Merger and Related Transactions – Material Features of the Merger – Escrow Shares" and "The Merger and Related Transactions – Material Features of the Merger – Pure Digital stockholders' Indemnification Obligations."

Certain officers, directors, employees and significant stockholders of Pure Digital have interests in the Merger that are in addition to, and different from, their interests as Pure Digital stockholders generally. In considering the recommendation of the Pure Digital Board with respect to the adoption and approval of the Merger Agreement and the transactions contemplated by the Merger Agreement, Pure Digital stockholders should be aware that certain officers, directors, employees and significant stockholders of Pure Digital have interests in the Merger that are in addition to, and different from, their interests as Pure Digital stockholders generally. These interests are summarized in more detail in the section titled "The Merger and Related Transactions – Information About Pure Digital – Interests of Certain Persons in the Merger."

There are risks associated with the tax impact of the Merger. Cisco and Pure Digital believe that, if the Commissioner issues Cisco the Permit and shares of Cisco Common Stock are issued in the Merger as contemplated by the Merger Agreement, the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. However, the IRS may nevertheless challenge the "reorganization" status of the Merger. In the event of such a challenge by the IRS that is successful, Pure Digital stockholders will be treated as if they sold their Pure Digital capital stock in a taxable transaction. See "The Merger and Related Transactions — Material Features of the Merger — Certain Federal Income Tax Consequences" for further information regarding the tax consequences of the Merger.

The method of calculating the Merger exchange ratios could work to your disadvantage. The exchange ratio which will determine the number of shares of Cisco Common Stock to be issued in the Merger will be based upon the average of the closing sale prices of Cisco Common Stock as quoted on the Nasdaq Stock Market for the trading period beginning on the date that is six days prior to the closing date and ending with the trading day that is one trading day prior to the closing date (the "**Cisco Stock Price**"). Because Cisco Stock Price is based upon this average, the value of the number of shares of Cisco Common Stock that you are entitled to receive in the Merger may be different from their market value on the closing date.

The failure to successfully integrate Cisco and Pure Digital could adversely affect operations of the combined entity. Following the Merger, Cisco and Pure Digital will need to integrate and streamline overlapping functions successfully. Cisco and Pure Digital have different systems and procedures in certain operational areas that must be rationalized and integrated. There may be difficulties associated with integrating two separate companies, and there can be no assurance that such integration will be accomplished expeditiously or successfully.

Although Cisco believes that beneficial synergies will result from the Merger, there can be no assurance that combining the two companies' businesses, even if achieved effectively, will result in combined results of operations and financial condition superior to what would have been achieved by each Pure Digital independently. For example, there are risks and uncertainties regarding the continued market acceptance and competitiveness of Pure Digital's existing products and the market acceptance of Pure Digital's future product offerings and the contemplated combined product offering, Cisco's ability to retain Pure Digital's key personnel, the ability of Pure Digital team to timely complete development of new products.

The market price of Cisco Common Stock could decline as a result of the Merger. The market price of Cisco Common Stock may decline as a result of the Merger if:

- Cisco does not experience the benefits of the Merger as anticipated or the costs of or operational difficulties arising from the Merger are greater than anticipated; or

- the impact of the Merger on Cisco's financial results is not in line with the expectations of financial analysts.

Risk Factors Relating to Cisco

Cisco's operating results may fluctuate in future periods, which may adversely affect Cisco's stock price. Cisco's operating results have been in the past, and will continue to be, subject to quarterly and annual fluctuations as a result of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. These factors include:

- Fluctuations in demand for Cisco's products and services, especially with respect to telecommunications service providers and Internet businesses, in part due to changes in the global economic environment;
- Changes in sales and implementation cycles for Cisco's products and reduced visibility into Cisco's customers' spending plans and associated revenue;
- Cisco's ability to maintain appropriate inventory levels and purchase commitments;
- Price and product competition in the communications and networking industries, which can change rapidly due to technological innovation and different business models from various geographic regions;
- The overall movement toward industry consolidation among both Cisco's competitors and Cisco's customers;
- The introduction and market acceptance of new technologies and products and Cisco's success in new markets, including emerging and advanced technologies, as well as the adoption of new standards;
- Variations in sales channels, product costs, or mix of products sold;
- The timing, size, and mix of orders from customers;
- Manufacturing and customer lead times;
- Fluctuations in Cisco's gross margins, and the factors that contribute to such fluctuations, as described below;
- Cisco's ability to achieve targeted cost reductions, including the ongoing resource realignment and expense reduction;
- The ability of Cisco's customers, channel partners, contract manufacturers and suppliers to obtain financing or to fund capital expenditures, especially during a period of global credit market disruption or in the event of customer, channel partner, contract manufacturer or supplier financial problems;
- Share-based compensation expense and the timing and amount of employer payroll tax to be paid on Cisco's employees' gains on stock options exercised;

- Actual events, circumstances, outcomes, and amounts differing from judgments, assumptions, and estimates used in determining the values of certain assets (including the amounts of related valuation allowances), liabilities, and other items reflected in Cisco's consolidated financial statements;

- How well Cisco executes on its strategy and operating plans;

- Benefits anticipated from Cisco's investments in engineering, sales and manufacturing activities;

- Changes in accounting rules, such as increased use of fair value measures and the potential requirement that U.S. registrants prepare financial statements in accordance with International Financial Reporting Standards (IFRS).

As a consequence, operating results for a particular future period are difficult to predict, and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on Cisco's business, results of operations, and financial condition that could adversely affect Cisco's stock price.

Cisco's operating results may be adversely affected by unfavorable economic and market conditions and the uncertain geopolitical environment. Challenging economic conditions worldwide have from time to time contributed, and are currently contributing, to slowdowns in the communications and networking industries at large, as well as to specific segments and markets in which Cisco operates, resulting in:

- Reduced demand for Cisco's products as a result of continued constraints on IT-related capital spending by Cisco's customers, particularly service providers, and other customer markets as well;

- Increased price competition for Cisco's products, not only from Cisco's competitors but also as a consequence of customers disposing of unutilized products;

- Risk of excess and obsolete inventories;

- Excess facilities and manufacturing capacity;

- Higher overhead costs as a percentage of revenue and higher interest expense.

The turmoil in the global credit markets, the recent instability in the geopolitical environment in many parts of the world and other disruptions, such as changes in energy costs, may continue to put pressure on global economic conditions. Cisco's operating results in one or more segments may also be affected by uncertain or changing economic conditions particularly germane to that segment or to particular customer markets within that segment. The economic challenges Cisco initially saw in the United States have spread throughout the world. If global economic and market conditions, or economic conditions in the United States or other key markets, remain uncertain, persist, or deteriorate further, Cisco may experience material impacts on Cisco's business, operating results, and financial condition.

During the current global economic downturn and while the related market uncertainty persists, Cisco intends to invest in market adjacencies and also invest in the United States and select emerging countries, and if the return on these investments is lower or develops more slowly than Cisco expects, Cisco's operating results may be harmed. Cisco plans to realign resources to focus on certain market adjacencies, such as data center virtualization, video/visual networking, collaboration architectures, and globalization, primarily in targeted geographic locations. Moreover, since Cisco believes that the United States will be the first major country to recover from the global economic slowdown, Cisco plans to make a significant portion of these investments in the United States so that Cisco can be positioned to benefit from this future recovery while other countries or markets may not be recovering. Additionally, Cisco believes countries such as China and India are positioned to minimize the effect of the global challenges on their own economies, creating opportunities for Cisco as other countries or markets may not be recovering. The return on Cisco's investments in such market adjacencies and in such geographic markets may be lower, or may develop more slowly, than Cisco expects. If Cisco does not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, Cisco's operating results may be adversely affected.

Cisco's revenue for a particular period is difficult to predict, and a shortfall in revenue may harm Cisco's operating results. As a result of a variety of factors, Cisco's revenue for a particular quarter is difficult to predict, especially in light of the current global economic downturn and related market uncertainty. Cisco's net sales may grow at a slower rate than in past periods or may decline. Cisco's ability to meet financial expectations could also be adversely affected if the nonlinear sales pattern seen in some of Cisco's past quarters recurs in future periods. Cisco has experienced periods of time during which shipments have exceeded net bookings or manufacturing issues have delayed shipments, leading to nonlinearity in shipping patterns. In addition to making it difficult to predict revenue for a particular period, nonlinearity in shipping can increase costs, because irregular shipment patterns result in periods of underutilized capacity and periods in which overtime expenses may be incurred, as well as in potential additional inventory management-related costs. In addition, to the extent that manufacturing issues and any related component shortages result in delayed shipments in the future, and particularly in periods in which Cisco and its contract manufacturers are operating at higher levels of capacity, it is possible that revenue for a quarter could be adversely affected if such matters occur and are not remediated within the same quarter.

The timing of large orders can also have a significant effect on Cisco's business and operating results from quarter to quarter, primarily in Cisco's Emerging Markets theater and other emerging countries. From time to time, Cisco receives large orders that have a significant effect on its operating results in the period in which the order is recognized as revenue. The timing of such orders is difficult to predict, and the timing of revenue recognition from such orders may affect period to period changes in net sales. As a result, Cisco's operating results could vary materially from quarter to quarter based on the receipt of such orders and their ultimate recognition as revenue.

In addition, to improve customer satisfaction, Cisco continues to attempt to improve Cisco's manufacturing lead-time performance, which may result in corresponding reductions in order backlog. A decline in backlog levels could result in more variability and less predictability in Cisco's quarter-to-quarter net sales and operating results. Long manufacturing lead times have caused Cisco's customers in the past to place the same order multiple times within Cisco's various sales channels and to cancel the duplicative orders upon receipt of the product, or to place orders with other vendors with shorter manufacturing lead times. Such multiple ordering (along with other factors) may cause difficulty in predicting Cisco's sales and, as a result, could impair Cisco's ability to manage parts inventory effectively.

Cisco plans Cisco's operating expense levels based primarily on forecasted revenue levels. These expenses and the impact of long-term commitments are relatively fixed in the short term. A shortfall in revenue could lead to operating results being below expectations because Cisco may not be able to quickly reduce these fixed expenses in response to short-term business changes.

Any of the above factors could have a material adverse impact on Cisco's operations and financial results.

Cisco expects gross margin to vary over time, and Cisco's level of product gross margin may not be sustainable. Cisco's level of product gross margins may not be sustainable and may continue to be adversely affected by numerous factors, including:

- Changes in customer, geographic, or product mix, including mix of configurations within each product group;
- Introduction of new products, including products with price-performance advantages;
- Cisco's ability to reduce production costs;
- Entry into new markets, including markets with different pricing and cost structures, through acquisitions or internal development;
- Sales discounts;
- Increases in material or labor costs;
- Excess inventory and inventory holding charges;
- Obsolescence charges;
- Changes in shipment volume;
- The timing of revenue recognition and revenue deferrals;
- Increased cost, loss of cost savings or dilution of savings due to changes in component pricing or charges incurred due to inventory holding periods if parts ordering does not correctly anticipate product demand or if the financial health of either contract manufacturers or suppliers deteriorates;
- Lower than expected benefits from value engineering;

- Increased price competition, including competitors from Asia, especially from China;
- Changes in distribution channels;
- Increased warranty costs;
- How well Cisco executes on its strategy and operating plans.

Changes in service gross margin may result from various factors such as changes in the mix between technical support services and advanced services, as well as the timing of technical support service contract initiations and renewals and the addition of personnel and other resources to support higher levels of service business in future periods.

Sales to the service provider market are especially volatile, and weakness in sales orders from this industry may harm Cisco's operating results and financial condition. Sales to the service provider market have been characterized by large and sporadic purchases, especially relating to Cisco's router sales and sales of certain of Cisco's advanced technologies, in addition to longer sales cycles. In the past, Cisco has experienced significant weakness in sales to service providers over certain extended periods of time as market conditions have fluctuated. Sales activity in this industry depends upon the stage of completion of expanding network infrastructures; the availability of funding; and the extent to which service providers are affected by regulatory, economic, and business conditions in the country of operations. Weakness in orders from this industry, including as a result of any slowdown in capital expenditures by service providers (which may be more prevalent in the current global economic downturn), could have a material adverse effect on Cisco's business, operating results, and financial condition. For example, Cisco recently has seen a slowdown in service provider capital expenditures, which may continue in future quarters. Orders from this industry could decline for many reasons other than the competitiveness of Cisco's products and services within their respective markets. For example, in the past, many of Cisco's service provider customers have been materially and adversely affected by slowdowns in the general economy, by overcapacity, by changes in the service provider market, by regulatory developments, and by constraints on capital availability, resulting in business failures and substantial reductions in spending and expansion plans. These conditions have materially harmed Cisco's business and operating results in the past, and some of these or other conditions in the service provider market could affect Cisco's business and operating results in any future period. Finally, service provider customers typically have longer implementation cycles; require a broader range of services, including design services; demand that vendors take on a larger share of risks; often require acceptance provisions, which can lead to a delay in revenue recognition; and expect financing from vendors. All these factors can add further risk to business conducted with service providers.

Disruption of or changes in Cisco's distribution model could harm Cisco's sales and margins. If Cisco fails to manage distribution of its products and services properly, or if Cisco's distributors' financial condition or operations weaken, Cisco's revenue and gross margins could be adversely affected.

A substantial portion of Cisco's products and services is sold through Cisco's channel partners, and the remainder is sold through direct sales. Cisco's channel partners include systems integrators, service providers, other resellers, distributors, and retail partners. Systems integrators and service providers typically sell directly to end users and often provide system installation, technical support, professional services, and other support services in addition to network equipment sales. Systems integrators also typically integrate Cisco's products into an overall solution, and a number of service providers are also systems integrators. Distributors stock inventory and typically sell to systems integrators, service providers, and other resellers. In addition, home networking products are generally sold through distributors and retail partners. Cisco refers to sales through distributors and retail partners as Cisco's two-tier system of sales to the end customer. Revenue from distributors and retail partners is recognized based on a sell-through method using information provided by them. These distributors and retail partners are generally given business terms that allow them to return a portion of inventory, receive credits for changes in selling prices, and participate in various cooperative marketing programs. If sales through indirect channels increase, this may lead to greater difficulty in forecasting the mix of Cisco's products and, to a degree, the timing of orders from Cisco's customers.

Historically, Cisco has seen fluctuations in its gross margins based on changes in the balance of its distribution channels. Although variability to date has not been significant, there can be no assurance that changes in the balance of Cisco's distribution model in future periods would not have an adverse effect on Cisco's gross margins and profitability.

Some factors could result in disruption of or changes in Cisco's distribution model, which could harm Cisco's sales and margins, including the following:

- Cisco competes with some of its channel partners through its direct sales, which may lead these channel partners to use other suppliers that do not directly sell their own products;

- Some of Cisco's channel partners may demand that Cisco absorbs a greater share of the risks that their customers may ask them to bear;

- Some of Cisco's channel partners may have insufficient financial resources and may not be able to withstand changes and challenges in business conditions;

- Revenue from indirect sales could suffer if Cisco's distributors' financial condition or operations weaken.

In addition, Cisco depends on Cisco's channel partners globally to comply with applicable regulatory requirements. To the extent that they fail to do so, that could have a material adverse effect on Cisco's business, operating results, and financial condition.

Cisco's inventory management relating to Cisco's sales to its two-tier distribution channel is complex, and excess inventory may harm Cisco's gross margins. Cisco must manage its inventory relating to sales to its distributors and retail partners effectively, because inventory held by them could affect Cisco's results of operations. Cisco's distributors and retail partners may increase orders during periods of product shortages, cancel orders if their inventory is too high, or delay orders in anticipation of new products. They also may adjust their orders in response to the supply of Cisco's products and the products of Cisco's competitors that are available to them and in response to seasonal fluctuations in end-user demand. Revenue to Cisco's distributors and retail partners is recognized based on a sell-through method using