certain Pure Digital officers, and such individuals and Cisco negotiated the terms of the key employment agreements and several related agreements through March 18, 2009. On March 11, 2009, the duly authorized Investment, Finance and Acquisition Committee of Cisco's board of directors (the "**Cisco Board Committee**") approved the Merger and Merger Agreement.

On March 17, 2009, Pure Digital's legal counsel, Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, discussed with the Pure Digital Board a summary and analysis of the material terms and conditions of the proposed Merger and Pure Digital's legal counsel briefed each member of the Pure Digital Board of his or her fiduciary duties in connection with the proposed Merger.

Following such briefing, the Pure Digital Board discussed the terms of the Merger, including, without limitation, the overall valuation of Pure Digital, key employment arrangements, escrow terms and indemnification provisions. After such discussion, the Pure Digital Board unanimously authorized Pure Digital to enter into the Merger Agreement and recommended to the Pure Digital Stockholders that the Merger Agreement be adopted and the Merger approved.

Later on March 18, 2009, (i) Cisco and Pure Digital entered into the Merger Agreement, (ii) Cisco and certain Pure Digital stockholders entered into voting agreements and irrevocable proxies which require such Pure Digital stockholders, among other things, to vote all of the shares of Pure Digital capital stock held of record by them in favor of the Merger, and (iii) Cisco and certain Pure Digital officers entered into key employment agreements and non-competition agreements which will become effective upon the closing of the Merger.

2. <u>Reasons of Cisco.</u>

In evaluating the Merger, the Cisco Board Committee consulted with Cisco's management and legal counsel, reviewed relevant information and considered a number of factors, including:

- the results of a due diligence investigation of Pure Digital;
- the products and technologies of Pure Digital;
- an analysis of the relative value that Pure Digital might contribute to the future business and prospects of Cisco; and
- the ability to integrate Pure Digital's technologies and personnel into a combined organization.

The Cisco Board Committee identified several potential benefits of the Merger that it determined will contribute to the success of the combined organization, including without limitation:

- the ability to accelerate growth in Cisco's consumer business through new video product offerings;
- enabling Cisco's strategy of expanding its presence in the media-enabled home and capturing the consumer market transition to visual networking;
- leveraging Pure Digital's "Flip" brand to increase Cisco's consumer brand relevance; and

- acquiring top-tier management, marketing and engineering talent to lead ongoing efforts within Cisco's consumer business.

For these reasons, the Cisco Board Committee determined that the Merger Agreement was in the best interests of Cisco and its shareholders and that Cisco should proceed with the Merger Agreement.

3. <u>Reasons of Pure Digital</u>.

The Pure Digital Board has determined that the terms and conditions of the Merger are fair, just, reasonable, equitable, advisable and in the best interests of Pure Digital and its securityholders. In the course of reaching its decision, the Pure Digital Board consulted with management and legal counsel.

The decision of the Pure Digital Board was based upon a number of factors, including the following:

- the relative valuation given to Pure Digital by Cisco in the Merger;
- the form of consideration to be received by holders of Pure Digital securities;
- the likelihood of realizing superior benefits through alternative business strategies, including continuing to operate in the ordinary course of business and other strategic and financing alternatives;
- the economic environment, in general, and the market for Pure Digital's products, in particular;
- increased international exposure and growth opportunities;
- increased working capital to accommodate additional inventory investment;
- potential synergies for the combined entities in the wireless communications and networking space; and
- information concerning Pure Digital's business, financial performance, operations and products.

The preceding discussion of the information and factors considered by the Pure Digital Board is not, and is not intended to be, exhaustive, but is believed to include all of the factors considered by the Pure Digital Board to be material. In light of the variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Pure Digital Board did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In addition, the Pure Digital Board did not make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of the Pure Digital Board, but rather the Pure Digital Board conducted an overall analysis of the factors described above, including discussions with and questioning of Pure Digital's senior management and legal counsel. The list of factors described in this section as having been considered by the Pure Digital Board is not intended to be a complete list of all factors considered.

Based on its review and deliberations regarding these and other factors, it is the unanimous and unqualified recommendation of the Pure Digital Board to 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 the Pure Digital Stockholders, and therefore unanimously approves the Merger and the Merger Agreement, and unanimously resolves to recommend the approval thereof by the Pure Digital Stockholders.

F. General Effect Upon the Rights of Existing Security Holders.

1. Cisco.

The Merger will not change the existing rights of Cisco's shareholders; however, some dilution will result.

2. Pure Digital.

As a result of the Merger, at the Effective Time, each outstanding share of Pure Digital Capital Stock will be converted into the right to receive shares of Cisco Common Stock. No class or series of the Pure Digital Capital Stock is publicly traded.

G. Number of Shareholders; Shareholder Vote Required.

1. Cisco.

There were 67,681 registered shareholders as of March 23, 2009. A vote of Cisco common stockholders is not required to approve the Merger.

2. Sub.

Sub's outstanding capital stock is held by one stockholder, Cisco.

3. Pure Digital.

As of the date of the Merger Agreement, all outstanding shares of Pure Digital Capital Stock are held by 88 stockholders of record, 77 of which reside or have a principal place of business in the State of California; 11 of which reside or have a principal place of business in the United States but outside of the State of California; and none of which reside or have a principal place of business outside of the United States. As of the date of the Merger Agreement, Pure Digital Options are held by approximately 107 individuals and/or entities, 97 of which reside or have a principal place of business in the State of California; seven of which reside or have a principal place of business in the United States but outside of the State of California; and three of which reside or have a principal place of business outside of the United States. As of the date of the Merger Agreement, Pure Digital Warrants are held by one entity, which resides or has a principal place of business in the United States but outside of the State of California.

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 voting 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 voting 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 voting class on an as-converted to Pure Digital Common Stock basis), is required to approve and adopt the Merger Agreement and the transactions contemplated thereby.

H. Proposed Date for Mailing; Action by Written Consent.

The Information Statement describing the material terms of the Merger will be distributed after the notice of the Fairness Hearing is issued by the Commissioner, and the materials soliciting stockholder consent for the Merger will be delivered to Pure Digital Stockholders promptly after the issuance of the Permit following the Fairness Hearing.

I. Appraisal 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 to the Information Statement 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. **<u>Appraisal Rights Under California Law</u>.**

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 the Information Statement as **<u>Exhibit 5</u>** and is incorporated herein by reference. We advise any stockholders of Pure Digital considering exercising appraisal rights to consult legal counsel.

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 the 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 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 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 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. <u>Certain Differences Between Delaware and California Law on Appraisal Rights.</u>

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.

- 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 the Information Statement, or Chapter 13 of the California Law, attached as **Exhibit 5** to the 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.

ITEM 9. EXECUTION OF PLAN

At the Effective Time, by virtue of the Merger and without any action on the part of Pure Digital or the stockholders of Pure Digital, the outstanding Pure Digital Capital Stock will be converted into shares of Cisco Common Stock, as described in Item 8, Section B.3 of this Application. No broker-dealer or outside agents have been or will be employed by Cisco or Pure Digital in connection with the distribution of securities pursuant to the Merger Agreement or the transactions contemplated thereby.

ITEM 10. DESCRIPTION OF BUSINESS

A. Cisco.

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, and its telephone number at that location is 408-526-4000. Shares of Cisco Common Stock are traded on the Nasdaq Stock Market under the symbol "CSCO." Cisco's website is www.cisco.com, however, information in Cisco's website is not a part of this Application. See the Information Statement for additional information.

B. Sub.

Sub is a wholly-owned subsidiary of Cisco created for the sole purpose of facilitating the Merger.

C. Pure Digital.

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 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.

Pure Digital was incorporated in the state of Delaware in November 2000. Pure Digital's principal corporate office is located at 30 Maiden Lane, 6th Floor, San Francisco, CA 94108, and its telephone number at this address is (415) 445-7627. Pure Digital's website is www.theflip.com; however, information on Pure Digital's website is not a part of this Application. See the Information Statement for additional information.

ITEM 11. DIVIDENDS IN ARREARS OR DEFAULTS

Cisco does not have any dividends in arrears or defaults in principal or interest with respect to any of its securities. Cisco has been informed by officers of Pure Digital that Pure Digital has no dividends in arrears or defaults in principal or interest with respect to any of its securities. Sub does not have any dividends in arrears or defaults in principal or interest with respect to any of its securities. No such dividends or defaults shall result as a consequence of this transaction.

ITEM 12. HIGH AND LOW SALES PRICES WITHIN TWO YEARS.

A. 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 sales prices reported on the Nasdaq Stock 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

B. Sub.

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

C. Pure Digital.

There is no established public market for any class of the Pure Digital Capital Stock.

ITEM 13. DIRECTORS AND EXECUTIVE OFFICERS

A. Names and Positions.

1. 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

Name	Position
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.

2. Sub.

The directors and executive officers of 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

3. Pure Digital.

The directors and officers of Pure Digital are as follows:

Name	**Position**
Jonathan Kaplan	Director, Chairman and Chief Executive Officer
John Ball	Director
Bruce Dunlevie	Director
Jeff Jordan	Director
Thomas McGrath, Jr.	Director
David Spreng	Director
Michael Moritz	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

B. Disciplinary Actions.

To the best of Cisco's knowledge and belief, none of the officers and directors of Cisco, Sub and, upon advice from Pure Digital, none of the officers and directors of Pure Digital, nor any of its subsidiaries has ever been the subject of any order, judgment or decree of any governmental agency or administrator, or of any court of competent jurisdiction revoking or suspending for cause any license, permit or other authority of such person or of any corporation of which he or she is an officer or director, to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining or enjoining any such person or any corporation of which he or she is an officer or director from engaging in or continuing any conduct, practice, or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security or any aspect of the securities business, or of theft or of any felony.

ITEM 14. PRINCIPAL HOLDERS OF SECURITIES

No director, executive officer, promoter or 10% shareholder of Cisco, Sub and, based upon information received from Pure Digital, no director, executive officer, promoter or 10% shareholder of Pure Digital, has, with respect to the Merger and any related transactions, any material interest as defined in the instruction to Item 14 of Section 260.121(b) of the Rules of the California Commissioner of Corporations, other than an interest which arises solely from the ownership of securities where the specified person receives no extra or special benefit not shared on a pro-rata basis by all holders of securities of that class, except as follows:

A. Employment Matters.

1. Key Employees

(a) Cisco Employment Agreements. 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 in Item 8, D.4 and D.5 above. This waiver is effected by the employee executing a document referred to as a "benefits waiver."

(b) 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

(c) 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.

(d) 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

(e) 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.

2. Other Pure Digital Employees

(a) 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.

(b) Other 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.

3. Non-competition Agreements.

See Item 8.D.2 above.

4. 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 the greater of (i) 12/48th of the total or (ii) 50% of the then unvested, acceleration of his 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.

5. <u>Severance Payments.</u>

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.

B. Voting Agreements.

See Item 8.D.1 above.

C. Director Indemnification.

The Merger Agreement provides for the survival in the Merger of all indemnification rights for each current and former officer and director of Pure Digital for any losses such person may incur based upon matters existing or occurring prior to the closing of the Merger pursuant to any applicable indemnification agreements and any indemnification provisions set forth in Pure Digital's certificate of incorporation, as amended, and bylaws, as such indemnification rights were in effect on March 18, 2009. Cisco will observe all of these indemnification rights to the fullest extent permitted by Delaware Law for a period of six years following the Merger. See the Information Statement for more information.

ITEM 15. EXCHANGE RATIO

As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of Pure Digital Capital Stock, the exchanges will take place as described in Item 9 of this Application. The exchange ratio for the Pure Digital Capital Stock was determined based on the assessment of the valuation of Pure Digital. The valuation methodologies were mutually agreed upon by Cisco and Pure Digital following extensive arms-length negotiations. Factors that form the basis for the exchange ratios include, but are not limited to, the respective revenues, assets, products, and business and financial prospects of Cisco and Pure Digital. Please see Item 8, Section B.3 above for a description of the exchange ratios.

ITEM 16. EXHIBITS

The following exhibits are attached hereto and incorporated herein by reference:

Exhibit A-1: Cisco's audited consolidated balance sheets as of July 29, 2006, July 28, 2007 and July 26, 2008 and the related consolidated statements of operations and consolidated statements of cash flows for the fiscal years ended July 29, 2006, July 28, 2007 and July 26, 2008.

Exhibit A-2: Cisco's unaudited consolidated balance sheet as of January 24, 2009 and the related consolidated statements of operations and consolidated statements of cash flows for the six months ended January 24, 2009.

Exhibit A-3 Pure Digital's unaudited consolidated balance sheet as of December 31, 2008 and the related consolidated statements of operations and consolidated statements of cash flows for the fiscal year ended December 31, 2008.

Exhibit A-4: Pure Digital's audited balance sheets as of December 31, 2007 and 2006 and the related statements of operations and statements of cash flows for the fiscal years ended December 31, 2007 and 2006.*

Exhibit A-5: Pure Digital's unaudited consolidated balance sheet dated January 31, 2009 and the related consolidated statements of operations and consolidated statements of cash flows for the one month ended January 31, 2009.

Exhibit A-6: No pro forma financial statements are included as such financial statements would not reflect any material or significant change in Cisco's financial statements because of the large disparity in size between Cisco and Pure Digital.**

Exhibit B: Agreement and Plan of Merger and Reorganization dated as of March 18, 2009, by and among Cisco, Sub, Pure Digital and the Stockholders' Agent, including Exhibits and Schedules thereto.

Exhibit C-1: Restated Articles of Incorporation and Amended and Restated Bylaws of Cisco, each as currently in effect.

Exhibit C-2: Restated Certificate of Incorporation and Bylaws of Pure Digital, each as currently in effect.

Exhibit C-3: Certificate of Incorporation and Bylaws of Sub, each as currently in effect.

Exhibit D: Inapplicable.

Exhibit E-1: Voting Agreements by and between Cisco and certain securityholders of Pure Digital, dated as of March 18, 2009, including Irrevocable Proxy attached thereto.

Exhibit E-2: Form of Escrow Agreement by and among Cisco, U.S. Bank National Association, as escrow agent, and the Stockholders' Agent.

Exhibit F-1: Form of Notice of Hearing pursuant to Section 25142 of the California Corporate Securities Law of 1968, as amended.

Exhibit F-2: Form of Information Statement to be sent to Pure Digital Stockholders.

Exhibit F-3: Form of Written Consent of Pure Digital Stockholders.

Exhibit G: Cisco is a California corporation and therefore no Consent to Service of Process is required. Sub has previously filed a Consent to Service of Process.

Exhibit H: Customer Authorization of Disclosure of Financial Records Form.

* Pure Digital did not have any subsidiaries during these periods; therefore, the financial statements for those periods are not consolidated.

** To be filed by Amendment if required

ITEM 17. REPORTS OF FINANCIAL CONDITION

Cisco does not seek to sell securities pursuant to an open qualification, and thus is not required to make periodic reports on its financial condition.

CISCO SYSTEMS, INC., has duly caused this Permit Application to be signed on its behalf by the undersigned, thereunto duly authorized.

CISCO SYSTEMS, INC.

Ned Hooper

Name: Ned Hooper
Title: Senior Vice President, Corporate Development

I certify under penalty of perjury under the laws of the State of California that I have read this Permit Application and the exhibits thereto and know the contents thereof, and that the statements with respect to Cisco therein are true and correct, and that, to my knowledge, the statements with respect to Pure Digital Technologies, Inc. therein are true and correct.

Executed at San Jose, California on April 2, 2009.

Ned Hooper

Name: Ned Hooper
Title: Senior Vice President, Corporate Development

[SIGNATURE PAGE TO PERMIT APPLICATION]