

CISCO SYSTEMS, INC.

FORM S-8

(Securities Registration: Employee Benefit Plan)

Filed 12/17/98

Address	170 WEST TASMAN DR SAN JOSE, CA 95134-1706
Telephone	4085264000
CIK	0000858877
Symbol	CSCO
SIC Code	3576 - Computer Communications Equipment
Industry	Communications Equipment
Sector	Technology
Fiscal Year	07/28

CISCO SYSTEMS INC

FORM S-8

(Securities Registration: Employee Benefit Plan)

Filed 12/17/1998

Address	170 WEST TASMAN DR SAN JOSE, California 95134-1706
Telephone	408-526-4000
CIK	0000858877
Industry	Communications Equipment
Sector	Technology
Fiscal Year	07/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-8

REGISTRATION STATEMENT
Under
The Securities Act of 1933

CISCO SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction
of incorporation or organization)

77-0059951
(IRS Employer Identification No.)

170 WEST TASMAN DRIVE, SAN JOSE, CALIFORNIA 95134-1706
(Address of principal executive offices) (Zip Code)

SELSIUS SYSTEMS INC.

1997 STOCK INCENTIVE PLAN
(Full title of the Plans)

JOHN T. CHAMBERS
PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR
CISCO SYSTEMS INC.

170 WEST TASMAN DRIVE, SAN JOSE, CALIFORNIA
95134-1706 (Name and address of agent for service)
(408) 526-4000
(Telephone number, including area code, of agent for service)

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
1997 STOCK INCENTIVE PLAN Common Stock	507,771 shares	\$6.32	\$3,209,112.72	\$892.13
Aggregate Registration Fee				\$892.13

(1) This Registration Statement shall also cover any additional shares of Registrant's Common Stock which become issuable under the Selsius Systems Inc. 1997 Stock Incentive Plan, by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without the Registrant's receipt of consideration which results in an increase in the number of the Registrant's outstanding shares of Common Stock.

(2) Calculated solely for purposes of this offering under Rule 457(h) of the Securities Act of 1933, as amended, on the basis of the weighted average exercise price of the outstanding options.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference

Cisco Systems, Inc. (the "Registrant") hereby incorporates by reference into this Registration Statement the following documents previously filed with the Securities and Exchange Commission (the "Commission"):

- (a) The Registrant's Annual Report on Form 10-K for the fiscal year ended July 25, 1998 filed with the Commission on September 25, 1998, pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "1934 Act").
- (b) The Registrant's Current Reports on Form 8-K filed with the Commission on October 13, 1998, November 20, 1998 (for period date November 2, 1998) and November 20, 1998 (for period date November 4, 1998).
- (c) The Registrant's Quarterly Report on Form 10-Q for the period ended October 24, 1998 filed with the Commission on December 8, 1998.
- (d) The Registrant's Registration Statement No. 000-18225 on Form 8-A filed with Commission on January 11, 1990, together with Amendment No.1 on Form 8-A/A filed with the Commission on February 15, 1990, and including any other amendments or reports filed for the purpose of updating such description, in which there is described the terms, rights and provisions applicable to the Registrant's Common Stock.
- (e) The Registrant's Registration Statement No. 000-18225 on Form 8-A filed with the Commission on June 11, 1998, including any amendments or reports filed for the purpose of updating such description, in which there is described the terms, rights and provisions applicable to the Registrant's Preferred Stock Purchase Rights.

All reports and definitive proxy or information statements filed pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which de-registers all securities then remaining unsold shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any subsequently filed document which also is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities

Not Applicable.

Item 5. Interests of Named Experts and Counsel

Not Applicable.

Item 6. Indemnification of Directors and Officers

Section 317 of the California Corporations Code authorizes a court to award, or a corporation's Board of Directors to grant, indemnity to directors and officers in terms sufficiently broad to permit indemnification (including reimbursement of expenses incurred) under certain circumstances for liabilities arising under the

Securities Act of 1933, as amended, (the "1933 Act"). The Registrant's Restated Articles of Incorporation, as amended, and Amended and Restated Bylaws provide for indemnification of its directors, officers, employees and other agents to the maximum extent permitted by the California Corporations Code. In addition, the Registrant has entered into Indemnification Agreements with each of its directors and officers.

Item 7. Exemption from Registration Claimed

Not Applicable.

Item 8. Exhibits

Exhibit Number	Exhibit
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4	Instruments Defining the Rights of Stockholders. Reference is made to Registrant's Registration Statements No. 000-18225 on Form 8-A, together with the amendments and exhibits thereto, which are incorporated herein by reference pursuant to Items 3(c) and 3(d).
5	Opinion and consent of Brobeck, Phleger & Harrison LLP.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
23.2	Consent of Brobeck, Phleger & Harrison LLP is contained in Exhibit 5.
24	Power of Attorney. Reference is made to page II-4 of this Registration Statement.
99.1	Selsius Systems Inc. 1997 Stock Incentive Plan.
99.2	Form of Incentive Stock Option Award.
99.3	Form of Nonqualified Stock Option Award
99.4	Form of Terms and Conditions to the Incentive Stock Option Award.
99.5	Form of Terms and Conditions to the Nonqualified Stock Option Award.
99.6	Form of Schedule I - Incentive Stock Option Award
99.7	Form of Schedule I - Nonqualified Stock Option Award.
99.8	Form of Disclosure Statement (Exhibit A - Waiver Letter).
99.9	Form of Stock Option Assumption Agreement.

Item 9. Undertakings

A. The undersigned Registrant hereby undertakes: (1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus required by Section 10(a)(3) of the 1933 Act, (ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement and (iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement; provided, however, that clauses (1)(i) and (1)(ii) shall not apply if the information required to be included in a post-effective amendment by those clauses is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the 1934 Act that are incorporated by reference into this Registration Statement; (2) that for the purpose of determining any liability under the 1933 Act each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and (3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the Selsius System Inc. 1997 Stock Incentive Plan.

B. The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the 1933 Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the 1934 Act that is incorporated by reference into this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to directors, officers or controlling persons of the Registrant pursuant to the indemnification provisions summarized in Item 6 or otherwise, the Registrant has been advised that, in the opinion of the Commission, such indemnification is

against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8, and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Jose, State of California on this 17th day of December, 1998.

CISCO SYSTEMS, INC.

By: /s/ John T. Chambers

John T. Chambers
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John T. Chambers and Larry R. Carter, and each of them, as such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature -----	Title -----	Date ----
/s/ John T. Chambers ----- John T. Chambers	President, Chief Executive Office and Director (Principal Executive Officer)	December 17,, 1998
/s/ Larry R. Carter ----- Larry R. Carter	Senior Vice President, Finance and Administration, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	December 17, 1998
/s/ John P. Morgridge ----- John P. Morgridge	Chairman of the Board and Director	December 17, 1998
/s/ Donald T. Valentine ----- Donald T. Valentine	Vice Chairman and Director	December 17, 1998

Signature -----	Title -----	Date -----
/s/ James F. Gibbons ----- James F. Gibbons	Director	December 17, 1998
/s/ Robert L. Puette ----- Robert L. Puette	Director	December 17, 1998
/s/ Masayoshi Son ----- Masayoshi Son	Director	December 17, 1998
/s/ Steven M. West ----- Steven M. West	Director	December 17, 1998
/s/ Edward R. Kozel ----- Edward R. Kozel	Director	December 17, 1998
/s/ Carol A. Bartz ----- Carol A. Bartz	Director	December 17, 1998
/s/ James C. Morgan ----- James C. Morgan	Director	December 17, 1998
/s/ Mary Cirillo ----- Mary Cirillo	Director	December 17, 1998
/s/ Arun Sarin ----- Arun Sarin	Director	December 17, 1998

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

EXHIBITS

TO

FORM S-8

UNDER

SECURITIES ACT OF 1933

CISCO SYSTEMS, INC.

EXHIBIT INDEX

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5	Opinion and consent of Brobeck, Phleger & Harrison LLP.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
23.2	Consent of Brobeck, Phleger & Harrison LLP is contained in Exhibit 5.
24	Power of Attorney. Reference is made to page II-4 of this Registration Statement.
99.1	Selsius Systems Inc. 1997 Stock Incentive Plan.
99.2	Form of Incentive Stock Option Award.
99.3	Form of Nonqualified Stock Option Award.
99.4	Form of Terms and Conditions to the Incentive Stock Option Award.
99.5	Form of Terms and Conditions to the Nonqualified Stock Option Award
99.6	Form of Schedule I - Incentive Stock Option Award.
99.7	Form of Schedule I - Nonqualified Stock Option Award.
99.8	Form of Disclosure Statement (Exhibit A - Waiver Letter).
99.9	Form of Stock Option Assumption Agreement.

EXHIBIT 5

OPINION AND CONSENT OF BROBECK, PHLEGER & HARRISON LLP

December 17, 1998

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, California 95134-1706

Re: Cisco Systems, Inc. - Registration Statement for Offering of an Aggregate of 507,771 Shares of Common Stock

Dear Ladies and Gentlemen:

We have acted as counsel to Cisco Systems, Inc., a California corporation (the "Company"), in connection with the registration on Form S-8 (the "Registration Statement") under the Securities Act of 1933, as amended, of an aggregate of 507,771 shares of common stock and related stock options (the "Shares") under the Selsius Systems Inc. 1997 Stock Incentive Plan (the "Plan").

This opinion is being furnished in accordance with the requirements of Item 8 of Form S-8 and Item 601(b)(5)(i) of Regulation S-K.

We have reviewed the Company's charter documents and the corporate proceedings taken by the Company in connection with the assumption of the Plans and the options outstanding thereunder. Based on such review, we are of the opinion that if, as and when the Shares are issued and sold (and the consideration therefor received) pursuant to the provisions of option agreements duly authorized under the Plans and in accordance with the Registration Statement, such Shares will be duly authorized, legally issued, fully paid and nonassessable.

We consent to the filing of this opinion letter as Exhibit 5 to the Registration Statement.

This opinion letter is rendered as of the date first written above and we disclaim any obligation to advise you of facts, circumstances, events or developments which hereafter may be brought to our attention and which may alter, affect or modify the opinion expressed herein. Our opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company, the Plans or the Shares.

Very truly yours,

/s/ BROBECK, PHLEGER & HARRISON LLP

BROBECK, PHLEGER & HARRISON LLP

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement on Form S-8 of Cisco Systems, Inc. for the registration of 507,771 common shares in connection with the acquisition of Selsius System Inc., of our reports dated August 4, 1998, on our audits of the consolidated financial statements and financial statement schedule of Cisco Systems, Inc. as of July 25, 1998 and July 26, 1997, and for each of the three years in the period ended July 25, 1998 which reports are included in Cisco Systems, Inc.'s 1998 Annual Report on Form 10-K, filed with the Securities and Exchange Commission.

/s/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP

San Jose, California
December 16, 1998

EXHIBIT 99.1

SELSIUS SYSTEMS INC. 1997 STOCK INCENTIVE PLAN

1. Purpose.

The purpose of this Plan is to strengthen Selsius Systems Inc., a Delaware corporation (the "Company"), by providing an incentive to certain of its employees and thereby encouraging them to devote their abilities and industry to the success of the Company's business enterprise. It is intended that this purpose be achieved by extending to such employees of the Company and its subsidiaries an added long-term incentive for high levels of performance and unusual efforts through subsidiaries an added long-term incentive for high levels of performance and unusual efforts through the grant of Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Performance Awards and Restricted Stock (as each term is herein defined).

2. Definitions.

For purposes of the Plan:

2.1 "Adjusted Fair Market Value" means, in the event of a Change in Control, the greater of (a) the highest prices per Share paid to holders of the Shares in any transaction (or series of transactions) constituting or resulting in a Change in Control and (b) the highest Fair Market Value of a Share during the 90 day period ending on the date of a Change in Control.

2.2 "Agreement" means the written agreement between the Company and an Optionee or Grantee evidencing the grant of an Option or Award and setting forth the terms and conditions thereof.

2.3 "Award" means a grant of Restricted Stock, a Stock Appreciation Right, a Performance Award or any or all of them.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Cause" means, unless otherwise defined in the agreement evidencing a particular Option or Award or unless otherwise defined in any separate employment agreement between an Eligible Individual and the Company or a Subsidiary, an Eligible Individual's (i) intentional failure to perform reasonable assigned duties, (ii) dishonesty or willful misconduct in the performance of duties, (iii) involvement in a transaction in connection with the performance of duties of the Company or any of its Subsidiaries thereof which transaction is adverse to the interests of the Company or any of its Subsidiaries and which is engaged in for personal profit or (iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses).

2.6 "Change in Capitalization" means any increase or reduction in the number of Shares, or any change (including, but not limited to, a change in value) in the Shares or exchange of Shares for a different number or kind of shares or other securities of the Company, by reason of a reclassification, recapitalization, merger, consolidation, reorganization, spin-off, split-up, issuance of warrants or rights or debentures, stock dividend, stock split or reverse stock split, cash dividend, property dividend, combination or exchange of shares, repurchase of shares, change in corporate structure or otherwise.

2.7 A "Change in Control" shall mean the occurrence during the term of the Plan and following an Initial Public Offering of:

(a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), Other than Intecom Inc. or Lagardere SCA or any of their affiliates (individually or in the aggregate), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty-one percent (51%) or more of the combined power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Subsidiary") (ii) the Company or its Subsidiaries, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(b) The individuals who, as of July 24, 1997, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) Approval by stockholders of the Company of:

(i) A merger, consolidation or reorganization involving the Company, unless

(A) the stockholders of the Company, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following such merger, consolidation or reorganization, at least sixty percent (60%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation or a corporation beneficially owning a majority of the Voting Securities of the Surviving Corporation,

(C) no Person other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation, or any Subsidiary, or any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of fifty-one percent (51%) or more of the then outstanding Voting Securities has directly or indirectly, fifty-one percent (51%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities, and

(D) a transaction described in clauses (A) through (C)

shall herein be referred to as a "Non-Control Transaction;"

(ii) A complete liquidation or dissolution of the Company; or

(iii) An agreement for the sale or other disposition of all or substantially all of the assets, of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities then outstanding, increases the number of shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by

the Company, the Subject Persons becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Persons, Control shall occur.

2.8 "Code" means the Internal Revenue Code of 1986, as amended.

2.9 "Committee" means a committee, as described in Section: 3.1, appointed by the Board to administer the Plan and to perform the functions set forth herein.

2.10 "Company" means Selsius Systems Inc.

2.11 "Disinterested Director" means a director of the Company who is a "non-employee director" as defined in Rule 16b-3(b)(3) as promulgated under the Exchange Act.

2.12 "Division" means any of the operating units or divisions of the Company designated as a Division by the Committee.

2.13 "Eligible Individual" means any officer or employee of the Company or a Subsidiary, or any consultant or advisor who is receiving cash compensation from the Company or a Subsidiary, designated by the Committee as eligible to receive Options or Awards subject to the conditions set forth herein.

2.14 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.15 "Fair Market Value" on any date means the average of the high and low sales prices of the Shares on such date on the principal national securities exchange on which such Shares are listed or admitted to trading, or, if such Shares are not so listed or admitted to trading, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quote on the National Association of Securities Dealers Automated Quotation System or such market in which such prices are regularly quoted, or, if there have been no published bid or asked quotations with respect to Shares on such date, the Fair Market Value shall be the value established by the Board in good faith and, in the case of an Incentive Stock Option, in accordance with Section 422 of the Code.

2.16 "Grantee" means a person to whom an Award has been granted under the Plan.

2.17 "Incentive Stock Option" means an Option satisfying the requirements of Section 422 of the Code and designated by the Committee as an Incentive Stock Option.

2.18 "Initial Public Offering" means the consummation of the first public offering of Shares pursuant to a registration statement (other than on Form S-8 or successor forms) filed with, and declared effective by, the Securities and Exchange Commission.

2.19 "Nonqualified Stock Option" means an Option that is not an Incentive Stock Option.

2.20 "Option" means a Nonqualified Stock Option, an Incentive Stock Option, or either or both of them.

2.21 "Optionee" means a person to whom an Option has been granted under the Plan.

2.22 "Outside Director" means a director of the Company who is an "outside director" within the meaning Section 1.162-27(e) of the regulations as promulgated under the Code.

2.23 "Parent" means any corporation that is a parent corporation (within the meaning of Section 424(e) of the Code) with respect to the Company.

2.24 "Performance Awards" means Performance Units, Performance Shares (as each term is hereinafter defined), or either or both of them.

2.25 "Performance Cycle" means the time period specified by the Committee at the time Performance Shares are granted during which the performance of the Company, a Subsidiary, or a Division will be measured.

2.26 "Performance Objectives" has the meaning set forth in Section 8.

2.27 "Performance Shares" means Shares issued or transferred to an Eligible Individual under Section 8.

2.28 "Performance Unit" means Performance Units granted to an Eligible Individual under Section 8.

2.29 "Plan" means this Selsius Systems Inc. 1997 Stock Incentive Plan.

2.30 "Pooling Period" means, with respect to a Pooling Transaction, the period ending on the first date on which the combined entity resulting from such Pooling Transaction publishes thirty days of combined operating results.

2.31 "Pooling Transaction" means an acquisition of the Company in a transaction which is intended to be treated as a "pooling of interests" under generally accepted accounting principles.

2.32 "Restricted Stock" means Shares issued or transferred to an Eligible Individual pursuant to Section 7.

2.33 "Shares" means the common stock, par value \$.01 per share, of the Company.

2.34 "Stock Appreciation Right" means a right to receive all or some portion of the increase in the value of the Shares as provided in Section 6 hereof.

2.35 "Subsidiary" means any corporation that is a subsidiary corporation (within the meaning of Section 424(f) of the Code) with respect to the Company

2.36 "Successor Corporation" means a corporation, or a parent or subsidiary thereof within the meaning of Section 424(a) of the Code, that issues or assumes a stock option in a transaction to which Section 424(a) of the Code applies.

2.37 "Ten-Percent Stockholder" means an Eligible Individual, who, at the time an Incentive Stock Option is to be granted to him or her, owns (within the meaning of Section 422(b)(6) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, the Parent, or a Subsidiary.

3. Administration.

3.1 The Plan shall be administered by the Committee, which shall hold meetings at such times as may be necessary for the proper administration of the Plan. The Committee shall keep minutes of its meetings. A quorum shall consist of not fewer than two members of the Committee and a majority of a quorum may authorize any action. Any decision or determination reduced to writing and signed by a majority of all of the members of the Committee shall be as fully effective as if made by a majority vote at a meeting duly called and held. Prior to the date of an Initial Public Offering, the Committee shall consist of at least two directors of the Company and may consist of the entire Board. From and after the date of an Initial Public Offering, the Committee shall consist of at least two directors of the Company each of whom shall be a Disinterested Director and an Outside Director. No member of the Committee shall be liable for any action, failure to act, determination or interpretation made in good faith with respect to this Plan or any transaction hereunder, except for liability arising from his or her own willful misfeasance, gross negligence or reckless disregard of his or her duties. The Company hereby agrees to identify each member of the Committee for all costs and expenses and, to the extent permitted by applicable law, any liability incurred in connection with defending against, responding to, negotiating for the settlement of or otherwise dealing with any claim, cause of action, or dispute of any kind arising in connection with any actions in administering this Plan or in authorizing or denying authorization to any transaction hereunder.

3.2 Subject to the express terms and conditions set forth herein, the Committee shall have the power from time to time to:

(a) Determine those Eligible Individuals to whom Options shall be granted under the Plan and the number of such Options to be granted, prescribe the terms and conditions (which need not be identical) of each such Option, including the purchase price per Share subject to each Option, and make any amendment or modification to any Option Agreement consistent with the terms of the Plan;

(b) select those Eligible Individuals to whom Awards shall be granted under the Plan, determine the number of Stock Appreciation Rights, Performance Awards, and/or Shares of Restricted Stock to be granted pursuant to each Award, the terms and conditions of each Award, including the restrictions or Performance Objectives relating to

Shares, and the maximum value of each Performance Share, and make any amendment or modification to any Agreement consistent with the terms of the Plan;

(c) construe and interpret the Plan and the Options and Awards granted hereunder and establish, amend, and revoke rules and regulations for the administration of the plan, including, but not limited to, correcting any defect or supplying any omission, or reconciling any inconsistency in the Plan or in any Agreement in the manner and to the extent it deems necessary or advisable so that the Plan complies with applicable law (including Rule 16b-3 under the Exchange Act and the Code to the extent applicable), and otherwise making the Plan fully effective. All decisions and determinations by the Committee in the exercise of this power shall be final, binding, and conclusive upon the Company, its Subsidiaries, the Optionees, the Grantees, and all other persons having any interest therein;

(d) determine the duration and purposes for leaves of absence that may be granted to an Optionee or Grantee on an individual basis without constituting a termination of employment or service for purposes of the Plan

(e) exercise its discretion with respect to the powers and rights granted to it as set forth in the Plan; and

(f) generally, exercise such powers and perform such acts as are deemed necessary or advisable to promote the best interests of the Company with respect to the Plan.

4. Stock Subject to the Plan.

4.1 The maximum number of Shares that may be made the subject of Options and Awards granted under the Plan is 233,956, provided, however, that in the aggregate, not more than one-third of the number of allotted shares may be made the subject of Restricted Stock Awards under Section 7 of the Plan and, provided, further, that the maximum number of Shares that any Eligible Individual may receive during the term of the Plan in respect of Options and Awards may not exceed 25,000 Shares and the maximum dollar amount that any Eligible Individual may receive during the term of the Plan in respect of Performance Units denominated in dollars may not exceed \$100,000. Upon a Change in Capitalization the maximum number of Shares shall be adjusted in number and kind pursuant to Section 10. The Company shall reserve for the purpose of the Plan, out of its authorized but unissued Shares or out of Shares held in the Company's treasury, or partly out of each, such number of Shares as shall be determined by the Board.

4.2 Upon the granting of an Option or an Award the number of Shares available under Section 4.1 for the granting of further Option and Awards shall be reduced as follows:

(a) In connection with the granting of an Option or an Award (other than the granting of a Performance Unit denominated in dollars), by the number of Shares in respect of which the Option or Award is granted or denominated.

(b) In connection with the granting of a Performance Unit denominated in dollars, the number of Shares shall be reduced by an amount equal to the quotient of (i) the dollar amount in which the Performance Unit is denominated, divided by (ii) the Fair Market Value of a Share on the date the Performance Unit is granted.

4.3 Whenever any outstanding Option or Award or portion thereof expires, is canceled, or is otherwise terminated for any reason without having been exercised or payment having been made in respect of the entire Option or Award, the Shares allocable to the expired, canceled, or otherwise terminated portion of the Option or Award may again be the subject of Options or Awards granted hereunder.

4.4 Notwithstanding anything contained in this Section 4, the number of Shares available for Options and Awards at any time under the Plan shall be reduced to such lesser amount as may be required pursuant to the methods of calculation necessary so that the exemptions provided pursuant to Rule 16b-3 under the Exchange Act will continue to be available for transactions involving all current and future Options and Awards. In addition, during the period that any Options and Awards remain outstanding under the Plan, the Committee may make good faith adjustments with respect to the number of Shares attributable to such Options and Awards for purposes of calculating the maximum number of Shares available for the granting of future Options and Awards under the Plan, provided that following such adjustments the exemptions provided pursuant to Rule 16b-3 under the Exchange Act will continue to be available for transactions involving all current and future Options and Awards.

5. Option Grants.

5.1 Authority of Committee. Subject to the provisions of the Plan, the Committee shall have full and final authority to select those Eligible Individuals who will receive Options, the terms and conditions of which shall be set forth in an Agreement; provided, however, no person shall receive any Incentive Stock Options unless he or she is an employee of the Company, or a Subsidiary at the time the Incentive Stock Option is granted.

5.2 Purchase Price. The purchase price or the manner in which the purchase price is to be determined for Shares under each Option shall be determined by the Committee and set forth in the Agreement; provided, however, the purchase price per Share under each Incentive Stock Option shall not be less than 100 % of the Fair Market Value of a Share on the date the Incentive Stock Option is granted (110 % in the case of Incentive Stock Option granted to a Ten-Percent Stockholder).

5.3 Maximum Duration. Options granted hereunder shall be for such term as the Committee determines. provided that an Incentive Stock Option shall not be exercisable after the expiration of ten years from the date it is granted (five years in the case of an Incentive Stock Option granted to Ten-Percent Stockholder) and a Nonqualified Stock Option shall not be exercisable after the expiration of ten years from the date it is granted. Subsequent to the granting of any Option, the Committee may extend the term thereof but in no event shall the term as so extended exceed the maximum term provided in the preceding sentence.

5.4 Vesting. Subject to Section 5.9, each Option shall become exercisable in such installments (which need not be equal) and at such times as may be designated by the Committee and set forth in the Agreement. To the extent not exercised, installments shall accumulate and be exercisable, as a whole or in part, at any time after becoming exercisable, but not later than the date the Option expires. The Committee may accelerate the time of exercise of any Option or portion thereof at any time.

5.5 Modification. No modification of an Option shall adversely alter or impair any rights or obligations under the Option without the Optionee's consent.

5.6 Non-transferability. No Option granted hereunder shall be transferable by the Optionee to whom granted otherwise than by will or the laws of descent and distribution, and an Option may be exercised during the lifetime of such Optionee only by the Optionee or his or her guardian or legal representative. The terms of such Option shall be final, binding, and conclusive upon the beneficiaries, executors, administrators, heirs, and successors of the Optionee.

5.7 Method of Exercise. The exercise of an Option shall be made only by a written notice delivered in person or by mail to the Secretary of the Company at the Company's principal executive office, specifying the number of shares to be purchased and accompanied by payment therefor and otherwise in accordance with the Agreement pursuant to which the Option was granted. The purchase price for any Shares purchased pursuant to the exercise of an Option shall be paid in full in cash upon such exercise. Notwithstanding the foregoing, the Committee shall have discretion to determine at the time of grant of each Option or at any later date (up to and including the date of exercise) that the form of payment acceptable in respect of the exercise of such Option may consist of either of the following (or any combination thereof): (i) cash or (ii) the, transfer of Shares to the Company upon such terms and conditions as determined by the Committee. Any Shares transferred to the Company as payment of the purchase price under an Option shall be valued at their Fair Market Value on the day preceding the date of exercise of such Option. In addition, Options may be exercised through a registered broker-dealer pursuant to such cashless exercise procedures (other than Share withholding) that are, from time to time, deemed acceptable by the Committee. The Optionee shall deliver the Agreement evidencing the Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and return such Agreement to the Optionee. No fractional Shares (or cash in lieu thereof) shall be issued upon exercise of an Option and the number of Shares that may be purchased upon exercise shall be rounded to the nearest number of whole Shares.

5.8 Rights of Optionees. No Optionee shall be deemed for any purpose to be the owner of any Shares subject to any Option unless and until (a) the Option is exercised pursuant to the terms thereof, (b) the Company has issued and delivered the Shares to the Optionee, and (c) the Optionee's name is entered as a stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend, and other ownership rights with respect to such Shares, subject to such terms and conditions as may be set forth in the applicable Agreement.

5.9 Effect of Change in Control. In the event of a Change of Control, all Options outstanding on the date of such Change in Control shall become immediately and fully exercisable. In addition, to the extent set forth in an Agreement evidencing the grant of an Option, an Optionee will be permitted to surrender for cancellation within sixty (60) days after such Change in Control any Option or portion of an Option to the extent not yet exercised and the Optionee will be entitled to receive a cash payment in an amount equal to the excess, if any, of (x)(A) in the case of a Nonqualified Stock Option, the greater of (1) the Fair Market Value, on the date preceding the date of surrender, of the Shares subject to the Option or portion thereof surrendered or

(2) the Adjusted Fair Market Value of the Shares subject to the Option or portion thereof surrendered or (B) in the case of an Incentive Stock Option, the Fair Market Value, on the date preceding the date of surrender, of the Shares subject to the Option or portion thereof surrendered, over (y) the aggregate purchase price for such Shares under the Option or portion thereof surrendered; provided, however, that in the case of an Option granted within six (6) months prior to the Change in Control to any Optionee who may be subject to liability under Section 16(b) of the Exchange Act, such Optionee shall be entitled to surrender for cancellation his or her Option, during the sixty (60) day period commencing upon the expiration of six (6) months from the date of grant of any such Option. In the event an Optionee's employment with the Company is terminated by the Company following a Change in Control each Option held by the Optionee that was exercisable as of the date of termination of the Optionee's employment shall remain exercisable for a period ending not before the earlier of the first anniversary of the termination of the Optionee's employment or the expiration of the stated term of the Option.

6. Stock Appreciation Rights.

The Committee may in its discretion, either alone or in connection with the grant of an Option, grant Stock Appreciation Rights in accordance with the Plan, the terms and conditions of which shall be set forth in an Agreement. If granted in connection with an Option, a Stock Appreciation Right shall cover the same Shares covered by the Option (or such lesser number of Shares as the Committee may determine) and shall, except as provided in this

Section 6, be subject to the same terms and conditions as the related Option.

6.1 Time of Grant. A Stock Appreciation Right may be granted (a) at any time if unrelated to an Option, or (b) if related to an Option, either at the time of grant or at any time thereafter during the term of the Option.

6.2 Stock Appreciation Right Related to an Option.

(a) Exercise. Subject to Section 6.8, a Stock Appreciation Right granted in connection with an Option shall be exercisable at such time or times and only to the extent that the related Options are exercisable and shall not be transferable except to the extent the related Option is transferable. A Stock Appreciation Right granted in connection with an Incentive Stock Option shall be exercisable only if the Fair Market Value of a Share on the date of exercise exceeds the purchase price specified in the related Incentive Stock Option Agreement.

(b) Amount Payable. Upon the exercise of a Stock Appreciation Right related to an Option, the Grantee shall be entitled to receive an amount

determined by multiplying (i) the excess of the Fair Market Value of a Share on the date preceding the date of exercise of such Stock Appreciation Right over the per Share purchase price under the related Option, by (ii) the number of Shares as to which such Stock Appreciation Right is being exercised. Notwithstanding the foregoing, the Committee may limit, in any manner, the amount payable with respect to any Stock Appreciation Right by including such a limitation in the Agreement evidencing the Stock Appreciation Right at the time it is granted.

(c) Treatment of Related Options and Stock Appreciation Rights Upon Exercise. Upon the exercise of a Stock Appreciation Right granted in connection with an Option, the Option shall be canceled to the extent of the number of Shares as to which the Stock Appreciation Right is exercised, and upon the exercise of an Option granted in connection with a Stock Appreciation Right or the surrender of such Option pursuant to Section 5.9, the Stock Appreciation Right shall be canceled to the extent of the number of Shares as to which the option is exercised or surrendered.

6.3 Stock Appreciation Right Unrelated to an Option. The Committee grant to Eligible Individuals Stock Appreciation Rights unrelated to Options- Stock Appreciation Rights unrelated to Options shall contain such terms and conditions as to exercisability (subject to Section 6.8), vesting and duration as the Committee determines, but in no event shall they have a term of greater than ten years. Upon exercise of a Stock Appreciation Right unrelated to an Option, the Grantee shall be entitled to receive an amount determined by multiplying (a) the excess of the Fair Market Value of a Share on the date preceding the date of exercise of such Stock Appreciation Right over the Fair Market Value of a Share on the date the Stock Appreciation Right was granted, by

(b) the number of Shares as to which the Stock Appreciation Right is being exercised. Notwithstanding the foregoing, the Committee may limit, in any manner, the amount payable with respect to any Stock Appreciation Right by including such limitation in the Agreement evidencing the Stock Appreciation Right at the time it is granted.

6.4 Method of Exercise. Stock Appreciation Rights shall be exercised by a Grantee only by a written notice delivered in person or by mail to the Secretary of the Company at the Company's principal executive office, specifying the number of Shares with respect to which the Stock Appreciation Right is being exercised. If requested by the Committee, the Grantee shall deliver the Agreement evidencing the Stock Appreciation Right being exercised and the Agreement evidencing any related Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and return such Agreement to the Grantee.

6.5 Form of Payment. Payment of the amount determined under Sections 6.2(b) or 6.3 may be made in the discretion of the Committee solely in whole Shares in a number determined at their Fair Market Value on the date preceding the date of exercise of the Stock Appreciation Right, or solely in cash, or in a combination of cash and Shares. If the Committee decides to make full payment in Shares and the amount payable results in a fractional Share payment for the fractional Share shall be made in cash. Notwithstanding the foregoing, no payment in the form of cash may be made upon the exercise of a Stock Appreciation Right pursuant to Sections 6.2(b) or 6.3 to an officer of the Company or a Subsidiary who is subject to liability under Section 16(b), of the Exchange Act unless the exercise of such Stock Appreciation Right is made either

(a) during the period beginning on the third business day and ending on the

twelfth business day following the date of release for publication of the Company's quarterly or annual statements of earnings or (b) pursuant to an irrevocable election to receive cash made at least six months prior to the exercise of such Stock Appreciation Right.

6.6 Restrictions. No Stock Appreciation Right may be exercised before the date six months after the date it is granted.

6.7 Modification. No modification of an Award shall adversely alter or impair any rights or obligations under the Agreement without the Grantee's consent.

6.8 Effect of Change in Control. In the event of a Change in Control but subject to Section 6.6, all Stock Appreciation Rights shall become immediately and fully exercisable. In addition, to the extent set forth in an Agreement evidencing the grant of a Stock Appreciation Right, a Grantee will be entitled to receive a payment in cash or stock, in either case, with a value equal to the excess, if any, of (A) the greater of (x) the Fair Market Value, on the date preceding the date of exercise, of the underlying Shares subject to the Stock Appreciation Right or portion thereof exercised and (y) the Adjusted Fair Market Value, on the date preceding the date of exercise, of the Shares over (B) the aggregate Fair Market Value, on the date the Stock Appreciation Right was granted, of the Shares subject to the Stock Appreciation Right or portion thereof exercised; provided, however, that in the case of a Stock Appreciation Right granted within six (6) months of the Change in Control to any Grantee who may be subject to liability under Section 16(b) of the Exchange Act, such grantee shall be entitled to exercise his Stock Appreciation right during the sixty (60) day period commencing upon the expiration of six (6) Months from the date of grant of any such Stock Appreciation Right. In the event a Grantee's employment with the Company is terminated by the Company following a Change in Control each Stock Appreciation Right held by the Grantee that was exercisable as of the date of termination of the Grantee's employment shall remain exercisable for a period ending not before the earlier of the first anniversary of the termination of the Grantee's employment or the expiration of the stated term of the Stock Appreciation Right.

7. Restricted Stock.

7.1 Grant. The Committee may grant Awards to Eligible Individuals of Restricted Stock, which shall be evidenced by an Agreement between the Company and the Grantee. Each Agreement shall contain such restrictions, terms and conditions as the Committee may, in its discretion, determine and (without limiting the generality of the foregoing) such Agreements may require that Inappropriate legend be placed on Share certificates. Awards of Restricted Stock shall be subject to the terms and provisions set forth below in this Section 7.

7.2 Rights of Grantee. Shares of Restricted Stock granted pursuant to an Award hereunder shall be issued in the name of the Grantee as soon as reasonably practicable after the Award is granted provided that the Grantee has executed an Agreement evidencing the Award, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents that the Committee may require as a condition to the issuance of such Shares. If a Grantee fails to execute the Agreement evidencing a Restricted Stock Agreement, the appropriate blank stock powers, and, in the discretion of the Committee, an escrow agreements, and any other documents that the Committee require within the time

period prescribed by the Committee at the time the Award is granted, the Award shall be null and void. At the discretion of the Committee, Shares issued in connection with a Restricted Stock Award; shall be deposited with the stock powers with an escrow agent (which may be the Company) designated by Committee. Unless the Committee determines otherwise and as set forth in the Agreement, upon delivery of the Shares to the escrow agent, the Grantee shall have all of the rights of a stockholder with respect to such Shares, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

7.3 Non-transferability. Until all restrictions upon the Shares of Restricted Stock awarded to a Grantee have lapsed in the manner set forth in Section 7.4, such Shares shall not be sold, transferred or otherwise disposed of, pledged or otherwise hypothecated, or delivered to the Grantee.

7.4 Lapse of Restrictions.

(a) Generally. Restrictions upon Shares of Restricted Stock awarded hereunder shall lapse at such time or times and on such terms and conditions as the Committee may determine. The Agreement evidencing the Award shall set forth such restrictions.

(b) Effect of Change in Control. Unless the Committee shall determine otherwise at the time of the grant of an Award of Restricted Stock, the restrictions upon Shares of Restricted Stock shall lapse upon a Change in Control. The Agreement evidencing the Award shall set forth such provisions.

7.5 Modification or Substitution. Subject to the term of the Plan, the Committee may modify outstanding Awards of Restricted Stock or accept the surrender of outstanding Shares of Restricted Stock (to the extent the restrictions on such Shares have not yet lapsed) and grant new Awards in substitution for them. Notwithstanding the foregoing, no modification of an Award shall adversely alter or impair any rights or obligations under the Agreement without the Grantee's consent.

7.6 Treatment of Dividends. At the time an Award of Shares of Restricted Stock is granted, the Committee may, in its discretion, determine that the payment to the Grantee of dividends, or a specified portion thereof, declared or paid on such Shares by the Company shall be (a) deferred until the lapsing of the restrictions imposed upon such Shares and (b) held by the Company for the account of the Grantee until such time. In the event that dividends are to be deferred, the Committee shall determine whether such dividends are to be reinvested in shares of Stock (which shall be held as additional Shares of Restricted Stock) or held in cash. If deferred dividends are to be held in cash, there may be credited at the end of each year (or portion thereof) interest on the amount of the account at the beginning of the year at a rate per annum as the Committee, in its discretion, determines. Payment of deferred dividends in respect of Shares of Restricted Stock (whether held in cash or as additional Shares of Restricted Stock), together with interest accrued thereon, if any, shall be made upon the lapsing of restrictions imposed on the Shares in respect of which the deferred dividends were paid, and any dividends deferred (together with any interest accrued thereon) in respect of any Shares of Restricted Stock shall be forfeited upon the forfeiture of such Shares.

7.7 Delivery of Shares. Upon the lapse of the restrictions of Shares of Restricted Stock, the Committee shall cause a stock certificate to be delivered to the Grantee with respect to such Shares, free of all restrictions hereunder.

8. Performance Awards.

8.1 Performance Objective. Performance Objectives for Performance Awards may be expressed in terms of (i) earnings per Share, (ii) pre-tax profits, (iii) net earnings, (iv) return on equity or assets, (v) revenues or (vi) any combination of the foregoing. Performance Objectives may be in respect of the performance of the Company and its Subsidiaries (which may be on a consolidated basis), a Subsidiary or a Division. Performance Objectives may be absolute or relative and may be expressed in terms of a progression within a specified range. The Performance Objectives with respect to a Performance Cycle shall be established in writing by the Committee by the earlier of (i) the date on which a quarter of the Performance Cycle has elapsed or (ii) the date which is ninety (90) days after the commencement of the Performance Cycle.

(b) Determination of Performance. Prior to the vesting, payment, settlement or lapsing of any restrictions with respect to any Performance Award made to a Grantee who is subject to Section 162(m) of the Code, the Committee shall certify in writing that the applicable Performance Objectives have been satisfied.

8.2 Performance Units. The Committee, in its discretion, may grant Awards of Performance to Eligible Individuals, the terms and conditions of which shall be set forth in an Agreement between the Company and the Grantee. Performance Units may be denominated in Shares or a specified dollar amount and, contingent upon the attainment of specified Performance Objectives within the Performance Cycle, represent the right to receive payment as provided in Section 8.2(b) of (i) in the case of Share denominated Performance Units, the Fair Market Value of a Share on the date the Performance Unit was granted, the date the Performance Unit became vested or any other date specified by the Committee,

(ii) in the case of dollar-denominated Performance Units, the specified dollar amount or (iii) a percentage (which may be more than 100%) of the amount described in clause (i) or (ii) depending on the level of Performance Objective attainment; provided, however, that the Committee may at the time a Performance Unit is granted specify a maximum amount payable in respect of a vested Performance Unit. Each Agreement shall specify the number of Performance Units to which it relates, the Performance Objectives which must be satisfied in order for the Performance Units to vest and the Performance Cycle within, which Performance Objectives must be satisfied.

(a) Vesting and Forfeiture. Subject to Sections 8.1(b) and 8.4, a Grantee shall become vested with respect to the Performance Units to the extent that the Performance Objectives set forth in the Agreement are satisfied for the Performance Cycle.

(b) Payment of Awards. Payment to Grantees in respect of vested Performance Units shall be made within sixty (60) days after the last day of the Performance Cycle to which such Award relates unless the Agreement evidencing the Award provides for the deferral of payment, in which event the terms and conditions of the deferral shall be set forth in the Agreement. Subject to Section 8.4, such payments may be made entirely in

Shares valued at their Fair Market Value as of the last day of the applicable Performance Cycle or such other date specified by the Committee, entirely in cash, or in such combination of Shares and cash as the Committee in its discretion shall determine at any time prior to such payment; provided, however, that if the Committee in its discretion determines to make such payment entirely or partially in Shares of Restricted Stock, the Committee must determine the extent to which such payment will be in Shares of Restricted Stock and the terms of such Restricted Stock at the time the Award is granted.

8.3 (a) Performance Shares. The Committee, in its discretion, may grant Awards of Performance Shares to Eligible Individuals, the terms and conditions of which shall be set forth in an Agreement between the Company and the Grantee. Each Agreement may require that an appropriate legend be placed on Share certificates. Awards of Performance Shares shall be subject to the following terms and provisions:

(b) Rights of Grantee. The Committee shall provide at the time an Award of Performance Shares is made the time or times at which the actual Shares represented by such Award shall be issued in the name of the Grantee; provided, however, that no Performance Shares shall be issued until the Grantee has executed an Agreement evidencing the Award, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require as a condition to the issuance of such Performance Shares. If a Grantee shall fail to execute the Agreement evidencing an Award of Performance Shares, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require within the time period prescribed by the Committee at the time the Award is granted, the Award shall be null and void. At the discretion of the Committee, Shares issued in connection with an Award of Performance Shares shall be deposited together with the stock powers with an escrow agent (which may be the Company) designated by the Committee. Except as restricted by the terms of the Agreement, upon delivery of the Shares to the escrow agent, the Grantee shall have, in the discretion of the Committee, all of the rights of a stockholder with respect to such Shares, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

(c) Non-transferability. Until any restrictions upon the Performance Shares awarded to a Grantee shall have lapsed in the manner set forth in Sections 8.3(c) or 8.4, such Performance Shares shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated, nor shall they be delivered to the Grantee. The Committee may also impose such other restrictions and conditions on the Performance Shares, if any, as it deems appropriate.

(d) Lapse of Restrictions. Subject to Sections 8.1(b) and 8.4, restrictions upon Performance Shares awarded hereunder shall lapse and such Performance Shares shall become vested at such time or times and on such terms, conditions and satisfaction of Performance Objectives as the Committee may, in its discretion, determine at the time an Award is granted.

(e) Treatment of Dividends. At the time the Award of Performance Shares is granted, the Committee may, in its discretion, determine that the payment

to the Grantee of dividends, or a specified portion thereof, declared or paid on actual Shares represented by such Award which have been issued by the Company to the Grantee shall be (i) deferred until the lapsing of the restrictions imposed upon such Performance Shares and (ii) held by the Company for the account of the Grantee until such time. In the event that dividends are to be deferred, the Committee shall determine whether such dividends are to be reinvested in shares of Stock (which shall be held as additional Performance Shares) or held in cash. If deferred dividends are to be held in cash, there may be credited at the end of each year (or portion thereof) interest on the amount of the account at the beginning of the year at a rate per annum as the Committee, in its discretion, may determine. Payment of deferred dividends in respect of Performance Shares (whether held in cash or in additional Performance Shares), together with interest accrued thereon, if any, shall be made upon the lapsing of restrictions imposed on the Performance Shares in respect of which the deferred dividends were paid, and any dividends deferred (together with any interest accrued thereon) in respect of any Performance Shares shall be forfeited upon the forfeiture of such Performance Shares.

(f) Delivery of Shares. Upon the lapse of the restrictions on Performance Shares awarded hereunder, the Committee shall cause a stock certificate to be delivered to the Grantee with respect to such Shares, free of all restrictions hereunder.

8.4 Effect of Change in Control. In the event of a Change in Control:

(a) With respect to the Performance Units, the Grantee shall (i) become vested in a percentage of Performance Units as determined, by the Committee at the time of the Award of such Performance Units and as set forth in the Agreement and (ii) be entitled to receive in respect of all Performance Units which become vested as a result of a Change in Control a cash payment within ten (10) days after such Change in Control in an amount as determined by the Committee at the time of the Award of such Performance Unit and as set forth in the Agreement.

(b) With respect to the Performance Shares, restrictions shall lapse immediately on all or a portion of the Performance Shares as determined by the Committee at the time of the Award of such Performance Shares and as set forth in the Agreement. (C) The Agreements evidencing Performance Shares, and Performance Units shall provide for the treatment of such Awards (or portions thereof) which do not become vested as the result of a Change in Control, including, but not limited to, provisions for the adjustment of applicable Performance Objectives.

8.5 Modification or Substitution. Subject to the terms of the Plan, the Committee may modify outstanding Performance Awards or accept the surrender of outstanding Performance Awards and grant new Performance Awards in substitution for them. Notwithstanding the foregoing, no modification of a Performance Award shall adversely alter any rights or obligations under the Agreement without the Grantee's consent.

9. Effect of a Termination of Employment.

The Agreement evidencing the grant of each Option and each Award shall set forth the terms and conditions applicable to such Option or Award upon a termination or

change in the status of the employment of the Optionee or Grantee by the Company, a Subsidiary, or a Division (including a termination of change by reason of the sale of a Subsidiary or a Division), as the Committee, in its discretion, determines at the time the Option or Award is granted or thereafter.

10. Adjustment Upon Changes in Capitalization.

(a) In the event of a Change in Capitalization, the Committee shall conclusively determine the appropriate adjustments, if any, to the (i) maximum number and class of Shares or other stock or securities with respect to which Options or Awards may be granted under the Plan, (ii) maximum number and class of Shares or other stock or securities with respect to which Options or Awards may be granted to any Eligible Individual during the term of the Plan, (iii) the number and class of Shares or other stock or securities subject to outstanding Options or Awards granted under the Plan, and the purchase price therefor, if applicable, and (iv) the Performance Objectives, if any.

(b) Any such adjustment in the Shares or other stock or securities subject to outstanding Incentive Stock Options (including any adjustments in the purchase price) shall be made in such manner as not to constitute a modification as defined by Section 424(h)(3) of the Code and only to the extent otherwise permitted by Sections 422 and 424 of the Code.

(c) If, by reason of a Change in Capitalization, a Grantee of an Award is entitled to, or an Optionee is entitled to exercise an Option with respect to, new, additional, or different shares of stock or securities, such new, additional, or different shares shall thereupon be subject to all of the conditions, restriction and performance criteria applicable to the Shares subject to the Award or Option, as the case may be, prior to such Change in Capitalization.

11. Effect of Certain Transactions.

11.1 Subject to Sections 5.9, 6.8, 7.4(b), 8.4 and 11.2 and as otherwise provided in an Agreement, in the event of (a) the liquidation or dissolution of the Company or (b) a merger or consolidation of the Company (a "Transaction"), the Plan and the Options and Awards issued hereunder shall continue in effect in accordance with their respective terms, except that following a Transaction each Optionee and Grantee shall be entitled to receive in respect of each Share subject to any outstanding Options or Awards, as the case may be, upon exercise of any Option or payment or transfer in respect of any Award, the same number and kind of stock, securities, cash, property, or other consideration that each holder of a Share was entitled to receive in the Transaction in respect of a Share; provided, however, that such stock, securities, cash, property, or other consideration shall remain subject to all of the conditions, restrictions, and performance criteria applicable to the Options and Awards prior to such Transaction.

11.2 Subject to Sections 5.9, 6.8, 7.4(b) and 8.4 or as otherwise provided in an Agreement, in the event that, prior to an Initial Public Offering, Intercom Inc. and its affiliates sell all of the Shares of the Company that they own to a third party including by

means of a transaction described in clause (b) of Section 11.1 (a "Third-Party Transaction"), the Company may require that each Optionee surrender any outstanding Option to the Company, in exchange for which the Optionee shall receive in respect of each Share subject to any Option so surrendered a cash payment equal to the fair market value of the consideration that each holder of a Share was entitled to receive in the Third Party Transaction, less the sum of

(i) the purchase price per Share under the Option, and (ii) a proportionate share (determined as if the Optionee was holder of the number of Shares covered by the Option) of fees, expenses and liabilities to be paid by the Company in connection with such Third Party Transaction.

12. Interpretation.

Following the required registration of any equity security of the Company pursuant to Section 12 of the Exchange Act:

(a) The Plan is intended to comply with Rule 16b-3 promulgated under the Exchange Act and the Committee shall interpret and administer the provisions of the Plan or any Agreement in a manner consistent therewith. Any provisions inconsistent with such Rule shall be inoperative and shall not affect the validity of the Plan.

(b) To the extent required under Section 162(m) of the Code and the regulations thereunder for compensation to be treated as qualified performance based compensation, the maximum number of shares of Stock with respect to which any Option, Stock Appreciation Right or Performance Award may be granted during any one year period to any employee may not exceed 100,000. The Committee shall not be entitled to exercise any discretion otherwise authorized hereunder with respect to such Options or Awards if the ability to exercise such discretion or the exercise of such discretion itself would cause the compensation attributable to such Options or Awards to fail to qualify as performance based compensation.

13. Pooling Transactions.

Notwithstanding anything contained in the Plan or any Agreement to the contrary, in the event of a Change in Control which is also intended to constitute a Pooling Transaction, the Committee shall take such actions, if any, which are specifically recommended by an independent accounting firm retained by the Company to the extent reasonably necessary in order to assure that the Pooling Transaction will qualify as such, including but not limited to

(i) deferring the vesting, exercise, payment, settlement, or lapsing of restrictions with respect to any, Option or Award, (ii) providing that the payment or settlement in respect of any Option or Award be made in the form of cash, Shares or securities of a successor or acquirer of the Company, or a combination of the foregoing, and (iii) providing for the extension of the term of any Option or Award. to the extent necessary to accommodate the foregoing, but not beyond the maximum term permitted for any Option or Award.

14. Termination and Amendment of the Plan.

The Plan shall terminate on the day preceding the tenth anniversary of the date of its adoption by the Board and no Option or Award may be granted thereafter. The Board may sooner terminate the Plan and the Board may at any time and from time to time amend, suspend the Plan; provided, however, that:

(a) No such amendment, modification, suspension, or termination shall impair with the impair or adversely alter any Options or Awards Heretofore granted under the Plan, except with the consent of the Optionee or Grantee or deprive any Optionee or Grantee of any Shares that he or she may have acquired through or as a result of the Plan; and

(b) To the extent necessary under Section 16(b) of the Exchange Act and the rules and regulations promulgated thereunder or other applicable law, no amendment shall be effective unless approved by the stockholders of the Company in accordance with applicable law and regulations.

15. Non-Exclusivity of the Plan.

The adoption of the Plan by the Board shall not be construed as amending, modifying, or rescinding any previously approved incentive arrangement or as creating any limitation as on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

16. Limitation of Liability.

As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in the Plan shall be construed to:

(i) give any person any right to be granted an Option or Award other than at the sole discretion of the Committee;

(ii) give any person any rights whatsoever with respect to Shares except as specifically provided in the Plan;

(iii) limit in any way the right of the Company to terminate the employment of any person at any time; or

(iv) be evidence of any agreement or understanding, expressed or implied, that the Company will employ any person at any particular rate of compensation or for any particular period of time.

17. Regulations and Other Approvals: Governing Law.

17.1 Except as to matters of federal law, this Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Texas without giving effect to conflicts of law principles thereof.

17.2 The obligation of the Company to sell deliver Shares with respect to Options and Awards granted under the Plan shall be subject to all applicable laws, rules, and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

17.3 The Board may make such changes as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain for Eligible Individuals granted Incentive Stock Options the tax benefits under the applicable provisions of the Code and regulations promulgated thereunder.

17.4 Each Option and Award is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration, or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Option or Award or the issuance of Shares, no Options or Awards shall be granted or payment made or Shares issued, as a whole or in part, unless listing, registration, qualification, consent, or approval has been effected or obtained free of any conditions as acceptable to the Committee.

17.5 Notwithstanding anything contained in the Plan or any Agreement to the contrary, in the event that the disposition of Shares acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required by the Securities Act and Rule 144 or other regulations thereunder. The Committee may require any individual receiving Shares pursuant to an Option or Award granted under the Plan, as a condition precedent to receipt of such Shares, to represent and warrant to the Company in writing that the Shares acquired by such individual are acquired without a view to any distribution thereof and will not be sold or transferred other than pursuant to an effective registration thereof under said Act or pursuant to an exemption applicable under the Securities Act or the rules and regulations promulgated thereunder. The certificates evidencing any of such Shares shall be appropriately amended to reflect their status as restricted securities as aforesaid.

18. Miscellaneous.

18.1 Multiple Agreements. The terms of each Option-or Award may differ from other Options or Awards granted under the Plan at the same time, or at some other time. The Committee may also grant more than one Option or Award to a given Eligible Individual during the term of the Plan, either in addition to, or in substitution for, one or more Options or Awards previously granted to that Eligible Individual.

18.2 Withholding of Taxes.

(a) At such times as an Optionee or Grantee recognizes taxable income in connection with the receipt of Shares or cash hereunder (a "Taxable Event"), the Optionee or Grantee shall pay to the Company an amount equal to the federal, state and local income taxes and other amounts as may be required by law to be withheld by the Company in connection with the Taxable Event (the "Withholding Taxes") prior to the issuance, or release from escrow, of such Shares or the payment of such cash. The Company shall have the right to deduct from any payment of cash to an Optionee or Grantee an amount equal to the Withholding Taxes in satisfaction of the obligation to pay Withholding Taxes. In satisfaction of the obligation to pay Withholding Taxes to the Company, the Optionee or Grantee may make a written election

(the "Tax Election"), which may be accepted or rejected in the discretion of the Committee to have withheld a portion of the Shares then issuable to him or her having an aggregate Fair Market Value, on the date preceding the date of such issuance, equal to the Withholding Taxes, provided that in respect of an Optionee or Grantee who may be subject to liability under Section 16(b) of the Exchange Act either: (a) in the case of a Taxable Event involving an Option or an Award (i) the Tax Election is made at least six (6) months prior to the date of the Taxable Event and (ii) the Tax Election is irrevocable with respect to all Taxable Events of a similar nature occurring prior to the expiration of six (6) months following a revocation of the Tax Election; or (b) in the case of the exercise of an Option (i) the Optionee makes the Tax Election at least six months after the date the Option was granted, (ii) the Option is exercised during the ten day period beginning on the third business day and ending on the twelfth business day following the release for publication of the Company's quarterly or annual statement of sales and earnings (a "Window Period"), and (iii) the Tax Election is made during the Window Period in which the related Option is exercised or prior to such Window Period and subsequent to the immediately preceding Window Period; or (c) in the case of a Taxable Event relating to the payment of an Award (i) the Grantee makes the Tax Election at least six months after the date the Award was granted and (ii) the Tax Election is made (1) in the case of a Taxable Event occurring within a Window Period, during the Window Period in which the Taxable Event occurs, or (z) in the case of a Taxable Event not occurring within a window period, during the Window Period immediately preceding the Taxable Event relating to the Award. Notwithstanding the foregoing, the Committee may, by the adoption of rules or otherwise, (a) modify the provisions of this Section 18.2 (other than as regards director Options) or impose such other restrictions or limitations on Tax Elections as may be necessary to ensure that the Tax Elections will be exempt transactions under Section 16(b) of the Exchange Act, and (b) permit Tax Elections to be made at such other times and subject to such other conditions as the Committee determines will constitute exempt transactions under Section 16(b) of the Exchange Act.

(b) If an Optionee makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Share or Shares issued to such Optionee pursuant to the exercise of an Incentive Stock Option within the two-year period commencing on the day after the date of the grant or within the one-year period commencing on the day after the date of transfer of such Share or Shares to the Optionee pursuant to such exercise, the Optionee shall, within ten days of such disposition, notify the Company. thereof, by delivery of written notice to the Company at its principal executive office.

19. Effective Date. The effective date of the Plan shall be as determined by the Board, subject only to the approval by the affirmative vote of the holders of a majority of the securities of the Company present, or represented, and entitled to vote at a meeting of stockholders duly held in accordance with the applicable laws of the State of Delaware within 12 months of the adoption of the Plan by the Board.

EXHIBIT 99.2

**INCENTIVE STOCK OPTION AWARD PURSUANT TO THE
SELSIUS SYSTEMS INC. 1997 STOCK INCENTIVE PLAN**

THIS AWARD is made as of the Grant Date by SELSIUS SYSTEMS INC. (the "Company") to _____ (the "Optionee").

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference, the Company hereby awards as of the Grant Date to Optionee an incentive stock option (the "Option"), as described below, to purchase the Option Shares.

A. Grant Date: _____, 1997.

B. Type of Option: The Option granted hereunder is intended to be an "incentive stock option" as defined under Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code") to the fullest extent permitted in accordance with Code Section 422(d). In the event that in any calendar year the fair market value of the stock (determined as of the date of grant) for which this Option first becomes exercisable exceeds \$100,000 in such calendar year, then the Option shall be treated as a nonqualified option to the extent that the fair market value of such stock exceeds \$100,000.

C. Option Shares: All or any part of _____ shares of the Company's common stock, \$.01 par value per share ("Stock"), subject to adjustment as provided in the attached Terms and Conditions.

D. Exercise Price: \$15.00 per share of Stock subject to adjustment as provided in the attached Terms and Conditions.

E. Option Period: The Option may be exercised only during the Option Period which commences on the Grant Date and ends on the earlier of
(a) the tenth (10th) anniversary of the Grant Date;
(b) the later of the date (i) 30 days following the date the Optionee ceases to provide services to the Company or any Subsidiary or any affiliate for any reason other than retirement at age 65, death or Disability or (ii) twelve months following the date the Optionee ceases to provide services to the Company or any Subsidiary or any affiliate due to death or Disability, provided that the Option may be exercised as to no more than the Vested Option Shares, determined pursuant to the Vesting Schedule. Note that other limitations to exercising the Option, as described in the attached Terms and Conditions, may apply.

F. Vesting Schedule: The Option Shares shall become vested in accordance with the attached Vesting Schedule. All or a portion of the Option Shares may become vested on an earlier date as provided in the attached Terms and Conditions.

G. Condition to Award: As a condition to the granting Optionee this Option, shall forfeit all rights and interests to any options or awards granted to Optionee under the InteCom Inc. 1995 Stock Incentive Plan.

IN WITNESS WHEREOF, the Company and the Optionee have executed this Award as of the Grant Date set forth above.

OPTIONEE

SELSIUS SYSTEMS INC.

By: -----

Title: -----

EXHIBIT 99.3

**NONQUALIFIED STOCK OPTION AWARD
PURSUANT TO SELSIUS SYSTEM INC.
1997 STOCK INCENTIVE PLAN**

THIS AWARD is made as of the Grant Date by SELSIUS SYSTEMS INC. (the "Company") to _____ (the "Optionee").

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference, the Company hereby awards as of the Grant Date to Optionee an option (the "Option"), as described below, to purchase the Option Shares.

A. Grant Date: _____

B. Type of Option: Nonqualified Stock Option issued under the Selsius Systems Inc. 1997 Stock Incentive Plan.

C. Option Shares: All or any part of ____ shares of the Company's voting common stock, \$.01 per share (the "Stock"), subject to adjustment as provided in the attached Terms and Conditions.

D. Exercise Price: \$15.00 per share, subject to adjustment as provided in the attached Terms and Conditions.

E. Option Period: The Option may be exercised only during the Option Period which commences on the Grant Date and ends on the earlier of (a) the tenth (10th) anniversary of the Grant Date; (b) the later of the date (i) 30 days following the date the Optionee ceases to provide services to the Company or any Subsidiary or any affiliate for any reason other than retirement at age 65, death or Disability or (ii) twelve months following the date the Optionee ceases to provide service to the Company or any Subsidiary or any affiliate due to death or Disability, provided that the Option may be exercised as to no more than the Vested Option Shares, determined pursuant to the Vesting Schedule. Note that other limitations to exercising the Option, as described in the attached Terms and Conditions, may apply.

F. Vesting Schedule: The Option Shares shall become vested in accordance with the attached Vesting Schedule. All or a portion of the Option Shares may become vested on an earlier date as provided in the attached Terms and Conditions.

G. Condition to Award: As a condition to the granting of Optionee this Option, Optionee shall forfeit all rights and interest to any options or awards granted to Optionee under the InteCom Inc. 1995 Stock Incentive Plan.

IN WITNESS WHEREOF, the Company and the Optionee have executed this Award as of the Grant Date set forth above.

OPTIONEE

SELSIUS SYSTEMS INC.

By: _____

Title: _____

EXHIBIT 99.4

**TERMS AND CONDITIONS TO THE
INCENTIVE STOCK OPTION AWARD
PURSUANT TO SELSIUS SYSTEMS INC.
1997 STOCK INCENTIVE PLAN**

1. Exercise of Option. Subject to the provisions provided herein or in the Award made pursuant to the Plan:

(a) the Option may be exercised with respect to all or any portion of the Vested Option Shares at any time during the Option Period by the delivery to the Company, at its principal place of business, of a written notice of exercise in substantially the form attached hereto as Exhibit 1, which shall be actually delivered to the Company no earlier than thirty (30) days and no later than ten (10) days prior to the date upon which Optionee desires to exercise all or any portion of the Option; and

(b) payment to the Company of the Exercise Price multiplied by the number of Vested Option Shares being purchased (the "Purchase Price") as provided in Section 2.

Upon acceptance of such notice and receipt of payment in full of the Purchase Price, the Company shall cause to be issued a certificate representing the Option Shares purchased.

2. Purchase Price. Payment of the Purchase Price for all Option Shares purchased pursuant to the exercise of an Option shall be made in cash or certified check or, alternatively, as follows:

(a) by delivery to the Company of a number of shares of Stock which have been owned by the Optionee for at least six (6) months prior to the date of the Option's exercise having a fair market value, as determined under the Plan, on the date of exercise either equal to the Purchase Price or in combination with cash or a certified check to equal the Purchase Price;

(b) by receipt of the Purchase Price in cash from a broker, dealer or other "creditor" as defined by Regulation T issued by the Board of Governors of the Federal Reserve System following delivery by the Optionee to the Committee of instructions in a form acceptable to the Committee regarding delivery to such broker, dealer or other creditor of that number of Option Shares with respect to which the Option is exercised; or

(c) by a combination of the foregoing.

3. Vested Option Shares. The Option Shares shall become vested in the manner provided in the Vesting Schedule attached hereto.

4. Rights as Shareholder. Until the stock certificates reflecting the Option Shares accruing to the Optionee upon exercise of the Option are issued to the Optionee, the Option shall have no rights as a shareholder with respect to such Option Shares. The Company shall make no

adjustment for any dividends or distributions or other rights on or with respect to such Option Shares. The Company shall make no adjustment for any dividends or distributions or other rights on or with respect to Option Shares for which the record date is prior to the issuance of that stock certificate, except as the Plan or the attached Award otherwise provides.

5. Restriction on Transfer of Option and of Option Shares. The Option evidenced hereby is nontransferable other than by will or the laws of descent and distribution and shall be exercisable during the lifetime of the Optionee only by the Optionee (or in the event of his disability, by his personal representative) and after his death, only by his legatee or the executor of his estate. In addition, any Option Shares acquired by the Optionee through the exercise of all or a portion of this Option will be subject to the terms of a shareholders agreement between the Optionee and the Company, which agreement will be in the form and substance reasonably satisfactory to the Company and will provide for customary provisions relating to the ownership of the shares of Stock acquired including a right of the Company to purchase any Option Shares prior to the Optionee's disposing of such shares to a party other than the Company.

6. Restrictive Covenants. As a condition to preserving the benefits provided by this Award, the Optionee agrees to refrain from violating any covenants contained in any current or future written agreement, including any modifications thereof, between the Optionee and the Corporation, prohibiting or restricting competition, solicitation of customers, or solicitation or hiring of employees or independent contractors, or concerning the ownership, use, possession or disclosure of inventions, patent applications, copyrights, confidential information, trade secrets or other proprietary information (defined collectively as "Covenants"). In the even that the Committee determines in good faith that the Optionee has violated the provisions of Covenants, then the Optionee (or his heir or legatee) shall forfeit any further right to exercise any unexercised portion of the Option hereunder.

7. Changes in Capitalization.

(a) Except as provided in Subsection (b) below, if the number of shares of Stock shall be increased or decreased by reason of a subdivision or combination of shares of Stock, the payment of an ordinary stock dividend in shares of Stock or any other increase or decrease in the number of shares of Stock outstanding effected without receipt of consideration by the Company, an appropriate adjustment shall be made by the Committee, in a manner determined in its sole discretion, in the number and kind of Option Shares and in the Exercise Price.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend or other change in the corporate structure of the Company, including a Change in Control, or tender offer for shares of Stock, shall provide for an appropriate adjustment to the Option or provide for the substitution of a new option which adjustment or substitution shall be consistent with the event requiring the adjustment or substitution; provided, however, in the event will not be the surviving entity as a result of the event and the surviving entity does not agree to the adjustment or substitution, the Committee may elect to terminate the Option Period as of the date of the Change in Control in consideration of the payment to the Optionee of the sum of the difference between the then Fair Market Value of the Common Stock and the Exercise Price for each Option

Share as to which the Option has not been exercised as of the date of the Change in Control.

(c) The existence of the Plan and the Option granted pursuant to this Agreement shall not affect in any way the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or any part of its business or assets, or any other corporate act or proceeding. Any adjustment pursuant to this Section may provide, in the Committee's discretion, for the elimination without payment therefor of any fractional shares that might otherwise become subject to any Option.

8. Special Limitation on Exercise. No purported exercise of the Option shall be effective without the approval of the Committee, which may be withheld to the extent that the exercise, either individually or in the aggregate together with the exercise of other previously exercised stock options and/or offers and sales pursuant to any prior or contemplated offering of securities, would, in the sole and absolute judgment of the Committee, require the filing of a registration statement with the United States Securities and Exchange Commission or with the securities commission of any state. If a registration statement is not in effect under the Securities Act of 1933 or any applicable state securities law with respect to shares of Stock purchasable or otherwise deliverable under the Option, the Optionee (a) shall deliver to the Company, prior to the exercise of the Option or as a condition to the delivery of Stock pursuant to the exercise of an Option exercise, such information, representations and warranties as the Company may reasonably request in order for the Company to be able to satisfy itself that the Option Shares are being acquired in accordance with the terms of an applicable exemption from the securities registration requirements of applicable federal and state securities laws and (b) shall agree that the shares of Stock so acquired will not be disposed of except pursuant to an effective registration statement, unless the Company shall have received an opinion of counsel that such disposition is exempt from such requirement under the Securities Act of 1933 and any applicable state securities law.

9. Legend on Stock Certificates. Certificates evidencing the Option Shares, to the extent appropriate at the time, shall have noted conspicuously on the certificates a legend intended to give all persons full notice of the existence of the conditions, restrictions, rights and obligations set forth herein and in the Plan.

10. Governing Laws. This Award and the Terms and Conditions shall be construed, administered and enforced according to the laws of the State of Texas.

11. Successors. This Award and the Terms and Conditions shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and permitted assigns of the Optionee and the Company.

12. Notice. Except as otherwise specified herein, all notices and other communications under this Award shall be in writing and shall be deemed to have been given if

personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

13. Severability. In the event that any one or more of the provisions or portion thereof contained in the Award and these Terms and Conditions shall for any reason be held to be invalid, illegal or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of the Award and these Terms and Conditions, and the Award and these Terms and Conditions shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

14. Entire Agreement. Subject to the terms and conditions of the Plan, the Award and the Terms and Conditions express the entire understanding of the parties with respect to the Option.

15. Violation. Any transfer, pledge, sale, assignment, or hypothecation of the Option or any portion thereof shall be a violation of the terms of the Award or these Terms and Conditions and shall be void and without effect.

16. Headings and Capitalized Terms. Section headings used herein are for convenience of reference only and shall not be considered in construing the Award or these Terms and Conditions. Capitalized terms used, but not defined, in either the Award or the Terms and Conditions shall be given the meaning ascribed to them in the Plan.

17. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of the Award and these Terms and Conditions, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

18. No Right to Continued Service. Neither the establishment of the Plan nor the award of Option Shares hereunder shall be construed as giving the Optionee the right to continue employment with the Company or any Subsidiary.

EXHIBIT 1

**NOTICE OF EXERCISE OF
STOCK OPTION TO PURCHASE
COMMON STOCK OF
SELSIUS SYSTEM INC.**

Name

Address

Date

Selsius Systems Inc.

Attention:

Re: Exercise of Incentive Stock Option

Gentlemen:

Subject to acceptance hereof by Selsius systems Inc. (the "Company") pursuant to the provisions of the Selsius Systems Inc. 1997 Stock Incentive Plan (the "Plan"), I hereby give notice of my election to exercise options granted to me to purchase _____ shares of common stock of the Company ("Stock") under the Incentive Stock Option Award (the "Award") dated as of _____. The purchase shall take place as of _____, 199__ (the "Exercise Date").

On or before the Exercise Date, I will pay the applicable purchase price as follows:

[] by delivery of cash or a certified check for \$_____ for the full purchase price payable to the order of Selsius Systems Inc.

[] by delivery of cash or a certified check for \$_____ representing a portion of the purchase price with the balance to consist of shares of Stock that I have owned for at least six months and that are represented by a stock certificate I will surrender to the Company with my endorsement. If the number of shares of Stock represented by such stock certificate exceed the number to be applied against the purchase price, I understand that a new stock certificate will be issued to me reflecting the excess number of shares.

☐ by delivery of a stock certificate representing shares of Stock that I have owned for at least six months which I will surrender to the Company with my endorsement as payment of a purchase price. If the number of shares of Stock represented by such certificate exceed the number to be applied against the purchase price, I understand that a new certificate will be issued to me reflecting the excess number of shares.

☐ by delivery of the purchase price by _____, a broker, dealer or other "creditor" as defined by Regulation T issued by the Board of Governors of the Federal Reserve System. I hereby authorize the Company to issue a stock certificate for the number of shares indicated above in the name of said broker, dealer or other creditor or its nominee pursuant to instructions received by the Company and to deliver said stock certificate directly to that broker, dealer or other creditor (or to such other party specified in the instructions received by the Company from the broker, dealer or other creditor) upon receipt of the purchase price.

As soon as the stock certificate is registered in my name, please deliver it to me at the above address.

If the Stock being acquired is not registered for issuance to and resale by the Optionee pursuant to an effective registration statement on Form S-8 (or successor form) filed under the Securities Act of 1933, as amended (the "1933 Act"), I hereby represent, warrant, covenant, and agree with the Company as follows:

The shares of the Stock being acquired by me will be acquired for my own account without the participation of any other person, with the intent of holding the Stock for investment and without the intent of participating, directly or indirectly, in a distribution of the Stock and not with a view to, or for resale in connection with, any distribution of the Stock, nor am I aware of the existence of any distribution of the Stock;

I am not acquiring the Stock based upon any representation, oral or written, by any person with respect to the future value of, or income from, the Stock but rather upon an independent examination and judgment as to the prospects of the Company;

The Stock was not offered to me by means of publicly disseminated advertisements or sale literature, nor am I aware of any offers made to other persons by such means;

I am able to bear the economic risks of the investment in the Stock, including the risk of a complete loss of my investment therein;

I understand and agree that the Stock will be issued and sold to me without registration under any state law relating to the registration of securities for sale, and will be issued and sold in reliance on the exemptions from registration under the 1933 Act,

provided by Sections 3(b) and/or 4(2) thereof and the rules and regulations promulgated thereunder;

The Stock cannot be offered for sale, sold or transferred by me other than pursuant to: (A) and effective registration under the 1933 Act or in a transaction otherwise in compliance with the 1933 Act; and (B) evidence satisfactory to the Company of compliance with the applicable securities laws of other jurisdictions. The Company shall be entitled to rely upon an opinion of counsel satisfactory to it with respect to compliance with the above laws;

The Company will be under no obligation to register the Stock or to comply with any exemption available for sale of the Stock without registration of filing, and the information or conditions necessary to permit routine sales of securities of the Company under Rule 144 under the 1933 Act are not now available and no assurance has been given that it or they will become available. The Company is under no obligation to act in any manner so as to make Rule 144 available with respect to the Stock;

I have and have had complete access to and the opportunity to review and make copies of all material documents related to the business of the Company, including, but not limited to, contracts, financial statements, tax returns, leases, deeds and other books and records. I have examined such of these documents as I wished and am familiar with the business and affairs of the Company. I realize that the purchase of the Stock is a speculative investment and that any possible profit therefrom is uncertain;

I have had the opportunity to ask question of and receive answer from the Company and any person acting on its behalf and to obtain all material information reasonably available with respect to the Company and its affairs. I have received all information and data with respect to the Company which I have requested and which I have deemed relevant in connection with the evaluation of the merits and risks of my investment in the Company;

I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of the purchase of the Common Stock hereunder and I am able to bear the economic risk of such purchase; and

The agreements, representations, warranties and covenants made by me herein extend to and apply to all of the Stock of the Company issued to me pursuant to this Award. Acceptance by me of the certificate representing such Stock shall constitute a confirmation by me that all such agreements, representations, warranties and covenants made herein shall be true and correct at that time.

I understand that the certificates representing the shares being purchased by me in accordance with this notice shall bear a legend referring to the foregoing covenants, representations and warranties and restrictions on transfer, and I agree that a legend to that effect may be placed on any certificate which may be issued to me as a substitute for the certificates being acquired by me in accordance with this notice. I further understand that capitalized terms

used in this Notice of Exercise without definition shall have the meanings given to them in the Plan.

Very truly yours,

AGREED TO AND ACCEPTED:

SELSIUS SYSTEMS INC.

By:

Title:

Number of Shares
Exercised:

Number of Shares
Remaining:
Date:

EXHIBIT 99.5

**TERMS AND CONDITIONS
TO THE
NONQUALIFIED STOCK OPTION AWARD
PURSUANT TO SELSIUS SYSTEMS INC.
1997 STOCK INCENTIVE PLAN**

1. Exercise of Option. Subject to the provisions provided herein or in the Award made pursuant to the Selsius Systems Inc. 1997 Stock Incentive Plan:

(a) the Option may be exercised with respect to all or any portion of the Vested Option Shares at any time during the Option Period by the delivery to the Company, at its principal place of business, of a written notice of exercise in substantially the form attached hereto as Exhibit 1, which shall be actually delivered to the Company no earlier than thirty (30) days and no later than ten (10) days prior to the date upon which Optionee desires to exercise all or any portion of the Option; and

(b) payment to the Company of the Exercise Price multiplied by the number of Vested Option Shares being purchased (the "Purchase Price") as provided in Section.

Upon acceptance of such notice and receipt of payment in Mt of the Purchase Price, the Company shall cause to be issued a certificate representing the purchased.

2. Purchase Price. Payment of the Purchase Price for all Option Shares purchased pursuant to the exercise of an Option shall be made

(a) in cash or certified check;

(b) by delivery to the Company of a number of shares of Stock which have been owned by the Optionee for at least six (6) months prior to the date Of the Option's exercise having, a fair market value, as determined under the Plan, on the date of exercise e r equal to the Purchase Price or in combination with cash or a certified check to:
equal the Purchase Price;

(c) if and when the Stock becomes traded, whether on a national securities exchange or otherwise, by receipt of the Purchase Price in cash from a broker, dealer or other "creditor" as defined by Regulation T issued by the Board of Governors of the Federal Reserve System following delivery by the Optionee to the Committee of instructions in a form acceptable to the Committee regarding delivery to such broker, dealer or other creditor of that number of with respect to which the Option is exercised; or

(d) or any combination of the foregoing.

3. Vested Option Shares. The Option Shares shall become vested in the manner provided in the Vesting Schedule attached hereto.

4. Rights as Shareholder. Until the stock certificates reflecting the Option Shares accruing, to the Optionee upon exercise of the Option are issued to the Optionee, the Optionee shall have no rights as a shareholder with respect to such Option Shares. The Company shall make no adjustment for any dividends or distributions or other rights on or with respect to Option Shares for which the record date is prior to the issuance of, that stock certificate, except as the Plan or the attached Award otherwise provides.

5. Restriction on Transfer of Option and of Option Shares. The Option evidenced hereby is nontransferable other than by will or the laws of descent and distribution and shall be exercisable during the lifetime of the Optionee only by the Optionee (or in the event of his disability, by his personal representative) and after his death, only by his legatee or the executor of his estate. In addition, any Option Shares acquired by the Optionee through the exercise of all or a portion of this Option will be subject to the terms of a shareholders agreement between the Optionee and the Company, which agreement will be in the form and substance reasonably satisfactory to the Company and will provide for customary provisions relating to the ownership of the shares of Stock acquired including a right of the Company to purchase any Option Shares prior to the Optionee's disposing of such shares to a party other than the Company.

6. Restrictive Covenants. As a condition to preserving the benefits provided by this Award, the Optionee agrees to refrain from violating any covenants contained in any current or future written agreement, including any modifications thereof, between the Optionee and the Corporation, prohibiting, or restricting competition, solicitation of customers, or solicitation or hiring of employees or independent contractors, or concerning the ownership, use, possession or disclosure of inventions, patent applications, copyrights, confidential information, trade secrets or other proprietary information (defined collectively as "Covenants"). In the event that the Committee determines in good faith that the Optionee has violated the provisions of Covenants, then the Optionee (or his heir or legatee) shall forfeit any further right to exercise any unexercised portion of the Option hereunder.

7. Changes in Capitalization.

(a) Except as provided in Subsection (b) below, if the number of shares of Stock shall be increased or decreased by reason of a subdivision or combination of shares of Stock, the payment of an ordinary stock dividend in shares of Stock or any other increase or decrease, in the number of shares of Stock outstanding effected without receipt of consideration by the Company, an appropriate adjustment shall be made by the Committee, in a manner determined in its sole discretion, in the number and kind of Option Shares and in the Exercise Price.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend or other change in the corporate structure of the Company, including a Change in Control, or tender offer for shares of Stock, shall provide for an appropriate adjustment to the option or provide for the substitution of a new option which adjustment or substitution shall be consistent with the event requiring the adjustment or substitution; provided, however, in the event the Company will not be the surviving entity as a result of the event and the surviving entity does not agree to the adjustment or substitution, the Committee may elect to terminate the Option Period as of the date of the Change in

Control in consideration of the payment to the Optionee of the sum of the difference between the then Fair Market Value of the Common Stock and the Exercise Price for each Option Share as to which the Option has not been exercised as of the date of the Change in Control.

(c) The existence of the Plan and the Option granted pursuant to this Agreement shall not affect in any way the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or any part of its business or assets, or any other corporate act or proceeding. Any adjustment pursuant to this Section may provide, in the Committee's discretion, for the elimination without payment therefor of any fractional shares that might otherwise become subject to any Option.

8. Special Limitation on Exercise. No purported exercise of the Option shall be effective without the approval of the Committee, which may be withheld to the extent that the exercise, either individually or in the aggregate together with the exercise of other previously exercised stock options and/or offers and sales pursuant to any prior or contemplated offering of securities, would, in the sole and absolute judgment of the Committee, require the filing of a registration statement with the United States, Securities and Exchange Commission or with the securities commission of any state. If a registration statement is not in effect under the Securities Act of 1933 or any applicable state securities law with respect to shares of Stock purchasable or otherwise deliverable under the Option, the Optionee (a) shall deliver to the Company, prior to the exercise of the Option or as a condition to the delivery of Stock pursuant to the exercise of an Option exercise., such information, representations and warranties as the Company may reasonably request in order for the Company to be able to satisfy itself that the Option Shares are being acquired in accordance with the terms of an avolicable exemption from the securities registration requirements of applicable federal and state securities laws and (b) shall acre that the shares of Stock so acquired will not be disposed of except pursuant to an effective registration statement, unless the Company shall have received an opinion of counsel that such disposition is exempt from such requirement under the Securities Act of 1933 and any applicable state securities law.

9. Legend on Stock Certificates. Certificates evidencing the Option Share, to the extent appropriate at the time, shall have noted conspicuously on the certificates a legend intended to give all persons full notice of the existence of the conditions, restrictions, rights and obligations set forth herein and in the Plan.

10. Governing Laws. This Award and the Terms and Conditions shall be construed, administered and enforced according to the laws of the State of Texas.

11. Successors. This Award and the Terms and Conditions shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and permitted assigns of the optionee and the Company.

12. Notice. Except as otherwise specified herein, all notices and other communications under this Award shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving, notice of the address to the other parties in the same manner as provided herein.

13. Severability. In the event that any one or more of the provisions or portion thereof contained in the Award and these Terms and Conditions shall for any reason be held to be invalid, illegal or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of the Award and these Terms and Conditions, and the Award and these Terms and Conditions shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

14. Entire Agreement. Subject to the terms and conditions of the Plan, the Award and the Terms and Conditions express the entire understanding of the parties with respect to the Option.

15. Violation. Any transfer, pledge, sale, assignment, or hypothecation of the Option or any portion thereof shall be a violation of the terms of the Award or these Terms and Conditions and shall be void and without effect.

16. Headings and Capitalized Terms. Section headings used herein are for convenience of reference only and shall not be considered in construing the Award or these Terms and Conditions. Capitalized terms used, but not defined, in either the Award or the Terms and Conditions shall be given the meaning ascribed to them in the Plan.

17. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms conditions and provisions of the Award and these Terms and Conditions, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.,

18. No Right to Continued Service. Neither the establishment of the Plan nor the award hereunder shall be construed as giving the Optionee the right to continued service with the Company or any Subsidiary or any affiliate.

EXHIBIT 1
NOTICE OF EXERCISE OF
STOCK OPTION TO PURCHASE
COMMON STOCK OF
SELSIUS SYSTEMS INC.

Name

Address

Date

Selsius Systems Inc.

Re: Exercise of Nonqualified Stock Option

Gentlemen:

Subject to acceptance hereof by Selsius Systems Inc. (the "Company") pursuant to the provisions of the Selsius Systems Inc. 1997 Stock Incentive Plan (the "Plan") I hereby give notice of my election to exercise options granted to me to purchase _____ shares of common stock of the Company under the Nonqualified Stock Option Award (the "Award") dated as of _____. The purchase shall take place as of _____ 199_ (the "Exercise Date").

On or before the Exercise Date, I will pay the applicable purchase price as follows:

☐ by, delivery of cash or a certified check for \$_____ for the full purchase price payable to the order of Selsius Systems Inc.

☐ by delivery of cash or a certified check for \$_____ representing a portion of the purchase price with the balance to consist of shares of Common Stock that I have owned for at least six months and that are represented by a stock certificate I will surrender to the Company with my endorsement. If the number of shares of Common Stock represented by such stock certificate exceed the number to be applied against the purchase price, I understand that a new stock certificate will be issued to me reflecting the excess number of shares.

☐ by delivery of a stock certificate representing shares of Common Stock that I have owned for at least six months which I will surrender to the Company with my endorsement as payment of the purchase price. If the number of shares Of Common Stock represented by such certificate exceed the number to be applied against the purchase price, I understand that a new certificate will be issued to me reflecting the excess number of shares.

[] by delivery of the purchase price by _____ a broker, dealer or other "creditor" as defined by Regulation T issued by the Board of Governors of the Federal Reserve System. I hereby authorize the Company to issue a stock certificate for the number of shares indicated above in the name of said broker, dealer or other creditor or its nominee pursuant to instructions received by the Company and to deliver said stock certificate directly to that broker, dealer or other creditor (or to such other party specified in the instructions received by the Company from the broker, dealer or other creditor) upon receipt of the purchase price.

The required federal, state and local income tax withholding obligations, if any, on the exercise of the Award shall also be paid on or before the Exercise Date in the manner provided in the Withholding Election previously tendered or to be tendered to the Company no later than the Exercise Date.

As soon as the stock certificate is registered in my name, please deliver it to me at the above address.

If the Common Stock being acquired is not registered for issuance to and resale by the Optionee pursuant to an effective registration statement on Form S-8 (or successor form) filed under the Securities Act of 1933, as amended (the "1933 Act"), I hereby represent, warrant, covenant, and agree with the Company as follows:

The shares of the Common Stock being, acquired by me will be acquired for my own account without the participation of any other person, with the intent of holding the Common Stock for investment and without the intent of participating, directly or indirectly, in a distribution of the Common Stock and not with a view to, or for resale in connection with, any distribution of the Common Stock, nor am I aware of the existence of any distribution of the Common Stock;

I am not acquiring the Common Stock based upon any representation, oral or written, by any person with respect to the future value of, or income from, the Common Stock but rather upon an independent examination and judgment as to the prospects of the Company;

The Common Stock, was not offered to ;by -means of publicly disseminated advertisements or sales literature, nor am I aware of any offers made to other persons by such means;

I am able to bear the economic risks of the investment in the Common Stock, including the risk of a complete loss of my investment therein;

I understand and agree that the Common Stock will be issued and sold to me without registration under any state law relating to the registration of securities for sale, and will be issued and sold in reliance on the exemptions from registration under the 1933 Act, provided by Sections 3(b) and/or 4(2) thereof and the rules and regulations promulgated thereunder;

The Common Stock cannot be offered for sale, sold or transferred by me other than pursuant to: (A) an effective registration under the 1933 Act or in a transaction otherwise in compliance with the 1933 Act; and (B) evidence satisfactory to the Company of compliance with the applicable securities laws of other jurisdictions. The Company shall be entitled to rely upon an opinion of counsel satisfactory to it with respect to compliance with the above laws;

The Company will be under no obligation to register the Common Stock or to comply with any exemption available for sale of the Common Stock without registration or filing, and the information or conditions necessary to permit routine sales of securities of the Company under Rule 144 under the 1933 Act are not now available and no assurance has been given that it or they will become available. The Company is under no obligation to act in any manner so as to make Rule 144 available with respect to the Common Stock;

I have and have had complete access to and the opportunity to review and make copies of all material documents related to the business of the Company, including, but not limited to, contracts, financial statements, tax returns, leases, deeds and other books and records. I have examined such of these documents as I wished and am familiar with the business and affairs of the Company. I realize that the purchase of the Common Stock is a speculative investment and that any possible profit therefrom is uncertain;

I have had the opportunity to ask questions of and receive answers from the Company and any person acting on its behalf and to obtain all material information reasonably available with respect to the Company and its affairs. I have received all information and data with respect to the Company which I have requested and which I have deemed relevant in connection with the evaluation of the merits and risks of my investment in the Company;

I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of the purchase of the Common Stock hereunder and I am able to bear the economic risk of such purchase; and

The agreements, representations, warranties and covenants made by me herein extend to and apply to all of the Common Stock of the Company issued to me pursuant to this Award. Acceptance by me of the certificate representing such Common Stock shall constitute a confirmation by me that all such agreements, representations, warranties and covenants made herein shall be true and correct at that time.

I understand that the certificates representing the shares being purchased by me in accordance with this notice shall bear a legend referring to the foregoing covenants, representations and warranties and restrictions on transfer, and I agree that a legend to that effect may be placed on any certificate which may be issued to me as a substitute for the certificates being acquired by me in accordance with this notice.

Very truly yours,

EXHIBIT 1 to Non-qualified Stock Option Award -- Page 3

AGREED TO AND ACCEPTED:

SELSIUS SYSTEMS INC.

By:

Title:

Number of Shares

Exercised:

Number of Shares

Remaining: Date:

EXHIBIT 99.6

**SCHEDULE 1 [NAME OF OPTIONEE]
TO SELSIUS SYSTEMS INC.
INCENTIVE STOCK OPTION AWARD**

Vesting Schedule

"Vested Option Shares" means only that percentage of the Option Shares as to which the Option becomes exercisable following completion of the months of service indicated in the schedule first set forth below.

Percentage of Shares Which are Vested Option Shares -----	Months of Service after Grant Date -----
0%	0 up to 12
33%	12
plus an additional 2.78%	each additional month thereafter

Notwithstanding the foregoing Vesting Schedule, the option shall become fully vested and exercisable during the Option Period if and when the Optionee retires on or after age 65 or if a Change of Control occurs after the 12th month following the Grant Date. If a Change of Control occurs prior to the 12th month following the Grant Date, the Option shall be vested in that percentage equal to the quotient of the Optionee's months of service following the Grant Date divided by 12.

1. Construction. (a) For purposes of the Vesting Schedule, Optionee shall be granted as month of service for each consecutive month period following the Grant Date and during which Optionee continues, at all times, as an employee of the Company or a Subsidiary.

(b) The right of Optionee to vest in Stock shall cease upon the termination of his or her service as an employee with the Company and any Subsidiaries. Thereafter, no further shares shall become Vested Shares. The Option shall be exercisable only as to Vested Shares during the Option Period specified in the Award.

EXHIBIT 99.7

**SCHEDULE I [NAME OF OPTIONEE]
TO SELSIUS SYSTEMS INC.
NONQUALIFIED STOCK OPTION AWARD**

Vesting Schedule

"Vested Option Shares" means only that percentage of the number of shares of Stock subject to the Option as to which the Option becomes exercisable following completion of the month of service for the Company indicated in the schedule below.

Percentage of Shares Which are Vested Option Shares -----	Months of Service after Grant Date -----
0%	0 up to 12
33%	12
plus an additional 2.78%	each additional month thereafter

Notwithstanding the foregoing Vesting Schedule, the Option shall become fully vested and exercisable during the Option Period if and when the Optionee retires on or after age 65 or if a Change of Control occurs after the 12th month following the Grant Date. If a Change of Control occurs prior to the 12th month following the Grant Date, the Option shall be vested in that percentage equal to the quotient of the Optionee's months of service following the Grant Date divided by 24.

1. Construction. (a) For purposes of the Vesting Schedule, Optionee shall be granted a month of service for each consecutive month following the Grant Date and during which Optionee continues, at all times, to provide service to the Company or a Subsidiary.

(b) The right of Optionee to vest in Stock shall cease upon the termination of his or her service to the Company or Subsidiary, whether by reason of death, Disability or otherwise and, thereafter, no further shares shall become Vested Option Shares; and the Option shall be exercisable during the Option Period specified in the Award.

EXHIBIT 99.8

DISCLOSURE STATEMENT

TO

EMPLOYEES, INCLUDING HOLDERS OF OPTIONS

GRANTED UNDER

THE

SELSIUS SYSTEMS INC. 1997 STOCK INCENTIVE PLAN

THE TRANSACTION

GENERAL

On October 13, 1998, Selsius Systems Inc. (the "Company"), InteCom Inc. ("InteCom"), and Jacques Payer, George O'Brien, George Platt, Jean-Francois Boulin, John Christoph, and Gary Schatzel (collectively, the "Optionholders") entered into a Stock Purchase Agreement pursuant to which (a) InteCom agreed to sell to Cisco Systems, Inc. ("Cisco") all of the Company's Common Stock, par value \$.01 per share ("Common Stock") and Preferred Stock, par value \$.01 per share ("Preferred Stock") that it holds of record on the date of sale (the "Closing Date") and (b) the Optionholders agreed to convert all options held by them on the Closing Date into Common Stock and to sell such Stock to Cisco. Messrs. Payer, Platt, and O'Brien hold options granted under the Selsius Systems Inc. Director Stock Option Plan (the "Director Plan"). Messrs. Boulin, Christoph, and Schatzel hold options granted under the Selsius Systems Inc. 1997 Stock Incentive Plan (the "Employee Plan"). In this Disclosure Statement, the options granted to Messrs. Payer, Platt, and O'Brien are referred to as the "Director Options"; the options granted to Messrs. Boulin, Christoph, and Schatzel are referred to as the "NonEmployee Options"; and all other options granted under the Employee Plan are referred to as the "Employee Options." The Common Stock and Preferred Stock are collectively referred to as the "Stock" and the sale of the by the holders thereof to Cisco pursuant to the Stock Purchase Agreement is herein called the "Transaction."

DIRECTOR OPTIONS AND NON-EMPLOYEE OPTIONS

All of the Director Options and the Non-Employee Options will vest as of the Closing Date and the holders thereof will convert such Options into Common Stock and sell such Common Stock to Cisco in the Transaction for the price set forth below in "Employee Options" - "Employees who elect not to continue employment with the Company after the Closing."

EMPLOYEE OPTIONS

Continuing Employees. Each Company employee (an "Employee") who elects to continue his or her employment with the Company after the Closing (each a "Continuing Employee") must execute the waiver agreement in the form attached hereto as Exhibit A (the "Waiver"). Cisco will assume each vested and unvested Employee Option that Continuing Employees hold on the Closing Date. Each of the Employee Options that Cisco assumes will continue to have, and to be subject to, the terms and conditions set forth in, the Employee Plan and the award pursuant to which the Company granted the

Employee Options to its employees (the "Award"), except that (1) the Transaction will not accelerate the exercisability or vesting of any Employee Options for which the Company receives a Waiver; (2) Cisco will exchange each Employee Option for a Cisco option (a "New Option") exercisable for that number of whole shares of Cisco Common Stock equal to the product of the number of shares of Common Stock that were issuable upon exercise of such Employee Option immediately prior to the Closing Date multiplied by the Exchange Ratio (as defined below) and rounded down to the nearest whole number of shares of Cisco Common Stock; and (3) the per share exercise price for the shares of Cisco Common Stock issuable upon exercise of each New Option will be equal to a quotient determined by dividing the exercise price per share of Common Stock at which such option was exercisable immediately prior to the Closing Date by the Exchange Ratio, rounded up to the nearest whole cent. The Exchange Ratio will be the quotient derived by dividing the Option Component by the aggregate number of Employee Options outstanding on the Closing Date. The Option Component is the number derived by (1) multiplying \$140,000,000 by a fraction, the numerator of which is the number of shares of Common Stock underlying the Employee Options outstanding on the Closing Date and the denominator of which is the number of shares of Common Stock underlying the Employee Options on the Closing Date plus the number of shares of Common Stock and Preferred Stock outstanding on the Closing Date and (2) dividing the amount determined pursuant to subparagraph (1) by the average of the closing prices for a share of Cisco Common Stock as quoted on the NASDAQ National Market for the ten trading days immediately preceding and ending on the trading day that is three calendar days prior to the Closing Date. Within 20 business days after the Closing Date, Cisco will issue to each Continuing Employee a document in appropriate form evidencing Cisco's assumption of such Employee's Employee Options.

Cisco has advised the Company that if Cisco or the Company terminates a Continuing Employee's employment "Without Cause" at any time following the Closing, all of such Employee's New Options that had not previously vested will automatically vest in full and all of such Employee's New Options will be immediately exercisable (a "Special Acceleration"). The Special Acceleration will apply only to the New Options that Cisco assumes in the Transaction and not to any options that Cisco grants to Continuing Employees in the future. A termination for "Cause" means a termination for any of the following reasons:

(a) the Continuing Employee's failure to perform satisfactorily the duties of his or her position after receipt of a written warning; (b) the Continuing Employee's misconduct; (c) the Continuing Employee's conviction of a crime; (d) the Continuing Employee's commission of an act of fraud against, or the misappropriation of property belong to, Cisco or the Company; (e) the Continuing Employee's material breach of his employment agreement with the Company or Cisco or of any confidentiality or proprietary information agreement between the Continuing Employee and Cisco or the Company. A termination "Without Cause" means a termination for any other reason. A Continuing Employee will not be entitled to a Special Acceleration if he or she resigns from his or her employment for any reason or if Cisco or the Company terminates such Employee's employment "For Cause."

Non-Continuing Employees. All of the Employee Options held by Employees who elect not to continue employment with the Company after the Closing (the "Non-Continuing Employees") will vest as of the Closing Date. Each Non-Continuing Employee will be required to exercise, on or prior to the Closing Date, his or her Employee Options in accordance with the Award pursuant to which the Company granted such Options to him or her (including the payment of the exercise price) and sell the Common Stock that such Employee receives in such exercise to Cisco on the Closing Date. Each Non-Continuing Employee will be required to signify his/her consent to sell by executing and delivering to Cisco an Election Not to Participate and Agreement to Sell in the form attached hereto as Exhibit B. The price for each share of Common Stock that the Cisco will pay to Non-Continuing Employees will be equal to (a) \$140,000,000 divided by (b) the sum of the number of shares of Stock outstanding on the Closing Date plus the number of shares of Common Stock underlying the Employee Options outstanding on the Closing and held by Continuing Employees.

EMPLOYEE RIGHTS UNDER THE PLAN

The following information is being provided to assist the Employee in making a decision as to whether to waive his/her rights under the Plan. The Company will make a full copy of the Plan available to the Employees upon request. Any Employee who desires to review the entire Plan should contact Sam Swann at 972.855.8482.

The options granted to an Employee under the Plan vest according to the vesting schedule attached to the Award. Each Award provides that, in addition to the vesting schedule set forth in the Award (a) the options will become fully vested and exercisable during the Option Period (as defined below) if and when the Employee option holder retires on or after age 65 or if a Change in Control (as defined below) occurs after the 12th month following the grant date of the option; and (b) a percentage of the Employee holder's options will vest if a Change in Control occurs before the 12th month following the grant date. This percentage is to be computed by dividing the number of months elapsing between the grant date and the Change in Control date by 12. An Employee may exercise his Vested Options by complying with the Terms and Conditions attached to his Award.

"Option Period" means the period that commences on the option grant date and ends on the earlier of (a) the tenth anniversary of the grant date; and (b) the later to occur of (i) 30 days following the date upon which the Employee holder ceases to provide services to the Company or any subsidiary or any affiliate for any reason other than retirement at age 65, death, or disability and (ii) 12 months following the date upon the Employee holder ceases to provide services to the Company or any subsidiary or affiliate due to death or disability, provided that in all cases the option may be exercised as to no more than the Vested Options determined pursuant to the vesting schedule. A "Change in Control" will be deemed to occur, among other things, on the date upon which the Company's stockholders approve an agreement for the sale or other disposition of all or substantially all of the assets of the Company to any person (other than a transfer to a subsidiary).

CONDITIONS PRECEDENT TO CLOSING

The conditions described in this Section are among those conditions that must be satisfied on or prior to the Closing.

1. At least 90% of all current Company employees (each an "Employee") performing technical functions and at least 80% of all holders of options granted under the Employee Plan, other than the Non-Employee Options, must execute the Waiver attached hereto. (Up to 20% of the Employees participating in the Employee Plan (including 10% of the Employees performing technical functions) may elect not to execute the Waiver and not become Cisco employees.)
2. Each Non-Continuing Employee must (a) execute the Election Not to Participate and Agreement to Sell attached hereto as Exhibit B, (b) exercise all of his or her Employee Options in accordance with his/her Award, and (c) sell the Common Stock received upon exercise of his/her Employee Options to Cisco on the Closing Date.

If these conditions are not satisfied, Cisco will not acquire Stock from any holder thereof, the Closing will not occur; no Director Options, Non-Employee Options, or Employee Options will accelerate; and the Director Plan and the Employee Plan will remain in effect as if the parties had never entered into the Stock Purchase Agreement. Likewise, the Plans will remain in effect as if the parties had never entered into the Stock Purchase Agreement if the Closing does not occur for any other reason,

including the failure of Messrs. Tucker, Platt, Hahn, Sanders, and Alexander to enter into employment agreements with Cisco.

OTHER REQUIREMENTS

As part of the Employee's obligations to the Company and to InteCom, on or before the Closing Date (a) each Employee who was previously an InteCom employee must execute and deliver to the Company the Departing Employee Certificate section of the document entitled "InteCom Employee's Covenant To Protect Proprietary Information" and (b) each Employee must execute and deliver to the Company the Selsius Employee's Covenant to Protect InteCom Proprietary Information in the form attached hereto.

TAX CONSEQUENCES

It is the intention of the parties that the Employee Options that Cisco assumes will qualify, to the maximum extent permissible following the Closing Date, as incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended, to the extent such options qualified as incentive stock options prior to the Closing Date. Each Employee participant should consult his/her own tax counsel or accountant to determine the tax effect of the Waiver upon the Employee.

PROCEDURE

A. If you agree to (1) become a Continuing Employee, (2) waive your rights to accelerated vesting of your options upon a Change in Control, and (3) exchange your Employee Options for New Options as described under "TRANSACTION," in lieu of all rights that you may have under the Plan and your Award, you must complete, date, and execute the following documents and return them to Sam Swann on or prior to October 31, 1998:

- (1) the Waiver Agreement in the form attached hereto;
- (2) a Departing Employee Certificate in the form attached here if you were previously an InteCom employee; and
- (3) the Selsius Employee's Covenant to Protect InteCom Proprietary Information attached hereto.

B. If you elect to become a Non-Continuing Employee, you must complete, date, and execute the following documents and return them to Sam Swann on or prior to October 31, 1998:

- (1) the Election Not to Participate and Agreement to Sell in the form attached hereto;
- (2) a Departing Employee Certificate in the form attached here if you were previously an InteCom employee; and
- (3) the Selsius Employee's Covenant to Protect InteCom Proprietary Information attached hereto.

Dated October 13, 1998

EXHIBIT A

WAIVER AGREEMENT

I, _____ (the "Employee"), hereby represent and warrant to Selsius Systems Inc. (the "Company") and its affiliates that:

1. I am a participant in the Selsius Systems Inc. 1997 Stock Incentive Plan (the "Plan").
2. I have been given the opportunity to review the Plan and been provided with a copy of the award and terms and conditions pursuant to which the Company granted options to me under said Plan (the "Award").
3. The number of options that I now hold and each date upon which the Company granted such options to me are set forth on Schedule A hereto. The options identified on Schedule A and any that may be granted to me prior to the Closing are herein referred to as the "Options."
4. The Company has informed me that Cisco Systems Inc. ("Cisco") desires to acquire all of the Company's capital stock from the holders thereof.
5. I have received and have read the Selsius Systems Inc. Disclosure Statement to Holders of Options Granted under the Plan, dated October 13, 1998 (the "Disclosure Statement") and have either discussed the same with my counsel or determined not to do so.
6. In entering into this Waiver Agreement, I have relied solely upon the Disclosure Statement and have not relied upon any oral statements made to me by any Employee of the Company or affiliate of the Company or Cisco.
7. I have the capacity to enter into this Agreement and to perform my obligations hereunder.
8. Words and terms used herein and not defined shall have the meanings ascribed to them in the Disclosure Statement.

Agreements

In partial consideration of (a) my receipt from Cisco of an offer of continued employment and (b) Cisco's promise to exchange my Options for New Options as described in the Section entitled "THE TRANSACTION" in the Disclosure Statement:

A. I agree to waive the vesting acceleration provisions of the Plan and the Award on my outstanding Options. By this waiver I acknowledge my understanding that my Options will not become fully vested or become exercisable upon a Change in Control (as defined in Section 2.7(a) of the Plan), whether under the Award or the Plan.

B. I agree that Cisco will assume each of the Options, whether vested or unvested, that I hold on the Closing Date. Each of my Options that Cisco assumes will continue to have, and to be subject to, the terms and conditions set forth in, the Plan and the Award, except that (1) the

Waiver Agreement

exercisability or vesting of my Options will not accelerate upon the Closing of the Transaction; (2) Cisco will exchange each of my Options for a Cisco option (a "New Option") exercisable for that number of whole shares of Cisco Common Stock equal to the product of the number of shares of Common Stock that were issuable upon exercise of my Option immediately prior to the Closing Date multiplied by the Exchange Ratio (as defined below) and rounded down to the nearest whole number of shares of Cisco Common Stock, and (3) the per share exercise price for the shares of Cisco Common Stock issuable upon exercise of each New Option shall be equal to a quotient determined by dividing the exercise price per share of Common Stock at which such option was exercisable immediately prior to the Closing by the Exchange Ratio, rounded up to the nearest whole cent. Within 20 business days after the Closing Date, Cisco will issue to me a document in appropriate form evidencing Cisco's assumption of my Options.

The Exchange Ratio will be the quotient derived by dividing the Option Component by the aggregate number of Employee Options outstanding on the Closing Date. The Option Component is the number derived by (1) multiplying \$140,000,000 by a fraction, the numerator of which is the number of shares of Common Stock underlying the Employee Options outstanding on the Closing Date and the denominator of which is the number of shares of Common Stock underlying the Employee Options on the Closing Date plus the number of shares of Stock outstanding on the Closing Date and (2) dividing the amount determined pursuant to subparagraph (1) by the average of the closing prices for a share of Cisco Common Stock as quoted on the NASDAQ National Market for the ten trading days immediately preceding and ending on the trading day that is three calendar days prior to the Closing Date.

C. This Waiver Agreement will be irrevocable when executed by me and delivered to the Company unless the Closing does not occur prior to December 15, 1998 or such later date upon which the Company and Cisco agree, in which case this Waiver Agreement will be of no force and effect.

D. This Waiver Agreement is for the benefit of the Company, Cisco, InteCom, Lagardere SCA, and their respective affiliates.

E. Capitalized words and terms used herein and not defined shall have the meanings ascribed to them in the Disclosure Statement.

Dated: October 13, 1998

Name:

Waiver Agreement

SCHEDULE A

Employee's Name:

Date(s) on which the Company
granted Options to the
Employee under the Plan

Number of Options Granted on
Each Date

Exercise
Price

Waiver Agreement

EXHIBIT B

ELECTION NOT TO PARTICIPATE AND AGREEMENT TO SELL

I, _____ (the "Employee"), hereby represent and warrant to Selsius Systems Inc. (the "Company") and its affiliates that:

1. I am a participant in the Selsius Systems Inc. 1997 Stock Incentive Plan (the "Plan").
2. I have been given the opportunity to review the Plan and been provided with a copy of the award and terms and conditions pursuant to which the Company granted options to me under said Plan (the "Award").
3. The number of options that I now hold (the "Options") and each date upon which the Company granted such Options to me are set forth on Schedule A hereto.
4. The Company has informed me that Cisco Systems Inc. ("Cisco") desires to acquire all of the Company's capital stock from the holders thereof.
5. I have received and have read the Selsius Systems Inc. Disclosure Statement to Holders of Options Granted under the Plan, dated October 13, 1998 (the "Disclosure Statement") and have either discussed the same with my counsel or determined not to do so.
6. In entering into this Election Not to Participate and Agreement to Sell, I have relied solely upon the Disclosure Statement and have not relied upon any oral statements made to me by any Employee of the Company or affiliate of the Company.
7. I have the capacity to enter into this Agreement and to perform my obligations hereunder.
8. Words and terms used herein and not defined shall have the meanings ascribed to them in the Disclosure Statement.

Agreements

In consideration of the acceleration of all of my outstanding Options:

- A. I hereby exercise my Options in accordance with the Award and the Plan immediately prior to the Closing Date.
- B. I hereby agree to sell the shares of Common Stock issued upon exercise of the Options to Cisco on the Closing Date. Cisco's obligations to purchase the shares are subject to the conditions set forth in Article VI of the Stock Purchase Agreement.
- C. I agree to sell to Cisco, on the Closing Date, the shares of Common Stock that I receive upon exercise of my Options for a price equal to (a) \$140,000,000 divided by (b) the sum of the number of shares of Stock outstanding on the Closing Date plus the number of shares of

Election Not to Participate 1

Common Stock underlying the Employee Options outstanding on the Closing and held by Continuing Employees.

D. At the Closing, upon delivery of the certificates representing the shares issued upon exercise of the Options, Cisco will acquire good and marketable title to the shares, free and clear of any lien, pledge, claim, charge, restriction or other encumbrance and with no title defect, and will be entitled to all the rights of a holder of such shares.

E. This Election Not to Participate and Agreement to Sell will be irrevocable when executed by me and delivered to the Company unless the Closing does not occur prior to December 15, 1998 or such later date upon which the Company and Cisco agree. Thereafter this Election Not to Participate and Agreement to Sell will be of no force and effect.

F. This Election Not to Participate and Agreement to Sell is for the benefit of the Company, Cisco, InteCom, Lagardere SCA, and their respective affiliates.

G. Capitalized words and terms used herein and not defined shall have the meanings ascribed to them in the Disclosure Statement.

Dated: October , 1998

Name:

Election Not to Participate 2

SCHEDULE A

Employee's Name:

Date(s) on which the Company
granted Options to the
Employee under the Plan

Number of Options Granted on
Each Date

Exercise
Price

Election Not to Participate

EXHIBIT 99.9

CISCO SYSTEMS, INC.

STOCK OPTION ASSUMPTION AGREEMENT

SELSIUS SYSTEMS INC.

1997 STOCK INCENTIVE PLAN

OPTIONEE: [Optionee]

This STOCK OPTION ASSUMPTION AGREEMENT is effective as of the 20th day of November, 1998 by Cisco Systems, Inc., a California corporation ("Cisco").

WHEREAS, the undersigned individual ("Optionee") holds one or more outstanding options to purchase shares of the common stock of Selsius Systems Inc., a Delaware corporation ("Selsius"), which were granted to Optionee under the 1997 Stock Incentive Plan (the "Plan"), which is evidenced by the following agreements between Selsius and Optionee: (i) a Stock Option Award (the "Option Award"), (ii) the Terms and Conditions to the Stock Option Award, and (iii) the Disclosure Statement and Waiver Letter (collectively, the "Waiver").dated October 13, 1998, amending the Option Award (and the Plan, as incorporated into the Option Award). The Option Award, including the incorporated provisions of the relevant Plan as amended by the Waiver, shall be referred to in this document as the "Amended Option Agreement."

WHEREAS, Selsius has on November 20, 1998 been acquired by Cisco through Cisco's purchase of one hundred percent (100%) of Selsius' capital stock from InteCom Inc., a Delaware corporation, and certain individuals (the "Transaction") pursuant to the Stock Purchase Agreement dated October 13, 1998, by and among Cisco, InteCom Inc. and Selsius (the "Stock Purchase Agreement").

WHEREAS, the provisions of the Stock Purchase Agreement require Cisco to assume all obligations of Selsius under all outstanding options under the Plans at the consummation of the Transaction and to issue to the holder of each outstanding option an agreement evidencing the assumption of such option.

WHEREAS, pursuant to the provisions of the Stock Purchase Agreement, the exchange ratio (the "Exchange Ratio") in effect for the Transaction is 2.37438777 of a share of Cisco common stock ("Cisco Stock") for each outstanding share of Selsius common stock ("Selsius Stock").

WHEREAS, this Agreement is effective immediately upon the consummation of the Transaction (the "Effective Time") in order to reflect certain adjustments to Optionee's outstanding options under the Plans which have become necessary by reason of the assumption of those options by Cisco in connection with the Transaction.

NOW, THEREFORE, it is hereby agreed as follows:

1. The number of shares of Selsius Stock subject to the options held by Optionee immediately prior to the Effective Time (the "Selsius Options") and the exercise price payable per share are set forth in Exhibit A hereto. Cisco hereby assumes, as of the Effective Time, all the duties and obligations of Selsius under each of the Selsius Options. In connection with such assumption, the number of shares of Cisco Stock purchasable under each Selsius Option hereby assumed and the exercise price payable thereunder have been adjusted to reflect the Exchange Ratio. Accordingly, the number of shares of Cisco Stock subject to each Selsius Option hereby assumed shall be as specified for that option in attached Exhibit A, and the adjusted exercise price payable per share of Cisco Stock under the assumed Selsius Option shall also be as indicated for that option in attached Exhibit A.
2. The intent of the foregoing adjustments to each assumed Selsius Option is to assure that the spread between the aggregate fair market value of the shares of Cisco Stock purchasable under each such option and the aggregate exercise price as adjusted pursuant to this Agreement will, immediately after the consummation of the Transaction, approximate the spread which existed, immediately prior to the Transaction, between the then aggregate fair market value of the Selsius Stock subject to the Selsius Option and the aggregate exercise price in effect at such time under the Amended Option Agreement. Such adjustments are also designed to preserve, immediately after the Transaction, on a per share basis, the same ratio of exercise price per option share to fair market value per share which existed under the Selsius Option immediately prior to the Transaction.
3. The following provisions shall govern each Selsius Option hereby assumed by Cisco:
 - (a) Unless the context otherwise requires, all references in each Amended Option Agreement and in the Plan (as incorporated into such Amended Option Agreement) (i) to the "Company" or "Selsius" shall mean Cisco, (ii) "Shares" or "Option Shares" shall mean shares of Cisco Stock, (iii) to the "Board of Directors" or the "Board" shall mean the Board of Directors of Cisco and (iv) to the "Committee" shall mean the Compensation Committee of the Cisco Board of Directors.
 - (b) The grant date and the expiration date of each assumed Selsius Option and all other provisions which govern either the exercise or the termination of the assumed Selsius Option shall remain the same as set forth in the Amended Option Agreement applicable to that option, and the provisions of the Amended Option Agreement shall accordingly govern and control Optionee's rights under this Agreement to purchase Cisco Stock.
 - (c) Pursuant to the terms of the Amended Option Agreement, the assumed Selsius option shall NOT vest and become fully exercisable on an accelerated basis upon the consummation of the Transaction. Each assumed Selsius Option shall therefore remain exercisable in accordance with the same installment exercise schedule in effect under the applicable Amended Option Agreement immediately prior to the Effective Time, with shares of Cisco stock subject to each installment adjusted to reflect the Exchange Ratio. Each Selsius Option shall be assumed by Cisco as of the Effective Time.

(d) Pursuant to the terms of the Amended Option Agreement, following the Transaction, each assumed Selsius Option that had not previously vested will automatically vest in full and become immediately exercisable upon termination of the Optionee's employment with Cisco Without Cause (as the term "Without Cause" is defined in the Amended Option Agreement) within one (1) year of the Effective Date.

(e) For purposes of applying any and all provisions of the Amended Option Agreement and the relevant Plan relating to Optionee's right to continued service with Selsius, Optionee shall be deemed to continue in such status for so long as Optionee renders services to Cisco or any present or future Cisco subsidiary. Accordingly, the provisions of the Amended Option Agreement governing the termination of the assumed Selsius Options upon Optionee's cessation of service to Selsius shall hereafter be applied on the basis of Optionee's cessation of service to Cisco and its subsidiaries, and each assumed Selsius Option shall accordingly terminate, within the designated time period in effect under the Amended Option Agreement for that option, following such cessation of service to Cisco and its subsidiaries. Accordingly, the Optionee must exercise their assumed Selsius Option within thirty (30) days following the termination of their employment with Cisco without Cause (as defined in (d)).

(f) The adjusted exercise price payable for the Cisco Stock subject to each assumed Selsius Option shall be payable in any of the forms authorized under the Amended Option Agreement applicable to that option. For purposes of determining the holding period of any shares of Cisco Stock delivered in payment of such adjusted exercise price, the period for which such shares were held as Selsius Stock prior to the Transaction shall be taken into account.

(g) In order to exercise each assumed Selsius Option, Optionee must deliver to Cisco a written notice of exercise in which the number of shares of Cisco Stock to be purchased thereunder must be indicated. The exercise notice must be accompanied by payment of the adjusted exercise price payable for the purchased shares of Cisco Stock and should be delivered to Cisco at the following address:

Cisco Systems, Inc. 255 West Tasman Drive, Building J San Jose, CA 95134 Attention: Option Plan Administrator

4. Except to the extent specifically modified by this Option Assumption Agreement, all of the terms and conditions of each Amended Option Agreement as in effect immediately prior to the Transaction shall continue in full force and effect and shall not in any way be amended, revised or otherwise affected by this Stock Option Assumption Agreement.

IN WITNESS WHEREOF, Cisco Systems, Inc. has caused this Stock Option Assumption Agreement to be executed on its behalf by its duly-authorized officer as of the 16 day of December, 1998.

CISCO SYSTEMS, INC.

By:

Larry R. Carter Corporate Secretary

ACKNOWLEDGMENT

The undersigned acknowledges receipt of the foregoing Stock Option Assumption Agreement and understands that all rights and liabilities with respect to each of his or her Selsius Options hereby assumed by Cisco are as set forth in the Amended Option Agreement, the Plan and such Stock Option Assumption Agreement.

[Optionee], OPTIONEE

DATED: _____, 1998

EXHIBIT A

Optionee's Outstanding Options to Purchase Shares of Selsius Systems Inc. Common Stock (Pre-Transaction) and Optionee's Outstanding Options to Purchase Shares of Cisco Systems, Inc. Common Stock (Post-Transaction)

End of Filing

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