

CISCO SYSTEMS, INC.

FORM S-8

(Securities Registration: Employee Benefit Plan)

Filed 04/20/06

Address	170 WEST TASMAN DR SAN JOSE, CA 95134-1706
Telephone	4085264000
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Sector	Technology
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**UNITED STATES
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
(I.R.S. Employer
Identification No.)

170 West Tasman Drive
San Jose, California 95134-1706
(Address of Principal Executive Offices) (Zip Code)

**Options to purchase common stock granted under the SyPixx Networks, Inc. 2004 Option Plan
and the SyPixx Networks, Inc. 2006 Stock Incentive Plan and assumed by the Registrant**
(Full title of the Plan)

John T. Chambers
President, Chief Executive Officer and Director
Cisco Systems, Inc.
300 East 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 Each Class of Securities To Be Registered	Amount To Be Registered (1)	Proposed Maximum		Amount of Registration Fee
		Offering Price Per Unit (2)	Proposed Maximum Aggregate Offering Price	
Common Stock, \$0.001 par value per share	886,625(3)	\$ 9.93	\$ 8,804,186.25	\$ 942.05

- (1) This Registration Statement shall also cover any additional shares of Registrant's common stock in respect of the securities identified in the above table 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 outstanding shares of Registrant's common stock.
- (2) Calculated solely for the 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.
- (3) Represents shares subject to issuance upon the exercise of stock options outstanding under the SyPixx Networks, Inc. 2004 Option Plan and the SyPixx Networks, Inc. 2006 Incentive Plan and assumed by the Registrant on April 5, 2006 pursuant to an Agreement and Plan of

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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 30, 2005 filed with the Commission on September 19, 2005 pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”);
- (b) All other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the Registrant’s Annual Report referred to in (a) above; and
- (c) The description of the Registrant’s Common Stock contained in the Registrant’s Registration Statement on Form 8-A (No. 000-18225) filed with the Commission on January 11, 1990, together with Amendment No. 1 on Form 8-A filed with the Commission on February 15, 1990, and including any other amendments or reports filed for the purpose of updating such description.

As previously reported, beginning in fiscal 2006, the Registrant reorganized its geographic segments. Pursuant to Commission guidance, the Registrant has recast in a Current Report on Form 8-K, filed on February 10, 2006, the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements that are contained in its Annual Report on Form 10-K for the year ended July 30, 2005, to reflect this change in reportable segments. The revised “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Consolidated Financial Statements so contained in the Current Report on Form 8-K, which is incorporated by reference in this Registration Statement, supersede the corresponding sections of the Registrant’s Annual Report on Form 10-K for the year ended July 30, 2005.

All reports and definitive proxy or information statements filed pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the filing 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 such documents, except as to specific sections of such statements as set forth therein. Unless expressly incorporated into this Registration Statement, a report furnished on Form 8-K prior or subsequent to the date hereof shall not be incorporated by reference into this Registration Statement. 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 in any subsequently filed document which also is deemed to be incorporated by reference herein modifies or supersedes such statement.

Item 4. Description of Securities .

Not applicable.

Item 5. Interests of Named Experts and Counsel .

As of the date of this Registration Statement, attorneys of Fenwick & West LLP beneficially own an aggregate of approximately 67,000 shares of the Registrant’s common stock.

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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 "Securities 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, and maintains directors' and officers' liability insurance under which its directors and officers are insured against loss (as defined in the policy) as a result of certain claims brought against them in such capacities.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Exhibit Filing Date	
4.1	Restated Articles of Incorporation of Cisco Systems, Inc., as currently in effect.	S-3	333-56004	4.1 February 21, 2001	
4.2	Amended and Restated Bylaws of Cisco Systems, Inc., as currently in effect.	10-Q	000-18225	3.2 November 17, 2003	
5.1	Opinion and Consent of Fenwick & West LLP.				X
23.1	Consent of Independent Registered Public Accounting Firm.				X
23.2	Consent of Fenwick & West LLP (contained in Exhibit 5.1).				X
24	Power of Attorney (incorporated by reference to Page II-4 of this Registration Statement).				X
99.1	SyPixa Networks, Inc. 2004 Option Plan.				X
99.2	Forms of SyPixa Networks, Inc. 2004 Option Plan Nonqualified Stock Option Agreement and Notice of Grant of Stock Option and Stock Option Agreement.				X
99.3	SyPixa Networks, Inc. 2006 Stock Incentive Plan.				X
99.4	Form of SyPixa Networks, Inc. 2006 Stock Incentive Plan Notice of Grant of Stock Option and Stock Option Agreement.				X
99.5	Form of Cisco Systems, Inc. Stock Option Assumption Agreement.				X

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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 Securities Act; (ii) to reflect in the prospectus any facts or events arising after the effective date of the 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 - notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the 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 with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement; (2) that, for the purpose of determining any liability under the Securities 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 that remain unsold at the termination of the offering.

B. The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange 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 Securities Act may be permitted to directors, officers and 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 Securities 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 Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, 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 April 20, 2006.

Cisco Systems, Inc.

By: /s/ John T. Chambers
John T. Chambers,
President, Chief Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned officers and directors of Cisco Systems, Inc., a California corporation, do hereby constitute and appoint John T. Chambers, President, Chief Executive Officer and Director, Dennis D. Powell, Senior Vice President and Chief Financial Officer, and Mark Chandler, Senior Vice President, Legal Services, General Counsel and Secretary, and each of them, the lawful attorneys-in-fact and agents with full power and authority to do any and all acts and things and to execute any and all instruments which said attorneys and agents, and any one of them, determine may be necessary or advisable or required to enable said corporation to comply with the Securities Act of 1933, as amended, and any rules or regulations or requirements of the Securities and Exchange Commission in connection with this Registration Statement. Without limiting the generality of the foregoing power and authority, the powers granted include the power and authority to sign the names of the undersigned officers and directors in the capacities indicated below to this Registration Statement, to any and all amendments, both pre-effective and post-effective, and supplements to this Registration Statement, and to any and all instruments or documents filed as part of or in conjunction with this Registration Statement or amendments or supplements thereof, and each of the undersigned hereby ratifies and confirms that all said attorneys and agents, or any one of them, shall do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the date indicated.

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John T. Chambers</u> John T. Chambers	President, Chief Executive Officer and Director (Principal Executive Officer)	April 20, 2006
<u>/s/ Dennis D. Powell</u> Dennis D. Powell	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	April 20, 2006
<u>/s/ Betsy Rafael</u> Betsy Rafael	Vice President, Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	April 20, 2006

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<u>/s/ John P. Morgridge</u> John P. Morgridge	Chairman of the Board and Director	April 20, 2006
<u>/s/ Carol A. Bartz</u> Carol A. Bartz	Lead Independent Director	April 20, 2006
<u>/s/ M. Michele Burns</u> M. Michele Burns	Director	April 20, 2006
<u>/s/ Michael D. Capellas</u> Michael D. Capellas	Director	April 20, 2006
<u>Larry R. Carter</u>	Director	
<u>/s/ John L. Hennessy</u> Dr. John L. Hennessy	Director	April 20, 2006
<u>Richard M. Kovacevich</u>	Director	
<u>/s/ Roderick C. McGeary</u> Roderick C. McGeary	Director	April 20, 2006
<u>/s/ James C. Morgan</u> James C. Morgan	Director	April 20, 2006
<u>/s/ Steven M. West</u> Steven M. West	Director	April 20, 2006
<u>/s/ Jerry Yang</u> Jerry Yang	Director	April 20, 2006

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
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4.2	Amended and Restated Bylaws of Cisco Systems, Inc., as currently in effect.	10-Q	000-18225	3.2	November 17, 2003	
5.1	Opinion and Consent of Fenwick & West LLP .					X
23.1	Consent of Independent Registered Public Accounting Firm.					X
23.2	Consent of Fenwick & West LLP (contained in Exhibit 5.1).					X
24	Power of Attorney (incorporated by reference to Page II-4 of this Registration Statement).					X
99.1	SyPixa Networks, Inc. 2004 Option Plan.					X
99.2	Forms of SyPixa Networks, Inc. 2004 Option Plan Nonqualified Stock Option Agreement and Notice of Grant of Stock Option and Stock Option Agreement.					X
99.3	SyPixa Networks, Inc. 2006 Stock Incentive Plan.					X
99.4	Form of SyPixa Networks, Inc. 2006 Stock Incentive Plan Notice of Grant of Stock Option and Stock Option Agreement.					X
99.5	Form of Cisco Systems, Inc. Stock Option Assumption Agreement.					X

April 20, 2006

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

Gentlemen/Ladies:

At your request, we have examined the Registration Statement on Form S-8 (the “**Registration Statement**”) to be filed by Cisco Systems, Inc., a California corporation (“**Cisco**” or the “**Company**”), with the Securities and Exchange Commission (the “**Commission**”) on or about April 20, 2006 in connection with the registration under the Securities Act of 1933, as amended, of an aggregate of 886,625 shares of Cisco’s Common Stock (the “**Shares**”) subject to issuance by Cisco upon the exercise of stock options (the “**Options**”) granted under the SyPixa Networks, Inc. 2004 Option Plan and the SyPixa Networks, Inc. 2006 Stock Incentive Plan and assumed by Cisco in accordance with the terms of an Agreement and Plan of Merger dated March 4, 2006 by and among Cisco, a wholly-owned subsidiary of Cisco, and SyPixa Networks, Inc., as amended by that certain Amendment No. 1 to Agreement and Plan of Merger dated March 16, 2006 by and among Cisco, a wholly-owned subsidiary of Cisco, and SyPixa Networks, Inc. (collectively, the “**Merger Agreement**”). In rendering this opinion, we have examined such matters of fact as we have deemed necessary in order to render the opinion set forth herein, which included examination of the following:

- (1) the Company’s Restated Articles of Incorporation, certified by the California Secretary of State on February 16, 2006;
- (2) the Company’s Amended and Restated Bylaws, certified by the Company’s Secretary on February 22, 2006;
- (3) the Registration Statement, together with the Exhibits filed as a part thereof or incorporated therein by reference;
- (4) the Prospectus prepared in connection with the Registration Statement;
- (5) resolutions that a representative of the Company has represented to us were adopted at a meeting of the Compensation and Management Development Committee of the Company’s Board of Directors on March 23, 2006, furnished to us by the Company;

- (6) the stock records that the Company has provided to us (consisting of (i) a report from the Company's transfer agent as of April 18, 2006 and a written update from the transfer agent to such report as of April 19, 2006, verifying the number of the Company's issued and outstanding shares of capital stock as of that date, and (ii) a summary report from the Company as of April 19, 2006 of outstanding options to purchase the Company's capital stock and stock reserved for issuance upon the exercise of options to be granted in the future, and a written update from the Company to such report as of April 20, 2006);
- (7) the Merger Agreement and all exhibits thereto, as well as the Articles of Merger filed with the Nevada Secretary of State on April 5, 2006;
- (8) the SyPixx Networks, Inc. 2004 Option Plan and the forms of Nonqualified Stock Option Agreement and Notice of Grant of Stock Option and Stock Option Agreement thereunder, and the SyPixx 2006 Stock Incentive Plan and the form of Notice of Grant of Stock Option and Stock Option Agreement thereunder; and
- (9) the form of Cisco's Stock Option Assumption Agreement.

In our examination of documents for purposes of this opinion, we have assumed, and express no opinion as to, the genuineness of all signatures on original documents, the authenticity and completeness of all documents submitted to us as originals, the conformity to originals and completeness of all documents submitted to us as copies, the legal capacity of all persons or entities executing the same, the lack of any undisclosed termination, modification, waiver or amendment to any such document and the due authorization, execution and delivery of all such documents where due authorization, execution and delivery are prerequisites to the effectiveness thereof. We have also assumed that the certificates representing the Shares have been, or will be when issued, properly signed by authorized officers of the Company or their agents and that the stock option assumption agreements will be duly executed and delivered by all parties thereto.

As to matters of fact relevant to this opinion, we have relied solely upon our examination of the documents referred to above and representations made to us by representatives of the Company and have assumed the current accuracy and completeness of the information obtained from such documents and representations. We have made no independent investigation or other attempt to verify the accuracy of any of such information or to determine the existence or non-existence of any other factual matters.

We are admitted to practice law in the State of California, and we render this opinion only with respect to, and express no opinion herein concerning the application or effect of the laws of any jurisdiction other than, the existing laws of the United States of America and of the State of California.

Based upon the foregoing, it is our opinion that the 886,625 Shares that may be issued and sold by the Company upon the exercise of the Options, when issued, sold and delivered in accordance with the applicable notices of stock option grant, stock option agreements and stock option assumption agreements entered into thereunder and in the manner and for the consideration stated in the Registration Statement and Prospectus will be validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement and further consent to all references to us, if any, in the Registration Statement, the Prospectus constituting a part thereof and any amendments thereto. This opinion is intended solely for use in connection with issuance and sale of shares subject to the Registration Statement and is not to be relied upon for any other purpose. This opinion is rendered as of the date first written above and based solely on our understanding of facts in existence as of such date after the aforementioned examination. We assume no obligation to advise you of any fact, circumstance, event or change in the law or the facts that may hereafter be brought to our attention whether or not such occurrence would affect or modify the opinions expressed herein.

Very truly yours,

FENWICK & WEST LLP

By: /s/ Douglas N. Cogen
Douglas N. Cogen, a Partner

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated September 16, 2005, except for Notes 3 and 12, as to which the date is February 10, 2006, relating to the consolidated financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in Cisco Systems, Inc.'s Current Report on Form 8-K dated February 10, 2006. We also consent to the incorporation by reference of our report dated September 16, 2005 relating to the financial statement schedule, which appears in Cisco Systems, Inc.'s Annual Report on Form 10-K for the year ended July 30, 2005.

/s/ PricewaterhouseCoopers LLP

San Jose, California

April 20, 2006

SYPIXX NETWORKS, INC.

2004 OPTION PLAN
(As Amended February 28, 2006)

1. Purposes of the Plan. The purposes of this 2004 Option Plan are to attract and retain the best available personnel for service as Employees, Non-Employee Service Providers and Outside Directors (as defined herein) of the Company, to provide additional incentive to the Employees, Non-Employee Service Providers and Outside Directors of the Company to serve in such capacities, and to encourage their continued service to the Company.

All options granted hereunder shall be nonstatutory stock options.

2. Definitions. As used herein, the following definitions shall apply:

(a) “Board” means the Board of Directors of the Company.

(b) “Change in Control” means either a change in ownership or effective control of the Company, or a change in ownership of a substantial portion of the assets of the Company. Whether or not a change in control has occurred will be determined in conformity with the requirements of Section 280G(b)(2)(A)(i) of the Code and the regulations promulgated pursuant thereto.

(c) “Code” means the Internal Revenue Code of 1986, as amended.

(d) “Common Stock” means the common stock of the Company.

(e) “Company” means SyPixx Networks, Inc., a Nevada corporation.

(f) “Continuous Status” means the absence of any interruption or termination of service as an Employee, a Non-Employee Service Provider or a Director.

(g) “Director” means a member of the Board.

(h) “Employee” means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director’s fee by the Company shall not be sufficient in and of itself to constitute “employment” by the Company.

(i) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(j) “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market of the National Association of Securities Dealers, Inc. Automated Quotation (“Nasdaq”) System, the Fair Market Value of a Share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such system or exchange (or the exchange with the greatest volume of trading in Common Stock) on the date of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable;

(ii) If the Common Stock is quoted on the Nasdaq System (but not on the National Market thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(k) “Non-Employee Service Provider” means a person who is not an Employee or an Outside Director and who provides goods or services to the Company as an independent contractor, consultant or vendor or in another similar capacity.

(l) “Option” means a stock option granted pursuant to the Plan.

(m) “Optioned Stock” means the Common Stock subject to an Option.

(n) “Optionee” means an Employee, a Non-Employee Service Provider or an Outside Director who receives an Option.

(o) “Outside Director” means a Director who is not an Employee.

(p) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(q) “Plan” means this 2004 Option Plan.

(r) “Share” means a share of the Common Stock, as adjusted in accordance with Section 10 of the Plan.

(s) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Internal Revenue Code of 1986.

3. Stock Subject to the Plan. Subject to the provisions of Section 10 of the Plan: (a) the maximum aggregate number of Shares which may be optioned and sold under the Plan to Employees or Non-Employee Service Providers is 800,000 Shares of Common Stock (the "Employee/Service Provider Pool"); and (b) the maximum aggregate number of Shares which may be optioned and sold under the Plan to Outside Directors is 90,000 Shares of Common Stock (the "Outside Director Pool"). The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); *provided, however*, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan.

4. Administration and Grants of Options under the Plan.

(a) All grants of Options to Employees and Non-Employee Service Providers under this Plan shall be subject to the discretion of the Board (or a committee of two or more Outside Directors appointed by the Board). The Board (or such committee) shall determine which Employees and/or Non-Employee Service Providers shall be granted Options, and the number of Options to be granted to each such Employee and/or Non-Employee Service Provider.

(b) On the date of adoption of this Plan, each Outside Director shall automatically be granted an Option to purchase 10,000 Shares. All additional grants of Options to Outside Directors under this Plan shall be subject to the discretion of the Board (or a committee of two or more Outside Directors appointed by the Board). The Board (or such committee) shall determine the number of additional Options to be granted to each such Outside Director.

(c) Unless otherwise provided in the written stock option agreement governing the Option, the terms of an Option granted under Section 4 (a) or Section 4(b) shall be as follows:

(i) The term of the Option shall be ten (10) years.

(ii) An Option granted to an Employee or to an Outside Director shall be exercisable only while the Optionee remains an Employee or an Outsider Director, respectively, except as set forth in Section 8 hereof. An Option granted to a Non-Employee Service Provider shall be exercisable at any time during its term.

(iii) The exercise price per Share shall be 100% of the Fair Market Value per Share on the date of grant of the Option. In the event that the date of grant of the Option is not a trading day, the exercise price per Share shall be the Fair Market Value on the next trading day immediately following the date of grant of the Option.

(iv) Options shall become vested and exercisable with respect to at least (i) twenty percent (20%) of the Shares upon Optionee's completion of one (1) year of service measured from the date of grant of the Option and (ii) the balance of the Shares in

a series of forty-eight (48) successive equal monthly installments upon Optionee's completion of each additional month of service over the forty-eight (48)-month period measured from the first year anniversary of the date of grant. In the Board's discretion, it may instead grant Options that vest on a three- or four-year vesting schedule. In no event shall an Option vest and become exercisable for any additional Option Shares after Optionee's cessation of service.

(d) In the event that any Option granted under the Plan to Employees or Non-Employee Service Providers would cause the number of Shares subject to outstanding Options to Employees and Non-Employee Service Providers, plus the number of Shares previously purchased under Options to Employees and Non-Employee Service Providers, to exceed the Employee/Service Provider Pool, then the remaining Shares available for Option grant to Employees and Non-Employee Service Providers shall be granted on a pro rata basis. No further grants shall be made to Employees and Non-Employee Service Providers until such time, if any, as additional Shares become available for grant to Employees and Non-Employee Service Providers under the Plan through action of the Board or the stockholders to increase the number of Shares which may be issued under the Plan, or through cancellation or expiration of Options previously granted hereunder.

In the event that the Options granted to the Outside Directors on the date of adoption of the Plan would cause the number of Shares subject to outstanding Options to Outside Directors to exceed the Outside Director Pool, then the Shares available for Option grant to Outside Directors shall be granted on a pro rata basis. In the event that any additional Options granted under the Plan to Outside Directors would cause the number of Shares subject to outstanding Options to Outside Directors, plus the number of Shares previously purchased under Options to Outside Directors, to exceed the Outside Director Pool, then the remaining Shares available for Option grant to Outside Directors shall be granted on a pro rata basis. No further grants shall be made to Outside Directors until such time, if any, as additional Shares become available for grant to Outside Directors under the Plan through action of the Board or the stockholders to increase the number of Shares which may be issued under the Plan, or through cancellation or expiration of Options previously granted hereunder.

5. Eligibility. Options may be granted only to Employees, Non-Employee Service Providers and Outside Directors. All Options shall be granted in accordance with the terms set forth in Section 4 hereof. An Employee, Non-Employee Service Provider or Outside Director who has been granted an Option may, if he or she is otherwise eligible, be granted an additional Option or Options in accordance with such provisions.

The Plan shall not confer upon any Optionee any right with respect to continuation of employment as an Employee or service as a Non-Employee Service Provider or Director, nor shall it interfere in any way with any rights which the Employee, the Non-Employee Service Provider, the Director or the Company may have to terminate his or her employment or service at any time.

6. Term of Plan. The Plan shall become effective upon its adoption by the Board. It shall continue in effect for a term of ten (10) years, unless sooner terminated under Section 11 of the Plan.

7. Form of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall consist of: (a) cash (including cash to the Company generated through a broker-assisted same day sale program authorized by the Company in its sole discretion); (b) check; (c) other shares which (i) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised; or (d) any combination of the foregoing methods of payment. The Optionee shall also deliver to the Company a properly executed exercise notice, together with such other documentation as the Company and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price (if any).

8. Exercise of Option.

(a) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder shall be exercisable at such times as are set forth in Section 4 hereof.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allowable under Section 7 of the Plan; provided, however, that Options granted on or after February 28, 2006 may only be exercised for (a) cash (including cash to the Company generated through a broker-assisted same day sale program authorized by the Company in its sole discretion); (b) check; or a combination of (a) and (b). Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. A share certificate for the number of Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 10 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Rule 16b-3. Options granted to any insiders who are subject to Section 16 of the Exchange Act must comply with the applicable provisions of Rule 16b-3 promulgated under the

Exchange Act or any successor thereto, and shall contain such additional conditions or restrictions as may be required thereunder to qualify Plan transactions, and other transactions by such insiders that otherwise could be matched with Plan transactions, for the maximum exemption from Section 16 of the Exchange Act.

(c) Termination of Continuous Status as an Employee or Outside Director. Unless otherwise provided in the written stock option agreement governing the Option, in the event an Optionee's Continuous Status as an Employee or Outside Director terminates (other than upon the Optionee's death or total and permanent disability (as defined in Section 22(e)(3) of the Code)), the Optionee may exercise his or her Option, but only within three (3) months following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of such termination, or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(d) Disability of Optionee Who is an Employee or Outside Director. Unless otherwise provided in the written stock option agreement governing the Option, in the event an Optionee's Continuous Status as an Employee or Outside Director terminates as a result of total and permanent disability (as defined in Section 22(e)(3) of the Code), the Optionee may exercise his or her Option, but only within twelve (12) months following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of such termination, or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(e) Death of Optionee Who is an Employee or Outside Director. Unless otherwise provided in the written stock option agreement governing the Option, in the event an Optionee's Continuous Status as an Employee or Outside Director terminates as a result of death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance may exercise the Option, but only within twelve (12) months following the date of death, and only to the extent that the Optionee was entitled to exercise it on the date of death (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of death, or if the Optionee's estate or a person who acquired the right to exercise such Option does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(f) Non-Employee Service Provider. Unless otherwise provided in the written stock option agreement governing the Option, an Optionee who is a Non-Employee Service Provider may exercise the Option at any time during its term, but only to the extent that the Option has become exercisable on such date (and in no event later than the expiration of its ten (10) year term).

9. Non- Transferability of Options. The Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

10. Adjustments Upon Changes in Capitalization, Dissolution, Merger, Asset Sale or Change of Control.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of Shares covered by each outstanding Option, the number of Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per Share covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; *provided, however*, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it shall terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option may be assumed or an equivalent option may be substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume an outstanding Option or to substitute an equivalent option, each such outstanding Option shall terminate upon the consummation of the transaction on such terms and conditions as are set forth in the definitive agreement governing such transaction. In addition, with respect only to Options granted on or prior to February 28, 2006 that are being terminated in connection with a merger or sale of assets transaction consummated on or prior to June 30, 2006, each such Option shall become fully vested and exercisable, including as to Shares as to which it would not otherwise be exercisable, effective as of immediately prior to consummation of the transaction and shall then terminate upon such consummation in exchange for a cash payment to the Optionee of an amount equal to the product of (a) the difference between the price per Share paid by the successor corporation for a Share of the Company's common stock as provided in the applicable written agreement governing such merger or sale of assets (which, unless otherwise determined by the Board, shall be deemed to be the Fair Market Value of the Shares) less the exercise price, times (b) the number of Shares subject to the Option being terminated.

For the purposes of this paragraph, the Option shall be considered assumed if, following the merger or sale of assets, the Option confers the right to purchase, for each Share of Optioned Stock subject to the Option immediately prior to the merger or sale of assets, the consideration

(whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); *provided* that if the consideration received in the transaction is not solely common stock of the successor corporation, the Board may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the Option to be solely common stock of the successor corporation equal to the Fair Market Value of the per Share consideration received by holders of Common Stock in the transaction.

11. Amendment and Termination of the Plan .

(a) Amendment and Termination . The Board may at any time amend, alter, suspend, or discontinue the Plan, but no amendment, alteration, suspension, or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent.

(b) Effect of Amendment or Termination . Any such amendment or termination of the Plan shall not affect Options already granted, and such Options shall remain in full force and effect as if this Plan had not been amended or terminated.

12. Time of Granting Options . The date of grant of an Option shall, for all purposes, be the date determined in accordance with Section 4 hereof.

13. Conditions Upon Issuance of Shares . Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

14. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

15. Option Agreement. Options shall be evidenced by written option agreements in such form as the Board shall approve.

SYPIXX NETWORKS, INC.
2004 OPTION PLAN
NONQUALIFIED STOCK OPTION AGREEMENT

AGREEMENT made as of the ___ day of _____ between SYPIXX NETWORKS, INC., a Nevada corporation (hereinafter called the "Company"), and _____ of _____, _____ (hereinafter called the "Optionee").

WITNESSETH:

WHEREAS, the Company has duly adopted the SyPixx Networks, Inc. 2004 Option Plan (the "Plan"); and

WHEREAS, the Optionee is eligible to participate in the Plan to the extent hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants hereinafter set forth and other good and valuable consideration, the Company and the Optionee agree as follows:

1. Definitions. As used herein, the following terms shall have the following meanings:

(a) "Board" means the Board of Directors of the Company.

(b) "Change in Control" means either a change in ownership or effective control of the Company, or a change in ownership of a substantial portion of the assets of the Company. Whether or not a change in control has occurred will be determined in conformity with the requirements of Section 280G(b)(2)(A)(i) of the Code and the regulations promulgated pursuant thereto.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Common Stock" means the common stock of the Company.

(e) "Company" means SyPixx Networks, Inc.

(f) "Continuous Status" means the absence of any interruption or termination of service as an employee, a non-employee service provider or a director of the Company (as such terms are defined for purposes of the Plan).

(g) "Optionee" means the individual named above.

(h) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(i) "Securities Act" means the Securities Act of 1933, as amended and in effect from time to time, or any successor statute.

(j) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

2. Grant of Option.

The Company hereby grants to the Optionee the option to purchase an aggregate of _____ shares of Common Stock of the Company on the terms and conditions hereinafter set forth, at the purchase price of \$ _____ per share.

3. Term of Option.

The option herein granted shall continue for a period of ten (10) years from the date hereof and shall expire at the end of such period notwithstanding any other provisions of this Agreement.

4. Exercise of Option.

Subject to the provisions of Section 5, the Optionee may exercise this option, to the extent it has become exercisable, in whole or in part at any time; provided, however, that in no event may the option be exercised after the expiration of its term.

(a) This option shall become exercisable as follows:

<u>Date</u>	<u>Number of Option Shares Which First Become Exercisable On Such Date</u>	<u>Cumulative Number of Option Shares Which Have Become Exercisable By Such Date</u>
Prior to the date which is twelve (12) months after the date of grant of the option (the "Twelve Month Anniversary")	0	0
On the Twelve Month Anniversary	One-third (1/3rd) of the shares subject to the option	One-third (1/3rd) of the shares subject to the option

Date	Number of Option Shares Which First Become Exercisable On Such Date	Cumulative Number of Option Shares Which Have Become Exercisable By Such Date
On each monthly anniversary of the date of grant of the option that follows the Twelve Month Anniversary, if the optionee has been employed by the Company or its Parent or Subsidiaries or has performed services for the Company or its Parent or Subsidiaries for the entire month	One-thirty-sixth (1/36th) of the shares subject to the option	The number of shares equal to the sum of: (a) one-third (1/3rd) of the shares subject to the option; plus (b) the product of: (i) one-thirty-sixth (1/36th), times (ii) the number of months since the Twelve Month Anniversary during which the optionee has been employed by the Company or its Parent or Subsidiaries or has performed services for the Company or its Parent or Subsidiaries for the entire month, times (c) the number of shares subject to the option
On the monthly anniversary of the date of grant of the option on which the optionee has been employed by the Company or its Parent or Subsidiaries or has performed services for the Company or its Parent or Subsidiaries for twenty four (24) months since the Twelve Month Anniversary	One-thirty-sixth (1/36th) of the shares subject to the option	100% of the shares subject to the option

(b) Notwithstanding the provisions of Section 4(a), this option shall become exercisable with respect to the number of shares as to which it has not theretofore become exercisable upon the occurrence of a Change in Control.

5. Termination of Continuous Status, Disability and Death.

If the term of this option has not expired, the option may be exercised during the Optionee's employment with the Company or any of its Parent or Subsidiaries or during the Optionee's service as a non-employee director for the Company or any of its Parent or Subsidiaries. If the Optionee is a non-employee service provider, the option can be exercised at any time during its term.

However, subject to the condition that this option may not be exercised after ten (10) years from the date it is granted:

(a) In the event the Optionee's Continuous Status as an employee or outside director terminates (other than upon the Optionee's death or total and permanent disability (as defined in Section 22(e)(3) of the Code)), the Optionee may exercise this option, but only within three (3) months following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise this option on the date of such termination, or if the Optionee does not exercise this option (to the extent otherwise so entitled) within the time specified herein, this option shall terminate.

(b) In the event the Optionee's Continuous Status as an employee or outside director terminates as a result of total and permanent disability (as defined in Section 22(e)(3) of the Code), the Optionee may exercise this option, but only within twelve (12) months following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise this option on the date of such termination, or if the Optionee does not exercise this option (to the extent otherwise so entitled) within the time specified herein, this option shall terminate.

(c) In the event the Optionee's Continuous Status as an employee or outside director terminates as a result of death, the Optionee's estate or a person who acquired the right to exercise this option by bequest or inheritance may exercise this option, but only within twelve (12) months following the date of death, and only to the extent that the Optionee was entitled to exercise it on the date of death (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise this option on the date of death, or if the Optionee's estate or a person who acquired the right to exercise this option does not exercise this option (to the extent otherwise so entitled) within the time specified herein, this option shall terminate.

(d) If the Optionee is a non-employee service provider, the Optionee may exercise this option at any time during its term, but only to the extent that this option has become exercisable on such date (and in no event later than the expiration of its ten (10) year term).

6. Notice of Exercise .

This option shall be deemed to be exercised when the person entitled to exercise this option has provided to the Secretary of the Company, at SyPixx Networks, Inc., 108 Bank Street, Waterbury, CT 06702 or at such other place as the Company shall hereafter designate in writing, the following:

(a) Written notice of the exercise of the option, which (i) states the number of shares with respect to which the option is being exercised; (ii) is executed by the person duly authorized to exercise the option (and, if this option is being exercised by any person or persons other than the Optionee, is accompanied by proof satisfactory to counsel for the Company of the right of such person or persons to exercise this option); and (iii) contains such statements and agreements as the Company may deem to be required by or appropriate under the applicable securities laws; and

(b) Full payment for the shares with respect to which the option is being exercised. Full payment shall consist of: (i) cash; (ii) check; (iii) other shares which (A) in the case of shares acquired upon exercise of an option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (B) have a fair market value on the date of surrender equal to the aggregate exercise price of the shares as to which this option is being exercised; or (iv) any combination of the foregoing methods of payment.

7. Effect of Exercise.

Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the shares of stock subject to this option, notwithstanding the exercise of this option. A share certificate for the number of shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued (except pursuant to Section 8).

8. Changes in Stock.

Subject to any required action by the stockholders of the Company, the number of shares or type of securities originally or subsequently covered by this option and the purchase price thereof shall be appropriately adjusted in accordance with the terms of the Plan for changes relating to any capitalization, dissolution, liquidation, merger, or asset sale of the Company. Any such adjustments shall be made by the Company in accordance with Section 10 of the Plan.

9. Assignment.

This option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

10. Plan Incorporated.

The SyPixx Networks, Inc. 2004 Option Plan adopted by the Board on May 14th, 2004 is hereby incorporated herein and made a part hereof as if fully set forth herein. Said Plan and any subsequent amendment thereto shall control in the event there is any conflict between the Plan and this Agreement and as to all such matters as are not covered in this Agreement. In the event said Plan is hereafter amended so as to conflict with any of the terms and provisions hereof or to require the inclusion of additional terms herein, then upon the effective date of said amendment this Agreement shall be deemed amended to fully comply therewith unless said amendment would reduce the number of shares which could then be obtained upon exercise of the option granted hereunder (other than in conformity with Section 8 hereof), or would adversely affect the ability to exercise the option granted hereunder.

11. Continuance of Relationship with Optionee .

Neither the Plan nor the granting of this option imposes any obligation on the Company or its Parent or Subsidiaries to continue its relationship with the Optionee in any capacity (either as an employee, a non-employee director or a non-employee service provider), nor does it interfere in any way with any rights that the Optionee or the Company or its Parent or Subsidiaries may have to terminate the Optionee's employment or service at any time.

12. Tax Withholding .

The Optionee shall be responsible for the payment of all Federal, state and local taxes relating to the grant, vesting or exercise of the option. The Company or its Parent or Subsidiaries shall have the power to withhold, or to require the Optionee to remit to the Company or its Parent or Subsidiaries, an amount sufficient to satisfy Federal, state and local withholding tax requirements on the option. To the extent permissible under applicable tax, securities and other laws, the Company or its Parent or Subsidiaries may, in their sole discretion, permit the Optionee to satisfy a tax withholding requirement by directing the Company or its Parent or Subsidiaries to apply shares of Common Stock of the Company to which the Optionee is entitled as a result of the exercise of the option.

13. Binding Effect .

All of the rights and obligations of the Optionee and of the Company hereunder or under the Plan shall be binding upon, or shall inure to the benefit of, such party's heirs, executors, administrators, successors and assigns.

14. Securities Law Considerations .

(a) The Optionee, by accepting this option, does hereby represent, warrant and covenant that:

(i) Any shares of Common Stock of the Company acquired upon exercise of the option shall be acquired for the Optionee's account for investment only and not with a view to, or for sale in connection with, any distribution of the shares in violation of the Securities Act or any rule or regulation under the Securities Act.

(ii) The Optionee has had such opportunity as the Optionee has deemed adequate to obtain from representatives of the Company such information as is necessary to permit the Optionee to evaluate the merits and risks of an investment in the shares of Common Stock of the Company.

(iii) The Optionee is able to bear the economic risk of holding shares acquired pursuant to the exercise of the option for an indefinite period.

(iv) The Optionee understands that: (A) the shares acquired pursuant to the exercise of the option will not be registered under the Securities Act and will be "restricted securities" within the meaning of Rule 144 under the Securities Act; (B) such shares cannot be sold, transferred or otherwise disposed of unless they are subsequently registered under the

Securities Act or an exemption from registration is then available; (C) in any event, an exemption from registration under Rule 144 or otherwise under the Securities Act may not be available for at least two years and even then will not be available unless a public market then exists for the shares of Common Stock of the Company, adequate information concerning the Company is then available to the public, and other terms and conditions of Rule 144 are complied with; and (D) there is now no registration statement on file with the Securities and Exchange Commission with respect to any stock of the Company, and the Company has no obligation or current intention to register under the Securities Act any shares acquired pursuant to the exercise of the option.

(v) The Optionee agrees that, if the Company offers for the first time any shares of Common Stock of the Company for sale pursuant to a registration statement under the Securities Act, the Optionee will not, without the prior written consent of the Company, publicly offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any shares acquired pursuant to the exercise of the option for a period of ninety (90) days after the effective date of such registration statement.

By making payment upon the exercise of the option, the Optionee shall be deemed to have reaffirmed, as of the date of such payment, all of the representations set forth in this Section 14 which the Optionee made at the time of grant of the option.

(b) Any certificate or certificates issued by the Company which represent shares of Common Stock of the Company issued upon the exercise of the option will be imprinted with a legend stating that the shares may not be transferred, sold or otherwise disposed of in the absence of an effective registration statement under the Securities Act or an opinion of counsel satisfactory to the Company that registration under the Securities Act is not required.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and its corporate seal to be hereunto affixed as of the day and year first above written, and the Optionee has hereunto set the Optionee's hand and seal on the day and year specified.

Witness

SYPIXX NETWORKS, INC.

By: _____
Thomas E. Cashman
Chief Executive Officer

OPTIONEE

Date

_____ []

SYPIXX NETWORKS, INC.
NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the following option grant (the "Option") made to purchase shares of Sypixx Networks, Inc. (the "Company") common stock:

Optionee: _____
Grant Date: _____
Type of Option: nonstatutory stock option
Grant Number: _____
Number of Option Shares: _____ shares
Exercise Price: \$ _____ per share
Vesting Commencement Date: _____
Expiration Date: _____

Exercise Schedule

The Option shall vest and become exercisable with respect to (i) [twenty percent (20%)] [thirty-three and one-third percent (33 1/3%)] of the Option Shares upon Optionee's completion of one (1) year of Continuous Status with the Company measured from the Grant Date and (ii) the balance of the Option Shares in a series of [forty-eight (48)] [twenty-four (24)] successive equal monthly installments upon Optionee's completion of each additional month of Continuous Status over the [forty-eight (48)] [twenty-four (24)] month period measured from the first year anniversary of the Grant Date. In no event shall the Option vest and become exercisable for any additional Option Shares after Optionee's termination of Continuous Status.

Should Optionee request a reduction to his or her work commitment to less than thirty (30) hours per week, then the Board, or a committee of two or more Outside Directors appointed by the Board to administer the Plan (the "Committee"), shall have the right to extend the period over which the Option shall thereafter vest and become exercisable for the Option Shares during the remainder of the Option term. The decision whether or not to approve Optionee's request for any reduced work commitment shall be at the sole discretion of the Company. In no event shall any extension of the exercise and vesting schedule for the Option Shares result in the extension of the Expiration Date of the Option.

Optionee understands and agrees that the Option is offered subject to and in accordance with the terms of the Sypixx Networks, Inc. 2004 Option Plan, as amended (the "Plan"). Optionee further agrees to be bound by the terms of the Plan and the terms of the Option as set forth in the Stock Option Agreement attached hereto.

No Employment or Service Contract. Nothing in this Notice or in the attached Stock Option Agreement or in the Plan shall confer upon Optionee any right to continue in the employment or

service of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's employment or service with the Company at any time for any reason, with or without cause.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice, the attached Stock Option Agreement or the Plan.

By their signatures below, the Company and the Optionee agree that the Option is governed by this Notice and by the provisions of the Plan and the Stock Option Agreement, both of which are attached to and made a part of this document. The Optionee acknowledges receipt of a copy of the Plan and the Stock Option Agreement, represents that the Optionee has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

SYPIXX NETWORKS, INC.

Pete Jankowski, President and Chief
Executive Officer

[Name of Optionee]

Date: _____

STOCK OPTION AGREEMENT

Recitals

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees, non-employee members of the Board and other Non-Employee Service Providers who provide services to the Company.

B. Optionee is to render valuable services to the Company (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company's grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement, the attached Notice of Grant of Stock Option (the "Notice"), or the Plan.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Option**. The Company hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Notice. The Option Shares shall be purchasable from time to time during the Option term specified in Paragraph 2 at the Exercise Price specified in the Notice.

2. **Option Term**. This Option shall have a maximum term of nine (9) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 4, 5 or 6.

3. **Limited Transferability**. This Option may, in connection with the Optionee's estate plan and only to the extent permitted by applicable laws, regulations and rules, be assigned in whole or in part during Optionee's lifetime to one or more members of the Optionee's immediate family or to a trust established for the exclusive benefit of one or more such family members. The assigned portion shall be exercisable only by the person or persons who acquire a proprietary interest in the Option pursuant to such assignment. The terms applicable to the assigned portion shall be the same as those in effect for this Option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Company may deem appropriate. Should the Optionee die while holding this Option, then this Option shall be transferred in accordance with Optionee's will or the laws of descent and distribution.

4. **Dates of Exercise**. This Option shall vest and become exercisable for the Option Shares in one or more installments as specified in the Notice. As the Option becomes exercisable for such installments, those installments shall accumulate and the Option shall remain exercisable until the earlier of (i) the Expiration Date, (ii) March 15 of the calendar year following the calendar year in which such installment first becomes exercisable, and (iii) termination of the Option term under Paragraph 5 or 6. As an administrative matter, the exercisable portion of this Option may only be exercised until the close of the Nasdaq National Market on the last trading day before the Expiration Date or earlier date of termination of the Option term under this Paragraph 4 or Paragraph 5 or 6 below. Any later attempt to exercise this Option will not be honored. For example, if Optionee ceases to remain in Continuous Status as provided in Paragraph 5(i) and the date three (3) months from the date of cessation is Monday, July 4 (a holiday on which the Nasdaq National Market is closed), Optionee must exercise the exercisable portion of this Option by 4 pm Eastern Daylight Time on Friday, July 1.

5. **Cessation of Service**. The Option term specified in Paragraph 2 shall terminate (and this Option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(i) Should Optionee's Continuous Status terminate for any reason (other than death, total and permanent disability (as defined in Section 22(e)(3) of the Code) or Cause) while this Option is outstanding, then subject to Paragraph 5(v) below Optionee shall have a period of three (3) months (commencing with the date of such termination of Continuous Status) during which to exercise this Option, but in no event shall this Option be exercisable at any time after the Expiration Date or any expiration arising under Paragraph 6.

(ii) If Optionee's Continuous Status terminates as a result of Optionee's death, then subject to Paragraph 5(v) below the personal representative of Optionee's estate or the person or persons to whom the Option is transferred pursuant to Optionee's will or in accordance with the laws of descent and distribution shall have the right to exercise this Option. Such right shall lapse, and this Option shall cease to be outstanding, upon the earlier of (A) March 15 of the calendar year following the calendar year in which the right to exercise for a given Share first became exercisable or (B) the Expiration Date or (C) any expiration arising under Paragraph 6.

(iii) Should Optionee's Continuous Status terminate as a result of Optionee's total and permanent disability (as defined in Section 22(e)(3) of the Code), then subject to Paragraph 5(v) below Optionee's right (or the right of any authorized representative of Optionee) to exercise this Option shall lapse, and this Option shall cease to be outstanding, upon the earlier of (A) March 15 of the calendar year following the calendar year in which the right to exercise for a given Share first became exercisable or (B) the Expiration Date or (C) any expiration arising under Paragraph 6.

(iv) Optionee's date of termination of Continuous Status shall mean the date upon which Optionee ceases active performance of services for the Company following the provision of such notification of termination or resignation from service and shall be determined solely by this Agreement and without reference to any other agreement, written or oral, including Optionee's contract of employment, and shall not otherwise include any period of notice of termination of employment, whether expressed or implied.

(v) During the limited period of post-termination exercisability, this Option may not be exercised in the aggregate for more than the number of vested Option Shares for which the Option is exercisable at the time of Optionee's cessation of Continuous Status. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date or any termination of this Option under Paragraph 6, this Option shall terminate and cease to be outstanding for any vested Option Shares for which the Option has not been exercised. However, this Option shall, immediately upon Optionee's cessation of Continuous Status for any reason, terminate and cease to be outstanding with respect to any Option Shares in which Optionee is not otherwise at that time vested or for which this Option is not otherwise at that time exercisable.

(vi) Should Optionee's Continuous Status be terminated for Cause (as defined below) or should Optionee otherwise engage in activities constituting Cause while this Option is outstanding, then this Option shall terminate immediately and cease to remain outstanding. In the event Optionee's service with the Company is suspended pending an investigation of whether Optionee's service will be terminated for Cause, all Optionee's rights under the Option, including the right to exercise the Option, shall be suspended during the investigation period. "Cause" shall mean, except as may otherwise be provided in Optionee's employment agreement, a conviction of Optionee for a felony crime or the failure of Optionee to contest prosecution for a felony crime, or Optionee's misconduct, fraud or dishonesty (as such terms are defined by the Board or Committee in its sole discretion), or any unauthorized use or disclosure of confidential information or trade secrets, in each case as determined by the Board or Committee, and the Board's or Committee's determination shall be conclusive and binding.

6. **Accelerated Termination of Option**. This Option shall automatically terminate immediately prior to the effective date of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company; however no such termination of this Option shall occur if and to the extent: (i) this Option is, in connection with the transaction, either assumed by the successor corporation (or parent thereof) or replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof) or (ii) this Option is replaced with a cash incentive program of the successor corporation which preserves the spread existing on the unvested Option Shares at the time of the transaction (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such Shares) and provides for subsequent pay-out in accordance with the same Exercise Schedule set forth in the Notice. The determination of option comparability under clause (i) of the preceding sentence shall be made by the Board or Committee, and such determination shall be final, binding and conclusive.

7. **Adjustment in Option Shares**. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence, appropriate adjustments shall be made to (i) the total number and/or kind of shares or securities subject to this Option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

8. **Shareholder Rights**. The holder of this Option shall not have any shareholder rights with respect to the Option Shares until such person shall have exercised the Option, paid the Exercise Price and become a holder of record of the purchased Shares.

9. **Manner of Exercising Option**.

(a) In order to exercise this Option with respect to all or any part of the Option Shares for which this Option is at the time exercisable, Optionee (or any other person or persons exercising the Option) must take the following actions:

(i) Pay the aggregate Exercise Price for the purchased Shares in one or more of the following forms:

(A) cash or check made payable to the Company; or

(B) as permitted by applicable law, through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the Option) shall concurrently provide irrevocable written instructions (I) to a Company-designated brokerage firm (or in the case of an executive officer or Board member of the Company, an Optionee-designated brokerage firm) to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased Shares plus, if applicable, the amount necessary to satisfy the Company's withholding obligations at the minimum statutory withholding rates and (II) to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction.

(ii) Furnish to the Company appropriate documentation that the person or persons exercising the Option (if other than Optionee) have the right to exercise this Option.

(iii) Make appropriate arrangements with the Company (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all tax withholding requirements applicable to the Option exercise.

(b) As soon as practical after the exercise date, the Company shall issue to or on behalf of Optionee (or any other person or persons exercising this Option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.

(c) In no event may this Option be exercised for any fractional Shares.

(d) Notwithstanding any other provisions of the Plan, this Agreement or any other agreement to the contrary, if at the time this Option is exercised, Optionee is indebted to the Company (or any Parent or Subsidiary) for any reason, the following actions shall be taken, as deemed appropriate by the Board or Committee:

(i) any Shares to be issued upon such exercise shall automatically be pledged against Optionee's outstanding indebtedness; and

(ii) if this Option is exercised in accordance with subparagraph 9(a)(i)(B) above, the after tax proceeds of the sale of Optionee's Shares shall automatically be applied to the outstanding balance of Optionee's indebtedness.

10. Compliance with Laws and Regulations

(a) The exercise of this Option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable laws, regulations and rules relating thereto, including all applicable regulations of any stock exchange (or the Nasdaq National Market, if applicable) on which the Shares may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to this Option shall relieve the Company of any liability with respect to the non-issuance or sale of the Shares as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

11. **Successors and Assigns**. Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Optionee, Optionee's assigns and the legal representatives, heirs and legatees of Optionee's estate.

12. **Notices**. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address maintained for Optionee in the Company's records. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

13. **Construction**. The Notice, this Agreement, and the Option evidenced hereby (a) are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan, and (b) constitute the entire agreement between Optionee and the Company on the subject matter hereof and supercede all proposals, written or oral, and all other communications between the parties related to the subject matter. All decisions of the Board or Committee with respect to any question or issue arising under the Notice, this Agreement or the Plan shall be conclusive and binding on all persons having an interest in this Option.

14. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to the conflict of laws principles thereof.

15. **Excess Shares**. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of Shares which may without shareholder approval be issued under the Plan, then this Option shall be void with respect to those excess shares, unless shareholder approval of an amendment sufficiently increasing the number of Shares issuable under the Plan is obtained in accordance with the provisions of the Plan and all applicable laws, regulations and rules.

16. **Leave of Absence**. Unless otherwise determined by the Board or Committee or otherwise required by applicable law, the exercise and vesting schedule in effect under the Notice shall be frozen as of the first day of the authorized leave, and this Option shall not become exercisable for any additional installments of the Option Shares during the period Optionee remains on such leave. In no event shall this Option become exercisable for any additional Option Shares or otherwise remain outstanding if Optionee does not resume service with the Company prior to the Expiration Date of the Option term.

17. **Further Instruments**. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

18. **Authorization to Release Necessary Personal Information**.

(a) Optionee hereby authorizes and directs Optionee's employer to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding Optionee's employment, the nature and amount of Optionee's compensation and the fact and conditions of Optionee's participation in the Plan (including, but not limited to, Optionee's name, home address, telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Shares held and the details of all options or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing Optionee's participation in the Plan. Optionee understands that the Data may be transferred to the Company or any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the exercise of Options under the Plan or with whom Shares acquired upon exercise of this Option or cash from the sale of such shares may be deposited. Optionee acknowledges that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of Optionee's residence. Furthermore, Optionee acknowledges and understands that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for Optionee's participation in the Plan.

(b) Optionee may at any time withdraw the consents herein, by contacting Optionee's local human resources representative in writing. Optionee further acknowledges that withdrawal of consent may affect Optionee's ability to exercise or realize benefits from the Option, and Optionee's ability to participate in the Plan.

19. **No Entitlement or Claims for Compensation**.

(a) Optionee's rights, if any, in respect of or in connection with this Option or any other Award is derived solely from the discretionary decision of the Company to permit Optionee to participate in the Plan and to benefit from a discretionary Award. By accepting this Option, Optionee expressly acknowledges that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to Optionee. This Option is not intended to be compensation of a continuing or recurring nature, or part of Optionee's normal or expected compensation, and in no way represents any portion of a Optionee's salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor this Option or any other Award granted under the Plan shall be deemed to give Optionee a right to remain an Employee, Consultant or director of the Company, a Parent or a Subsidiary or an Affiliate. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate the service of Optionee at any time, with or without cause, and for any reason, subject to applicable laws, the Company's Articles of

Incorporation and Bylaws and a written employment agreement (if any), and Optionee shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, this Option or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(c) Optionee agrees that the Company may require Options granted hereunder be exercised with, and the Option Shares held by, a broker designated by the Company. In addition, Optionee agrees that his or her rights hereunder shall be subject to set-off by the Company for any valid debts the Optionee owes to the Company.

**SYPIXX NETWORKS, INC.
2006 STOCK INCENTIVE PLAN
EFFECTIVE AS OF FEBRUARY 28, 2006**

SECTION 1. INTRODUCTION.

The Sypixx Networks, Inc. 2006 Stock Incentive Plan became effective upon its adoption by the Company's Board of Directors on the Effective Date, February 28, 2006, and must be approved by the shareholders of the Company, consistent with applicable laws, within twelve (12) months following such date. If the Company's shareholders do not approve this Plan, no Options will be granted under this Plan.

The purpose of the Plan is to promote the long-term success of the Company and the creation of shareholder value by offering designated Employees and Consultants an opportunity to share in such long-term success by acquiring a proprietary interest in the Company. The Plan seeks to achieve this purpose by providing for discretionary long-term incentive awards in the form of Options.

The Plan shall be governed by, and construed in accordance with, the laws of the State of California (except its choice-of-law provisions). Capitalized terms shall have the meaning provided in Section 2 unless otherwise provided in this Plan or any related Stock Option Agreement.

SECTION 2. DEFINITIONS.

(a) "Affiliate" means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

(b) "Board" means the Board of Directors of the Company, as constituted from time to time.

(c) "Cashless Exercise" means, to the extent that a Stock Option Agreement so provides and as permitted by applicable law, a program approved by the Committee in which payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price and, if applicable, the amount necessary to satisfy the Company's withholding obligations at the minimum statutory withholding rates, including, but not limited to, U.S. federal and state income taxes, payroll taxes, and foreign taxes, if applicable.

(d) "Cause" means, except as may otherwise be provided in a Participant's employment agreement or option agreement, a conviction of a Participant for a felony crime or the failure of a Participant to contest prosecution for a felony crime, or a Participant's misconduct, fraud or dishonesty (as such terms are defined by the Committee in its sole discretion), or any unauthorized use or disclosure of confidential information or trade secrets, in each case as determined by the Committee, and the Committee's determination shall be conclusive and binding.

(e) "Change In Control" except as may otherwise be provided in a Participant's employment agreement or Stock Option Agreement, means the occurrence of any of the following:

(i) A change in the composition of the Board over a period of thirty-six consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination; or

- (ii) The acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing more than 35% of the total combined voting power of the Company's then outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders which the Board does not recommend such shareholders accept.
- (f) "Code" means the Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder.
- (g) "Committee" means a committee described in Section 3.
- (h) "Common Stock" means the Company's Class B common stock.
- (i) "Company" means Sypixx Networks, Inc., a Nevada corporation.
- (j) "Consultant" means an individual who performs bona fide services to the Company, a Parent, a Subsidiary or an Affiliate, other than as an Employee or Director or Non-Employee Director.
- (k) "Corporate Transaction" except as may otherwise be provided in a Participant's employment agreement or Stock Option Agreement, means the occurrence of any of the following shareholder approved transactions:
- (i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization; or
 - (ii) The sale, transfer or other disposition of all or substantially all of the Company's assets.
- A transaction shall not constitute a Corporate Transaction if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transactions.
- (l) "Director" means a member of the Board who is also an Employee.
- (m) "Disability" means that the Optionee is classified as disabled under a long-term disability policy of the Company or, if no such policy applies, the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.
- (n) "Effective Date" means February 28, 2006, the date the Plan was adopted by the Company Board of Directors.
- (o) "Employee" means any individual who is a common-law employee of the Company, a Parent, a Subsidiary or an Affiliate.
- (p) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(q) “Exercise Price” means, in the case of an Option, the amount for which a Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement.

(r) “Fair Market Value” means the market price of a Share as determined in good faith by the Committee. The Fair Market Value shall be determined by the following:

(i) If the Shares were traded over-the-counter or listed with NASDAQ on the date in question, then the Fair Market Value shall be equal to the last transaction price quoted by the NASDAQ system for the date in question; or

(ii) if the Common Stock is listed on the New York Stock Exchange or the American Stock Exchange on the date in question, the Fair Market Value is the closing selling price for the Common Stock as such price is officially quoted in the composite tape of transactions on the exchange determined by the Committee to be the primary market for the Common Stock for the date in question.

If neither (i) or (ii) are applicable, then the Fair Market Value shall be determined by the Committee in good faith on such basis as it deems appropriate; provided, however, that if there is no such reported price for the Common Stock for the date in question under (i) or (ii), then if available such price on the last preceding date for which such price exists shall be determinative of Fair Market Value.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in the Western Edition of The Wall Street Journal. Such determination shall be conclusive and binding on all persons.

(s) “Fiscal Year” means the Company’s fiscal year.

(t) “Non-Employee Director” means a member of the Board who is not an Employee.

(u) “Option” means a stock option granted under the Plan entitling the Optionee to purchase Shares.

(v) “Optionee” means an individual, estate or other entity that holds an Option.

(w) “Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(x) “Plan” means this Sypixx Networks, Inc. 2006 Stock Incentive Plan as it may be amended from time to time.

(y) “SEC” means the Securities and Exchange Commission.

(z) “Securities Act” means the Securities Act of 1933, as amended.

(aa) “Service” means service as an Employee, Director, Non-Employee Director or Consultant. A Participant’s Service does not terminate when continued service crediting is required by applicable law. Service terminates in any event when the approved leave ends, unless such Employee immediately returns to active work. The Committee determines which leaves count toward Service, and when Service terminates for all purposes under the Plan. Further, unless otherwise determined by the Committee, a Participant’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant provides service to the Company, a Parent, Subsidiary or Affiliate, or a transfer between entities (the Company or any Parent, Subsidiary, or Affiliate); provided that there is no interruption or other termination of Service.

(bb) “Share” means one share of Common Stock, as adjusted pursuant to Sections 8 and 9, and any successor security.

(cc) “Stock Option Agreement” means the agreement described in Section 6 evidencing each award of an Option.

(dd) “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(ee) “10-Percent Shareholder” means an individual who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

SECTION 3. ADMINISTRATION.

(a) General. The Board or a Committee appointed by the Board shall administer the Plan. Members of the Committee shall serve for such period of time as the Board may determine and shall be subject to removal by the Board at any time. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

(b) Authority of the Committee. Subject to the provisions of the Plan, the Committee shall have full authority and sole discretion to take any actions it deems necessary or advisable for the administration of the Plan. Such actions shall include:

- (i) selecting individuals who are to receive Options under the Plan;
- (ii) determining the type, number, vesting requirements and other features and conditions of such Options and amending such Options;
- (iii) correcting any defect, supplying any omission, or reconciling any inconsistency in the Plan or any Stock Option Agreement;
- (iv) accelerating the vesting, or extending the post-termination exercise term, of Options at any time and under such terms and conditions as it deems appropriate;
- (v) interpreting the Plan; and
- (vi) making all other decisions relating to the operation of the Plan.

The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee’s determinations under the Plan shall be final and binding on all persons.

(c) Indemnification. To the maximum extent permitted by applicable law, each member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Stock Option Agreement, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company’s approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company’s Articles of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

SECTION 4. GENERAL.

(a) General Eligibility. Only Employees, Directors, Non-Employee Directors and Consultants shall be eligible to receive Options under the Plan.

(b) Stock Options. No person shall be eligible for the grant of an Option so long as Section 260.140.41(b) of Title 10 of the California Code of Regulations applies unless the requirements of such regulation are satisfied. No Option granted under the Plan is intended to qualify for the treatment afforded under Sections 421 and 422 of the Code

(c) Restrictions on Shares. Any Shares issued pursuant to an Option shall be subject to such rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine, in its sole discretion. Such restrictions shall apply in addition to any restrictions that may apply to holders of Shares generally and shall also comply to the extent necessary with applicable law. In no event shall the Company be required to issue fractional Shares under this Plan.

(d) Beneficiaries. Unless stated otherwise in a Stock Option Agreement, a Participant may designate one or more beneficiaries with respect to an Option by timely filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Participant's death. If no beneficiary was designated or if no designated beneficiary survives the Participant, then after a Participant's death any vested Option(s) shall be transferred or distributed to the Participant's estate.

(e) No Rights as a Shareholder. A Participant, or a transferee of a Participant, shall have no rights as a shareholder with respect to any Common Stock covered by an Option until such person has satisfied all of the terms and conditions to receive such Common Stock, has satisfied any applicable withholding or tax obligations relating to the Option and the Shares have been issued (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company).

(f) Termination of Service. Unless the applicable Stock Option Agreement or, with respect to Participants who reside in the U.S., the applicable employment agreement provides otherwise, the following rules shall govern the vesting, exercisability and term of outstanding Options held by a Participant in the event of termination of such Participant's Service (in all cases subject to the term of the Option):

(i) upon termination of Service for any reason, all unvested portions of any outstanding Options shall be immediately forfeited without consideration; (ii) if the Service of a Participant is terminated for Cause, then all unexercised Options shall terminate and be forfeited immediately without consideration; (iii) if the Service of Participant is terminated for any reason other than for Cause, death, or Disability, then the vested portion of his/her then-outstanding Options may be exercised by such Participant or his or her personal representative within three months after the date of such termination; or (iv) if the Service of a Participant is terminated due to death or Disability, the vested portion of his/her then-outstanding Options may be exercised within eighteen months after the date of termination of Service.

(g) Information Delivery. When required to comply with Section 260.140.41(j) of Title 10 of the California Code of Regulations, the security holders to whom such information is required to be provided shall be provided the information required by Section 260.140.46 of Title 10 of the California Code of Regulations not less frequently than annually.

SECTION 5. SHARES SUBJECT TO PLAN AND SHARE LIMITS.

- (a) Basic Limitation . The stock issuable under the Plan shall be authorized but unissued Shares. The aggregate number of Shares reserved for Options under the Plan shall not exceed 1,200,000 Shares, subject to adjustment pursuant to Section 8 and, when required, compliance with the shareholder approval requirements of Section 260.140.45 of Title 10 of the California Code of Regulations.
- (b) Additional Shares . If Options are forfeited or are terminated for any other reason before being exercised, then the Shares underlying such Options shall again become available for Options under the Plan.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

- (a) Stock Option Agreement . Each grant of an Option under the Plan shall be evidenced and governed exclusively by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in a Stock Option Agreement (including without limitation any performance conditions). The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.
- (b) Number of Shares . Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall be subject to adjustment of such number in accordance with Section 8.
- (c) Exercise Price . An Option's Exercise Price shall be established by the Committee and set forth in a Stock Option Agreement and shall not be less than 85% of the Fair Market Value (110% for grants to 10-Percent Shareholders) on the date of grant.
- (d) Exercisability and Term . Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an Option shall in no event exceed nine years from the date of grant. Unless the applicable Stock Option Agreement provides otherwise, each Option shall vest and become exercisable with respect to 20% of the Shares subject to the Option upon completion of one year of Service measured from the vesting commencement date, the balance of the Shares subject to the Option shall vest and become exercisable in forty-eight equal installments upon completion of each month of Service thereafter, and the term of the Option shall be nine years from the date of grant. A Stock Option Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events. Notwithstanding any other provision of the Plan, no Option can be exercised after the expiration date provided in the applicable Stock Option Agreement and no Option may provide that, upon exercise of the Option, a new Option will automatically be granted.
- (e) Modifications of Options . Within the limitations of the Plan, the Committee may modify outstanding Options provided that no modification of an Option shall, without the consent of the Optionee, impair his or her rights or obligations under such Option.
- (f) Assignment or Transfer of Options . Except as otherwise provided in the applicable Stock Option Agreement and then only to the extent permitted by applicable law, no Option shall be transferable by the Optionee other than by will or by the laws of descent and distribution. Except as otherwise provided in the applicable Stock Option Agreement, an Option may be exercised during the lifetime of the Optionee only by the Optionee or by the guardian or legal representative of the Optionee. No Option or interest therein may be assigned, pledged or hypothecated by the Optionee during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

SECTION 7. PAYMENT FOR OPTION SHARES.

The entire Exercise Price of Shares issued upon exercise of Options shall be payable in cash at the time when such Shares are purchased, except as follows and only if so provided for in an applicable Stock Option Agreement:

(i) Surrender of Stock. Payment for all or any part of the Exercise Price may be made with Shares which have already been owned by the Optionee; provided that the Committee may, in its sole discretion, require that Shares tendered for payment be previously held by the Optionee for a minimum duration. Such Shares shall be valued at their Fair Market Value.

(ii) Cashless Exercise. Payment for all or any part of the Exercise Price may be made through Cashless Exercise.

(iii) Other Forms of Payment. Payment for all or any part of the Exercise Price may be made in any other form that is consistent with applicable laws, regulations and rules and approved by the Committee.

The Stock Option Agreement may specify that payment may be made in any form(s) described in this Section 7.

SECTION 8. PROTECTION AGAINST DILUTION.

(a) Adjustments. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make appropriate adjustments to the following:

(i) the number of Shares and the kind of shares or securities available for future Options under Section 5;

(ii) the number of Shares and the kind of shares or securities covered by each outstanding Option; or

(iii) the Exercise Price under each outstanding Option.

(b) Participant Rights. Except as provided in this Section 8, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class. If by reason of an adjustment pursuant to this Section 8 a Participant's Option covers additional or different shares of stock or securities, then such additional or different shares and the Option in respect thereof shall be subject to all of the terms, conditions and restrictions which were applicable to the Option and the Shares subject to the Option prior to such adjustment.

(c) Fractional Shares. Any adjustment of Shares pursuant to this Section 8 shall be rounded down to the nearest whole number of Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares and no consideration shall be provided as a result of any fractional shares not being issued or authorized.

SECTION 9. EFFECT OF A CORPORATE TRANSACTION.

(a) Corporate Transaction . In the event that the Company is a party to a Corporate Transaction, outstanding Options shall be subject to the applicable agreement of merger, reorganization, or sale of assets. Such agreement may provide, without limitation, for the assumption or substitution of outstanding Options by the surviving corporation or its parent, or for the cancellation of outstanding Options, with or without consideration, in all cases without the consent of the Participant.

(b) Acceleration . The Committee may determine, at the time of grant of an Option or thereafter, that such Option shall become fully vested as to all Shares subject to such Option in the event that a Corporate Transaction or a Change in Control occurs. Unless otherwise provided in the applicable Stock Option Agreement, in the event that a Corporate Transaction occurs and any outstanding Options are not assumed, substituted, or replaced, then such Options shall terminate and cease to be outstanding.

(c) Dissolution . To the extent not previously exercised or settled, Options shall terminate immediately prior to the dissolution or liquidation of the Company.

SECTION 10. LIMITATIONS ON RIGHTS.

(a) No Entitlements . A Participant's rights, if any, in respect of or in connection with any Option is derived solely from the discretionary decision of the Company to permit the individual to participate in the Plan and to benefit from a discretionary Option. By accepting an Option under the Plan, a Participant expressly acknowledges that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Options. Any Option granted hereunder is not intended to be compensation of a continuing or recurring nature, or part of a Participant's normal or expected compensation, and in no way represents any portion of a Participant's salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

Neither the Plan nor any Option granted under the Plan shall be deemed to give any individual a right to remain an employee, consultant or director of the Company, a Parent, a Subsidiary or an Affiliate. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate the Service of any person at any time, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws and a written employment agreement (if any), and such terminated person shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan or any outstanding Option that is forfeited and/or is terminated by its terms or to any future Option.

(b) Shareholders' Rights . A Participant shall have no dividend rights, voting rights or other rights as a shareholder with respect to any Shares covered by his or her Option prior to the issuance of such Shares (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company). No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date when such Shares are issued, except as expressly provided in Section 8.

(c) Regulatory Requirements . Any other provision of the Plan notwithstanding, the obligation of the Company to issue Shares or other securities under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Shares or other securities pursuant to any Option prior to the satisfaction of all legal requirements relating to the issuance of such Shares or other securities, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

SECTION 11. WITHHOLDING TAXES.

(a) General. A Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with his or her Option. The Company shall not be required to issue any Shares or make any cash payment under the Plan until such obligations are satisfied.

(b) Share Withholding. If a public market for the Company's Shares exists, the Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Shares that otherwise would be issued to him or her or by surrendering or attesting to all or a portion of any Shares that he or she previously acquired. Such Shares shall be valued based on the value of the actual trade or, if there is none, the Fair Market Value as of the previous day. Any payment of taxes by assigning Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the SEC. The Committee may, in its discretion, also permit a Participant to satisfy withholding or income tax obligations related to an Option through Cashless Exercise or through a sale of Shares underlying the Option.

SECTION 12. DURATION AND AMENDMENTS.

(a) Term of the Plan. The Plan shall become effective upon its approval by the Company's shareholders in the manner required under Section 260.140.41(i) of Title 10 of the California Code of Regulations. The Plan shall terminate on the tenth anniversary of the date of approval by the Company's shareholders and may be terminated on any earlier date pursuant to this Section 12.

(b) Right to Amend or Terminate the Plan. The Board may amend or terminate the Plan at any time and for any reason. The termination of the Plan, or any amendment thereof, shall not impair the rights or obligations of any Participant under any Option previously granted under the Plan without the Participant's consent. No Options shall be granted under the Plan after the Plan's termination. An amendment of the Plan shall be subject to the approval of the Company's shareholders only to the extent such approval is otherwise required by applicable laws, regulations or rules.

SYPIXX NETWORKS, INC.
NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the following option grant (the "Option") made to purchase shares of Sypixx Networks, Inc. (the "Company") common stock:

Optionee: _____
 Grant Date: _____
 Type of Option: nonstatutory stock option
 Grant Number: _____
 Number of Option Shares: _____ shares
 Exercise Price: \$ _____ per share
 Vesting Commencement Date: _____
 Expiration Date: _____

Exercise Schedule

The Option shall vest and become exercisable with respect to (i) [twenty percent (20%)] [thirty-three and one-third percent (33 ¹/₃ %)] of the Option Shares upon Optionee's completion of one (1) year of Service measured from the Vesting Commencement Date and (ii) the balance of the Option Shares in a series of [forty-eight (48)] [twenty-four (24)] successive equal monthly installments upon Optionee's completion of each additional month of Service over the [forty-eight (48)] [twenty-four (24)] month period measured from the first year anniversary of the Vesting Commencement Date. In no event shall the Option vest and become exercisable for any additional Option Shares after Optionee's cessation of Service.

Should Optionee request a reduction to his or her work commitment to less than thirty (30) hours per week, then the Committee shall have the right, to extend the period over which the Option shall thereafter vest and become exercisable for the Option Shares during the remainder of the Option term. The decision whether or not to approve Optionee's request for any reduced work commitment shall be at the sole discretion of the Company. In no event shall any extension of the Exercise Schedule for the Option Shares result in the extension of the Expiration Date of the Option.

Optionee understands and agrees that the Option is offered subject to and in accordance with the terms of the Sypixx Networks, Inc. 2006 Stock Incentive Plan (the "Plan"). Optionee further agrees to be bound by the terms of the Plan and the terms of the Option as set forth in the Stock Option Agreement attached hereto.

No Employment or Service Contract. Nothing in this Notice or in the attached Stock Option Agreement or in the Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Service at any time for any reason, with or without cause.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice, the attached Stock Option Agreement or the Plan.

By their signatures below, the Company and the Optionee agree that the Option is governed by this Notice and by the provisions of the Plan and the Stock Option Agreement, both of which are attached to and made a part of this document. The Optionee acknowledges receipt of a copy of the Plan and the Stock Option Agreement, represents that the Optionee has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

SYPIXX NETWORKS, INC.

Pete Jankowski,
President and Chief Executive Officer

[Name of Optionee]

Date: _____

STOCK OPTION AGREEMENT

Recitals

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees, non-employee members of the Board or of the board of directors of any Parent or Subsidiary and Consultants and other independent advisors who provide services to the Company (or any Parent or Subsidiary).

B. Optionee is to render valuable services to the Company (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company's grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement, the attached Notice of Grant of Stock Option (the "Notice"), or the Plan.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Option**. The Company hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Notice. The Option Shares shall be purchasable from time to time during the Option term specified in Paragraph 2 at the Exercise Price specified in the Notice.

2. **Option Term**. This Option shall have a maximum term of nine (9) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 6.

3. **Limited Transferability**. This Option may, in connection with the Optionee's estate plan and only to the extent permitted by applicable laws, regulations and rules, be assigned in whole or in part during Optionee's lifetime to one or more members of the Optionee's immediate family or to a trust established for the exclusive benefit of one or more such family members. The assigned portion shall be exercisable only by the person or persons who acquire a proprietary interest in the Option pursuant to such assignment. The terms applicable to the assigned portion shall be the same as those in effect for this Option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Company may deem appropriate. Should the Optionee die while holding this Option, then this Option shall be transferred in accordance with Optionee's will or the laws of descent and distribution.

4. **Dates of Exercise**. This Option shall vest and become exercisable for the Option Shares in one or more installments as specified in the Notice. As the Option becomes exercisable for such installments, those installments shall accumulate and the Option shall remain exercisable until the earlier of (i) the Expiration Date, (ii) March 15 of the calendar year following the calendar year in which such installment first becomes exercisable, and (iii) termination of the Option term under Paragraph 5 or 6. As an administrative matter, the exercisable portion of this Option may only be exercised until the close of the Nasdaq National Market on the last trading day before the Expiration

Date or earlier date of termination of the Option term under Paragraph 5. Any later attempt to exercise this Option will not be honored. For example, if Optionee ceases to remain in Service as provided in Paragraph 5(i) and the date three (3) months from the date of cessation is Monday, July 4 (a holiday on which the Nasdaq National Market is closed), Optionee must exercise the exercisable portion of this Option by 4 pm Eastern Daylight Time on Friday, July 1.

5. **Cessation of Service**. The Option term specified in Paragraph 2 shall terminate (and this Option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(i) Should Optionee cease to remain in Service for any reason (other than death, Disability or Cause) while this Option is outstanding, then Optionee shall have a period of three (3) months (commencing with the date of such cessation of Service) during which to exercise this Option, but in no event shall this Option be exercisable at any time after the Expiration Date.

(ii) If Optionee dies while this Option is outstanding, then the personal representative of Optionee's estate or the person or persons to whom the Option is transferred pursuant to Optionee's will or in accordance with the laws of descent and distribution shall have the right to exercise this Option. Such right shall lapse, and this Option shall cease to be outstanding, upon the earlier of (A) March 15 of the calendar year following the calendar year in which the right to exercise for a given Share first became exercisable or (B) the Expiration Date.

(iii) Should Optionee cease Service by reason of Disability while this Option is outstanding, then Optionee's right to exercise this Option shall lapse, and this Option shall cease to be outstanding, upon the earlier of (A) March 15 of the calendar year following the calendar year in which the right to exercise for a given Share first became exercisable or (B) the Expiration Date.

(iv) Optionee's date of cessation of Service shall mean the date upon which Optionee ceases active performance of services for the Company following the provision of such notification of termination or resignation from Service and shall be determined solely by this Agreement and without reference to any other agreement, written or oral, including Optionee's contract of employment, and shall not otherwise include any period of notice of termination of employment, whether expressed or implied.

(v) During the limited period of post-Service exercisability, this Option may not be exercised in the aggregate for more than the number of vested Option Shares for which the Option is exercisable at the time of Optionee's cessation of Service. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this Option shall terminate and cease to be outstanding for any vested Option Shares for which the Option has not been exercised. However, this Option shall, immediately upon Optionee's cessation of Service for any reason, terminate and cease to be outstanding with respect to any Option Shares in which Optionee is not otherwise at that time vested or for which this Option is not otherwise at that time exercisable.

(vi) Should Optionee's Service be terminated for Cause or should Optionee otherwise engage in activities constituting Cause while this Option is outstanding, then this Option shall terminate immediately and cease to remain outstanding. In the event Optionee's Service with the Company is suspended pending an investigation of whether Optionee's Service will be terminated for Cause, all Optionee's rights under the Option, including the right to exercise the Option, shall be suspended during the investigation period.

6. **Accelerated Termination of Option**. This Option shall automatically terminate immediately prior to the effective date of the Corporate Transaction; however no such termination of this Option shall occur if and to the extent: (i) this Option is, in connection with the Corporate Transaction, either assumed by the successor corporation (or parent thereof) or replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof) or (ii) this Option is replaced with a cash incentive program of the successor corporation which preserves the spread existing on the unvested Option Shares at the time of the Corporate Transaction (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such Shares) and provides for subsequent pay-out in accordance with the same Exercise Schedule set forth in the Notice. The determination of option comparability under clause (i) of the preceding sentence shall be made by the Committee, and such determination shall be final, binding and conclusive.

7. **Adjustment in Option Shares**. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence, appropriate adjustments shall be made to (i) the total number and/or kind of shares or securities subject to this Option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

8. **Shareholder Rights**. The holder of this Option shall not have any shareholder rights with respect to the Option Shares until such person shall have exercised the Option, paid the Exercise Price and become a holder of record of the purchased Shares.

9. **Manner of Exercising Option**.

(a) In order to exercise this Option with respect to all or any part of the Option Shares for which this Option is at the time exercisable, Optionee (or any other person or persons exercising the Option) must take the following actions:

- (i) Pay the aggregate Exercise Price for the purchased Shares in one or more of the following forms:
 - (A) cash or check made payable to the Company; or

(B) as permitted by applicable law, through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the Option) shall concurrently provide irrevocable written instructions (I) to a Company-designated brokerage firm (or in the case of an executive officer or Board member of the Company, an Optionee-designated brokerage firm) to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased Shares plus, if applicable, the amount necessary to satisfy the Company's withholding obligations at the minimum statutory withholding rates and (II) to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction.

(ii) Furnish to the Company appropriate documentation that the person or persons exercising the Option (if other than Optionee) have the right to exercise this Option.

(iii) Make appropriate arrangements with the Company (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all tax withholding requirements applicable to the Option exercise.

(b) As soon as practical after the exercise date, the Company shall issue to or on behalf of Optionee (or any other person or persons exercising this Option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.

(c) In no event may this Option be exercised for any fractional Shares.

(d) Notwithstanding any other provisions of the Plan, this Agreement or any other agreement to the contrary, if at the time this Option is exercised, Optionee is indebted to the Company (or any Parent or Subsidiary) for any reason, the following actions shall be taken, as deemed appropriate by the Committee:

(i) any Shares to be issued upon such exercise shall automatically be pledged against Optionee's outstanding indebtedness; and

(ii) if this Option is exercised in accordance with subparagraph 9(a)(i)(B) above, the after tax proceeds of the sale of Optionee's Shares shall automatically be applied to the outstanding balance of Optionee's indebtedness.

10. Compliance with Laws and Regulations

(a) The exercise of this Option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable laws, regulations and rules relating thereto, including all applicable regulations of any stock exchange (or the Nasdaq National Market, if applicable) on which the Shares may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to this Option shall relieve the Company of any liability with respect to the non-issuance or sale of the Shares as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

11. **Successors and Assigns**. Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Optionee, Optionee's assigns and the legal representatives, heirs and legatees of Optionee's estate.

12. **Notices**. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address maintained for Optionee in the Company's records. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

14. **Construction**. The Notice, this Agreement, and the Option evidenced hereby (a) are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan, and (b) constitute the entire agreement between Optionee and the Company on the subject matter hereof and supercede all proposals, written or oral, and all other communications between the parties related to the subject matter. All decisions of the Committee with respect to any question or issue arising under the Notice, this Agreement or the Plan shall be conclusive and binding on all persons having an interest in this Option.

15. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to the conflict of laws principles thereof.

16. **Excess Shares**. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of Shares which may without shareholder approval be issued under the Plan, then this Option shall be void with respect to those excess shares, unless shareholder approval of an amendment sufficiently increasing the number of Shares issuable under the Plan is obtained in accordance with the provisions of the Plan and all applicable laws, regulations and rules.

17. **Leave of Absence**. Unless otherwise determined by the Committee, the Exercise Schedule in effect under the Notice shall be frozen as of the first day of the authorized leave, and this Option shall not become exercisable for any additional installments of the Option Shares during the period Optionee remains on such leave. In no event shall this Option become exercisable for any additional Option Shares or otherwise remain outstanding if Optionee does not resume Service prior to the Expiration Date of the Option term.

18. **Further Instruments**. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

19. **Authorization to Release Necessary Personal Information**.

(a) Optionee hereby authorizes and directs Optionee's employer to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding Optionee's employment, the nature and amount of Optionee's compensation and the fact and conditions of Optionee's participation in the Plan (including, but not limited to, Optionee's name, home address, telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Shares held and the details of all options or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing Optionee's participation in the Plan. Optionee understands that the Data may be transferred to the Company or any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the exercise of Options under the Plan or with whom Shares acquired upon exercise of this Option or cash from the sale of such shares may be deposited. Optionee acknowledges that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of Optionee's residence. Furthermore, Optionee acknowledges and understands that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for Optionee's participation in the Plan.

(b) Optionee may at any time withdraw the consents herein, by contacting Optionee's local human resources representative in writing. Optionee further acknowledges that withdrawal of consent may affect Optionee's ability to exercise or realize benefits from the Option, and Optionee's ability to participate in the Plan.

20. **No Entitlement or Claims for Compensation**.

(a) Optionee's rights, if any, in respect of or in connection with this Option or any other Award is derived solely from the discretionary decision of the Company to permit Optionee to participate in the Plan and to benefit from a discretionary Award. By accepting this Option, Optionee expressly acknowledges that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to Optionee. This Option is not intended to be compensation of a continuing or recurring nature, or part of Optionee's normal or expected compensation, and in no way represents any portion of a Optionee's salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor this Option or any other Award granted under the Plan shall be deemed to give Optionee a right to remain an Employee, Consultant or director of the Company, a Parent or a Subsidiary or an Affiliate. The Company and its

Parents and Subsidiaries and Affiliates reserve the right to terminate the Service of Optionee at any time, with or without cause, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws and a written employment agreement (if any), and Optionee shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, this Option or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(c) Optionee agrees that the Company may require Options granted hereunder be exercised with, and the Option Shares held by, a broker designated by the Company. In addition, Optionee agrees that his or her rights hereunder shall be subject to set-off by the Company for any valid debts the Optionee owes to the Company.

**CISCO SYSTEMS, INC.
STOCK OPTION ASSUMPTION AGREEMENT**

Dear _____:

As you know, on April 5, 2006, (the "Closing Date") Cisco Systems, Inc. ("Cisco") acquired SyPixx Networks, Inc. ("SyPixx") (the "Acquisition") pursuant to the Agreement and Plan of Merger by and among Cisco Systems, Inc., Stenmark Acquisition Corp., and SyPixx dated March 4, 2006 (the "Merger Agreement"). On the Closing Date you held one or more outstanding options to purchase shares of SyPixx common stock granted to you under either of the SyPixx Networks, Inc. 2004 Option Plan and the SyPixx Networks, Inc. 2006 Incentive Plan (herein collectively referred to as the "Plans"). All stock options granted under the Plans are nonstatutory stock options. Pursuant to the Merger Agreement, on the Closing Date, Cisco assumed all obligations of SyPixx under your outstanding option (or options). This Stock Option Assumption Agreement (the "Agreement") evidences the terms of Cisco's assumption of an option (or options) to purchase SyPixx common stock (the "SyPixx Option"), whether granted to you under one or the other of the Plans, and documented by a stock option agreement (or stock option agreements) and any amendment(s) entered into by and between you and SyPixx (the "Option Agreement(s)"), including the necessary adjustments for assumption of the SyPixx Option(s) that are required by the Acquisition.

The table below summarizes your SyPixx Option(s) immediately before and after the Acquisition:

SYPIXX OPTION			ASSUMED SYPIXX OPTION		
Grant Date	Plan	SyPixx Shares	Exercise Price per Share	No. of Shares of Cisco Stock	Exercise Price per Share

The post-Acquisition adjustments are based on the applicable "Option Exchange Ratio" (in each case determined in accordance with the terms of the Merger Agreement and set forth below) and are intended to:

- (i) assure that the total spread of your assumed SyPixx Option(s) (*i.e.* , the difference between the aggregate fair market value and the aggregate exercise price) does not exceed the total spread that existed immediately prior to the Acquisition; and
- (ii) to preserve, on a per share basis, the ratio of exercise price to fair market value that existed immediately prior to the Acquisition.

Different exchange ratios are used for different classes of stock. Thus, if in the table above "2004 SOP" appears under the Plan column, then the Option Exchange Ratio for that stock option is 0.6958368601, as the 2004 Plan uses shares of Class A Common Stock. If in the table above "2006 SIP" appears under the Plan column, then the Option Exchange Ratio for that stock option is 0.4648784343, as the 2006 Plan uses shares of Class B Common Stock.

The number of shares of Cisco common stock subject to your assumed SyPixx Option(s) was determined by multiplying the applicable Option Exchange Ratio by the number of shares remaining subject to your SyPixx Option(s) on the Closing Date and rounding the resulting product down to the next whole number of shares of Cisco common stock. The exercise price per share of your assumed SyPixx Option(s) was determined by dividing the exercise price per share of your SyPixx Option(s) by the applicable Option Exchange Ratio and rounding the resulting quotient up to the next whole cent. Examples of these adjustments are in the attached S-8 prospectus.

Unless the context otherwise requires, any references in the Plans and the Option Agreement(s) to: (i) the “Company” or the “Corporation” means Cisco, (ii) “Stock,” “Common Stock” or “Shares” means shares of Cisco common stock, (iii) the “Board of Directors” or the “Board” means the Board of Directors of Cisco and (iv) the “Committee” means the Compensation and Management Development Committee of the Board of Directors of Cisco. All references in the Option Agreement(s) and the Plans relating to your status as an employee of SyPixx will now refer to your status as an employee of Cisco or any present or future Cisco subsidiary.

The vesting commencement date, vesting schedule and expiration date of your assumed SyPixx Option(s) remain the same as set forth in the Option Agreement(s), but the number of shares subject to each vesting installment and the exercise price per share have been adjusted to reflect the effect of the Acquisition. Vesting of your assumed SyPixx Option(s) will be suspended during all leaves of absence in accordance with Cisco’s policies, and the only permissible methods to exercise your assumed SyPixx Option(s) are cash, check, wire transfer, or through a cashless exercise program with a Cisco-designated broker. All other provisions which govern either the exercise or the termination of your assumed SyPixx Option(s) remain the same as set forth in the Option Agreement(s), and the provisions of the Option Agreement(s) will govern and control your rights under this Agreement to purchase shares of Cisco common stock, except (i) no assumed SyPixx Option(s) may be “early exercised” (*i.e.* , an assumed SyPixx Option may be exercised for shares of Cisco common stock only to the extent the assumed SyPixx Option is vested at the time of exercise pursuant to the applicable vesting schedule) and (ii) as expressly modified by this Agreement, the Merger Agreement or otherwise in connection with the Acquisition. Upon termination of your employment with Cisco you will have the applicable limited post-termination exercise period specified in your Option Agreement(s) for your assumed SyPixx Option(s) to the extent vested and outstanding at the time of termination after which time your assumed SyPixx Option(s) will expire and NOT be exercisable for Cisco common stock.

To exercise your assumed SyPixx Option(s), you must utilize Cisco’s designated broker, the Charles Schwab Corporation (the telephone number is _____). Please refer to Cisco’s option exercise policies and procedures detailed on Cisco’s Stock Administration website (_____) or call the Human Resources Connection at _____ for further information.

Nothing in this Agreement or the Option Agreement(s) interferes in any way with your right and Cisco’s right, which rights are expressly reserved, to terminate your employment at any time for

any reason. Future options, if any, you may receive from Cisco will be governed by the terms of the Cisco stock option plan under which such options are granted, and such terms may be different from the terms of your assumed SyPixx Option(s), including, but not limited to, the time period in which you have to exercise vested options after your termination of employment.

Please sign and date this Agreement and, by April 24, 2006, return it to Cisco at the following address or fax number:

Attn: Raymond Coulombe
c/o SyPixx Networks, Inc./Cisco Systems, Inc.
108 Bank Street
Waterbury, CT 06702
Fax: (203) 596-1493

Until your fully executed Acknowledgment (attached to this Agreement) is received by Cisco's Stock Administration Department your Cisco account will not be activated. If you have any questions regarding this Agreement or your assumed SyPixx Option(s), please contact Raymond Coulombe at _____, or for specific questions about the Plans, and their respective terms, please contact Mark Miller at _____.

CISCO SYSTEMS, INC.

By: /s/ Mark Chandler

Mark Chandler
Corporate Secretary

ACKNOWLEDGMENT

The undersigned acknowledges receipt of the foregoing Stock Option Assumption Agreement and understands and agrees that all rights and liabilities with respect to the assumed SyPixx Option(s) listed on the table above are hereby assumed by Cisco and are as set forth in the Option Agreement(s) for such assumed SyPixx Option(s), the Plans and this Stock Option Assumption Agreement and agree to the terms as set forth in such Stock Option Assumption Agreement.

DATED: _____, 2006

_____- Optionee
Address: _____

Taxpayer ID No.: _____

ATTACHMENTS

Exhibit A – Form S-8 Prospectus