

# CISCO SYSTEMS, INC.

## FORM S-8

(Securities Registration: Employee Benefit Plan)

Filed 07/11/06

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

# CISCO SYSTEMS INC

## FORM S-8

(Securities Registration: Employee Benefit Plan)

Filed 7/11/2006

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

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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 Metreos Corporation 2000 Stock Option and 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 Offering Price Per Unit (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.001 par value per share	114,418(3)	\$ 0.66	\$ 75,515.88	\$ 8.09

- (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 Metreos Corporation 2000 Stock Option

and Incentive Plan and assumed by the Registrant on June 28, 2006 pursuant to an Agreement and Plan of Merger by and among Registrant, a wholly-owned subsidiary of Registrant, and Metreos Corporation.

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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 prospectus, 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 66,000 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 Ernst & Young LLP, Independent Registered Public Accounting Firm of Scientific-Atlanta, Inc.					X
23.3	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	Metreos Corporation 2000 Stock Option and Incentive Plan.					X
99.2	Form of Metreos Corporation 2000 Stock Option and Incentive Plan Incentive Stock Option Agreement.					X
99.3	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 July 10, 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)	July 10, 2006
<u>/s/ Dennis D. Powell</u> Dennis D. Powell	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	July 10, 2006
<u>/s/ Betsy Rafael</u> Betsy Rafael	Vice President, Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	July 10, 2006

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<u>John P. Morgridge</u>	Chairman of the Board and Director	
<u>/s/ Carol A. Bartz</u> Carol A. Bartz	Lead Independent Director	July 10, 2006
<u>/s/ M. Michele Burns</u> M. Michele Burns	Director	July 10, 2006
<u>/s/ Michael D. Capellas</u> Michael D. Capellas	Director	July 10, 2006
<u>/s/ Larry R. Carter</u> Larry R. Carter	Director	July 10, 2006
<u>/s/ John L. Hennessy</u> Dr. John L. Hennessy	Director	July 10, 2006
<u>/s/ Richard M. Kovacevich</u> Richard M. Kovacevich	Director	July 10, 2006
<u>/s/ Roderick C. McGeary</u> Roderick C. McGeary	Director	July 10, 2006
<u>James C. Morgan</u>	Director	
<u>/s/ Steven M. West</u> Steven M. West	Director	July 10, 2006
<u>/s/ Jerry Yang</u> Jerry Yang	Director	July 10, 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 .					<b>X</b>
23.1	Consent of Independent Registered Public Accounting Firm.					<b>X</b>
23.2	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm of Scientific-Atlanta, Inc.					<b>X</b>
23.3	Consent of Fenwick & West LLP (contained in Exhibit 5.1).					<b>X</b>
24	Power of Attorney (incorporated by reference to Page II-4 of this Registration Statement).					<b>X</b>
99.1	Metreos Corporation 2000 Stock Option and Incentive Plan.					<b>X</b>
99.2	Form of Metreos Corporation 2000 Stock Option and Incentive Plan Incentive Stock Option Agreement.					<b>X</b>
99.3	Form of Cisco Systems, Inc. Stock Option Assumption Agreement.					<b>X</b>

July 10, 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 July 10, 2006 in connection with the registration under the Securities Act of 1933, as amended, of an aggregate of 114,418 shares of Cisco’s Common Stock (the “**Shares**”) subject to issuance by Cisco upon the exercise of stock options (the “**Options**”) granted under the Metreos Corporation 2000 Stock Option and Incentive Plan and assumed by Cisco in accordance with the terms of an Agreement and Plan of Merger dated June 8, 2006 by and among Cisco, a wholly-owned subsidiary of Cisco, and Metreos Corporation (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 June 7, 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 July 6, 2006 and a written update from the transfer agent to such report as of July 7, 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 July 10, 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 July 7, 2006);

- (7) the Merger Agreement and all exhibits thereto, as well as the Certificate of Merger filed with the Delaware Secretary of State on June 28, 2006;
- (8) the Metreos Corporation 2000 Stock Option and Incentive Plan and the form of Incentive 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 114,418 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/ Daniel J. Winnike  
Daniel J. Winnike, 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  
July 10, 2006

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8) pertaining to the Options to purchase common stock granted under the Metreos Corporation 2000 Stock Option and Incentive Plan and assumed by the Registrant, and to the incorporation by reference therein of our reports dated August 24, 2005, with respect to the consolidated financial statements and schedule of Scientific-Atlanta, Inc. included in its Annual Report (Form 10-K) for the year ended July 1, 2005, and Scientific-Atlanta, Inc. management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of Scientific-Atlanta, Inc., filed with the Securities and Exchange Commission and incorporated by reference in the Form 8-K/A of Cisco Systems, Inc. dated May 12, 2006.

/s/ Ernst & Young LLP

Atlanta, Georgia  
July 10, 2006

## METREOS CORPORATION

## 2000 STOCK OPTION AND INCENTIVE PLAN

1. **Definitions.** The following definitions are applicable to the Plan:

“Affiliate” - Any “parent corporation” or “subsidiary corporation” of the Corporation, as such terms are defined in Section 424(e) and (f), respectively, of the Code.

“Award” - The grant of an Incentive Stock Option, a Non-Qualified Stock Option, a Stock Appreciation Right, a Limited Stock Appreciation Right or any combination thereof, as provided in the Plan.

“Code” - The Internal Revenue Code of 1986, as amended.

“Committee” - The Committee referred to in Section 3 hereof.

“Continuous Service” - The absence of any interruption or termination of service as a director, advisory director, director emeriti, officer or employee of the Corporation or an Affiliate, except that when used with respect to any Options or Rights which at the time of exercise are intended to be Incentive Stock Options, continuous service means the absence of any interruption or termination of service as an employee of the Corporation or an Affiliate. Service shall not be considered interrupted in the case of sick leave, military leave or any other leave of absence approved by the Corporation or in the case of transfers between payroll locations of the Corporation or between the Corporation, its parent, its subsidiaries or its successor. With respect to any advisory director or director emeritus, continuous service shall mean availability to perform such functions as may be required of such persons.

“Corporation” - Metreos Corporation, a Delaware corporation.

“Employee” - Any person, including an officer or director, who is employed by the Corporation or any Affiliate.

“ERISA” - The Employee Retirement Income Security Act of 1974, as amended.

“Exercise Price” - In the case of (i) an Option, the price per Share at which the Shares subject to such Option may be purchased upon exercise of such Option, and (ii) a Right, the price per Share (other than the Market Value per Share on the date of exercise and the Offer Price per Share as defined in Section 10 hereof) which, upon

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grant, the Committee determines shall be utilized in calculating the aggregate value which a Participant shall be entitled to receive pursuant to Sections 9, 10 or 12 hereof upon exercise of such Right.

“Incentive Stock Option” - An option to purchase Shares granted by the Committee pursuant to Section 6 hereof which is subject to the limitations and restrictions of Section 8 hereof and is intended to qualify under Section 422(b) of the Code.

“Limited Stock Appreciation Right” - A stock appreciation right with respect to Shares granted by the Committee pursuant to Sections 6 and 10 hereof.

“Market Value” - The average of the high and low quoted sales price on the date in question (or, if there is no reported sale on such date, on the last preceding date on which any reported sale occurred) of a Share on the Composite Tape for the New York Stock Exchange-Listed Stocks or, if on such date the Shares are not quoted on the Composite Tape, on the New York Stock Exchange or, if the Shares are not listed or admitted to trading on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which the Shares are listed or admitted to trading or, if the Shares are not listed or admitted to trading on any such exchange, the mean between the closing high bid and low asked quotations with respect to a Share on such date on the NASDAQ System, or any similar system then in use or, if no such quotations are available, the fair market value on such date of a Share as the Committee shall determine.

“Non-Employee Director” - A director who (i) is not currently an officer or employee of the Corporation; (ii) is not a former employee of the Corporation who receives compensation for prior services (other than from a tax-qualified retirement plan); (iii) has not been an officer of the Corporation; (iv) does not receive remuneration from the Corporation in any capacity other than as a director; and (v) does not possess an interest in any other transactions or is not engaged in a business relationship for which disclosure would be required under Item 404(a) or (b) of Regulation S-K.

“Non-Qualified Stock Option” - An option to purchase Shares granted by the Committee pursuant to Section 6 hereof which is not intended to qualify under Section 422(b) of the Code.

“Option” - An Incentive Stock Option or a Non-Qualified Stock Option.

“Participant” - Any director, advisory director, director emeritus, officer or employee of the Corporation or any Affiliate who is selected by the Committee to receive an Award or who is granted an Award pursuant to Section 19 hereof.

“Plan” - The 2000 Stock Option and Incentive Plan of the Corporation.

“Related” - In the case of (i) a Right, a Right which is granted in connection with, and to the extent exercisable, in whole or in part, in lieu of an Option or another Right, and (ii) an Option, an Option with respect to which and to the extent a Right is exercisable, in whole or in part, in lieu thereof has been granted.

“Right” - A Limited Stock Appreciation Right or a Stock Appreciation Right.

“Shares” - The shares of common stock of the Corporation.

“Stock Appreciation Right” - A stock appreciation right with respect to Shares granted by the Committee pursuant to Sections 6 and 9 hereof.

“Ten Percent Beneficial Owner” - The beneficial owner of more than ten percent (10%) of any class of the Corporation’s equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.

2. **Plan Purpose.** The purpose of the Plan is to promote the long-term interests of the Corporation and its stockholders by providing a means for attracting and retaining directors, advisory directors, director emeritus, officers and employees of the Corporation and its Affiliates. It is intended that designated options granted pursuant to the provisions of this Plan to persons employed by the Corporation or its Affiliates will qualify as Incentive Stock Options. Options granted to persons who are not employees will be Non-Qualified Stock Options.

3. **Administration.** The Plan shall be administered by a Committee consisting of two or more members, each of whom shall be a Non-Employee Director. Until such time as Non-Employee Directors are appointed, the Committee shall consist of all Ten Percent Beneficial Owners. When at least two Non-Employee Directors are appointed, the members of the Committee shall be appointed by the Board of Directors of the Corporation. Except as limited by the express provisions of the Plan, the Committee shall have sole and complete authority and discretion to (i) select Participants and grant Awards; (ii) determine the number of Shares to be subject to types of Awards generally, as well as to individual Awards granted under the Plan; (iii) determine the terms and conditions upon which Awards shall be granted under the Plan; (iv) prescribe the form and terms of instruments evidencing such grants; and (v) establish from time to time regulations for the administration of the Plan, interpret the Plan, and make all determinations deemed necessary or advisable for the administration of the Plan.

Once the Committee consists of Non-Employee Directors as provided for in this Section, a majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Committee without a meeting, shall be acts of the Committee. During the period in which the Ten Percent Beneficial Owners constitute the Committee as provided for in this Section, all acts of the Committee require unanimous consent, either by meeting or in writing without a meeting.

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4. **Participation in Committee Awards** . The Committee may select from time to time participants in the Plan from those directors (including advisory directors and directors emeriti), officers and employees of the Corporation or its Affiliates who, in the opinion of the Committee, have the capacity for contributing to the successful performance of the Corporation or its Affiliates.

5. **Shares Subject to Plan** . Subject to adjustment by the operation of Section 11 hereof, the maximum number of Shares with respect to which Awards may be made under the Plan is One Hundred Thousand (100,000) Shares of the Corporation. The Shares with respect to which Awards may be made under the Plan may be either authorized and unissued shares or issued shares heretofore or hereafter reacquired and held as treasury shares. Shares which are subject to Related Rights and Related Options shall be counted only once in determining whether the maximum number of Shares with respect to which Awards may be granted under the Plan has been exceeded. An Award shall not be considered to have been made under the Plan with respect to any Option or Right which terminates and new Awards may be granted under the Plan with respect to the number of Shares as to which such termination has occurred.

6. **General Terms and Conditions of Options and Rights** . The Committee shall have full and complete authority and discretion, except as expressly limited by the Plan, to grant Options and/or Rights and to provide the terms and conditions (which need not be identical among Participants) thereof. In particular, the Committee shall prescribe the following terms and conditions: (a) the Exercise Price of any Option or Right, which shall not be less than the Market Value per Share at the date of grant of such Option or Right, (b) the number of Shares subject to, and the expiration date of, any Option or Right, which expiration date shall not exceed ten years from the date of grant, (c) the manner, time and rate (cumulative or otherwise) of exercise of such Option or Right, and (d) the restrictions, if any, to be placed upon such Option or Right or upon Shares which may be issued upon exercise of such Option or Right.

At the time of any Award, the Participant shall enter into an agreement with the Corporation in a form specified by the Committee, agreeing to the terms and conditions of the Award and such other matters as the Committee, in its sole discretion, shall determine (the "Option Agreement").

7. **Exercise of Options or Rights.**

7.1 **Time of Exercise** . Except as provided herein, an Option or Right granted under the Plan shall be exercisable during the lifetime of the Participant to whom such Option or Right was granted only by such Participant and, except as provided in paragraphs 7.3 and 7.4 of this Section 7, no such Option or Right may be exercised unless at the time such Participant exercises such Option or Right, such Participant has maintained Continuous Service since the date of grant of such Option or Right.

**7.2 Notice.** To exercise an Option or Right under the Plan, the Participant to whom such Option or Right was granted shall give written notice to the Corporation in form satisfactory to the Committee (and, if partial exercises have been permitted by the Committee, by specifying the number of Shares with respect to which such Participant elects to exercise such Option or Right) together with full payment of the Exercise Price, if any and to the extent required. The date of exercise shall be the date on which such notice is received by the Corporation. Payment, if any is required, shall be made either (a) in cash (including check, bank draft or money order), or (b) by delivering (i) Shares already owned by the Participant and having a fair market value equal to the applicable exercise price, such fair market value to be determined in such appropriate manner as may be provided by the Committee or as may be required in order to comply with or to conform to requirements of any applicable laws or regulations, or (ii) a combination of cash and such Shares.

**7.3 Service.** If a Participant to whom an Option or Right was granted shall cease to maintain Continuous Service for any reason (excluding death, disability and termination of employment by the Corporation or any Affiliate for cause), such Participant may, but only within the period of three months immediately succeeding such cessation of Continuous Service and in no event after the expiration date of such Option or Right, exercise such Option or Right to the extent that such Participant was entitled to exercise such Option or Right at the date of such cessation; provided, however, that such right of exercise after cessation of Continuous Service shall not be available to a Participant if the Committee otherwise determines and so provides in the applicable instrument or instruments evidencing the grant of such Option or Right. If a Participant to whom an Option or Right was granted shall cease to maintain Continuous Service by reason of death or disability, then, unless the Committee shall have otherwise provided in the instrument evidencing the grant of an Option or Right, all Options and Rights granted and not fully exercisable shall become exercisable in full upon the happening of such event and shall remain so exercisable (a) in the event of death for the period described in paragraph 7.4 of this Section 7, and (b) in the event of disability for a period of one year following such date. If the Continuous Service of a Participant to whom an Option or Right was granted by the Corporation is terminated for cause, all rights under any Option or Right of such Participant shall expire immediately upon the effective date of such termination.

**7.4 Death of Participant.** In the event of the death of a Participant while in the Continuous Service of the Corporation or an Affiliate or within the three-month period referred to in paragraph 7.3 of this Section 7, the person to whom any Option or Right held by the Participant at the time of his death is transferred by will or the laws of descent and distribution, or in the case of an Award other than an Incentive Stock Option, pursuant to a qualified domestic relations order, as defined in the Code or Title 1 of ERISA or the rules thereunder may, but only to the extent such Participant was entitled to exercise such Option or Right upon his death as provided in paragraph 7.3 above, exercise such Option or Right at any time within a period of one year succeeding the date of death of such Participant, but in no event later than ten

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years from the date of grant of such Option or Right. Following the death of any Participant to whom an Option was granted under the Plan, irrespective of whether any Related Right shall have theretofore been granted to the Participant or whether the person entitled to exercise such Related Right desires to do so, the Committee may, as an alternative means of settlement of such Option, elect to pay to the person to whom such Option is transferred by will or by the laws of descent and distribution, or in the case of an Option other than an Incentive Stock Option, pursuant to a qualified domestic relations order, as defined in the Code or Title I of ERISA or the rules thereunder, the amount by which the Market Value per Share on the date of exercise of such Option shall exceed the Exercise Price of such Option, multiplied by the number of Shares with respect to which such Option is properly exercised. Any such settlement of an Option shall be considered an exercise of such Option for all purposes of the Plan.

7.5 **Other Terms** . Notwithstanding the provisions of Sections 7.3 and 7.4 to the contrary, the Committee may, in its sole discretion, establish different terms and conditions pertaining to the effect of termination to the extent permitted by applicable federal and state law. Cash settlements of Rights may be made only in accordance with any applicable restrictions pursuant to Rule 16b-3(e) under the Securities Exchange Act of 1934 or any similar or successor provision.

8. **Incentive Stock Options** . Incentive Stock Options may be granted only to Participants who are Employees. Any provision of the Plan to the contrary notwithstanding, (a) no Incentive Stock Option shall be granted more than ten years from the date the Plan is adopted by the Board of Directors of the Corporation and no Incentive Stock Option shall be exercisable more than ten years from the date such Incentive Stock Option is granted, (b) the Exercise Price of any Incentive Stock Option shall not be less than the Market Value per Share on the date such Incentive Stock Option is granted, (c) any Incentive Stock Option shall not be transferable by the Participant to whom such Incentive Stock Option is granted other than by will or the laws of descent and distribution, and shall be exercisable during such Participant's lifetime only by such Participant, (d) no Incentive Stock Option shall be granted to any individual who, at the time such Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation or any Affiliate unless the Exercise Price of such Incentive Stock Option is at least one hundred ten percent (110%) percent of the Market Value per Share at the date of grant and such Incentive Stock Option is not exercisable after the expiration of five years from the date such Incentive Stock Option is granted, and (e) the aggregate Market Value (determined as of the time any Incentive Stock Option is granted) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant in any calendar year shall not exceed \$100,000.

9. **Stock Appreciation Rights** . A Stock Appreciation Right shall, upon its exercise, entitle the Participant to whom such Stock Appreciation Right was granted to receive a number of Shares or cash or combination thereof, as the Committee in its discretion shall determine, the aggregate value of which (i.e., the sum of the amount of cash and/or Market

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Value of such Shares on date of exercise) shall equal (as nearly as possible, it being understood that the Corporation shall not issue any fractional shares) the amount by which the Market Value per Share on the date of such exercise shall exceed the Exercise Price of such Stock Appreciation Right, multiplied by the number of Shares with respect of which such Stock Appreciation Right shall have been exercised. A Stock Appreciation Right may be Related to an Option or may be granted independently of any Option as the Committee shall from time to time in each case determine. At the time of grant of an Option the Committee shall determine whether and to what extent a Related Stock Appreciation Right shall be granted with respect thereto; provided, however, and notwithstanding any other provision of the Plan, that if the Related Option is an Incentive Stock Option, the Related Stock Appreciation Right shall satisfy all the restrictions and limitations of Section 8 hereof as if such Related Stock Appreciation Right were an Incentive Stock Option and as if other rights which are Related to Incentive Stock Options were Incentive Stock Options. In the case of a Related Option, such Related Option shall cease to be exercisable to the extent of the Shares with respect to which the Related Stock Appreciation Right was exercised. Upon the exercise or termination of a Related Option, any Related Stock Appreciation Right shall terminate to the extent of the Shares with respect to which the Related Option was exercised or terminated.

**10. Limited Stock Appreciation Rights** . At the time of grant of an Option or Stock Appreciation Right to any Participant, the Committee shall have full and complete authority and discretion to also grant to such Participant a Limited Stock Appreciation Right which is Related to such Option or Stock Appreciation Right; provided, however and notwithstanding any other provision of the Plan, that if the Related Option is an Incentive Stock Option, the Related Limited Stock Appreciation Right shall satisfy all the restrictions and limitations of Section 8 hereof as if such Related Limited Stock Appreciation Right were an Incentive Stock Option and as if all other Rights which are Related to Incentive Stock Options were Incentive Stock Options.

A Limited Stock Appreciation Right shall, upon its exercise, entitle the Participant to whom such Limited Stock Appreciation Right was granted to receive an amount of cash equal to the amount by which the "Offer Price per Share" (as such term is hereinafter defined) or the Market Value on the date of such exercise, as shall have been provided by the Committee in its discretion at the time of grant, shall exceed the Exercise Price of such Limited Stock Appreciation Right, multiplied by the number of Shares with respect to which such Limited Stock Appreciation Right shall have been exercised. Upon the exercise of a Limited Stock Appreciation Right, any Related Option and/or Related Stock Appreciation Right shall cease to be exercisable to the extent of the Shares with respect to which such Limited Stock Appreciation Right was exercised. Upon the exercise or termination of a Related Option or Related Stock Appreciation Right, any Related Limited Stock Appreciation Right shall terminate to the extent of the Shares with respect to which such Related Option or Related Stock Appreciation Right was exercised or terminated.

For the purposes of this Section 10, the term "Offer" shall mean any tender offer or exchange offer for Shares other than one made by the Corporation; provided, that the corporation, person or other entity making the offer acquires pursuant to such offer either

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(a) twenty-five percent (25%) of the Shares outstanding immediately prior to the commencement of such offer, or (b) a number of Shares which, together with all other Shares acquired in any tender offer or exchange offer (other than one made by the Corporation) which expired within sixty (60) days of the expiration date of the offer in question, equals twenty-five percent (25%) of the Shares outstanding immediately prior to the commencement of the offer in question. The term "Offer Price per Share" as used in this Section 10 shall mean the highest price per Share paid in any Offer which Offer is in effect any time during the period beginning on the sixtieth (60<sup>th</sup>) day prior to the date on which a Limited Stock Appreciation Right is exercised and ending on the date on which such Limited Stock Appreciation Right is exercised. Any securities or property which are part or all of the consideration paid for Shares in the Offer shall be valued in determining the Offer Price per Share at the higher of (i) the valuation placed on such securities or property by the corporation, person or other entity making such Offer, or (ii) the valuation placed on such securities or property by the Committee.

11. **Adjustments Upon Changes in Capitalization**. In the event of any change in the outstanding Shares subsequent to the effective date of the Plan by reason of any reorganization, recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation or any change in the corporate structure or Shares of the Corporation, the maximum aggregate number and class of shares as to which Awards may be granted under the Plan and the number, class and exercise price of shares with respect to which Awards theretofore have been granted under the Plan shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

12. **Effect of Merger**. In the event of any merger, consolidation or combination of the Corporation (other than a merger, consolidation or combination in which the Corporation is the continuing entity and which does not result in the outstanding Shares being converted into or exchanged for different securities, cash or other property, or any combination thereof) pursuant to a plan or agreement the terms of which are binding upon all stockholders of the Corporation (except to the extent that dissenting stockholders may be entitled, under statutory provisions or provisions contained in the certificate or articles of incorporation, to receive the appraised or fair value of their holdings), any Participant to whom an Option or Right has been granted at least six months prior to such event shall have the right (subject to the provisions of the Plan and any limitation or vesting period applicable to such Option or Right), thereafter and during the term of each such Option or Right, to receive upon exercise of any such Option or Right an amount equal to the excess of the fair market value on the date of such exercise of the securities, cash or other property, or combination thereof, receivable upon such merger, consolidation or combination in respect of a Share over the Exercise Price of such Right or Option, multiplied by the number of Shares with respect to which such Option or Right shall have been exercised. Such amount may be payable fully in cash, fully in one or more of the kind or kinds of property payable in such merger, consolidation or combination, or partly in cash and partly in one or more of such kind or kinds of property, all in the discretion of the Committee.

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13. **Assignments and Transfers**. No Award nor any right or interest of a Participant under the Plan in any instrument evidencing any Award under the Plan may be assigned, encumbered or transferred except, in the event of the death of a Participant, by will or the laws of descent and distribution or in the case of Awards other than Incentive Stock Options pursuant to a qualified domestic relations order, as defined in the Code or Title I of ERISA or the rules thereunder.

14. **Employee Rights Under the Plan**. No director, officer or employee shall have a right to be selected as a Participant nor, having been so selected, to be selected again as a Participant and no director, officer, employee or other person shall have any claim or right to be granted an Award under the Plan or under any other incentive or similar plan of the Corporation or any Affiliate. Neither the Plan nor any action taken thereunder shall be construed as giving any employee any right to be retained in the employ of the Corporation or any Affiliate.

15. **Delivery and Registration of Stock**. The Corporation's obligation to deliver Shares with respect to an Award shall, if the Committee so requests, be conditioned upon the receipt of a representation as to the investment intention of the Participant to whom such Shares are to be delivered, in such form as the Committee shall determine to be necessary or advisable to comply with the provisions of the Securities Act of 1933 or any other Federal, state or local securities legislation or regulation. It may be provided that any representation requirement shall become inoperative upon a registration of the Shares or other action eliminating the necessity of such representation under such Securities Act or other securities legislation. The Corporation shall not be required to deliver any Shares under the Plan prior to (a) the admission of such shares to listing on any stock exchange or other system on which Shares may then be listed, and (b) the completion of such registration or other qualification of such Shares under any state or Federal law, rule or regulation, as the Committee shall determine to be necessary or advisable. This Plan is intended to comply with Rule 16b-3 under the Securities Exchange Act of 1934. Any provision of the Plan which is inconsistent with said Rule shall, to the extent of such inconsistency, be inoperative and shall not affect the validity of the remaining provisions of the Plan.

16. **Withholding Tax**. The Corporation shall have the right to deduct from all amounts paid in cash with respect to the exercise of a Right under the Plan any taxes required by law to be withheld with respect to such cash payments. Where a Participant or other person is entitled to receive Shares pursuant to the exercise of an Option or Right pursuant to the Plan, the Corporation shall have the right to require the Participant or such other person to pay the Corporation the amount of any taxes which the Corporation is required to withhold with respect to such Shares, and may, in its sole discretion, withhold sufficient Shares to cover the amount of taxes which the Corporation is required to withhold. No discretion or choice shall be conferred upon any Participant, or other Person entitled to receive Shares, with respect to the form, timing or method of any such tax withholding.

17. **Amendment or Termination**. The Board of Directors of the Corporation may amend, suspend or terminate the Plan or any portion thereof at any time, but (except as

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provided in Section 11 hereof) no amendment shall be made without approval of the stockholders of the Corporation which shall (a) increase the aggregate number of Shares with respect to which Awards may be made under the Plan, (b) materially increase the benefits accruing to Participants, (c) materially change the requirements as to eligibility for participation in the Plan, or (d) change the class of persons eligible to participate in the Plan; provided, however, that no such amendment, suspension or termination shall impair the rights of any Participant, without his consent, in any Award theretofore made pursuant to the Plan. Notwithstanding anything else in this Plan to the contrary, to the extent that the Plan provides for formula awards, as defined in Rule 16b-3(c)(2)(ii) under the Securities Exchange Act of 1934, such provisions may not be amended more than once every six (6) months, other than as required to comply with changes in the Code, ERISA or the rules thereunder.

18. **Effective Date and Term of Plan.** The Plan shall become effective upon its ratification by stockholders of the Corporation. It shall continue in effect for a term of ten years unless sooner terminated under Section 17 hereof.

**METREOS CORPORATION**  
**2000 STOCK OPTION AND INCENTIVE PLAN**  
**INCENTIVE STOCK OPTION AGREEMENT**

ISO NO. \_\_\_\_\_

This option is granted on \_\_\_\_\_, by Metreos Corporation (the "Corporation") to \_\_\_\_\_ ("Optionee") in accordance with the following terms and conditions:

1. Option Grant and Exercise Period. The grant is governed by the Metreos Corporation 2000 Stock Option and Incentive Plan (the "Plan"), and any amendments to the Plan as approved by the shareholders. Pursuant to the Plan and this Agreement, the Corporation has granted to the Optionee an Option (the "Option") to purchase an aggregate of \_\_\_\_\_ shares (the "Option Shares") of the common stock of the Corporation, \$0.01 par value per share ("Common Stock"), at a price per share equal to \$ \_\_\_\_\_ (the "Exercise Price"). A copy of the Plan, as currently in effect, is attached to this Agreement and incorporated herein by reference.

Subject to the vesting schedule set forth herein, this Option shall be exercisable only during the period (the "Exercise Period") commencing on \_\_\_\_\_ (the "Commencement Date"), and ending at 5:00 p.m., CST, on \_\_\_\_\_, such later time and date being referred to as the "Expiration Date." This Option shall vest and become exercisable in its entirety one year after execution of this Agreement.

2. Method of Exercise of this Option. This Option may be exercised during the Exercise Period by giving written notice to the Corporation specifying the number of Option Shares to be purchased. The notice must be in the form prescribed by the committee referred to in Section 3 of the Plan or its successor (the "Committee") and directed to the address set forth in Section 9 below. The date of exercise is the date on which such notice is received by the Corporation. Such notice must be accompanied by payment in full of the Exercise Price for the Option Shares to be purchased upon such exercise. Payment shall be made either (i) in cash, which may be in the form of a check, bank draft or money order payable to the Corporation, or (ii) if the Committee shall have previously approved such form of payment, by delivering shares of Common Stock already owned by the Optionee having a "Market Value" (as defined in the Plan as in effect on the date of the grant of this Option) equal to the applicable exercise price, or (iii) if the Committee shall have previously approved such form of payment, a combination of cash and such shares. Promptly after such payment, subject to Section 3 below, the Corporation shall issue and deliver to the Optionee or other person exercising this Option a certificate or certificates representing the shares of Common Stock so purchased, registered in the name of the Optionee (or such other person).

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3. Delivery and Registration of Shares of Common Stock. The Corporation's obligation to deliver shares of Common Stock hereunder shall, if the Committee so requests, be conditioned upon the receipt of a representation as to the investment intention of the Optionee or any other person to whom such shares are to be delivered in such form as the Committee shall determine to be necessary or advisable to comply with the provisions of the Securities Act of 1933, as amended, or any other federal, state or local securities law or regulation. In requesting any such representation, it may be provided that such representation requirement shall become inoperative upon a registration of such shares or other action eliminating the necessity of such representation under such Securities Act or other securities law or regulation. The Corporation shall not be required to deliver any shares upon exercise of this Option prior to (i) the admission of such shares to listing on any stock exchange or system on which the shares of Common Stock may then be listed, and (ii) the completion of such registration or other qualification of such shares under any state or federal law, rule or regulation, as the Committee shall determine to be necessary or advisable.

4. Transferability of this Option. This Option may not be assigned, encumbered or transferred except as provided in the Plan. Except as provided herein, this Option is exercisable during the Optionee's lifetime only by the Optionee. The provisions of this Option shall be binding upon, inure to the benefit of and be enforceable by the parties hereto, the successors and assigns of the Corporation and any permitted assignee, or successor to, Optionee.

5. Termination of Service or Death of the Optionee. Except as provided in the Plan, this Option shall not be exercisable unless the Optionee, at the time Optionee exercises this Option, has maintained "Continuous Service" (as defined in the Plan as in effect on the date of the grant of this Option) since the date of the grant of this Option.

6. Notice of Transfer. The Optionee or any person to whom the Option or the Option Shares shall have been transferred in accordance with the Plan promptly shall give notice to the Corporation within the later of (i) two years from the date of grant of this Option, or (ii) one year from the date of exercise of this Option. Such notice shall specify the number of Option Shares sold or otherwise disposed of and be directed to the address set forth in Section 9 below.

7. Shareholder Rights Not Granted by this Option. The Optionee is not entitled by virtue hereof to any rights of a shareholder of the Corporation or to notice of meetings of shareholders or to notice of any other proceedings of the Corporation.

8. Withholding Tax. Where the Optionee or another person is entitled to receive Option Shares pursuant to the exercise of this Option, the Corporation shall have the right to require the Optionee or such other person to pay to the Corporation the amount of any taxes which the Corporation or any of its affiliates is required to withhold with respect to such

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Option Shares, or, in lieu thereof, to retain, or sell without notice, a sufficient number of such shares to cover the amount required to be withheld or in lieu of any of the foregoing, to withhold a sufficient sum from the Optionee's compensation payable by the Corporation to satisfy the Corporation's tax withholding requirements. The Corporation's method of satisfying its withholding obligations shall be solely in the discretion of the Corporation, subject to applicable federal, state and local law.

9. Notices. All notices hereunder to the Corporation shall be delivered or mailed to it addressed to the Secretary of Metreos Corporation, 2414 Longview Street, No. 206, Austin, Texas 78705. Any notices hereunder to the Optionee shall be delivered personally or mailed to the Optionee's address noted below. Such addresses for the service of notices may be changed at any time provided written notice of the change is furnished in advance to the Corporation or to the Optionee, as the case may be.

10. Plan and Plan Interpretations as Controlling. This Option and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which are controlling, including in the event of conflict. All determinations and interpretations of the Committee shall be binding and conclusive upon the Optionee or his legal representatives with regard to any question arising under this Agreement or under the Plan.

11. Optionee Service. Nothing in this Option shall limit the right of the Corporation or any of its affiliates to terminate the Optionee's service as a director, officer or employee, or otherwise impose upon the Corporation or any of its affiliates any obligation to employ or accept the services of the Optionee.

12. Optionee Acceptance. The Optionee shall signify his acceptance of the terms and conditions of this Option by signing in the space provided below and returning a signed copy of this Agreement to the Corporation at the address set forth in Section 9 above. In signing this Agreement, the Optionee acknowledges that the Option was awarded pursuant to the Plan.

13. Option of the Corporation to Purchase Shares Upon Termination of Employment.

A. In the event that Optionee shall have been issued shares by the Corporation pursuant to Optionee's exercise of the Option, and in the further event of the termination of employment relationship of such Optionee at any time and for any reason whatsoever, the Corporation shall have the option (but shall not be obligated) to purchase any or all of the shares owned by Optionee and Optionee's estate, executors or administrators, personal or legal representatives, and transferees (direct or indirect). For purposes of this Article and Articles 13 hereof, any reference to Optionee shall (when applicable) be deemed to be and include references to Optionee's estate, executors or administrators, personal or legal representatives and transferees (direct or indirect).

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B. The option specified in Section 13A hereof, to the extent applicable, may be exercised by the Corporation at any time after the termination of employment relationship of Optionee with the Corporation by the sending of Registered Notice (as defined in Section 14C hereof) of such exercise to Optionee, specifying the time and date on which payment to Optionee of the purchase price, as determined in accordance with Section 13D hereof, of such shares of Optionee to be purchased by the Corporation is to be made and the number of shares to be so purchased by the Corporation. The date specified shall not be later than sixty (60) days after the date such Registered Notice is sent. Settlement shall be held on the purchase of Optionee's Shares under this Article 13 at the principal executive office of the Corporation or at such other place as the Corporation shall notify Optionee. At settlement, Optionee shall deliver to the Corporation the materials required pursuant to Article 13 hereof and, simultaneously therewith, the Corporation shall deliver to Optionee a good check in the amount of the purchase price of the Shares being purchased by the Corporation.

C. In the event that Optionee is unable to, or for any reason does not, deliver to the Corporation such certificate or certificates, stock powers or other instruments of transfer, duly endorsed and in accordance with the provisions of this Article 12 or Article 13 hereof, the Corporation may, in its sole discretion, deposit a check, in the total amount of the purchase price, as determined in accordance with Article 13 hereof, whichever is applicable with any bank doing business within sixty (60) miles of the Corporation's principal executive office or with the accountant or accountants then servicing the Corporation, as agent or trustee, or in escrow for Optionee, to be held by such bank or accountant or accountants until withdrawn by Optionee. Upon such deposit by the Corporation, Optionee's shares shall at such time be deemed to have been sold, assigned, transferred and conveyed to the Corporation, and Optionee shall have no further rights with respect thereto.

D. The per share purchase price of the Shares to be purchased and sold pursuant to this Article 13 shall be the same price as the Exercise Price.

#### 14. Right of First Refusal .

A. In the event that Optionee shall receive a Bona Fide Offer (as defined in Section 14B hereof) to purchase all (but not less than all) of Optionee's shares then owned by Optionee (assuming Optionee has purchased some or all of the shares), and in the further event that Optionee is willing to accept such Bona Fide Offer, Optionee shall promptly send Notice (as defined in Section 14C hereof) to the Corporation, offering to sell such Shares to the Corporation at the same price and upon the same terms and conditions as are contained in the Bona Fide Offer. The Corporation shall then have such rights and privileges, for the prescribed time periods, as are set forth in Section 14D hereof).

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B. Whenever, in this Agreement, the term “Bona Fide Offer” is used, such term shall mean an offer in writing, signed by an offeror or offerors (who must be a person or persons financially capable of carrying out the terms of such Bona Fide Offer) not affiliated in any manner with, or related to, Optionee, in a form legally enforceable against such nonaffiliated and unrelated offeror or offerors.

C. Whenever, in this Agreement, the term “Registered Notice” is used, such term shall mean notice sent by hand delivery or by registered or certified mail (return receipt requested and first-class postage prepaid); and, if such Registered Notice is sent with respect to a Bona Fide Offer (as provided for in Section 14A hereof), such Registered Notice shall contain a true and complete copy of the Bona Fide Offer, setting forth the price and all terms and conditions, with the name(s), address(es) (both home and office) and business(es) or other occupation(s) of the nonaffiliated and unrelated offeror or offerors. Any notice which does not contain all such requisite information shall not be considered a “Registered Notice” for the purposes of this Agreement.

D. Whenever, under this Agreement, a Bona Fide Offer to purchase Shares has been received by Optionee, and Registered Notice thereof has been sent to the Corporation, the following procedure shall be complied with: For a period of thirty (30) days from its receipt of such Registered Notice, the Corporation shall have the right, at its sole option, to purchase the Shares so offered. The aforesaid right of the Corporation may be exercised by the Corporation by sending Registered Notice of such exercise to Optionee within such thirty (30)-day period. Such notice shall specify the time and date on which settlement in connection with the exercise of such right is to be made. The date specified shall not be later than ninety (90) days from the date of sending of such notice by the Corporation. Settlement shall be held on the purchase of Optionee’s Shares under this Article 14 at the principal executive office of the Corporation or at such other place as the Corporation and Optionee shall otherwise agree. At settlement, Optionee shall deliver to the Corporation the materials required by the Corporation and, simultaneously therewith, the Corporation shall deliver to Optionee the purchase price for such Shares in the amount, manner and form provided for in the Bona Fide Offer.

E. If the Corporation shall not elect, within such thirty (30)-day period, to purchase all of the Shares covered by the Bona Fide Offer, Optionee shall have the right to accept the Bona Fide Offer in whole (but not in part) and to sell such Shares, subject to the provisions and restrictions of this Agreement, but only in strict accordance with all of the provisions of the Bona Fide Offer and only if the sale is fully consummated within ninety (90) days after the sending of the Registered Notice pursuant to Section 14A hereof. In the event that such sale is not fully consummated within ninety (90) days after the sending of such Registered Notice, the provisions of this Article 14 must again be complied with by Optionee before Optionee may sell all of Optionee’s Shares pursuant to this Article 14.

F. Notwithstanding any other provision of this Agreement, to the extent that there shall be a conflict between the provisions of this Article 14 and Article 13 hereof, the provisions of Article 13 hereof shall take precedence over the provisions of this Article 14,

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and this Article 14 shall be of no force or effect. Any option of the Corporation specified in this Article 14 or Article 13 hereof may be assigned by the Corporation to any person or entity and, in such event, any reference in this Agreement to such option of the Corporation (and the closing upon a purchase of any Shares thereunder) shall, unless the context otherwise requires, be deemed to be a reference to such other person or entity.

G. Strict compliance by Optionee shall be required with each and every provision of this Agreement and particularly with the procedures set forth in the provisions of Article 13 hereof and this Article 14.

15. Covenants Not to Compete or Hire Employees. It is recognized and understood by the parties hereto that Optionee, through Optionee's association with the Corporation, shall acquire a considerable amount of knowledge and goodwill with respect to the business of the Corporation, which knowledge and goodwill are extremely valuable to the Corporation and which would be extremely detrimental to the Corporation if used by Optionee to compete with the Corporation. It is, therefore, understood and agreed by the parties hereto that, because of the nature of the business of the Corporation, it is necessary to afford fair protection to the Corporation from such competition by Optionee. Consequently, as a material inducement to the Corporation to grant Optionee the Option, Optionee covenants and agrees that any knowledge and goodwill acquired during employment or engagement with the Corporation will not be used for the purpose of competing with the Corporation. Optionee further covenants and agrees that for the period commencing on the date of Optionee's termination of employment or engagement for any reason whatsoever and ending two (2) years after Optionee's termination of employment or engagement with the Corporation, Optionee shall not, directly or indirectly, hire or engage or attempt to hire or engage any individual who shall have been an employee of the Corporation at any time during the one (1)-year period prior to the date of Optionee's termination of employment or engagement with the Corporation, whether for or on behalf of Optionee or for any entity in which Optionee shall have a direct or indirect interest (or any subsidiary or affiliate of any such entity), whether as a proprietor, partner, co-venturer, financier, investor or stockholder, director, officer, employer, employee, servant, agent, representative or otherwise.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

METREOS CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Position: \_\_\_\_\_

ACCEPTED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_

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

Dear «Full\_Name\_Last\_First\_M» :

As you know, on June 28, 2006, (the “ **Closing Date** ”) Cisco Systems, Inc. (“ **Cisco** ”) acquired Metreos Corporation (“ **Metreos** ”) (the “ **Acquisition** ”) pursuant to the Agreement and Plan of Merger by and among Cisco Systems, Inc., Meter Acquisition Corp., and Metreos dated June 8, 2006 (the “ **Merger Agreement** ”). On the Closing Date you held one or more outstanding stock options to purchase shares of Metreos common stock granted to you under the Metreos Corporation 2000 Stock Option and Incentive Plan (herein referred to as the “ **Metreos Plan** ”). Pursuant to the Merger Agreement, on the Closing Date, Cisco assumed all obligations of Metreos 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 Metreos common stock granted to you under the Metreos Plan (the “ **Metreos Option(s)** ”), and documented by a stock option agreement (or stock option agreements) and any amendment(s) entered into by and between you and Metreos (the “ **Option Agreement(s)** ”), including the necessary adjustments for assumption of the Metreos Option(s) that are required by the Acquisition.

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

METREOS OPTION(S)				ASSUMED METREOS OPTION(S)		
<u>Grant Date</u>	<u>No. of Metreos Shares</u>	<u>Exercise Price per Share</u>	<u>Option Type</u>	<u>No. of Cisco Shares</u>	<u>Exercise Price per Share</u>	<u>Option Type</u>

The post-Acquisition adjustments are based on the Option Exchange Ratio of 0.0467063201 (as determined in accordance with the terms of the Merger Agreement) and are intended to: (i) assure that the total spread of your assumed Metreos 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. If applicable, and to the extent allowable by law, the adjustments are also intended to retain incentive stock option (“ **ISO** ”) status under U.S. tax laws. The number of shares of Cisco common stock subject to your assumed Metreos Option(s) was determined by multiplying the Option Exchange Ratio by the number of shares remaining subject to your Metreos 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 Metreos Option(s) was determined by dividing the exercise price per share of your Metreos Option(s) by the Option Exchange Ratio and rounding the resulting quotient up to the next whole cent.

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Unless the context otherwise requires, any references in the Plan and the Option Agreement(s) to: (i) the “ **Corporation** ” means Cisco, (ii) “ **Common Stock** ,” “ **Option Shares** ,” 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 Plan relating to your status as an employee of Metreos will now refer to your status as an employee of Cisco or any present or future Cisco subsidiary.

The initial vesting date, vesting schedule and expiration date of your assumed Metreos Option(s) remain the same as set forth in the Option Agreement(s) (with the number of shares subject to each vesting installment and the exercise price per share adjusted to reflect the effect of the Acquisition). In accordance with Cisco’s policies, the only permissible methods to exercise your assumed Metreos 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 Metreos 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 as expressly modified by this Agreement or the Merger Agreement. Upon termination of your employment you will have the applicable limited post-termination exercise period specified in your Option Agreement(s) for your assumed Metreos Option(s) to the extent outstanding at the time of termination after which time your assumed Metreos Option(s) will expire and NOT be exercisable for Cisco common stock.

To exercise your assumed Metreos Option(s), you must utilize Cisco’s designated broker, the Charles Schwab Corporation (the telephone number is «telephone number»).

Nothing in this Agreement or the Option Agreement(s) interferes in any way with your right and your employer’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 Metreos Option(s), including, but not limited to, the time period in which you have to exercise vested options after your termination of employment.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK, SIGNATURE PAGE FOLLOWS]**

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Please sign and date this Agreement, as soon as possible, and fax the entire Agreement to Joel Fontenot at the following number: «fax number».

Until your fully executed Acknowledgment (attached to this Agreement) is received by Cisco's Stock Administration Department your Cisco account will not be activated and your assumed Metreos Option(s) will not be exercisable. If you have any questions regarding this Agreement or your assumed Metreos Option(s), please contact Mark Miller at «telephone number».

**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 Metreos 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 Metreos Option(s), the Plan and this Stock Option Assumption Agreement and agrees to the terms as set forth in such Stock Option Assumption Agreement.

**DATED:** \_\_\_\_\_, 2006

\_\_\_\_\_  
« Full\_Name\_Last\_First\_M» - Optionee

Address: \_\_\_\_\_

\_\_\_\_\_  
[Cisco ID No.: «Full\_Name\_Last\_First\_M» ]

**ATTACHMENTS**

**Exhibit A – Form S-8 Prospectus**