

# CISCO SYSTEMS, INC.

## FORM 8-K (Current report filing)

Filed 08/20/02 for the Period Ending 08/19/02

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 8-K (Unscheduled Material Events)

Filed 8/20/2002 For Period Ending 8/19/2002

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



**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **August 19, 2002**

**CISCO SYSTEMS, INC.**

(Exact Name of Registrant as Specified in Charter)

**California**

(State or Other Jurisdiction  
of Incorporation)

**0-18225**

(Commission  
File Number)

**77-0059951**

(IRS Employer  
Identification No.)

**170 West Tasman Drive, San Jose, California**

(Address of Principal Executive Offices)

**95134-1706**

(Zip Code)

Registrant's telephone number, including area code: **(408) 526-4000**

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### Item 5. Other Events.

On August 19, 2002, Cisco Systems, Inc. (the “Registrant”) entered into a definitive agreement to acquire privately-held Andiamo Systems, Inc., a Delaware corporation (“Andiamo”). A copy of the press release issued by the Registrant on August 20, 2002 concerning the foregoing transaction is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

In 2001, the Registrant entered into agreements with Andiamo under which the Registrant was granted the right to acquire Andiamo, as previously disclosed in the Registrant’s Quarterly Reports on Form 10-Q as filed with the SEC for its second and third quarters of its 2002 fiscal year. The agreement announced today represents the Registrant’s exercise of this right. The transaction is expected to close in the third quarter of the Registrant’s fiscal year 2004 (February to April 2004), but no later than July 31, 2004.

Under the terms of the agreement, common stock of the Registrant will be exchanged for all outstanding shares and options of Andiamo not owned by the Registrant at the closing of the acquisition. The amount of the purchase price for the remaining equity interests in Andiamo not then held by the Registrant is not determinable at this time, but will be based primarily upon a valuation of Andiamo to be determined by applying a multiple to the actual, annualized revenue generated from sales by the Registrant of products attributable to Andiamo during a three-month period shortly preceding the closing. Under its agreements with Andiamo, the Registrant is the exclusive manufacturer and distributor of all Andiamo products. The multiple will be equal to the Registrant’s average market capitalization during a specified period divided by the Registrant’s annualized revenue for a three-month period prior to closing, subject to adjustment as follows: (i) if the multiple so calculated is less than 10, then the multiple to be used for purposes of determining the transaction price shall be the midpoint between 10 and the multiple so calculated; (ii) if the multiple so calculated is greater than 15, then the multiple to be used for purposes of determining the transaction price shall be the midpoint between 15 and the multiple so calculated. There is no minimum purchase price, and the maximum purchase price is limited to approximately \$2.5 billion in shares of the Registrant valued at the time of closing.

In April 2001, the Registrant made its initial investment in Andiamo. At that time, the Registrant committed to invest up to \$84 million in Andiamo in the form of convertible debt. The Registrant has funded approximately \$74 million of this investment commitment to date. The Registrant’s investment is expected to be convertible into approximately 44% of the equity of Andiamo at the closing of the acquisition. The Registrant is also committed to provide additional funding to Andiamo through the closing of the acquisition of approximately \$100 million. Since making its initial investment in the third quarter of fiscal 2001, the Registrant has expensed the entire amount funded to Andiamo as research and development costs, as if such expenses constituted development costs of the Registrant. The acquisition has received the required approvals from both companies and is subject to various closing conditions and approvals, including stockholder approval by Andiamo.

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### Item 7. Financial Statements and Exhibits.

(c) Exhibits.

- 99.1 Press Release of the Registrant, dated August 20, 2002, announcing the Registrant's agreement to acquire Andiamo Systems, Inc.
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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**CISCO SYSTEMS, INC.**

Dated: August 20, 2002

By: /s/ LARRY R. CARTER

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Larry R. Carter, Senior Vice President Finance and Administration, Chief  
Financial Officer and Secretary

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EXHIBIT INDEX

Exhibit Number	Description of Document
99.1	Press Release of the Registrant, dated August 20, 2002, announcing the Registrant's agreement to acquire Andiamo Systems, Inc.

**Exhibit 99.1**

**BUSINESS PRESS CONTACT: INVESTOR RELATIONS CONTACT:**

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**CISCO SYSTEMS ANNOUNCES AGREEMENT TO ACQUIRE ANDIAMO SYSTEMS, INC.**

Represents Cisco's Entry into the High-Growth Storage Area Networking (SAN) Market

SAN JOSE, Calif., August 20, 2002 - - Cisco Systems, Inc., today announced a definitive agreement to acquire privately held Andiamo Systems, Inc. of San Jose, California. Andiamo is a developer of intelligent storage switching products for the Storage Area Networking (SAN) market. This acquisition represents Cisco's entry into the large, high-growth Fibre Channel SAN switching market, which according to market research firm Gartner Group, is expected to grow from approximately \$1.2 billion in 2002 to \$4.3 billion in 2006. Cisco's right to acquire Andiamo, and a summary of the transaction's basic terms, were disclosed in Cisco's 10-Q filed in March of this year.

This acquisition enables Cisco to extend its data networking expertise into the SAN switching market to deliver new innovations that meet customers' evolving business needs. With Andiamo's technology, Cisco customers will for the first time, be able to consolidate disparate storage networks to an integrated SAN infrastructure. In addition, Andiamo's technology introduces new intelligent services that significantly reduce the costs associated with sharing and managing critical data across a company's storage network. These innovations will enable customers to reduce the total cost of ownership of their SAN infrastructure with improved operational efficiencies.

"This acquisition supports Cisco's strategy to enter into new growth markets, such as storage networking, where we believe we can be the number one or two player," said John Chambers, president and CEO of Cisco Systems. "Andiamo's technology blends the benefits of data networking and storage networking. We are proud to offer our customers innovative storage

solutions that will not only reduce costs but deliver efficiencies that help drive productivity gains."

In 2001, Cisco entered into agreements with Andiamo under which Cisco was granted the right to acquire Andiamo, as previously disclosed in Cisco's recent 10-Q filings with the SEC. The agreement announced today represents Cisco's exercise of this right. When the acquisition closes, shares of Cisco common stock will be exchanged for all outstanding shares and options of Andiamo not already owned by Cisco. The transaction is expected to close in the third quarter of Cisco's 2004 fiscal year (February to April 2004), but no later than July 31, 2004.

The purchase price to be paid by Cisco for the remaining equity interest in Andiamo at closing will be based primarily on the following factors: sales of Andiamo products by Cisco during a three month period shortly preceding the closing, and a multiple based on Cisco's sales and market capitalization. Under its agreements with Andiamo, Cisco is the exclusive manufacturer and distributor of all Andiamo products. Cisco has a convertible note in Andiamo that is expected to represent approximately 44 percent of the equity of Andiamo at the closing of the acquisition. The purchase price could range from a net purchase price of \$0 to approximately \$2.5 billion, and will not be determined until shortly prior to closing.

The acquisition has received the required approvals from both companies and is subject to various closing conditions and approvals. For further information regarding the purchase price and the other terms of the acquisition, please refer to the Current Report on Form 8-K filed today by Cisco in conjunction with this transaction.

In connection with this acquisition, Cisco today also announced the complete family of intelligent storage switches developed by Andiamo, which are expected to be available during the fourth quarter of calendar year 2002. Please see separate Cisco announcements entitled, "Cisco Announces the Cisco MDS 9000 Family of Multilayer Intelligent Storage Switches" and, "Cisco Teams with Storage Industry Leaders for Storage Networking Solutions Interoperability" or visit <http://newsroom.cisco.com> for additional product details.

"The technology developed by Andiamo marks a new era of innovation in the storage networking market," said Mario Mazzola, chief development officer of Cisco Systems. "With Andiamo's technology, Cisco will be able to offer enterprise customers the same levels of network scalability, performance, and manageability to storage networking that Cisco pioneered in LAN and IP networking."

Andiamo's products complement Cisco's existing storage networking portfolio consisting of IP storage networking products and Metro-Optical SAN connectivity solutions. This acquisition also supports Cisco's commitment to open standards and multi-protocol support. The Cisco MDS 9000 Family supports Fibre Channel for large data center environments, iSCSI -- an emerging standard using the IP network -- for small/medium businesses and workgroups, and FCIP for remote SAN connectivity.

Andiamo was founded in January 2001 and has approximately 270 employees. The employees of Andiamo, led by Buck Gee, chief executive officer, will join the Cisco Storage Technology Group upon the closing of the acquisition.

## **ABOUT CISCO SYSTEMS**

Cisco Systems, Inc. (NASDAQ: CSCO) is the worldwide leader in networking for the Internet. News and information are available at [www.cisco.com](http://www.cisco.com).

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Editors Note: Cisco will hold a conference call for press and analysts on August 20, 2002 at 7:00 a.m. PDT. The domestic dial-in number is 888-469-2190, international dial-in number is 312-470-7154. Replay will be available from 9:00am PT, August 20th through 9:00pm PT, August 23rd. Replay info: domestic, 800-925-3288, international, 402-220-4148. An audio webcast with slides will be available at <http://newsroom.cisco.com>.

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Safe Harbor Statement. This press release contains statements that may constitute forward-looking statements pursuant to the safe harbor provisions of the Private Litigation Reform Act of 1995. These projections or statements are only predictions. Actual events or results may differ materially from those in the projections or other forward-looking statements set forth herein. Among the important factors or risks that could cause actual events to differ materially from those in the projections or other forward-looking statements are: risks associated with the completion of the acquisition; the impact that failure to do so could have on the realization of the anticipated benefits of the acquisition; risks associated with the successful integration of Andiamo Systems' business; dependence on new product development; rapid technological and market change; potential fluctuations in quarterly results; acquisition strategy; manufacturing and sourcing risks; risks associated with the Internet infrastructure and regulation; volatility of stock price; international operations; financial risk management; and future growth subject to risks. Readers are referred to the documents filed by Cisco with the SEC, specifically the most recent reports on Form 10-K, 10-Q and 8-K, each as it may be amended from time to time, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements.

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**End of Filing**