

CISCO SYSTEMS, INC.

FORM S-8 POS (Post-Effective Amendment to an S-8 filing)

Filed 07/29/96

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 POS (Post-Effective Amendment to an S-8 filing)

Filed 7/29/1996

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

Registration No. 333-05447

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549 POST-EFFECTIVE AMENDMENT NO. 1

TO FORM S-4 REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933 ON FORM S-8

CISCO SYSTEMS, INC.

(Exact name of issuer as specified in its charter)

CALIFORNIA
(State or other jurisdiction
of incorporation or organization)

77-0059951
(IRS Employer Identification No.)

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

1994 STOCK OPTION PLAN
1986 INCENTIVE STOCK OPTION PLAN
(Full title of the plans) **JOHN T. CHAMBERS**
PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR
CISCO SYSTEMS, INC.
170 WEST TASMAN DRIVE, SAN JOSE, CALIFORNIA 95134-1706
(Name and address of agent for service)

(408) 526-4000
(Telephone number, including area code, of agent for service)

This Post-Effective Amendment No. 1 to Form S-4 Registration Statement on Form S-8 relates to 2,271,281 shares of the Common Stock, no par value (the "Common Stock"), of Cisco Systems, Inc. (the "Registrant") issuable to holders of options to purchase Common Stock, \$0.01 par value of Stratacom, Inc., a Delaware corporation under both the 1994 Stock Option Plan (1,135,641 shares) and the 1986 Incentive Stock Option Plan (1,135,640 shares), which were assumed by the Registrant upon the effective time of a merger of a wholly-owned subsidiary of the Registrant with and into Stratacom, Inc. (the "Merger"), which took place on July 9, 1996. These shares of Common Stock were originally registered on the Registrant's Registration Statement on Form S-4 to which this is an amendment; accordingly, the registration fee in respect of such Common Stock was paid at the time of the original filing of the Registration Statement relating to such Common Stock. The Registrant is registering an additional 9,193,337 shares of Common Stock on a separate Form S-8 which represents the remaining shares issuable to holders of outstanding options to purchase Common Stock under the 1994 Stock Option Plan (4,636,356 shares), the 1986 Incentive Stock Option Plan (4,306,981 shares), the 1992 Directors Stock Option Plan (110,000) and the 1992 Employee Stock Purchase Plan (140,000), which were also assumed by the Registrant.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Certain 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 31, 1995 filed with the Commission on October 26, 1995 pursuant to Section 13 of the Securities Exchange Act of 1934 (the "1934 Act").
- (b) (1) The Registrant's Quarterly Reports on Form 10-Q for the fiscal quarters ended October 31, 1995, January 31, 1996 and April 30, 1996, filed with the Commission on December 12, 1995, March 13, 1996 and June 12, 1996, respectively.
- (2) The Registrant's reports on Form 8-K filed with the Commission on December 6, 1995, April 2, 1996 and April 26, 1996.
- (3) The Registrant's reports on Form 10-C filed with the Commission on February 26, 1996 and July 11, 1996.
- (c) The Registrant's Registration Statement No. 0-18225 on Form 8-A filed with the Commission on January 11, 1990, together with Amendment No. 1 on Form 8 filed with the Commission on February 15, 1990, in which there is described the terms, rights and provisions applicable to the Registrant's outstanding Common Stock.

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

Item 4. Description of Securities

Not Applicable.

Item 5. Interests of Named Experts and Counsel

Not Applicable.

Item 6. Indemnification of Directors and Officers

Section 317 of the California Corporations Code authorizes a court to award, or a corporation's Board of Directors to grant, indemnity to directors and officers in terms sufficiently broad to permit indemnification (including reimbursement of expenses incurred) under certain circumstances for liabilities arising under the Securities Act of 1933, as amended, (the "1933 Act"). The Registrant's Restated Articles of Incorporation, as amended, and Amended and Restated Bylaws provide for indemnification of its directors, officers, employees and other agents to the maximum extent permitted by the California Corporations Code. In addition, the Registrant has entered into Indemnification Agreements with each of its directors and officers.

Item 7. Exemption from Registration Claimed

Not Applicable.

Item 8. Exhibits

Exhibit Number -----	Exhibit -----
4.1	Agreement and Plan of Merger, dated as of April 21, 1996 by and between the Registrant and Stratacom, Inc., incorporated by reference to Appendix A of the Proxy Statement/Prospectus contained in Registrant's Registration Statement, File Number 333-05447.
4.2	Restated Articles of Incorporation of the Registrant dated March 1, 1991, incorporated by reference to the Registrant's Registration Statement, File Number 33-32778.
4.3	Amended and Restated Bylaws of the Registrant dated December 20, 1989, incorporated by reference to Registrant's Registration Statement, File Number 33-32778.
5.0	Opinion of Brobeck, Phleger & Harrison LLP.
23.1	Consent of Independent Accountants - Coopers & Lybrand L.L.P.
23.2	Consent of Brobeck, Phleger & Harrison LLP is contained in Exhibit 5.
24.0	Power of Attorney (included on signature page of original filing).
99.1	Stratacom, Inc. 1994 Stock Option Plan.
99.2	Form of Stock Option Agreement used in connection with the 1994 Stock Option Plan.
99.3	Stratacom, Inc. 1986 Incentive Stock Option Plan.
99.4	Form of Incentive Stock Option Agreement used in connection with the 1986 Incentive Stock Option Plan.
99.5	Form of Stock Option Assumption Agreement used in connection with the 1994 Stock Option Plan and the 1986 Incentive Stock Option Plan.

Item 9. Undertakings

A. The undersigned Registrant hereby undertakes: (1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement (i) to include any prospectus required by Section 10(a)(3) of the 1933 Act, (ii) to reflect in the prospectus any facts or events arising after the effective date of 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 the 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 paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the 1934 Act that are incorporated by reference into the Registration Statement; (2) that for the purpose of determining any liability under the 1933 Act each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and (3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the 1994 Stock Option Plan and/or the 1986 Incentive Stock Option Plan.

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

C. Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to directors, officers or controlling persons of the Registrant pursuant to the indemnity provisions summarized in Item 6 or otherwise, the Registrant has been informed that, in the opinion of the Commission, such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Post-Effective Amendment No. 1 on Form S-8 to be signed on behalf of the undersigned, thereunto duly authorized, in the City of San Jose, State of California, on this 25th day of July 1996.

CISCO SYSTEMS, INC.

By /s/ Larry R. Carter

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

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 and in the capacities and on the dates indicated:

Signatures -----	Title -----	Date -----
John T. Chambers* ----- John T. Chambers	President, Chief Executive Officer and Director (Principal Executive Officer)	, 1996 -----
/s/ Larry R. Carter ----- Larry R. Carter	Vice President, Finance and Administration, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	July 25, 1996
John P. Morgridge* ----- John P. Morgridge	Chairman of the Board and Director	, 1996 -----
Donald T. Valentine* ----- Donald T. Valentine	Director	, 1996 -----
Michael S. Frankel* ----- Michael S. Frankel	Director	, 1996 -----

Signatures

Title

Date

James F. Gibbons*

Director

, 1996

James F. Gibbons

Robert L. Puette*

Director

, 1996

Robert L. Puette

Masayoshi Son*

Director

, 1996

Masayoshi Son

Steve M. West*

Director

, 1996

Steve M. West

*By /s/ Larry R. Carter

Attorney in Fact

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

EXHIBITS

TO

FORM S-8

UNDER

SECURITIES ACT OF 1933

CISCO SYSTEMS, INC.

EXHIBIT INDEX

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EXHIBIT 5.0

July 26, 1996

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

Re: Cisco Systems, Inc. Registration Statement for Offering of 2,271,281 Shares of Common Stock

Ladies and Gentlemen:

We refer to your Post-Effective Amendment No. 1 to Form S-4 Registration Statement on Form S-8 (the "Registration Statement") under the Securities Act of 1933, as amended, of 1,135,641 shares of the common stock ("Common Stock") of Cisco Systems, Inc. (the "Company") issuable under the Stratacom, Inc. 1994 Stock Option Plan, and (ii) 1,135,640 shares of Common Stock issuable under the Stratacom, Inc. 1986 Incentive Stock Option Plan (collectively, the "Plans"), as such Plans have been assumed by the Company on July 9, 1996. We advise you that, in our opinion, when such shares have been issued and sold pursuant to the applicable provisions of the assumed Plans and in accordance with the Registration Statement, such shares will be validly issued, fully paid and nonassessable shares of Common Stock.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

/s/ Brobeck, Phleger & Harrison LLP

BROBECK, PHLEGER & HARRISON LLP

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference of our reports dated August 15, 1995, with respect to the financial statements and schedule of Cisco Systems, Inc. for the year ended July 30, 1995, included in the Annual Report (Form 10-K) for 1995, filed with the Securities and Exchange Commission, in the Registration Statement on Form S-8 of Cisco Systems, Inc. for the registration of 2,271,281 shares of its common stock and 2,271,281 options to purchase shares of its common stock.

/s/ Coopers & Lybrand L.L.P.

San Jose, California

July 25, 1996

EXHIBIT 99.1

STRATACOM, INC.

1994 STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to the Employees and Consultants of the Company and to promote the success of the Company's business.

Options granted hereunder may be either Incentive Stock Options (as defined under Section 422 of the Code) or Nonstatutory Stock Options, at the discretion of the Board and as reflected in the terms of the written option agreement.

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

- a. "Administrator" shall mean the Board or any of its Committees or designated member(s) appointed pursuant to Section 4 of the Plan.
- b. "Applicable Laws" shall have the meaning set forth in Section 4(a) below.
- c. "Board" shall mean the Board of Directors of the Company.
- d. "Code" shall mean the Internal Revenue Code of 1986, as amended.
- e. "Committee" shall mean the Committee appointed by the Board of Directors in accordance with Section 4(a) of the Plan, if one is appointed.
- f. "Common Stock" shall mean the Common Stock of the Company.
- g. "Company" shall mean StrataCom, Inc., a Delaware corporation.
- h. "Consultant" shall mean any person who is engaged by the Company or any Parent or Subsidiary to render consulting services and is compensated for such consulting services, and any director of the Company whether compensated for such services or not; provided that the term Consultant shall not include directors who are not compensated for their services or are paid only a director's fee by the Company.

i. "Continuous Status as an Employee or Consultant" shall mean the absence of any interruption or termination of service as an Employee or Consultant. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of sick leave, military leave, or any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute. For purposes of this Plan, a change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute a termination of employment.

j. "Director" shall mean a member of the Board.

k. "Employee" shall mean any person, including officers, directors and Named Executives, employed by the Company or any Parent or Subsidiary of the Company. Such term may also include, as determined by the Administrator, any person who has accepted an offer of employment with the Company or any Parent or Subsidiary of the Company, provided that such person actually commences employment with the Company or any Parent or Subsidiary of the Company within the term set forth in the offer letter. The payment of a director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

l. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

m. "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system including without limitation the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, its Fair Market Value shall be the average of the closing sales prices for such stock as quoted on such system for the last five trading days before the date of determination (if for a given day no sales were reported, the closing bid on that day shall be used), as such prices are reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the NASDAQ System (but not on the National Market System thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the average of the mean between the bid and asked prices for the Common Stock for the last five days before the date of determination; or

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

- n. "Incentive Stock Option" shall mean an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.
- o. "Named Executive" shall mean any individual who, on the last day of the Company's fiscal year, is the chief executive officer of the Company (or is acting in such capacity) or among the four highest compensated officers of the Company (other than the chief executive officer). Such officer status shall be determined pursuant to the executive compensation disclosure rules under the Exchange Act.
- p. "Nonstatutory Stock Option" shall mean an Option not intended to qualify as an Incentive Stock Option.
- q. "Officer" shall mean a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- r. "Option" shall mean a stock option granted pursuant to the Plan.
- s. "Optioned Stock" shall mean the Common Stock subject to an Option.
- t. "Optionee" shall mean an Employee or Consultant who receives an Option.
- u. "Parent" shall mean a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.
- v. "Plan" shall mean this 1994 Stock Option Plan.
- w. "Rule 16b-3" shall mean Rule 16b-3 promulgated under the Exchange Act as the same may be amended from time to time, or any successor provision.
- x. "Share" shall mean a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.
- y. "Subsidiary" shall mean a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.
3. Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of shares that may be optioned and sold under the Plan is 2,000,000 shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. Notwithstanding any other provision of the Plan, shares issued under the Plan and later repurchased by the Company shall not become available for future grant or sale under the Plan.

4. Administration of the Plan.

a. Composition of Administrator.

(i) Multiple Administrative Bodies. If permitted by Rule 16b-3, and by the legal requirements relating to the administration of incentive stock option plans, if any, of applicable securities laws and the Code (collectively, the "Applicable Laws"), the Plan may (but need not) be administered by different administrative bodies with respect to directors, officers who are not directors and Employees and Consultants who are neither directors nor officers.

(ii) Administration with respect to Directors and Officers. With respect to grants of Options to Employees or Consultants who are also officers or directors of the Company, the Plan shall be administered by (A) the Board, if the Board may administer the Plan in compliance with Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary plan and Section 162(m) of the Code as it applies so as to qualify grants of Options to Named Executives as performance-based compensation, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted (I) in such a manner as to permit the Plan to comply with Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary plan, (II) in such a manner as to qualify grants of Options to Named Executives as performance-based compensation under Section 162(m) of the Code and (III) in such a manner as to satisfy the Applicable Laws.

(iii) Administration with respect to Other Persons. With respect to grants of Options to Employees or Consultants who are neither directors nor officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Notwithstanding the above, the Board may designate one or more of its members to grant options to such other persons, to the extent allowed by the Applicable Laws.

(iv) General. Once a Committee or Board member(s) has been appointed pursuant to subsection (ii) or (iii) of this Section 4(a), such Committee or Board member(s) shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with

or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and remove all members of a Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws and, in the case of a Committee appointed under subsection (ii), to the extent permitted by Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary plan, and to the extent required under Section 162(m) of the Code to qualify grants of Options to Named Executives as performance-based compensation.

b. Powers of the Administrator. Subject to the provisions of the Plan and in the case of a Committee or designated Board member(s), the specific duties delegated by the Board to such Committee or designated Board member(s), the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(m) of the Plan;

(ii) to select the Employees and Consultants to whom Options may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each such award granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, the transferability of an Option or any vesting schedule, acceleration or waiver of forfeiture restrictions regarding any Option and/or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator shall determine, in its sole discretion);

(vii) to determine whether, to what extent and under what circumstances Common Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount, if any, of any deemed earnings on any deferred amount during any deferral period); and

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by each Option shall have declined since the date the Option was granted.

c. Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees and any other holders of any Options.

5. Eligibility.

a. Nonstatutory Stock Options may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees. An Employee or Consultant who has been granted an Option may, if he or she is otherwise eligible, be granted an additional Option or Options.

b. Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. In the case of an Incentive Stock Option, the aggregate Fair Market Value (determined as of the time such option is granted) of shares with respect to which Incentive Stock Options granted to an Optionee (under all plans of the Company or any Parent or Subsidiary) are exercisable for the first time by an Optionee during any calendar year cannot exceed \$100,000. Any option shares granted in excess of such amount shall be treated as Nonstatutory Stock Options.

c. For purposes of Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

d. The Plan shall not confer upon any Optionee any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 20 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 16 of the Plan.

7. Term of Option. The term of each Option shall be the term stated in the Option Agreement; provided, however, that in the case of an Incentive Stock Option, the term shall be no more than ten (10) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement. However, in the case of an Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. Limitation on Grants to Optionees. Subject to adjustment as provided in this Plan, the maximum number of Shares which may be granted under options to any Optionee under this Plan for any fiscal year of the Company shall be 500,000.

9. Option Exercise Price and Consideration.

a. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option or a Nonstatutory Stock Option

(A) granted to an Optionee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant;

(B) granted to any Optionee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of an Option granted on or after the effective date of registration of any class of equity security of the Company pursuant to Section 12 of the Exchange Act and prior to six months after the termination of such registration, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

b. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash, (2) check, (3) promissory note, (4) other Shares that (x) in the case of Shares acquired upon exercise of an Option either have been owned by the Optionee for more than six months on the date of surrender or were not acquired, directly or indirectly, from the Company, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (5) authorization from the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised, (6) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required

to pay the exercise price, (7) delivery of an irrevocable subscription agreement for the Shares that irrevocably obligates the option holder to take and pay for the Shares not more than twelve months after the date of delivery of the subscription agreement, (8) any combination of the foregoing methods of payment, or (9) such other consideration and method of payment for the issuance of Shares to the extent permitted under Applicable Laws. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

10. Exercise of Option.

a. Procedure for Exercise Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

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

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 9(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 14 of the Plan.

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

b. Termination of Status as an Employee or Consultant. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant, such Optionee may, but only within thirty (30) days (or such other period of time, not exceeding three (3) months in the case of an Incentive Stock Option or six (6) months in the case of a Nonstatutory Stock Option, as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of

grant of the Option) after the date of such termination (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent that he or she was entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the optionee does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.

c. Disability of Optionee. Notwithstanding the provisions of Section 10(b) above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her total and permanent disability (as defined in Section 22(e)(3) of the Code), he or she may, but only within six (6) months (or such other period of time not exceeding twelve (12) months as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) from the date of such termination (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent he or she was entitled to exercise it at the date of such termination. To the extent that he or she was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

d. Death of Optionee. In the event of the death of an Optionee:

(i) during the term of the Option who is at the time of his death an Employee or Consultant of the Company and who shall have been in Continuous Status as an Employee or Consultant since the date of grant of the Option, the Option may be exercised, at any time within three (3) months (or such other period of time, not exceeding twelve (12) months, as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) following the date of death (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance but only to the extent of the right to exercise that would have accrued had the Optionee continued living and remained in Continuous Status as an Employee or Consultant three (3) months (or such other period of time as is determined by the Administrator as provided above) after the date of death, subject to the limitation set forth in Section 5(b); or

(ii) within one (1) month (or such other period of time not exceeding three (3) months as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) after the termination of Continuous Status as an Employee or Consultant,

the Option may be exercised, at any time within three (3) months following the date of death (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

e. Rule 16b-3. Options granted to persons subject to Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

11. Withholding Taxes. As a condition to the exercise of Options granted hereunder, the Optionee shall make such arrangements as the Administrator may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the exercise, receipt or vesting of such Option. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied.

12. Stock Withholding to Satisfy Withholding Tax Obligations. At the discretion of the Administrator, Optionees may satisfy withholding obligations as provided in this paragraph. When an Optionee incurs tax liability in connection with an Option which tax liability is subject to tax withholding under applicable tax laws, and the Optionee is obligated to pay the Company an amount required to be withheld under applicable tax laws, the Optionee may satisfy the withholding tax obligation by one or some combination of the following methods: (a) by cash payment, or (b) out of Optionee's current compensation, (c) if permitted by the Administrator, in its discretion, by surrendering to the Company Shares that (i) in the case of Shares previously acquired from the Company, have been owned by the Optionee for more than six months on the date of surrender, and (ii) have a fair market value on the date of surrender equal to or less than Optionee's marginal tax rate times the ordinary income recognized, or (d) by electing to have the Company withhold from the Shares to be issued upon exercise of the Option that number of Shares having a fair market value equal to the amount required to be withheld. For this purpose, the fair market value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

Any surrender by an Officer or Director of previously owned Shares to satisfy tax withholding obligations arising upon exercise of this Option must comply with the applicable provisions of Rule 16b-3 and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

All elections by an Optionee to have Shares withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

- a. the election must be made on or prior to the applicable Tax Date;
- b. once made, the election shall be irrevocable as to the particular Shares of the Option as to which the election is made;
- c. all elections shall be subject to the consent or disapproval of the Administrator;
- d. if the Optionee is an Officer or Director, the election must comply with the applicable provisions of Rule 16b-3 and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

In the event the election to have Shares withheld is made by an Optionee and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Optionee shall receive the full number of Shares with respect to which the Option is exercised but such Optionee shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

13. Non-Transferability of Options. To the extent prohibited by Applicable Laws, an Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by an Optionee will not constitute a transfer. Such Option may be exercised, during the lifetime of the Optionee, only by the Optionee or a transferee permitted by this Section 13. The Administrator has the discretion to make Options transferable by an Optionee during his or her lifetime with such terms and conditions as determined by the Administrator on the date of grant, to the extent allowed by Applicable Laws and to the extent such Options remain exempt under Rule 16b-3.

14. Adjustments Upon Changes in Capitalization or Merger. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, the number of shares of Common Stock that have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, the maximum number of shares of Common Stock for which Options may be granted to any Optionee under Section 8 of the Plan, and the price per

share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

In the event of the proposed dissolution or liquidation of the Company, the Option will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Administrator. The Administrator may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Administrator and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Option shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Administrator determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Optionee shall have the right to exercise the Option as to some or all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. If the Administrator makes an Option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee that the Option shall be exercisable for a period of thirty (30) days from the date of such notice, and the Option will terminate upon the expiration of such period.

15. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option or such other date as is determined by the Administrator. Notice of the determination shall be given to each Employee or Consultant to whom an Option is so granted within a reasonable time after the date of such grant.

16. Amendment and Termination of the Plan.

a. Amendment and Termination. The Board may amend or terminate the Plan from time to time in such respects as the Board may deem advisable;

provided that, the following revisions or amendments shall require approval of the shareholders of the Company in the manner described in Section 20 of the Plan:

(i) any increase in the number of Shares subject to the Plan, other than in connection with an adjustment under Section 14 of the Plan;

(ii) any change in the designation of the class of persons eligible to be granted Options;

(iii) any change in the limitation on grants to Optionees as described in Section 8 of the Plan or other changes which would require shareholder approval to qualify options granted hereunder as performance-based compensation under Section 162(m) of the Code; or

(iv) if the Company has a class of equity securities registered under Section 12 of the Exchange Act at the time of such revision or amendment, any material increase in the benefits accruing to participants under the Plan.

b. Shareholder Approval. If any amendment requiring shareholder approval under Section 13(a) of the Plan is made subsequent to the first registration of any class of equity securities by the Company under Section 12 of the Exchange Act, such shareholder approval shall be solicited as described in Section 20 of the Plan.

c. Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

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

As a condition to the exercise of an Option, if required by Applicable Law the Company may require the person exercising such Option to represent and warrant at

the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

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

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

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

20. Shareholder Approval.

a. Continuance of the Plan shall not be subject to approval by the shareholders of the Company. If the Company seeks shareholder approval, such shareholder approval shall be obtained in the manner and to the degree required under applicable federal and state law and the rules of any stock exchange.

b. If such shareholder approval is obtained at a duly held shareholders' meeting, it must be obtained by the affirmative vote of the holders of a majority of the outstanding shares of the Company, or if such shareholder approval is obtained by written consent, it must be obtained by the unanimous written consent of all shareholders of the Company; provided, however, that approval at a meeting or by written consent may be obtained by a lesser degree of shareholder approval if the Board determines, in its discretion after consultation with the Company's legal counsel, that such a lesser degree of shareholder approval will comply with all applicable laws and will not adversely affect the qualification of the Plan under Section 422 of the Code.

c. In the event that the Company registers any class of equity securities pursuant to Section 12 of the Exchange Act, any required approval of the shareholders of the Company obtained after such registration shall be solicited substantially in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

d. If any required approval by the shareholders of the Plan itself or of any amendment thereto is solicited at any time otherwise than in the manner described in Section 20(c) hereof, then the Company shall, at or prior to the first annual

meeting of shareholders held subsequent to the later of (1) the first registration of any class of equity securities of the Company under Section 12 of the Exchange Act or (2) the granting of an Option hereunder to an officer or director after such registration, do the following:

(i) furnish in writing to the holders entitled to vote for the Plan substantially the same information that would be required (if proxies to be voted with respect to approval or disapproval of the Plan or amendment were then being solicited) by the rules and regulations in effect under Section 14(a) of the Exchange Act at the time such information is furnished; and

(ii) file with, or mail for filing to, the Securities and Exchange Commission four copies of the written information referred to in subsection (i) hereof not later than the date on which such information is first sent or given to shareholders.

21. Information to Optionees. The Company shall make available to each Optionee as required by Applicable Laws, regulations and registrations, during the period for which such Optionee has one or more Options outstanding, copies of all annual reports and other information which are provided to all shareholders of the Company. The Company shall not be required to make available such information if the issuance of Options under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information.

15.

EXHIBIT 99.2

**STRATACOM, INC.
1994 STOCK OPTION PLAN
STOCK OPTION AGREEMENT - GENERAL TERMS AND CONDITIONS**

1. Nature of the Option. If designated an Incentive Stock Option in the Notice of Grant, this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. If shareholder approval of the Plan is not obtained within twelve (12) months of adoption by the Company, this Option will be treated as a Nonstatutory Stock Option.

2. Exercise of Option. This Option shall be exercisable during its term in accordance with the Exercise Schedule set out in Section 2(i) below and in accordance with the provisions of Sections 9 and 10 of the Plan as follows:

(i) Right to Exercise.

(a) Subject to subsections 2(i) (b), (c), (d) and (e), below, this Option shall be exercisable cumulatively to the extent of 25% of the Shares subject to the Option for each year which has expired after the Vesting Commencement Date. This Option may be exercised for a period of 30 days after termination of employment or consulting relationship except as set out in Sections 7 and 8 of this Stock Option Agreement (but in no event later than the Expiration Date).

(b) This Option may not be exercised for a fraction of a share.

(c) In the event of Optionee's death, disability or other termination of employment, the exercisability of the Option is governed by Sections 6, 7 and 8 below and subject to the limitation contained in section 2

(i) (d) and (e).

(d) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in Section 10 of this Agreement (the "Expiration Date").

(e) If designated an Incentive Stock Option in the Notice of Grant, in the event that this Option becomes exercisable at a time or times which, when this Option is aggregated with all other incentive stock options granted to Optionee by the Company or any Parent or Subsidiary, would result in Shares having aggregate fair market value (determined for each Share as of the Date of Grant of the option covering such Share) in excess of \$100,000 becoming first available for purchase upon exercise of one or more incentive stock options during any calendar year, the number of shares in excess of \$100,000 shall be treated as subject to an option which is a Nonstatutory Stock Option, pursuant to Section 5 of the Plan.

(ii) Method of Exercise.

(a) The Option shall be exercisable by written notice stating the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the exercise price for all the shares being purchased. This Option shall be deemed to be exercised upon receipt by the Company of said written notice accompanied by said exercise price.

(b) As a condition to the exercise of this Option, the Optionee agrees to make adequate provisions for federal, state or other tax withholding obligations, if any, which arise upon the exercise of the Option or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.

(c) No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such shares.

3. Optionee's Representations. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company an investment representation statement in customary form, a copy of which is available for Optionee's review from the Company upon request.

4. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination of the following, at the election of the Optionee: (i) cash; or (ii) check.

5. Restrictions on Exercise. This Option may not be exercised if the issuance of the Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal regulations ("Regulation G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. Termination of Relationship. In the event of termination of Optionee's Continuous Status as an Employee or Consultant, Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date"), exercise this Option during the termination Period set out in the Notice of Grant. To the extent that Optionee was not entitled to exercise this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified in the Notice of Grant, the Option shall terminate.

7. Disability of Optionee. Notwithstanding the provisions of Section 6 above, in the event of termination of Optionee's Continuous Status as an Employee (or Consultant in the case of a Nonstatutory Stock Option) as a result of total and permanent disability (as defined in Section 22(e) (3) of the Code), Optionee may, but only within six (6) months from the date of termination of employment (but in no event later than the date of expiration of the term of this Option as set forth in Section 10 below), exercise the Option to the extent otherwise so entitled at the date of such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, the Option shall terminate.

8. Death of Optionee. In the event of death of Optionee:

(i) during the term of this Option and while an employee (or Consultant in the case of a Nonstatutory Stock Option) of the Company and having been in Continuous Status as an Employee (or Consultant) since the date of Grant of the Option, the Option may be exercised, at any time within three (3) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in Section 10 below), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Optionee continued living and remained in Continuous Status as an Employee or Consultant three (3) months after the date of death; or

(ii) within thirty (30) days after the termination of Optionee's Continuous Status as an Employee (or Consultant), the Option may be exercised, at any time within three (3) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in Section 10 below), by Optionee's estate or by person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

9. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by laws of descent or distribution. The designation of a beneficiary does not constitute a transfer. An Option may be exercised during the lifetime of Optionee only by the Optionee or a transferee permitted by this section. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

10. Term of Option. This Option may be exercised only within five years of the Vesting Commencement Date set forth on the cover sheet of this Agreement, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

11. No Additional Employment Rights. Optionee understands and agrees that the vesting of Shares pursuant to the Exercise Schedule is earned only by continuing as an Employee or Consultant at the will of the Company (not through the act of being hired, being granted this Option or acquiring Shares under this Agreement). Optionee further acknowledges and agrees that nothing in this Agreement nor in the Plan which is incorporated in this Agreement by reference shall confer upon Optionee any right with respect to continuation as an Employee (or Consultant) with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

12. Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal tax consequences of exercise of this Option and disposition of the Shares. **THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.**

(i) Exercise of Incentive Stock Option. If this Option qualifies as an Incentive Stock Option, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject the Optionee to the alternative minimum tax in the year of exercise.

(ii) Exercise of Nonqualified Stock Option. If this Option does not qualify as an Incentive Stock Option, there may be a regular federal income tax liability upon the exercise of the Option. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. In addition, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(iii) Disposition of Shares. In the case of a Nonqualified Stock Option, if Shares are held for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes. In the case of an Incentive Stock Option, if Shares transferred pursuant to the Option are held for at least one year after exercise and are disposed of at least two years after the Date of Grant, any gain realized on the disposition of the Shares will also be treated as long-term capital gain for federal income tax purposes. If Shares purchased under an Incentive Stock Option are disposed of within such one-year period or within two years after the Date of Grant, any gain realized on such disposition will be treated

as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the lesser of (1) fair market value of the Shares on the date of exercise, or (2) the sales proceeds, over the Exercise Price.

(iv) Notice of Disqualifying Disposition of Incentive Stock Option Shares. If the Option granted to Optionee in this Agreement is an Incentive Stock Option and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the Incentive Stock Option on or before the later of (1) the date two years after the Date of Grant, or (2) the date one year after transfer of such Shares to the Optionee upon exercise of the Incentive Stock Option, the Optionee shall notify the Company in writing within thirty (30) days after the date of any such disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee from the early disposition by payment in cash or out of the current earnings paid to the Optionee.

13. Signature. This Stock Option Agreement shall be deemed executed by the Company and the Optionee upon execution by such parties of the Notice of Grant and the Cover Sheet attached to this Stock Option Agreement.

EXHIBIT 99.3
STRATACOM, INC.

1986 INCENTIVE STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to the Employees and Consultants of the Company, and to promote the success of the Company's business.

Options granted hereunder may be either Incentive Stock Options or Nonstatutory Stock Options, at the discretion of the Administrator and as reflected in the terms of the written option agreement.

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

(a) "Administrator" shall mean the Board or any of its Committees appointed pursuant to Section 4 of the Plan.

(b) "Applicable Laws" shall have the meaning set forth in Section 4(a) below.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) "Common Stock" shall mean the Common Stock of the Company.

(f) "Committee" shall mean the Committee appointed by the Board of Directors in accordance with Section 4(a) below, if one is appointed.

(g) "Company" shall mean STRATACOM, INC., a Delaware corporation.

(h) "Consultant" shall mean (i) any person who is engaged by the Company or any subsidiary to render consulting services and its compensated for such consulting services, and (ii) any director of the Company whether compensated for such services or not; provided, however, that if the Company registers any class of any equity security pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, the term Consultant shall thereafter not include directors who are not compensated for their services or who are paid only a director's fee by the Company.

(i) "Continuous Status as an Employee or Consultant" shall mean the absence of any interruption or termination of service as an Employee or Consultant. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of sick leave, military leave, or any other leave of absence approved by the Administrator; provided, however, either that such leave must be for a period of not more than ninety (90) days or that re-employment upon the expiration of such leave must be guaranteed by contract or by statute.

(j) "Employee" shall mean any person, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(k) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system including without limitation the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, its Fair Market Value shall be the average of the closing sales prices for such stock as quoted on such system for the last five trading days before the date of determination (if for a given day no sales were reported, the closing bid on that day shall be used), as such prices are reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the NASDAQ System (but not on the National Market System thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the average of the mean between the bid and asked prices for the Common Stock for the last five days before the date of determination; or

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

(l) "Incentive Stock Option" shall mean an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(m) "Nonstatutory Stock Option" shall mean an Option not intended to qualify as an Incentive Stock Option.

(n) "Option" shall mean a stock option granted pursuant to the Plan.

(o) "Optioned Stock" shall mean the Common Stock subject to an

Option.

- (p) "Optionee" shall mean an Employee or Consultant who receives an Option.
- (q) "Parent" shall mean a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code
- (r) "Plan" shall mean this 1986 Incentive Stock Option Plan.
- (s) "Share" shall mean a share of Common Stock, adjusted in accordance with Section 11 below.
- (t) "Subsidiary" shall mean a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 11 below, the maximum aggregate number of shares that may be optioned and sold under the Plan is 4,730,000 shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option should expire or become unexercisable for any reason without having been exercised in full, then the unpurchased Shares that were subject to the Option shall, unless the Plan has been terminated, become available for future grant under the Plan.

Notwithstanding any other provision of the Plan, shares issued under the Plan and later repurchased by the Company shall not become available for future grant or sale under the Plan.

4. Administration of the Plan.

(a) Composition of Administrator.

(i) Multiple Administrative Bodies. If permitted by Rule 16b-3 promulgated under the Exchange Act or any successor rule thereto, as in effect at the time that discretion is being exercised with respect to the Plan ("Rule 16b-3"), and by the legal requirements relating to the administration of incentive stock option plans, if any, of applicable securities laws and the Code (collectively, the "Applicable Laws"), the Plan may (but need not) be administered by different administrative bodies with respect to directors, officers who are not directors and Employees who are neither directors nor officers.

(ii) Administration with respect to Directors and Officers. With respect to grants of Options to Employees or Consultants who are also officers or directors of the Company, the Plan shall be administered by (A) the Board, if the Board may

administer the Plan in compliance with Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary plan, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted (I) in such a manner as to permit the Plan to comply with Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary plan and (II) in such a manner as to satisfy the Applicable Laws.

(iii) Administration with respect to Other Persons. With respect to grants of Options to Employees or Consultants who are neither directors nor officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws.

(iv) General. Once a Committee has been appointed pursuant to subsection (ii) or (iii) of this Section 4(a), such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and remove all members of a Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws and, in the case of a Committee appointed under subsection (ii), to the extent permitted by Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary plan.

(b) Powers of the Administrator. Subject to the provisions of the Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(l) of the Plan;

(ii) to select the officers, Consultants and Employees to whom Options may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each such award granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Option and/or the shares of Common Stock relating thereto, based

in each case on such factors as the Administrator shall determine, in its sole discretion);

(vii) to determine whether, to what extent and under what circumstances Common Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount, if any, of any deemed earnings on any deferred amount during any deferral period); and

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option shall have declined since the date the Option was granted.

(c) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees and any other holders of any Options.

5. Eligibility.

(a) Options may be granted only to Employees and Consultants. Incentive Stock Options may be granted only to Employees. An Employee or Consultant who has been granted an Option may, if he or she is otherwise eligible, be granted an additional Option or Options.

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of Stock Options are exercisable for the first time by an Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options.

(c) For purposes of Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(d) The Plan shall not confer upon any Optionee any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the stockholders of the Company as described in Section 18 below. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 13 below.

7. Term of Option. The term of each Incentive Stock Option shall be ten (10) years from the date of grant thereof or such shorter term as may be provided in the Stock Option Agreement. The term of each Option that is not an Incentive Stock Option shall be ten (10) years and one (1) day from the date of grant thereof or such shorter term as may be provided in the Stock Option Agreement. However, in the case of an Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, (a) if the Option is an Incentive Stock Option, the term of the Option shall be five (5) years from the date of grant thereof or such shorter time as may be provided in the Stock Option Agreement, or (b) if the Option is not an Incentive Stock Option, the term of the Option shall be five (5) years and one (1) day from the date of grant thereof or such shorter term as may be provided in the Stock Option Agreement.

8. Exercise Price and Consideration.

(a) The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(ii) In the case of any Option, the per Share exercise price shall be no less than eighty-five percent (85%) of the Fair Market Value per Share on the date of grant.

(b) The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which (A) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;

(vi) any combination of the foregoing methods of payment; or

(vii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Law.

9. Exercise of Option

(a) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and shall be permissible under the terms of the Plan; provided, however, that an Incentive Stock Option granted prior to January 1, 1987 shall not be exercisable while there is outstanding any incentive stock option which was granted, before the granting of such Incentive Stock Option, to the same Optionee to purchase stock of the Company, any Parent or Subsidiary, or any predecessor corporation of such corporations. For purposes of this provision, an incentive stock option shall be treated as outstanding until such option is exercised in full or expires by reason of lapse of time.

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

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) above. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificates evidencing such shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 below.

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

(b) Termination of Status as an Employee or Consultant. If an Employee or Consultant ceases to serve as an Employee or Consultant, then he or she may, but only within thirty (30) days (or such other period of time not exceeding three (3) months as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of the grant of the Option) after the date he or she ceases to be an Employee or Consultant of the Company (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement, exercise his or her Option to the extent that he or she was entitled to exercise it at the date of such termination. To the extent that he or she was not entitled to exercise the Option at the date of such termination, or if he or she does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. Notwithstanding the provisions of Section 9(b) above, if an Employee or Consultant is unable to continue his or her employment or consulting relationship with the Company as a result of his or her total and permanent disability (as defined in Section 22(e)(3) of the Code), then he or she may, but only within six (6) months (or such other period of time not exceeding twelve (12) months as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of the grant of the Option) from the date of termination (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent he or she was entitled to exercise it at the date of termination of employment or consulting. To the extent that he or she was not entitled to exercise the Option at the date of termination, or if he or she does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.

(d) Death of Optionee. In the event of the death of an Optionee:

(i) during the term of the Option who is at the time of his or her death an Employee or Consultant of the Company and who shall have been in Continuous Status as an Employee or Consultant since the date of grant of the Option, the Option may be exercised, at any time within three (3) months following the date of death (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Optionee continued living and remained in Continuous Status as an Employee or Consultant three (3) months after the date of death; or

(ii) within one (1) month (or such other period of time not exceeding three (3) months as is determined by the Administrator, with such determination in

the case of an Incentive Stock Option being made at the time of grant of the Option) after the termination of Continuous Status as an Employee or Consultant, the Option may be exercised, at any time within three (3) months following the date of death (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

(e) Rule 16b-3. Options granted to persons subject to

Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

10. Non-Transferability of Options. The Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by an Optionee does not constitute a transfer. An Option may be exercised, during the lifetime of the Optionee, only by the Optionee.

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

In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Option shall terminate immediately prior to the consummation of such proposed action. In the event of a merger of the Company with or into another corporation, the Option shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Administrator determines, in the exercise of its sole

discretion and in lieu of such assumption or substitution, that the Optionee shall have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. If the Administrator makes an Option fully exercisable in lieu of assumption or substitution in the event of a merger, then the Administrator shall notify the Optionee that the Option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and the Option shall terminate upon the expiration of such period.

12. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option or such other date as is determined by the Administrator. Notice of the determination shall be given to each Employee or Consultant to whom an Option is so granted within a reasonable time after the date of such grant.

13. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may amend or terminate the Plan from time to time in such respects as the Board may deem advisable; provided, however, that the following revisions or amendments shall require approval of the stockholders of the Company in the manner described in Section 18 of the Plan:

(i) any increase in the number of Shares subject to the Plan, other than in connection with an adjustment under Section 11 above;

(ii) any change in the designation of the class of persons eligible to be granted Options; or

(iii) if the Company has a class of equity security registered under Section 12 of the Exchange Act at the time of such revision or amendment, any material increase in the benefits accruing to participants under the Plan.

(b) Stockholder Approval. If any amendment requiring stockholder approval under Section 13(a) above is made subsequent to the first registration of any class of equity security by the Company under Section 12 of the Exchange Act, then such stockholder approval shall be solicited as described in Section 18 below.

(c) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

14. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and

delivery of such Shares pursuant thereto complies with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed. The exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall be further subject to the approval of counsel for the Company with respect to such compliance.

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

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

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

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

17. Annual Report to Optionees. The Board of Directors shall cause an annual report to be sent to the Optionees not later than one hundred twenty (120) days after the close of the fiscal year adopted by the corporation. Such report shall be sent at least fifteen (15) days (or, if sent by third-class mail, thirty-five (35) days) before the annual meeting of stockholders to be held during the next fiscal year. The annual report shall contain (i) a balance sheet as of the end of the fiscal year, (ii) an income statement, (iii) a statement of changes in financial position for the fiscal year, and (iv) any report of independent accountants or, if there is not such report, the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation.

18. Stockholder Approval.

(a) Continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date of the Plan is adopted.

(b) If and in the event that the Company registers any class of

equity securities pursuant to Section 12 of the Exchange Act, any required approval of the stockholders of the Company obtained after such registration shall be solicited substantially in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

(c) If any required approval by the stockholders of the Plan itself or of any amendment thereto is solicited at any time otherwise than in the manner described in Section 18(b) hereof, then the Company shall, at or prior to the first annual meeting of stockholders held subsequent to the later of (1) the first registration of any class of equity securities of the Company under Section 12 of the Exchange Act or (2) the granting of an Option hereunder to an officer or director after such registration, do the following:

(i) furnish in writing to the holders entitled to vote for the Plan substantially the same information which would be required (if proxies to be voted with respect to approval or disapproval of the Plan or amendment were then being solicited) by the rules and regulations in effect under Section 14(a) of the Exchange Act at the time such information is furnished; and

(ii) file with, or mail for filing to, the Securities and Exchange Commission four copies of the written information referred to in subsection (i) hereof not later than the date on which such information is first sent or given to stockholders.

12.

EXHIBIT 99.4

STRATACOM, INC.

STOCK OPTION AGREEMENT

STRATACOM, INC., a Delaware corporation (the "Company"), has granted to 1~ ("Optionee"), an option to purchase a total of 2~ shares of Common Stock, at the price determined as provided herein, and in all respects subject to the terms, definitions, and provisions of the 1986 Incentive Stock Option Plan (the "Plan") adopted by the Company, which is incorporated herein by reference. The terms defined in the Plan shall have the same defined meanings herein.

1. Nature of the Option. This Option is intended to qualify as an Incentive Stock Option as defined in Section 422A of the Internal Revenue Code of 1986, as amended (the "Code").
2. Exercise Price. The exercise price shall be \$3~ for each share of Common Stock, which price is not less than the fair market value per share of the Common Stock on the date of grant.
3. Exercise of Option. This Option shall be exercisable during its term in accordance with the provisions of Section 9 of the Plan as follows:
 - (i) Right to Exercise.
 - (a) Subject to subsections 3(i)(b) and (c), below, this Option shall be exercisable cumulatively, to the extent of 25% of the Shares subject to the Option for each year which has expired after the Date of Grant.
 - (b) This Option may not be exercised for a fraction of a share.
 - (c) In the event of Optionee's death, disability or other termination of employment, the exercisability of the Option is governed by Sections 7, 8 and 9 below.
 - (ii) Methods of Exercise. This Option shall be exercisable by written notice stating the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied

by payment of the exercise price for the total number of shares being purchased. This Option shall be deemed to be exercised upon receipt by the Company of said written notice accompanied by said exercise price. A form of notice is attached to this Agreement as Exhibit A and a form of investment representation letter is attached hereto as Exhibit B for Optionee's convenience.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, the Shares shall be considered to be transferred to Optionee on the date on which the Option is exercised with respect to such Shares.

4. Optionee's Representations. By receipt of this Option, by its execution, and by its exercise in whole or in part, Optionee represents to the Company that he understands that:

(i) both this Option, and any Shares purchased upon its exercise, are securities the issuance by the Company of which requires compliance with federal and state security laws;

(ii) these securities are made available to him only on the condition that he makes the representation contained in this section (4) to the Company;

(iii) he has made a reasonable investigation of the affairs of the Company sufficient to be well informed as to the rights and the value of these securities;

(iv) he understands that the securities have not been registered under the Securities Act of 1933 (the "Act") in reliance upon a specific exemption contained in that Act which depends upon his bona fide investment intention in acquiring these securities; that his intention is to hold these securities for his own benefit for an indefinite period; that he has no present intention of selling or transferring any part thereof (recognizing that the Option is not transferable) and that there may be certain restrictions on transfer of the shares subject to the Option;

(v) he understands that the Shares subject to the Option, in addition to other restrictions on transfer, must be held indefinitely unless subsequently registered under the Act, or unless an exemption from registration is available; that Rule 144, the usual exemption from registration is only available after the satisfaction of certain holding periods and in the presence of a public market for the Shares; that there is no certainty that a public market for the Shares will exist, and that otherwise it will be necessary that the Shares be sold pursuant to another exemption from registration which may be difficult to satisfy;

(vi) he understands that the certificate representing the Shares will bear a legend prohibiting their transfer in the absence of their registration or the opinion of counsel for the Company that registration is not required, and a legend prohibiting their transfer without the consent of the Commissioner of Corporations of the State of California; and

(vii) he has read the applicable rules of the Commissioner of Corporations, which are attached as Exhibit C to this Agreement.

5. Method of Payment. Payment of the exercise price shall be by:

(a) cash; or

(b) check.

6. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G"), as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company that may be required by any applicable law or regulation.

7. Termination of Status as an Employee. If Optionee ceases to serve as an Employee, he may, but only within thirty (30) days after the date he ceases to be an Employee of the Company, exercise this Option to the extent that he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise this Option at the date of such termination, or if he does not exercise this Option within the time specified herein, the Option shall terminate.

8. Disability of Optionee. Notwithstanding the provisions of Section 7 above, if Optionee is unable to continue his employment with the Company as a result of his total and permanent disability (as defined in Section 422A(c)(9) of the Internal Revenue Code), he may, but only within six (6) months from the date of termination of employment, exercise his Option to the extent he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

9. Death of Optionee. In the event of the death of Optionee:

(a) during the term of this Option and while an Employee of the Company and having been in Continuous Status as an Employee since the date of grant

of this Option, this Option may be exercised, at any time within three (3) months following the date of death, by Optionee's estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had Optionee continued living and remained in Continuous Status as an Employee three (3) months after the date of death; or

(b) within thirty (30) days after the termination of Optionee's Continuous Status as an Employee, this Option may be exercised, at any time within three (3) months following the date of death, by Optionee's estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

10. Non-Transferability of Option. This Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by him. The terms of this Option shall be binding upon the executors, administrators, heirs, successors, and assigns of Optionee.

11. Right of First Refusal. In the event, at any time after the date of this Option, the Optionee or his transferee desires to sell or transfer in any manner the Shares which he has received under this Option, he shall first offer such Shares for sale to the Company at the same price, and upon the same terms (or terms as similar as reasonably possible) upon which he is proposing or is to dispose of said Shares. Said right of first refusal shall be provided to the Company for a period of thirty (30) days following receipt by the Company of written notice by the Optionee of the terms and conditions of said proposed sale or transfer and the name, address and phone number of each proposed buyer of transferee. If the Company desires to exercise such right of first refusal, it shall notify Optionee in writing within such thirty day period. In the event the Shares are not disposed of on such terms within thirty (30) days following lapse of the period of the right of first refusal provided to the Company or if the Optionee proposes to change the price or other terms to make them more favorable to the buyer, they shall once again be subject to the right of first refusal herein provided.

12. Involuntary Transfer. In the event, at any time after the date of this Option, of any transfer by operation of law or other involuntary transfer (including death or divorce) of all or portion of the Shares by the record holder thereof, the Company shall have an option to purchase all of the Shares transferred. Upon such a transfer, the person acquiring the Shares shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of thirty (30) days following receipt by the Company of written notice by the person acquiring the Shares. With respect to any stock to be transferred pursuant to this Section 12, the price per Shares shall be the price established by the Board of Directors as the then fair market value of the Shares.

13. Assignment. The right of the Company to purchase any part of the Shares under Sections 11 or 12 of this Option may be assigned in whole or in part to any shareholder or shareholders of the Company or other persons or organizations.

14. Termination of Repurchase and Refusal Rights. The right of first refusal granted the Company by Section 11 of this Option and the right of repurchase granted the Company by Section 12 of this Option shall terminate at such time as a public market exists for the Company's Common Stock (or any other stock issued to Optionee in exchange for the Shares purchased under this Agreement). For the purpose of this Agreement, a "Public Market" shall be deemed to exist if (i) said stock is listed on a national securities exchange (as that term is used in the Securities Exchange Act of 1934) or (ii) said stock is traded on the over-the-counter market and prices are published daily on business days in a recognized financial journal.

Upon termination of the right of first refusal imposed by this Option and the expiration or exercise of the Company's repurchase option described above, a new certificate or certificates representing the Shares not repurchased shall be issued, on request, without any legend referring to such right of first refusal or repurchase options.

15. Exempt Transfers. The restrictions on transfer on the Shares (but not the restriction on transfer of the unexercised option which is the subject of this Agreement) under Sections 11 and 12 shall not apply to a transfer to Optionee's spouse or to a trustee for their benefit, or to Optionee's ancestors or descendants by descent provided that such transferee shall agree in writing to take such Shares subject to all the terms of this Agreement, including restrictions on further transfer.

16. Term of Option. This Option may not be exercised more than five (5) years from the date of grant of this Option, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

17. Early Disposition of Stock. Optionee understands that, if he disposes of any Shares received under this Option within two (2) years after the date of this Agreement or within one (1) year after such Shares were transferred to him, then he will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the Shares at the time such Shares were delivered to him over the price paid for the Shares. Optionee hereby agrees to notify the Company in writing within thirty (30) days after the date of any such disposition. Optionee understands that, if he disposes of such Shares at any time after the expiration of such two-year and one-year holding periods, then any gain on such sale will be taxed at capital gain rates.

DATE OF GRANT: 6~

STRATACOM, INC.
A California corporation

By:

Sanjay Subhedar, Vice President

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO SECTION 3 HEREOF IS EARNED ONLY BY CONTINUING SERVICE AS AN EMPLOYEE OR CONSULTANT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S STOCK OPTION PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH HIS RIGHT OR THE COMPANY'S RIGHT TO TERMINATE HIS EMPLOYMENT AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and certain information related thereto and represents that he is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decision or interpretations of the Board upon any questions arising under the Plan.

Dated:

1~, Optionee

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5~

EXHIBIT A

**NOTICE OF EXERCISE OF
INCENTIVE STOCK OPTION**

StrataCom, Inc.
1400 Parkmoor Avenue
San Jose, CA 95126

Date of
Exercise: _____

Re: Incentive Stock Option Grant Dated 6~

Gentlemen:

This constitutes notice under my stock option that I elect to purchase the number of shares of StrataCom, Inc. Common Stock set forth below for the price set forth below:

Stock option dated: 6~

Number of shares as
to which option is
exercised:

Total exercise price:

Cash payment delivered herewith:

Unless such documents are enclosed herewith, I hereby agree to execute such additional documents as may be required pursuant to subparagraph 9(a) of the 1986 Incentive Stock Option Plan. Please advise what additional documents may be required.

Very truly yours,

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EXHIBIT B

, 19

StrataCom, Inc.
1400 Parkmoor Avenue
San Jose, CA 95126

Gentlemen:

In connection with the proposed purchase of shares of Common Stock (the "Stock") of StrataCom, Inc., a Delaware corporation (the "Corporation"), upon the exercise of an Incentive Stock Option dated 6-, by the undersigned ("Purchaser"), Purchaser hereby agrees, represents and warrants as follows:

1. Purchase Entirely for Own Account. I represent and warrant that I am purchasing the Stock solely for my own account for investment and not with a view to or for sale or distribution of the Stock or any portion thereof and not with any present intention of selling, offering to sell, or otherwise disposing of or distributing the Stock or any portion thereof. I also represent that the entire legal and beneficial interest of the Stock I am purchasing is being purchased for and will be held for my account only and neither in whole nor in part for any other person, except that, since I am a resident of the State of California, my spouse, if any, may have a community property interest in such shares.
2. Information Concerning Corporation. I represent and warrant that I have discussed the Corporation and its plans, operations, and financial condition with its officers and that I have received all such information as I deem necessary and appropriate to enable me to evaluate the financial risk inherent in making an investment in the Stock. I further represent and warrant that I have received satisfactory and complete information concerning the business and financial condition of the Corporation in respect to all inquiries in respect thereto.
3. Economic Risk. I represent and warrant that I realize that my purchase of the Stock will be a highly speculative investment and that I am able, without impairing my financial condition, to hold the Stock for an indefinite period of time and to suffer a complete loss on my investment.
4. Restricted Securities. I represent and warrant that the Corporation has disclosed to me in writing that:

a. the sale of the Stock that I am purchasing has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and the Stock must be held indefinitely unless a transfer of the Stock is subsequently registered under the Securities Act or an exemption from such registration is available;

b. any shares certificates representing the Stock will be stamped with the following legends:

(i) "These securities have not been registered under the Securities Act of 1933. They may not be sold, offered for sale, pledged or hypothecated in the absence of an effective registration statement as to the securities under said Act or an opinion of counsel satisfactory to the Company that such registration is not required."

(ii) "Any legend required to be placed thereon by the California Commissioner of Corporations."

c. the Corporation will make a notation in its records of the aforementioned restrictions on transfer and legends.

5. Disposition Under Rule 144. I represent and warrant that I understand that the shares of the Stock are restricted securities within the meaning of Rule 144 promulgated under the Act; that the exemption from registration under Rule 144 will not be available in any event for at least two (2) years from the date of sale of the Stock to me, and even then will not be available unless (a) a public trading market then exists for the securities of the Corporation, (b) adequate information concerning the Corporation is then available to the public and (c) other terms and conditions of Rule 144 are complied with; and that any sale of the Stock may be made by me only in accordance with such terms and conditions.

6. Further Limitations on Disposition. Without in any way limiting my representations set forth above, I further agree that I shall in no event make any disposition of all or any portion of the Stock that I am purchasing unless and until:

a. There is then in effect a Registration Statement under the Act covering such proposed disposition and such disposition is made in accordance with said Registration Statement; or

b. (i) I shall have notified the Corporation of the proposed disposition and shall have furnished the Corporation with a detailed statement of the circumstances surrounding the proposed disposition, (ii) I shall have furnished the Corporation with an opinion of my own counsel to the effect that such disposition will not require registration of such Shares under the Securities Act, and (iii) such opinion of

my counsel shall have been concurred in by counsel for the Corporation and the Corporation shall have advised me of such concurrence.

Very truly yours,

1~

ACCEPTED AND AGREED TO:
StrataCom, Inc.

By:

Name:

Title:

3.

STRATACOM, INC. 1986 INCENTIVE STOCK OPTION PLAN
STRATACOM, INC. 1994 STOCK OPTION PLANCISCO SYSTEMS, INC.
STOCK OPTION ASSUMPTION AGREEMENT

OPTIONEE: 1~

STOCK OPTION ASSUMPTION AGREEMENT issued as of the 9th day of July,

1996 by Cisco Systems, Inc., a California corporation ("Cisco").

WHEREAS, the undersigned individual ("Optionee") holds one or more outstanding options to purchase shares of the common stock of Stratacom, Inc., a Delaware corporation ("Stratacom"), which were granted to Optionee under the Stratacom, Inc. 1986 Incentive Stock Option Plan and/or the Stratacom, Inc. 1994 Stock Option Plan (the "Plans") and are evidenced by a Stock Option Agreement(s) (the "Option Agreement(s)") between Stratacom and Optionee.

WHEREAS, Stratacom has this day been acquired by Cisco through merger of a wholly-owned Cisco subsidiary ("Acquisition Corporation") with and into Stratacom (the "Merger") pursuant to the Agreement and Plan of Merger dated April 21, 1996 by and among Cisco, Stratacom and Acquisition Corporation (the "Merger Agreement").

WHEREAS, the provisions of the Merger Agreement require Cisco to assume all obligations of Stratacom under all options outstanding under the Plan at the consummation of the Merger and to issue to the holder of each outstanding option an agreement evidencing the assumption of such option.

WHEREAS, pursuant to the provisions of the Merger Agreement, the exchange ratio in effect for the Merger is one (1) share of Cisco common stock ("Cisco Stock") for each outstanding share of Stratacom common stock (the "Exchange Rate").

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

NOW, THEREFORE, it is hereby agreed as follows:

1. The number of shares of Stratacom common stock subject to the stock options held by Optionee under the Plan immediately prior to the Effective Time (the "Stratacom Options") and the exercise price payable per share are set forth in Exhibit A

hereto. Cisco hereby assumes, as of the Effective Time, all the duties and obligations of Stratacom under each of the Stratacom Options. Such assumption is hereby effected in accordance with the one-for-one Exchange Rate at which shares of Stratacom common stock were converted into shares of Cisco Stock in consummation of the Merger. Accordingly, the number of shares of Cisco Stock purchasable under each Stratacom Option hereby assumed shall be equal to the same number of shares of Stratacom common stock purchasable under that Stratacom Option immediately prior to the Merger, and the exercise price per share payable under each such assumed Stratacom Option shall be equal to the exercise price per share in effect under that Stratacom Option immediately prior to the Merger. The specific number of shares of Cisco Stock subject to each Stratacom Option hereby assumed shall be as set forth for that option in attached Exhibit B, and the exercise price payable per share of Cisco Stock under the assumed Stratacom Option shall be as indicated for that option in attached Exhibit B.

2. The following provisions shall govern each Stratacom Option hereby assumed by Cisco:

- Unless the context otherwise requires, all references to the "Company" in each Option Agreement(s) and in the Plan (as incorporated into such Option Agreement(s)) shall mean Cisco, all references to "Shares," "Stock" or "Common Stock" shall mean shares of Cisco Stock, and all references to the "Plan Administrator" shall mean the Compensation Committee of the Cisco Board of Directors.

- The grant date and the expiration date of each assumed Stratacom Option and all other provisions which govern either the exercisability or the termination of the assumed Stratacom Option shall remain the same as set forth in the Option Agreement(s) applicable to that option and shall accordingly govern and control Optionee's rights under this Agreement to purchase Cisco Stock.

- Each assumed Stratacom Option shall remain exercisable in accordance with the same installment exercise schedule in effect under the applicable Option Agreement(s) immediately prior to the Effective Time, with the number of shares of Cisco Stock subject to each such installment adjusted to reflect the Exchange Rate. Accordingly, no accelerated vesting of the Stratacom Options shall be deemed to occur by reason of the Merger, and the grant date for each assumed Stratacom Option shall accordingly remain the same as in effect under the applicable Option Agreement(s) immediately prior to the Merger.

- For purposes of applying any and all provisions of the Option Agreement(s) relating to Optionee's status as an employee with the Company or his or her consulting or advisory relationship with the Company, Optionee shall be deemed to continue in such status or relationship for so long as Optionee renders services as an employee or consultant or advisor, respectively, to Cisco or any present or future Cisco subsidiary, including (without limitation) Stratacom. Accordingly, the provisions of the Option

Agreement(s) governing the termination of the assumed Stratacom Option upon the Optionee's cessation of employee, consultant or advisor status with Stratacom shall hereafter be applied on the basis of the Optionee's cessation of employee, consultant or advisor status, as appropriate, with Cisco and its subsidiaries, and each assumed Stratacom Option shall accordingly terminate, within the designated time period in effect under the Option Agreement(s) for that option, following such cessation of employee, consultant or advisor status with Cisco and its subsidiaries.

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

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

Cisco Systems, Inc. 170 West Tasman Drive San Jose, CA 95134 Attention: Christine Calice

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

IN WITNESS WHEREOF, Cisco Systems, Inc. has caused this Stock Option Assumption Agreement to be executed on its behalf by its duly-authorized officer as of the ____ day of _____, 1996.

CISCO SYSTEMS, INC.

By:

3.

ACKNOWLEDGMENT

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

1~, OPTIONEE

DATED: _____, 1996

4.

EXHIBIT A

Optionee's Outstanding Options to Purchase Shares of Stratacom, Inc. Common Stock (Pre-Merger)

EXHIBIT B

Optionee's Outstanding Options to Purchase Shares of Cisco Systems, Inc.

Common Stock (Post-Merger)

End of Filing

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