Exhibit F-1

Form of Notice of Hearing pursuant to Section 25142 of the California Corporate Securities Law of 1968, as amended.

BEFORE THE
DEPARTMENT OF CORPORATIONS
OF THE
STATE OF CALIFORNIA

In the Matter of the Application of CISCO SYSTEMS, INC. for a Permit Authorizing the Sale and Issuance of Securities Pursuant to Section 25121 of the Corporate Securities Law of 1968, as amended	)	NOTICE OF HEARING IN CONNECTION WITH THE ACQUISITION OF PURE DIGITAL TECHNOLOGIES, INC. FILE NO. ___ - ____

TO: All Security Holders of Pure Digital Technologies, Inc.

THIS GIVES YOU NOTICE that a public hearing will be held before [NAME], [TITLE], on behalf of the California Corporations Commissioner ("**Commissioner**") in connection with the proposed acquisition by Cisco Systems, Inc., a California corporation ("**Cisco**"), of Pure Digital Technologies, Inc., a Delaware corporation ("**Pure Digital**").

The hearing will be held on [DAY] [DATE], 2009 at [TIME] a.m. local time in the office of the California Department of Corporations at 71 Stevenson Street, Suite 2100, San Francisco, California 94105.

The hearing will be held in response to the application filed by Cisco on March 30, 2009 under Section 25142 of the Corporate Securities Law of 1968, as amended.

In the acquisition, (i) a wholly-owned subsidiary of Cisco will be merged with and into Pure Digital, (ii) Pure Digital stockholders will be entitled to receive shares of Cisco common stock in exchange for their shares of Pure Digital stock, (iii) continuing Pure Digital employees (each, as defined below, a "**Continuing Employee**") will be entitled to receive Cisco options and restricted stock units in exchange for their Pure Digital options and restricted stock units (except that certain old options will instead be cashed out), and (iv) Pure Digital non-Continuing Employees will be entitled to receive cash in exchange for their vested Pure Digital options.

THE PROPOSED MERGER IS A COMPLEX TRANSACTION. PURE DIGITAL STOCKHOLDERS ARE STRONGLY URGED TO READ AND CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS NOTICE OF HEARING AND THE ACCOMPANYING INFORMATION STATEMENT AND THE EXHIBITS HERETO AND THERETO. PURE DIGITAL STOCKHOLDERS SHOULD ALSO CAREFULLY CONSIDER THE INFORMATION UNDER "RISK FACTORS" ATTACHED TO THE INFORMATION STATEMENT AND IN THE REPORTS CISCO HAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. EACH PURE DIGITAL STOCKHOLDER MUST PURSUE SUCH STOCKHOLDER'S OWN INDEPENDENT EVALUATION AND MAKE SUCH INVESTIGATION AS IT DEEMS APPROPRIATE.

NO PROXIES OR STOCKHOLDER CONSENTS ARE BEING SOLICITED AT THIS TIME.

THE INFORMATION SET FORTH IN THIS NOTICE OF HEARING HAS BEEN FURNISHED BY CISCO AND PURE DIGITAL AND HAS NOT BEEN INDEPENDENTLY INVESTIGATED OR VERIFIED BY THE CALIFORNIA CORPORATIONS COMMISSIONER.

A. FACTS GIVING RISE TO HEARING.

The purpose of the hearing is to enable the Commissioner to determine the fairness of the terms and conditions of the transaction described below, pursuant to Section 25142 of the Corporate Securities Law of 1968, as amended.

Cisco has requested authority to issue shares of its common stock pursuant to an Agreement and Plan of Merger and Reorganization, dated as of March 18, 2009 (the "**Merger Agreement**"), by and among Cisco, Python Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Cisco ("**Sub**"), Pure Digital and Bruce Dunlevie as the Stockholders' Agent, whereby Cisco proposes to acquire Pure Digital by means of a transaction where Sub will merge with and into Pure Digital (the "**Merger**"), with Pure Digital to survive the Merger as the surviving corporation. Capitalized terms not defined herein have the meanings given to them in the Merger Agreement. A copy of the Merger Agreement is attached to this notice as Exhibit 1.

The stockholders of Pure Digital will be asked to approve the Merger and adopt the Merger Agreement following issuance of the permit ("**Permit**") by the Commissioner following a fairness hearing conducted pursuant to Section 25142 of the Corporate Securities Law of 1968, as amended. The hearing will cover the issuance of shares of Cisco common stock in connection with the Merger. If the Commissioner grants Cisco the Permit, then the securities to be issued by Cisco in the Merger will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), in reliance upon the exemption from registration provided by Section 3(a)(10) of the Securities Act. If the Commissioner does not grant Cisco the Permit, then Cisco will not offer Cisco common stock as consideration in the Merger, but instead will pay cash for all of the outstanding shares of capital stock of Pure Digital.

B. THE MERGER AND RELATED TRANSACTIONS.

The description of the Merger and the material features of the Merger contained herein does not purport to be complete and is qualified in its entirety by the copy of the Merger Agreement (and the exhibits thereto) attached hereto as Exhibit 1 which is incorporated herein by reference and by the more detailed description in the attached Information Statement. For a complete description of the terms of the Merger, reference should be made to the Merger Agreement (and the exhibits thereto) and the attached Information Statement (and the exhibits thereto). In the event of any inconsistency between the terms of the Merger Agreement as summarized herein and in the Merger Agreement (and the exhibits thereto), the terms of the Merger Agreement (and the exhibits thereto) shall govern.

1. Summary Descriptions of the Parties.

a. Cisco.

(1) Description of Business.

Cisco designs, manufactures, and sells Internet Protocol (IP)-based networking and other products related to the communications and information technology (IT) industry and provides services associated with these products and their use. Cisco markets a broad line of products for transporting data, voice, and video within buildings, across campuses, and around the world. Cisco's products are designed to transform how people connect, communicate, and collaborate. Cisco's products, which include primarily routers, switches, and advanced technology products, are installed at large enterprises, public institutions, telecommunications companies, commercial businesses and personal residences. Cisco conducts its business globally and is managed geographically in five segments: the United States and Canada, European Markets, Emerging Markets, Asia Pacific, and Japan. The Emerging Markets theater consists of Eastern Europe, Latin America, the Middle East and Africa, and Russia and the Commonwealth of Independent States.

Cisco was incorporated in the state of California in December 1984. Cisco's principal corporate office is located at 170 West Tasman Drive, San Jose, California 95134, and its telephone number at that location is 408-526-4000. Shares of Cisco Common Stock are traded on the Nasdaq Stock Market under the symbol "CSCO." Cisco's website is www.cisco.com, however, information in Cisco's website is not a part of this Notice. See the Information Statement for additional information.

(2) Market Price Information.

Shares of Cisco Common Stock are traded on the Nasdaq Stock Market under the symbol "CSCO." The following table sets forth the range of high and low sales prices reported on the Nasdaq Stock Market for shares of Cisco Common Stock for the periods indicated.

	High	Low
Fiscal Year 2007		
Third Fiscal Quarter (ended April 28, 2007)............	$28.85	$24.82
Fourth Fiscal Quarter (ended July 28, 2007)............	$30.39	$25.33
Fiscal Year 2008		
First Fiscal Quarter (ended October 27, 2007)..........	$33.60	$28.58
Second Fiscal Quarter (ended January 26, 2008)......	$34.24	$22.30
Third Fiscal Quarter (ended April 26, 2008)............	$26.29	$21.77
Fourth Fiscal Quarter (ended July 26, 2008)............	$27.72	$20.56
Fiscal Year 2009		
First Quarter (ended October 25, 2008)	$25.25	$15.90
Second Quarter (ended January 24, 2009)	$18.70	$14.20
Third Quarter (through March 31, 2009)	$17.39	$13.61

Because the market price of Cisco common stock is subject to fluctuation, the market value of the shares of Cisco common stock that holders of Pure Digital capital stock will receive in connection with the Merger may increase or decrease following the time such shares are distributed by Cisco. Pure Digital stockholders are urged to obtain current market quotations for Cisco common stock. No assurance can be given as to the future prices or markets for Cisco common stock.

(3) Authorized and Outstanding Shares.

The total authorized shares of capital stock of Cisco consist of 20,000,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of February 12, 2009, there were 5,837,016,965 shares of Cisco common stock issued and outstanding and no shares of Cisco preferred stock issued and outstanding. The Merger will not change the rights of the existing stockholders of Cisco; however, the Merger will dilute the equity interests of the current Cisco stockholders because of the increase in the number of shares of Cisco capital stock outstanding.

b. Pure Digital.

(1) Description of Business.

Pure Digital provides digital imaging solutions for the consumer market. Pure Digital's flagship product, the Flip Video camcorder, combines hardware and software solutions to give consumers the power to capture and share video using a variety of technologies. Flip Video camcorders have software to enable editing, organizing, and seamless video uploading to a variety of web-based video sharing sites, as well as a built-in, "flip"-out USB connector to enable transfer of videos from the camcorder to a computer.

Pure Digital was incorporated in the state of Delaware in November 2000. Pure Digital's principal corporate office is located at 30 Maiden Lane, 6th Floor, San Francisco, CA 94108. Pure Digital securityholders may contact Rebecca Eisenberg, General Counsel, at (415) 445-8794 for additional information regarding the Merger. Pure Digital's website is www.theflip.com; however, information on Pure Digital's website is not a part of this Notice.

(2) Market Price Information.

There is not now, and there has not been since inception, any public market for the capital stock of Pure Digital.

(3) Authorized and Outstanding Shares.

The total authorized shares of capital stock of Pure Digital consists of 85,000,000 shares of Pure Digital Common Stock, and 62,985,789 shares of Pure Digital Preferred Stock, of which 8,345,287 shares are designated as Pure Digital Series A Preferred Stock, 15,773,518 shares are designated as Pure Digital Series B Preferred Stock, 11,841,472 shares are designated as Pure Digital Series C Preferred Stock, 4,229,573 shares are designated as Pure Digital Series D Preferred Stock, 8,098,377 shares are designated as Pure Digital Series E stock, 10,980,000 shares are designated as Pure Digital Series F Preferred Stock, and 3,717,562 shares are designated as Pure Digital Series A-1 Preferred Stock. As of March 18, 2009, there were issued and outstanding 5,013,631 shares of Pure Digital Common Stock, 8,345,287 shares of Pure Digital Series A Preferred Stock, 15,773,518 shares of Pure Digital Series B Preferred Stock, 11,773,548 shares of Pure Digital Series C Preferred Stock, 4,146,641 shares of Pure Digital Series D Preferred Stock, 8,098,377 shares of Pure Digital Series E Preferred Stock, 10,842,414 shares of Pure Digital Series F Preferred Stock and 2,184,773 shares of Pure Digital Series A-1 Preferred Stock.

c. **Sub.** Sub is a wholly-owned subsidiary of Cisco created for the sole purpose of facilitating the Merger.

2. Background of the Merger.

In July 2008, Cisco and Pure Digital began a series of discussions regarding a potential commercial partnership between Cisco and Pure Digital. The possibility of a potential acquisition of Pure Digital by Cisco was briefly raised as part of these initial discussions.

On August 4, 2008, Cisco and Pure Digital executed a non-disclosure agreement. From time to time between July and December 2008, Pure Digital and Cisco held discussions on various potential strategic transactions, including potential partnering transactions and an acquisition.

On December 17, 2008, Cisco set forth during a meeting with Jonathan Kaplan, Pure Digital's Chief Executive Officer, several reasons for its interest in Pure Digital, including leveraging an acquisition of Pure Digital as a way to further expand Cisco's efforts and brand in the consumer market, as well as obtaining technological capabilities in consumer video applications.

On January 6 and January 7, 2009, Cisco and Pure Digital met to discuss valuation methods generally, and to engage in limited preliminary due diligence.

On January 27, 2009, several Cisco representatives attended a series of meetings with Pure Digital to discuss Pure Digital's finances, product marketing and product roadmap.

On February 9, 2009, Cisco made an initial verbal offer for the acquisition of Pure Digital, which Pure Digital rejected on February 10, 2009, and communication between the companies ceased.

On February 18, 2009, Cisco made a new offer to acquire Pure Digital and subsequently provided a non-binding term sheet setting forth the principal terms of a proposed acquisition of Pure Digital by Cisco.

On February 19, 2009, the Pure Digital board of directors met to discuss the proposed acquisition of Pure Digital by Cisco.

After review and negotiation of the non-binding term sheet, on February 26, 2009, the Pure Digital board of directors held a special meeting to approve a letter agreement whereby Pure Digital was obligated to negotiate exclusively with Cisco for 45 days following the execution of such exclusivity letter agreement and to authorize the officers of Pure Digital to negotiate a definitive acquisition agreement substantially in accordance with the terms presented to the Pure Digital board of directors. Pure Digital and Cisco then entered into the exclusivity letter agreement, Cisco began its due diligence review of Pure Digital, and the parties continued discussions regarding the proposed transaction.

On March 4, 2009, an initial draft of the definitive Merger Agreement was provided to Pure Digital, and the parties negotiated the terms of the Merger Agreement and several related agreements through March 18, 2009. On March 9, 2009, a form of key employment agreement was provided to certain Pure Digital officers, and such individuals and Cisco negotiated the terms of the key employment agreements and several related agreements through March 18, 2009. On March 11, 2009, the duly authorized Investment, Finance and Acquisition Committee of Cisco's board of directors (the "**Cisco Board Committee**") approved the Merger and Merger Agreement.

On March 17, 2009, Pure Digital's legal counsel, Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, discussed with the Pure Digital board of directors a summary and analysis of the material terms and conditions of the proposed Merger and Pure Digital's legal counsel briefed each member of the Pure Digital board of directors of his or her fiduciary duties in connection with the proposed Merger. Following such briefing, the Pure Digital board of directors discussed the terms of the Merger, including, without limitation, the overall valuation of Pure Digital, key employment arrangements, escrow terms and indemnification provisions. After such discussion, the Pure Digital board of directors unanimously authorized Pure Digital to enter into the Merger Agreement and recommended to the stockholders of Pure Digital that the Merger Agreement be adopted and the Merger approved.

Later on March 18, 2009, (i) Cisco and Pure Digital entered into the Merger Agreement, (ii) Cisco and certain Pure Digital stockholders entered into voting agreements and irrevocable proxies which require such Pure Digital stockholders, among other things, to vote all of the shares of Pure Digital capital stock held of record by them in favor of the Merger, and (iii) Cisco and certain Pure Digital officers entered into key employment agreements and non-competition agreements which will become effective upon the closing of the Merger.

3. Risk Factors.

The Merger will involve a certain degree of risk. The stockholders of Pure Digital should consider carefully, among other potential risks, the risk factors set forth in **Exhibit 3** to the Information Statement as well as the other information set forth in this Notice and in the Information Statement.

4. Material Features of the Merger.

a. Effective Time.

At the closing of the Merger, Sub and Pure Digital shall cause a certificate of merger to be filed with the Secretary of State of the State of Delaware, (the time of acceptance of such filing or such later time as may be agreed to by Cisco and Pure Digital in writing being referred to as the "**Effective Time**").

b. Summary of Operative Provisions of Merger Agreement

The following is a high level, plain language summary of the operative provisions of the Merger Agreement. The summary below is subject to the Merger Agreement and to the more detailed description in the Information Statement.

(1) Total Merger Consideration.

The "**Total Merger Consideration**" is equal to $590,000,000, less (i) the amount, if any, by which Pure Digital's net working capital at closing is less than $10,000,000 and less (ii) the amount of any transaction expenses incurred by Pure Digital. For purposes of calculating the Total Merger Consideration:

- Pure Digital's net working capital will be equal to Pure Digital's consolidated total current assets as of immediately prior to the Effective Time less Pure Digital's consolidated total current liabilities as of immediately prior to the Effective Time; and
- transaction expenses will include all third party fees and expenses incurred or payable by Pure Digital in connection with the Merger and the Merger Agreement.

The Total Merger Consideration amount does not include Cisco's assumption of Pure Digital restricted stock units with an aggregate value of $15,000,000, which will be granted by Pure Digital prior to closing of the Merger under a newly adopted equity incentive plan (the "**New Restricted Stock Units**"). In addition, the Total Merger Consideration amount does not include Cisco's assumption of 77,000 options to purchase Pure Digital Common Stock under a newly adopted equity incentive plan (the "**New Pure Digital Options**"). The shares underlying these new Pure Digital restricted stock units and options will not be counted in the calculation of the per share consideration and exchange ratios in the Merger.

A number of shares with a value of approximately 10% of the Total Merger Consideration less $320,000 will be held in escrow for a period of 18 months following the closing to satisfy indemnification claims, if any.

(2) Conversion of Pure Digital Securities.

The following definitions apply to the conversion descriptions herein:

"**Aggregate Cashed Out Option Shares**" means the aggregate number of shares of Pure Digital Common Stock issuable upon exercise of all Pure Digital Vested Options to purchase Pure Digital Common Stock held by non-Continuing Employees and all Old Options as of immediately prior to the Effective Time.

"**Cash Amount Per Share**" means the quotient obtained by dividing (A) the Total Merger Consideration by (B) the Fully-Diluted Pure Digital Shares.

"**Cisco Stock Price**" means the average of the closing sale prices of Cisco Common Stock as quoted on the Nasdaq Stock Market for the five consecutive trading days ending with the trading day that is one trading day prior to the closing date.

"**Continuing Employees**" means the employees of Pure Digital as set forth on Schedule 6.3(f)-1 of the Merger Agreement and the other individuals who receive offers of employment from Cisco and who execute the documents described in the Merger Agreement and remain employees of the Surviving Corporation or its subsidiaries or become employees of Cisco or any of its subsidiaries as of the Effective Time.

"**Fully-Diluted Pure Digital Shares**" means the sum, without duplication, of (A) the aggregate number of shares of Pure Digital Common Stock that are issued and outstanding immediately prior to the Effective Time, (B) the aggregate number of shares of Pure Digital Common Stock that are issuable upon conversion of shares of Pure Digital Preferred Stock that are issued and outstanding immediately prior to the Effective Time (collectively, the shares in clauses (A) and (B) being the "**Diluted Pure Digital Shares**"), (C) the aggregate number of shares of Pure Digital Common Stock that are issuable upon the exercise of Pure Digital options and Pure Digital warrants (other than New Pure Digital Options) that are issued and outstanding immediately prior to the Effective Time, whether or not then vested or exercisable, (D) the aggregate number of shares of Pure Digital Common Stock that are issuable upon the conversion of shares of Pure Digital Preferred Stock that are issuable upon the exercise of Pure Digital options and Pure Digital warrants that are issued and outstanding immediately prior to the Effective Time, whether or not then vested or exercisable, and (E) other direct or indirect rights to acquire shares of Pure Digital Capital Stock that are issued and outstanding immediately prior to the Effective Time, whether or not then vested or exercisable (other than New Restricted Stock Units) (collectively, the shares in clauses (C), (D) and (E) being the "**Diluted Pure Digital Options**").

"**Old Options**" means all Pure Digital options granted prior to March 4, 2005.

"**Option Exchange Ratio**" means the quotient obtained by dividing (A) the Cash Amount Per Share by (B) the Cisco Stock Price.

"**Pure Digital Vested Options**" means Pure Digital Options that (i) are held by persons who are not Continuing Employees, (ii) are issued, unexercised and outstanding as of immediately prior to the Effective Time and (iii) as of the Effective Time, are vested, or immediately prior to or at the Effective Time will be vested, under the terms of any contract with Pure Digital.

"**Stock Closing Amount Per Share**" means the quotient obtained by dividing (A) the difference between (1) the Total Stock Merger Consideration and (2) the Total Escrow Shares by (B) the Diluted Pure Digital Shares.

"**Stock Escrow Amount Per Share**" means the quotient obtained by dividing (A) the Total Escrow Shares by (B) the Diluted Pure Digital Shares.

"**Total Escrow Shares**" means the quotient obtained by dividing (A) the difference between (1) 10% of the Total Merger Consideration and (2) $320,000 by (B) the Cisco Stock Price.

"**Total Stock Merger Consideration**" means the quotient obtained by dividing (A) the difference between (1) the Total Merger Consideration and (2) the product obtained by multiplying (x) the Diluted Pure Digital Options by (y) the Cash Amount Per Share, by (B) the Cisco Stock Price.

The Pure Digital securities issued and outstanding immediately prior to the Effective Time, will be converted in the Merger as follows:

(A) Pure Digital Common Stock. Each share of Pure Digital Common Stock, shall be automatically converted into (A) a number of shares of Cisco Common Stock equal to the Stock Closing Amount Per Share and (B) the right to receive upon release from escrow and subject to Article VIII of the Merger Agreement a number of shares of Cisco Common Stock equal to the Stock Escrow Amount Per Share.

(B) Pure Digital Preferred Stock. Each share of Pure Digital Preferred Stock shall have converted into the number of shares of Pure Digital Common Stock issuable upon conversion of such share of Pure Digital Preferred Stock in accordance with Pure Digital's certificate of incorporation and shall be entitled to receive the amounts set forth above.

(C) Pure Digital Options Held by Continuing Employees. Each Pure Digital option held by a Continuing Employee (including each New Pure Digital Option, but excluding each Old Option), whether vested or unvested, shall be assumed by Cisco. Each such Pure Digital option shall continue to have the same terms and conditions as are in effect immediately prior to the Effective Time, except that (i) such Pure Digital option shall be exercisable for that number of whole shares of Cisco Common Stock equal to the product of the number of shares of Pure Digital Common Stock that were issuable upon exercise of such Pure Digital Option and the Option Exchange Ratio, (ii) the per share exercise price for the shares of Cisco Common Stock issuable upon exercise of such assumed Pure Digital Option shall be equal to the quotient obtained by dividing the exercise price per share of Pure Digital Common Stock by the Option Exchange Ratio, and (iii) no assumed Pure Digital Option shall be "early exercisable" (i.e., exercisable for shares of Cisco Common Stock which are not then vested according to the applicable vesting schedule).

(D) Pure Digital Options Held by Non-Continuing Employees and Old Options. Cisco will not assume any Pure Digital Vested Options (which are held by non-Continuing Employees) or any Old Options. Each such Pure Digital option will be converted into and represent the right to receive cash equal to the excess of the per share cash value of the Merger consideration attributable to the shares of Pure Digital capital stock underlying such option over the respective aggregate exercise price of the option (in each case calculated on an as-converted to Pure Digital Common Stock basis). The Surviving Corporation and Cisco shall be entitled to deduct and withhold from such cash amount the amount of withholding for taxes required to be deducted and withheld.

(E) New Restricted Stock Units. At the Effective Time, each New Restricted Stock Unit held by a Continuing Employee shall be assumed by Cisco. Each such assumed New Restricted Stock Unit will continue to have the same terms and conditions as are in effect immediately prior to the Effective Time, except that such New Restricted Stock Unit shall be settled by the issuance of that number of whole shares of Cisco Common Stock equal to the product of the number of shares of Pure Digital Common Stock that were issuable upon exercise of such New Restricted Stock Unit multiplied by the Option Exchange Ratio.

Cisco will not assume any warrants for Pure Digital capital stock outstanding and unexercised at the Effective Time. All such warrants will be cancelled without any consideration payable to their respective holders. It is expected that all such warrants will be exercised prior to the Effective Time pursuant to their respective terms.

The following table provides an example of the Merger consideration that would be received by Pure Digital securityholders, assuming that (a) the Cisco Stock Price is $16.95 per share (which, solely for illustrative purposes, was the closing sales price of Cisco Common Stock as reported on the Nasdaq Stock Market on March 27, 2009) and (b) the Total Merger Consideration is $590,000,000. The following capitalization numbers are as of March 18, 2009 and are used in the calculation of the consideration set forth below: 5,013,631 outstanding shares of Pure Digital Common Stock; 8,345,287 outstanding shares of Pure Digital Series A Preferred Stock; 2,184,773 outstanding shares of Pure Digital Series A-1 Preferred Stock; 15,773,518 outstanding shares of Pure Digital Series B Preferred Stock; 11,841,472 outstanding shares of Pure Digital Series C Preferred Stock; 4,229,573 outstanding shares of Pure Digital Series D Preferred Stock; 8,098,377 outstanding shares of Pure Digital Series E Preferred Stock and 10,842,414 outstanding shares of Pure Digital Series F Preferred Stock; 66,329,045 Diluted Pure Digital Shares; 78,543,093 Fully-Diluted Pure Digital Shares; 4,080,063 Aggregate Cashed Out Option Shares; and 8,133,985 Diluted Pure Digital Options that are being assumed by Cisco. The calculations below assume that all warrants to purchase Pure Digital Capital Stock will have been exercised and that all shares of Pure Digital Preferred Stock will have been converted to Pure Digital Common Stock.

Class/Series of Pure Digital Technologies Capital Stock	**Approximate Aggregate Dollar Value of Consideration(1)**	**Number of Shares of Cisco Common Stock Issued at Closing**	**Number of Shares of Cisco Common Stock Held in Escrow**	**Total Number of Shares of Cisco Common Stock Issuable**
Common Stock	$37,514,577.36	1,952,596	260,653	2,213,249
Series A Preferred Stock	$62,443,748.81	3,250,134	433,863	3,683,997
Series A-1 Preferred Stock	$16,347,600.32	850,876	113,584	964,460
Series B Preferred Stock	$118,025,610.84	6,143,114	820,049	6,963,163
Series C Preferred Stock	$88,604,011.23	4,611,750	615,626	5,227,376
Series D Preferred Stock	$31,647,850.33	1,647,239	219,891	1,867,130
Series E Preferred Stock	$60,596,240.63	3,153,973	421,026	3,574,999
Series F Preferred Stock	$81,128,543.13	4,222,659	563,686	4,786,345
Aggregate Cashed Out Pure Digital Options	$30,529,139.27**(2)**	N/A	N/A	N/A
Aggregate Assumed Pure Digital Options	$60,862,678.08**(3)**	N/A	N/A	N/A

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(1) Does not include (i) the value of 77,000 New Pure Digital Options, and (ii) $15,000,000 worth of New Restricted Stock Units being assumed by Cisco.

(2) Pure Digital Options that are being cashed out will receive Merger consideration in the form of cash.

(3) Pure Digital Options that are being assumed will become exercisable for shares of Cisco Common Stock.

The foregoing example is presented solely for illustrative purposes and is based upon the foregoing assumptions which in each case may not be accurate as of the closing. This example does not take into account potential reductions in the total consideration to be paid in the Merger pursuant to the Merger Agreement in the amount of any net working capital shortfall and/or transaction expenses, or any post-closing claims against the escrow fund. In addition, the number of shares of Cisco Common Stock to be issued will be based on the formula for the Cisco Stock Price. Consequently, the value at the Effective Time of the shares of Cisco Common Stock issuable in the Merger may be different from that presented in the foregoing examples. The actual amount of cash and number of shares of Cisco Common Stock that will be issued in the Merger will be determined in accordance with the Merger Agreement.

(3) Indemnification.

(A) Escrow Shares. After the closing date, Cisco will deposit with the escrow agent a number of shares of Cisco Common Stock with a value equal to 10% of the Total Merger Consideration less $320,000 (the "**Escrow Shares**"). The escrow agent will agree to accept delivery of the Escrow Shares and to hold such Escrow Shares in escrow subject to the terms and conditions of the Escrow Agreement and the Merger Agreement. Each Pure Digital Holder (as defined below) shall contribute, for each share of Pure Digital Preferred Stock and Pure Digital Common Stock held by such Pure Digital Holder, a number of Escrow Shares equal to the Stock Escrow Amount Per Share.

(B) Indemnification Obligations. Pure Digital Stockholders as of immediately prior to the Effective Time other than Pure Digital stockholders who are holders of dissenting shares (collectively, "**Pure Digital Holders**") shall, severally and not jointly, indemnify and hold harmless Cisco and its officers, directors, agents and employees, and each person, if any, who controls or may control Cisco within the meaning of the Securities Act (each of the foregoing being referred to individually as an "**Indemnified Person**" and collectively as "**Indemnified Persons**") from and against any and all losses, liabilities, damages, fees, reductions in value, costs and expenses, including costs of investigation, defense and settlement and reasonable fees and expenses of lawyers (other than in-house legal counsel), experts and other professionals (collectively, "**Indemnifiable Damages**"), whether or not due to a third-party claim, arising out of, resulting from or in connection with, or otherwise proximately caused by certain matters set forth in the Merger Agreement.

(C) Threshold for Indemnification Claims. No Indemnified Person may make a claim for any Escrow Shares from the escrow fund in respect of any claim for indemnification (other than claims for indemnification resulting from fraud, willful breach or intentional misrepresentation by Pure Digital or breaches of Pure Digital's representations and warranties regarding taxes or customers and suppliers), unless and until Indemnified Persons have made claims for Indemnifiable Damages in an aggregate amount greater than $500,000 (the "**Threshold**"), in which case Indemnified Persons may make claims for indemnification and receive Escrow Shares or other assets from the escrow fund for all Indemnifiable Damages (including the amount of the Threshold).

(D) Limitations on Liability. Recovery from the escrow fund shall be the sole and exclusive remedy for Indemnifiable Damages, except in the case of (i) fraud, willful breach or intentional misrepresentation by Pure Digital, (ii) breaches of Pure Digital's representations and warranties regarding capital structure, authority and non-contravention, and taxes, or (iii) any inaccuracies in the Pure Digital capitalization spreadsheet. In the case of (x) breaches of Pure Digital's representations and warranties regarding capital structure, authority and non-contravention, and taxes, or (y) any inaccuracies in the spreadsheet, after Indemnified Persons have exhausted or made claims upon all assets in the escrow fund, each Pure Digital Holder shall be severally and not jointly liable for such holder's pro rata share of any Indemnifiable Damages resulting therefrom; provided, however, that such liability shall be limited to such holder's pro rata share of the Total Merger Consideration.

(E) Escrow Period. The period during which claims for Indemnifiable Damages may be made against the escrow fund for Indemnifiable Damages shall commence at the closing and terminate on the date that is 18 months following the closing date. The claims period for Indemnifiable Damages arising out of, resulting from or in connection with (i) fraud, willful breach or intentional misrepresentation by Pure Digital, (ii) breaches of Pure Digital's representations and warranties regarding capital structure, authority and non-contravention, and taxes, and (iii) inaccuracies in the spreadsheet, shall commence at the closing and terminate upon the expiration of the applicable statute of limitations.

(E) Survival of Representations and Warranties. The representations and warranties of Pure Digital shall survive the closing and remain in full force and effect until the date that is 18 months following the closing date; provided, however, that Pure Digital's representations and warranties regarding capital structure, authority and non-contravention, and taxes will remain operative and in full force and effect until the expiration of the applicable statute of limitations for claims against the Pure Digital Holders which seek recovery of Indemnifiable Damages arising out of a breach of such representations or warranties.

(F) Stockholders' Agent. At the closing, Bruce Dunlevie, a general partner at Benchmark Capital and current member of Pure Digital's board of directors, shall be appointed as the Stockholders' Agent. "**Stockholders' Agent**" shall mean the agent for and on behalf of the Pure Digital Holders to: (i) give and receive notices and communications to or from Cisco; (ii) authorize deliveries to Cisco of Escrow Shares from the escrow fund in satisfaction of claims asserted by Cisco; (iii) object to such claims; (iv) consent or agree to, negotiate, enter into settlements and compromises of, and comply with orders of courts with respect to, such claims; (v) consent or agree to any amendment to the Merger Agreement, and (vi) take all actions necessary or appropriate in the judgment of the Stockholders' Agent to accomplish the foregoing, in each case without having to seek or obtain the consent of any person under any circumstance. The Stockholders' Agent will receive no compensation for his services, but will be entitled to reimbursement for costs and expenses incurred by him in the performance of his duties.

(4) **Certain United States Federal Income Tax Considerations.**

Please refer to the discussion in the Information Statement.

c. **Other Material Provisions of the Merger Agreement**

The Merger Agreement contains customary representations and warranties of Pure Digital and Cisco, as well as certain agreements by Pure Digital to conduct its business in the ordinary and usual course, consistent with past practices, and to refrain from taking certain actions prior to the completion of the Merger. In addition, the completion of the Merger is subject to the satisfaction or waiver of various conditions that have been agreed to between Cisco and Pure Digital. Cisco and Pure Digital have also agreed to certain termination rights that grant Cisco and Pure Digital the right to terminate the Merger Agreement and abandon the Merger under certain circumstances. **The material provisions of the Merger Agreement summarized above are set forth in the Merger Agreement, which is attached hereto as Exhibit 1, and are described in greater detail in the Information Statement.**

5. **Related Agreements and Arrangements.**

a. **Voting Agreements and Irrevocable Proxies.**

In connection with the execution of the Merger Agreement, Cisco has entered into voting agreements and irrevocable proxies with the following Pure Digital stockholders, which require such stockholders, among other things, to vote all of the shares of capital stock of Pure Digital held of record by such stockholders in favor of the Merger:

Officers

Alan Henricks
Andre Neumann-Loreck
Andre Neumann-Loreck and Kay Yun JTWROS
Robert Cartwright
Stewart Muller

Directors

Jonathan Kaplan
Jeff Jordan
Thomas McGrath, Jr.

Venture Capital Investors

Benchmark Capital IV, L.P.
Benchmark Capital Partners IV, L.P.
Crescendo IV, L.P.
Crescendo IV Entrepreneur Fund, L.P.
Crescendo IV Entrepreneur Fund A, L.P.
Crescendo IV AG & Co. Beteiligungs KG

Crescendo Holdings IV, LLC
Sequoia Capital X
Sequoia Technology Partners X
Sequoia Capital X Principals Fund
Steamboat Ventures, LLC
Steamboat Ventures Manager, LLC

<u>Additional Entities</u>

Glazer/Kaplan Revocable Trust
Kapzer Descendants Trust

Jonathan Kaplan, as trustee of Glazer/Kaplan Revocable Trust and the Kapzer Descendants Trust, entered into the voting agreement with Cisco on behalf of the trusts. There is a strong uniformity of interest between Mr. Kaplan and the trusts because (i) Mr. Kaplan and his wife are the sole trustees of the trusts and together possess sole voting and dispositive power with respect to the shares of Pure Digital capital stock held by the trusts and (ii) Mr. Kaplan and his wife are the sole beneficiaries of the Glazer/Kaplan Revocable Trust (their descendants are the sole beneficiaries of the Kapzer Descendants Trust). Pursuant to the terms of the trusts, either trustee may bind the trusts under the voting agreement. In his capacity as Chief Executive Officer of Pure Digital, Mr. Kaplan was deeply involved in the negotiations with Cisco and the approval of the Merger Agreement.

As of March 18, 2009, Pure Digital Stockholders who entered into the voting agreements and irrevocable proxies collectively owned of record, and were entitled to vote, approximately 7,399,262 shares of Pure Digital Series A Preferred Stock, 14,860,230 shares of Pure Digital Series B Preferred Stock, 11,415,567 shares of Pure Digital Series C Preferred Stock, 1,947,413 shares of Pure Digital Series D Preferred Stock, 639,908 shares of Pure Digital Series E Preferred Stock, 496,190 shares of Pure Digital Series F Preferred Stock, 0 shares of Pure Digital Series A-1 Preferred Stock and 3,623,750 shares of Pure Digital Common Stock. These shares represented approximately 88.66% of Pure Digital Series A Preferred Stock, approximately 94.21% of Pure Digital Series B Preferred Stock, approximately 96.96% of Pure Digital Series C Preferred Stock, approximately 46.96% of Pure Digital Series D Preferred Stock, approximately 7.90% of Pure Digital Series E Preferred Stock, approximately 4.58% of Pure Digital Series F Preferred Stock, 0% of Pure Digital Series A-1 Preferred Stock and approximately 73.27% of Pure Digital Common Stock, respectively, outstanding as of March 18, 2009. In addition, assuming the conversion of all Pure Digital preferred stock into Pure Digital Common Stock, such Pure Digital Stockholders owned of record, and were entitled to vote, approximately 40,382,320 shares of Pure Digital Common Stock, which represented approximately 61.08% of Pure Digital Common Stock that would have been outstanding as of March 18, 2009, assuming such conversion. Such Pure Digital Stockholders hold enough shares of Pure Digital Common Stock and Pure Digital Preferred Stock to cause stockholder approval of the Merger and adoption of the Merger Agreement to be obtained under Delaware law, California law and Pure Digital's certificate of incorporation.

The voting agreements and irrevocable proxies will terminate on the earliest to occur of (i) the termination of the Merger Agreement, (ii) the consummation of the Merger, or (iii) the termination of the respective voting agreement by mutual consent of the parties thereto.

b. Employment Agreements.

In connection with the execution of the Merger Agreement, on March 18, 2009, Cisco entered into employment agreements with the following employees of Pure Digital who currently have the following positions with Pure Digital:

Name	Title
Ariel Braunstein	Vice President, Products
Robert Evans	Vice President, Manufacturing
Simon Fleming-Wood	Vice President, Marketing
John Furlan	Vice President, Engineering
Jonathan Kaplan	Chief Executive Officer
David McLaren	Vice President, Software Engineering
Stewart Muller	Executive Vice President, Sales and Marketing
Andre Neumann-Loreck	Chief Operating Officer

The description of terms set forth in this paragraph applies to the employment agreements for each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, David McLaren, Stewart Muller and Andre Neumann-Loreck. Such employment agreements will become effective upon the closing date of the Merger. Each of these employment agreements has a term of two years after the closing date of the Merger, unless terminated earlier as provided therein. Each employment agreement sets forth the title, base salary, grade and employee benefits of each such employee upon the closing date of the Merger. Pursuant to the employment agreements, should Cisco terminate the employee's employment without cause (as defined therein) or the employee resign his employment for good reason (as defined therein) prior to the second anniversary of the closing date of the Merger and if the employee executes a general release of claims in favor of Cisco, Cisco will pay the respective employee a lump sum cash severance amount equal to six months of the employee's base salary on the sixty-first day following the termination date. In connection with the employment agreements, each employee also executed a proprietary information and inventions agreement, a technology transfer assessment, an arbitration agreement, a conflict of interest agreement, a non-competition agreement and a benefits waiver, each in the form attached as an exhibit to the employment agreement. Robert Evans, Simon Fleming-Wood, John Furlan, and Andre Neumann-Loreck also executed equity agreements with regard to their Pure Digital Options, in the forms attached as exhibits to their respective employment agreements. Ariel Braunstein and Jonathan Kaplan also executed equity agreements with regard to their Pure Digital Options and Pure Digital Common Stock, in the forms attached as exhibits to their respective employment agreements.

c. Non-Competition Agreements.

In connection with the execution of the Merger Agreement and their employment agreements with Cisco, and in consideration for both a cash bonus payment of $240,000 to be paid by Pure Digital and the consideration to be received as stockholders in connection with the Merger, each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, David McLaren, Stewart Muller and Andre Neumann-Loreck entered into non-competition agreements with Cisco. Such agreements were a condition to Cisco's willingness to enter into the Merger Agreement. Each of these non-competition agreements requires that during the Restrictive Period (as defined below) the employee will not as an employee, agent, consultant, advisor, independent contractor, general partner, officer, director, stockholder, investor, lender or guarantor of any corporation, partnership or other entity, or in any other capacity directly or indirectly:

- Participate or engage in any Restricted Business (as defined below);
- Render any service to any person or entity that engages in a Restricted Business; or
- Permit his name to be used in connection with a business that is competitive or substantially similar to a Restricted Business.

For purposes of the non-competition agreement, "**Restricted Business**" means the design, development, distribution, manufacture, production, marketing, sale or servicing of any product, or the provision of any service, that directly relates to, or render any services to any business engaged in, the provision of products, software, solutions and related services for the capturing, processing, sharing, consumption, display, viewing, distribution and/or transmission of digital photographs, images and/or video, and like content (including without limitation Sony Corporation, Canon, Inc., Victor Company of Japan, Limited, Panasonic Corporation, Aiptek International Inc. and Aiptek Inc., DXG Technology Corp., Thomson S.A., Sakar International, Inc., Mustek, Inc. and Mustek, Inc. USA, Creative Technology Ltd. , Eastman Kodak Co., Nokia Corporation, Samsung Electronics, Motorola, Inc., Sony Ericsson Mobile Communications AB, LG Electronics, LG Telecom, and Zenith Electronics, Research in Motion Ltd., Apple, Inc., Palm, Inc., Sanyo Electric Co., Ltd., Logitech International S.A., Hewlett-Packard Company, Nikon Corporation, Konica Minolta Holdings, Inc., Polaroid Corporation, Dell, Inc., Hitachi Ltd.).

For purposes of the non-competition agreement, the "**Restrictive Period**" commences on the closing date of the Merger and continues until the second anniversary of the Merger's closing date.

d. Benefits Waivers.

Pursuant to Pure Digital's standard severance policy, each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, David McLaren and Andre Neumann-Loreck may be eligible for cash severance benefits of two to four weeks of base salary, depending on title and length of service, upon a termination of employment by Pure Digital. In addition, Stewart Muller is entitled to specified cash severance benefits in the event he is terminated for certain reasons and is entitled to specified equity acceleration benefits in connection with an acquisition of Pure Digital such as the proposed Merger, each as further described below. Cisco has required that these Pure Digital officers agree to waive such severance and acceleration benefits in connection with the proposed Merger, but subject to a modified "give back" of such benefits under certain circumstances. This waiver and "give back" structure is a customary acquisition practice of Cisco that is implemented in order to standardize the terms of benefits (such as the triggers for, and amounts of, severance and acceleration) across the management teams of acquired companies. With respect to severance benefits, the "give back" for these officers is described in the section above entitled "Employment Agreements." With respect to acceleration benefits, the "give back" for Mr. Muller is described below in this section; for the Pure Digital officers listed above other than Mr. Muller, no "give back" is necessary as they do not have existing Pure Digital acceleration benefits.

In connection with the execution of the Merger Agreement and their employment agreements with Cisco, each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, David McLaren, Stewart Muller and Andre Neumann-Loreck, executed a benefits waiver pursuant to which each agreed to (1) waive any acceleration of vesting or lapse of Pure Digital's repurchase rights with respect to unvested Pure Digital Options granted to them prior to execution of the Merger Agreement or Unvested Pure Digital Shares issued upon the exercise of such unvested Pure Digital Options, to which they might otherwise be entitled to in connection with the Merger and (2) waive any and all right or entitlement to any severance benefits pursuant to any agreement with Pure Digital or Pure Digital policy. Pursuant to the benefits waiver of Stewart Muller, in recognition of his pre-existing Pure Digital acceleration benefits, in the event of his termination by Cisco without cause (as defined in his employment agreement) or termination by him for good reason (as defined in his employment agreement) within twelve months following the closing date of the Merger, the vesting and exercisability applicable to his outstanding unvested Cisco options converted from Pure Digital Options granted prior to execution of the Merger Agreement and unvested Cisco shares of common stock converted from Unvested Pure Digital Shares issued upon the exercise of such unvested Pure Digital Options, shall accelerate, vest and/or become exercisable, with respect to the greater of 12/48ths of the total, or 50% of the then-unvested, Cisco options and/or Cisco shares.

e. Equity Agreements.

In connection with the execution of the Merger Agreement and their employment agreements with Cisco, each of Ariel Braunstein, Robert Evans, Simon Fleming-Wood, John Furlan, Jonathan Kaplan, and Andre Neumann-Loreck executed equity agreements with regard to their Pure Digital Options (and in the case of Ariel Braunstein and Jonathan Kaplan, both their Pure Digital Options and Pure Digital Common Stock) pursuant to which the employee agreed to have vesting restrictions placed upon some of their already vested Pure Digital Options (the "**Revested Options**") (and in the case of Ariel Braunstein and Jonathan Kaplan, both their already vested Pure Digital Options and already vested Pure Digital Common Stock (the "**Revested Shares**")). The Revested Options and Revested Shares will vest in equal monthly installments at the end of each of the twenty-four months following the closing date of the Merger, such that the Revested Options and Revested Shares will be fully vested on the second anniversary of the closing date of the Merger. If, prior to the second anniversary of the closing date of the Merger, the employee is terminated without cause (as defined in their employment agreement with Cisco), resigns for good reason (as defined in their employment agreement with Cisco), dies, becomes terminally ill (as determined pursuant to Cisco's Option Vesting Acceleration Policy for Death and Terminal Illness as in effect on the closing date of the Merger) or is permanently disabled (as defined in their Equity Agreements), the Revested Options and Revested Shares held by the employee will immediately vest in full.

f. Transitional Arrangements.

Alan Henricks, Pure Digital's Chief Financial Officer, and Robert Cartwright, Pure Digital's President OTUC, will not become Continuing Employees with Cisco. Therefore, their employment with Pure Digital will be terminated effective upon the closing of the Merger. Subject to the execution of a release of claims, each of Mr. Cartwright and Mr. Henricks will receive a lump sum severance payment of three months of their respective base salary. Unvested Pure Digital Options held by Mr. Henricks and Mr. Cartwright will accelerate under the terms of Pure Digital's 2002 Stock Plan and be cashed out in connection with the Merger.

Cisco has requested that each of Mr. Henricks and Mr. Cartwright continue to provide services in a consulting role following the completion of the Merger. In order to incentivize them to serve as consultants for a three month period through an independent third party firm, Cisco has offered these executive officers COBRA benefits for themselves and their dependents for three months following the close of the Merger, and a retention bonus equal to three months of their respective current base salaries, payable upon completion of the consulting period. Neither Mr. Henricks, nor Mr. Cartwright will receive New Restricted Stock Units from Pure Digital nor will they receive any Cisco equity awards.

g. Escrow Agreement.

(1) Escrow Agreement; Deposit of Escrow Shares. Prior to the closing, Cisco, U.S. Bank, N.A. (as escrow agent) and the Stockholders' Agent shall have executed an escrow agreement (the "**Escrow Agreement**"). The Escrow Shares are to be delivered to and deposited with the escrow agent to constitute an escrow fund to be governed by the provisions of the Escrow Agreement and Merger Agreement. The escrow fund shall be available to compensate Cisco (on behalf of itself or any other Indemnified Person) for Indemnifiable Damages pursuant to the indemnification obligations of the Pure Digital Holders.

As soon as reasonably practicable (and in any event within ten business days) after the closing date, Cisco shall cause to be deposited with the escrow agent the Escrow Shares. If an Pure Digital Holder holds unvested Pure Digital shares as of immediately prior to the Effective Time, then the Escrow Shares will consist of unvested Cisco shares and vested Cisco shares in the same relative proportion as the number of such unvested Pure Digital Shares bore to the number of vested Pure Digital shares held by such holder as of immediately prior to the Effective Time. Thereafter, with respect to each installment of unvested Cisco shares held by such holder that vests, a percentage (equal to the percentage of the total number of Cisco shares issued in the Merger represented by the total number of Escrow Shares) of such installment shall vest in escrow.

(2) Resolution of Claims. The period during which claims for Indemnifiable Damages under the Merger Agreement may be initiated against the escrow fund shall commence at the closing and terminate at 11:59 p.m. Pacific Time on the date that is 18 months following the closing date (the "**Escrow Period**").

On or before the last day of the Escrow Period, Cisco may deliver to the escrow agent a certificate signed by any officer of Cisco (an "**Officer's Certificate**"): (i) stating that an Indemnified Person has incurred, paid, reserved or accrued, or reasonably believes in good faith that it may in the future incur, pay, reserve or accrue, Indemnifiable Damages (or, with respect to any tax matters, that any tax authority may raise such matter in audit of Cisco or its subsidiaries, which could give rise to Indemnifiable Damages); (ii) stating the amount of such Indemnifiable Damages; and (iii) specifying in reasonable detail the individual items of such Indemnifiable Damages included in the amount so stated and the nature of the claim to which such Indemnifiable Damages are related.

At the time of delivery of any Officer's Certificate to the escrow agent, a duplicate copy of such Officer's Certificate shall be delivered to the Stockholders' Agent by or on behalf of Cisco and for a period of 20 days after such delivery to the escrow agent of such Officer's Certificate, the escrow agent shall make no payment unless the escrow agent shall have received written authorization from the Stockholders' Agent to make such delivery. After the expiration of such 20-day period, the escrow agent shall make delivery of Escrow Shares held in the escrow fund having a value equal to such Indemnifiable Damages to Cisco unless Stockholders' Agent objects in writing to any claim or claims made in the Officer's Certificate, and such statement shall have been delivered to the escrow agent and to Cisco prior to the expiration of such 20-day period.

If the Stockholders' Agent objects in writing to any claim or claims by Cisco made in any Officer's Certificate within such 20-day period, Cisco and the Stockholders' Agent shall attempt in good faith for 45 days after Cisco's receipt of such written objection to resolve such objection. If Cisco and the Stockholders' Agent shall so agree, a memorandum setting forth such agreement shall be prepared and signed by both parties and delivered to the escrow agent. The escrow agent shall distribute assets from the escrow fund in accordance with the terms of such memorandum. If no such agreement can be reached during the 45-day period for good faith negotiation, but in any event upon the expiration of such 45-day period, either Cisco or the Stockholders' Agent may bring suit in the courts of the State of New York and the Federal courts of the United States of America, in each case, located within the City of New York in the State of New York to determine whether the Indemnified Person is entitled to indemnification with respect to the matters described in the Officer's Certificate and the amount which constitutes Indemnifiable Damages for which recovery from the escrow fund may be made. The decision of the trial court with respect to such matters shall be nonappealable, binding and conclusive and the escrow agent shall distribute assets from the Escrow Fund in accordance therewith.

If, upon the resolution of any claim for Indemnifiable Damages stated in an Officer's Certificate Cisco shall be entitled to receive any assets from the escrow fund, the escrow agent shall deliver to Cisco out of the escrow fund as soon as practicable Escrow Shares having aggregate value equal to the amount of such Indemnifiable Damages. For the purpose of compensating Cisco (on behalf of itself or any other Indemnified Person) for any Indemnifiable Damages, each whole share of Cisco common stock in the escrow fund shall be deemed to have a value equal to the Cisco Stock Price.

(3) Release of Escrow Shares. Such portion of the escrow fund at the conclusion of the Escrow Period that may be necessary to satisfy any unresolved or unsatisfied claims for Indemnifiable Damages specified in any Officer's Certificate delivered to the Stockholders' Agent and escrow agent prior to expiration of the Escrow Period (the "**Reserve Amount**") shall remain in the escrow fund until such claims for Indemnifiable Damages have been resolved or satisfied. Prior to such resolution or satisfaction, none of the Reserve Amount shall be delivered or distributed to any person. For purposes of determining at any particular time the number of Escrow Shares in the escrow fund that are necessary or sufficient to satisfy and/or provide for all such claims, Cisco shall be assumed to be entitled to the full amount of Indemnifiable Damages stated in such Officer Certificate(s). The remainder of the escrow fund, if any, shall be distributed to the Pure Digital Holders promptly (and in any event no later than ten business days) after the expiration of the Escrow Period in accordance with each such holder's pro rata share.

Promptly following the resolution or satisfaction of any claim for Indemnifiable Damages relating to any portion of the Reserve Amount (and in any event no later than ten Business Days after such resolution and satisfaction), such portion of the Reserve Amount shall be paid to Cisco and/or to the Pure Digital Holders on a pro rata basis in accordance with each such holder's pro rata share, in accordance with the terms of a memorandum setting forth an agreement between Cisco and the Stockholders' Agent or trial court decision, as applicable.

h. Indemnification of Pure Digital's Officers and Directors.

The Merger Agreement provides for the survival in the Merger of all indemnification rights for each current and former officer and director of Pure Digital for any losses such person may incur based upon matters existing or occurring prior to the closing of the Merger pursuant to any applicable indemnification agreements and any indemnification provisions set forth in Pure Digital's certificate of incorporation, as amended, and bylaws, as such indemnification rights were in effect on March 18, 2009. Cisco will observe all of these indemnification rights to the fullest extent permitted by Delaware Law for a period of six years following the Merger. See the Information Statement for more information.

i. Cash Usage and Retention Bonuses.

The board of directors of Pure Digital has declared a cash dividend payable to the Pure Digital stockholders ("**Declared Cash Payment**") in an aggregate amount equal to the excess of Pure Digital's net working capital over $10,000,000, less the amount of any Retention Bonuses (as defined below) paid to Pure Digital employees between the date of the Merger Agreement and the Effective Time; provided that the Declared Cash Payment shall not in any event exceed the maximum dividend that can be declared and paid pursuant to the provisions of Delaware and California law on all issued and outstanding shares of the Pure Digital capital stock. Payment of the Declared Cash Payment is contingent upon (i) receipt of requisite approval by the holders of Pure Digital Preferred Stock, (ii) waiver by the holders of each series of Pure Digital Preferred Stock of all dividend preferences pursuant to the certificate of incorporation of Pure Digital, (iii) effectiveness of the conversion of all outstanding Pure Digital Preferred Stock in connection with the Merger, and (iv) obtaining the consent of Comerica Bank (which consent has been obtained as of the date hereof). The record date for determining the Pure Digital Stockholders entitled to payment of the Declared Cash Payment is March 20, 2009, but Pure Digital has reserved the right to cancel the Declared Cash Payment in accordance with Delaware and California law prior to the payment thereof.

The board of directors of Pure Digital has also authorized the payment of cash bonuses to certain employees (the "**Retention Bonuses**") to be paid immediately prior to the Effective Time. Eligible employees must remain in service through the closing date to receive a Retention Bonus. As part of this authorization, the Pure Digital board of directors approved a cash bonus of $1.35 million to Jonathan Kaplan, Pure Digital's Chief Executive Officer, to be paid at the same time as the other Retention Bonuses. Any remaining Retention Bonuses will be in such amounts for each specific employee as are specifically determined and approved by the Pure Digital board of directors.

The sum of the Declared Cash Payment and the aggregate amount of Retention Bonuses may in no event exceed $30,000,000.

C. SOLICITATION OF STOCKHOLDER APPROVAL.

Pure Digital Stockholder approval of the Merger and adoption of the Merger Agreement will be solicited promptly after the issuance of the Permit following the hearing, or at a sooner date if approved by the Commissioner.

D. ADDITIONAL INFORMATION.

Additional information concerning the Merger can be found in Cisco's permit application file and the documents filed in connection therewith at the offices of the Department of Corporations, 71 Stevenson Street, Suite 2100, San Francisco, California 94105. A copy of such materials is also available for inspection at Cisco's executive offices at 170 West Tasman Drive, San Jose, California 95134, Attention: Mark Gorman, Senior Director, Mergers & Acquisitions, Legal Services.

E. HEARING

Any interested persons may be present at the hearing in person or by telephone, may (but need not) be represented by legal counsel, and will be given an opportunity to be heard. Any interested person will be entitled to the issuance of subpoenas to compel the attendance of witnesses and the production of books, documents and other items by applying for such subpoenas to the Department of Corporations, 71 Stevenson Street, Suite 2100, San Francisco, California 94105. If you are interested in this matter, you may appear at the hearing in favor of or in opposition to the granting of the Permit. Whether you plan to attend or not, you are invited to make your views known by sending correspondence for receipt no later than [DAY] [DATE], 2009, which is two business days prior to the [DAY] [DATE], 2009 date of the hearing, to [NAME], [TITLE], at the Department of Corporations, 71 Stevenson Street, Suite 2100, San Francisco, California 94105.

The hearing will be held for the purpose of enabling the Commissioner to determine the fairness of the terms and conditions of the issuance of the securities by Cisco pursuant to the Merger Agreement and the Merger and will be based upon the application and all papers and documents filed in connection therewith. Section 25142 of the Corporate Securities Law of 1968, as amended, authorizes the Commissioner to hold such hearing when securities will be issued in exchange for other outstanding securities (whether or not the securities to be issued in the transaction are exempt from qualification), to approve the terms and conditions of such issuance and exchange and to determine whether such terms and conditions are fair, just and equitable.

A FINDING BY THE COMMISSIONER THAT THE PROPOSED TRANSACTION IS FAIR, JUST AND EQUITABLE, AND THE ISSUANCE OF A PERMIT THEREAFTER, IS NOT A RECOMMENDATION OF THE PROPOSED TRANSACTION.

San Francisco, California

Dated [DATE]

[_________]
California Corporations Commissioner

By: ______________________________
[NAME]
[TITLE]

Exhibit 1

Merger Agreement

(as attached)

Exhibit F-2

Form of Information Statement to be sent to Pure Digital Stockholders.

INFORMATION STATEMENT

PURE DIGITAL TECHNOLOGIES, INC.

[April __, 2009]

This Information Statement is provided to you with respect to the public hearing to be held by the Commissioner (the "**Commissioner**") of the California Department of Corporations in connection with the proposed acquisition of Pure Digital Technologies, Inc., a Delaware corporation ("**Pure Digital**"), by Cisco Systems, Inc., a California corporation ("**Cisco**"). In the event of a conflict between this Information Statement and the accompanying Notice of Hearing, the information herein shall be deemed to supersede.

THIS INFORMATION STATEMENT DOES NOT CONSTITUTE A SOLICITATION OF ADOPTION AND APPROVAL OF THE MERGER AGREEMENT AND THE MERGER OR THE TRANSACTIONS RELATED THERETO. IF AND WHEN THE CALIFORNIA DEPARTMENT OF CORPORATIONS ISSUES A PERMIT WITH RESPECT TO THE SHARES OF CISCO COMMON STOCK ISSUABLE IN THE MERGER, PURE DIGITAL WILL SOLICIT APPROVAL FROM ITS STOCKHOLDERS REGARDING THE MERGER AGREEMENT, THE MERGER AND THE TRANSACTIONS RELATED THERETO.

THIS INFORMATION STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES REFERRED TO IN THIS INFORMATION STATEMENT. NO OFFER, SOLICITATION OR SALE OF ANY OF THE SECURITIES REFERRED TO IN THIS INFORMATION STATEMENT SHALL BE MADE IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION OF SUCH SECURITIES UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTION.

THE PROPOSED MERGER IS A COMPLEX TRANSACTION. PURE DIGITAL STOCKHOLDERS ARE STRONGLY URGED TO READ AND CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS INFORMATION STATEMENT. STOCKHOLDERS SHOULD ALSO CAREFULLY CONSIDER THE INFORMATION UNDER "RISK FACTORS" ATTACHED AS EXHIBIT 3 TO THIS INFORMATION STATEMENT AND IN THE REPORTS CISCO HAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IN DETERMINING WHETHER OR NOT TO VOTE IN FAVOR OF APPROVAL OF THE MERGER AND ADOPTION OF THE MERGER AGREEMENT. EACH PURE DIGITAL STOCKHOLDER MUST PURSUE SUCH STOCKHOLDER'S OWN INDEPENDENT EVALUATION AND MAKE SUCH INVESTIGATION AS IT DEEMS APPROPRIATE IN DECIDING WHETHER OR NOT TO VOTE IN FAVOR OF THE TRANSACTIONS DESCRIBED IN THIS INFORMATION STATEMENT.

PURE DIGITAL STOCKHOLDERS SHOULD ONLY CONSIDER AND RELY ON THE INFORMATION CONTAINED IN THIS INFORMATION STATEMENT AND THE NOTICE OF HEARING DELIVERED CONCURRENTLY WITH THIS INFORMATION STATEMENT, INCLUDING THE RESPECTIVE EXHIBITS HERETO AND THERETO. PURE DIGITAL STOCKHOLDERS MUST NOT RELY ON ANY INFORMATION OR REPRESENTATIONS THAT ARE NOT CONTAINED HEREIN OR THEREIN. NO PERSONS HAVE BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OR STATEMENTS (OTHER THAN THOSE CONTAINED IN THIS INFORMATION STATEMENT AND THE NOTICE OF HEARING) REGARDING THE MERGER OR THE OTHER MATTERS DISCUSSED HEREIN AND, IF GIVEN OR MADE, ANY SUCH REPRESENTATIONS OR INFORMATION PROVIDED MUST NOT BE RELIED ON AS HAVING BEEN AUTHORIZED OR SANCTIONED BY CISCO OR PURE DIGITAL OR ANY OTHER PERSON. THE INFORMATION SET FORTH IN THIS INFORMATION STATEMENT CONCERNING CISCO AND ITS SUBSIDIARIES HAS BEEN FURNISHED BY CISCO AND HAS NOT BEEN INDEPENDENTLY INVESTIGATED OR VERIFIED BY PURE DIGITAL. THE INFORMATION SET FORTH IN THIS INFORMATION STATEMENT CONCERNING PURE DIGITAL HAS BEEN FURNISHED BY PURE DIGITAL AND HAS NOT BEEN INDEPENDENTLY INVESTIGATED OR VERIFIED BY CISCO. PURE DIGITAL STOCKHOLDERS SHOULD NOT ASSUME THAT THE INFORMATION IN THIS INFORMATION STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE OF THIS INFORMATION STATEMENT.

THE INFORMATION HEREIN IS NOT INTENDED TO BE LEGAL, TAX OR INVESTMENT ADVICE. PURE DIGITAL STOCKHOLDERS AND SECURITY HOLDERS SHOULD CONSULT THEIR OWN LEGAL COUNSEL, ACCOUNTANTS AND INVESTMENT ADVISORS, RESPECTIVELY, AS TO LEGAL, TAX AND OTHER MATTERS CONCERNING THE MERGER AND THE RELATED MATTERS DESCRIBED IN THIS INFORMATION STATEMENT.

A. OVERVIEW.

Pursuant to an Agreement and Plan of Merger and Reorganization, dated as of March 18, 2009 (the "**Merger Agreement**"), by and among Cisco, Python Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Cisco ("**Merger Sub**"), Pure Digital, and the Stockholders' Agent, Cisco has agreed to acquire Pure Digital by means of a transaction whereby Merger Sub will merge with and into Pure Digital (the "**Merger**") with Pure Digital to survive the Merger and become a wholly-owned subsidiary of Cisco pursuant to the terms of the Merger Agreement. A copy of the Merger Agreement is attached to this Information Statement as **Exhibit 1**.

The proposed Merger will be conducted in accordance with the General Corporation Law of the State of Delaware ("**Delaware Law**") and effected pursuant to a certificate of merger to be filed with the Delaware Secretary of State to effect the Merger upon the satisfaction or waiver of certain conditions as set forth in the Merger Agreement. Upon consummation of the Merger, the separate existence of Merger Sub shall cease, and Pure Digital shall continue as the surviving corporation and shall be a wholly-owned subsidiary of Cisco. As a result of the Merger, and subject to the issuance of the Permit (defined below) by the Commissioner, the shares of capital stock held by the Pure Digital stockholders (the "**Pure Digital Stockholders**") will be converted into the right to receive shares of Cisco Common Stock, par value $0.001 per share ("**Cisco Common Stock**"), and potential escrow proceeds. Options to purchase capital stock of Pure Digital ("**Pure Digital Options**"), other than Old Options (as defined and described below), that remain outstanding as of the closing and are held by Pure Digital employees and other individuals who will be continuing with Cisco after the closing as Cisco employees (the "**Continuing Employees**" as further defined below) will be assumed by Cisco and converted into options to purchase Cisco Common Stock.

The total Merger consideration to Pure Digital Stockholders and optionholders is equal to $590,000,000, less (i) the amount, if any, by which Pure Digital's net working capital at closing is less than $10,000,000, and less (ii) the amount of any third party fees and expenses incurred by Pure Digital in connection with the Merger. This amount does not include the gross value attributed to Cisco's assumption of the New Restricted Stock Units (as defined below), which is up to $15,000,000, and the gross value attributed to Cisco's assumption of the New Pure Digital Options (as defined below). A portion of the Merger consideration distributable in stock to Pure Digital Stockholders and equal to the quotient of (i) the difference between (x) 10% of the Total Merger Consideration (as defined below) and (y) $320,000, divided by (ii) the Cisco Stock Price (as defined below) will be held in escrow for a period of 18 months following the closing to satisfy potential indemnification claims.

Prior to the Merger, and subject to the events described in "The Merger and Related Transactions – Material Features of the Merger," a cash dividend payable ratably to stockholders of Pure Digital on all issued and outstanding shares of Pure Digital's capital stock shall be paid to stockholders of record as of the dividend record date of March 20, 2009; provided, however, that Pure Digital has reserved the right to cancel the cash dividend in accordance with Delaware Law and California law prior to such payment.

Prior to the Merger, Retention Bonuses (as defined below) and/or equity award grants shall be made to certain eligible employees of Pure Digital. Eligible employees of Pure Digital must remain in service until the closing date to receive a Retention Bonus or an equity award. In connection with approving the Merger Agreement, Pure Digital's Board of Directors (the "**Pure Digital Board**") approved payment of a cash bonus of $1.35 million to Jonathan Kaplan, Pure Digital's Chief Executive Officer, and intend to allocate additional cash bonuses among eligible employees. Mr. Kaplan's Retention Bonus is to be paid at the same time as the other Retention Bonuses. In addition, the Pure Digital Board approved the adoption of a new Equity Incentive Plan which reserves up to 2,100,000 shares of Pure Digital Common Stock, which the Pure Digital Board intends to allocate prior to the closing date to Continuing Employees in the form of options and restricted stock units.

The Merger Agreement contemplates that the issuance of Cisco Common Stock to the holders of Pure Digital capital stock in connection with the Merger will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), by virtue of the exemption provided by Section 3(a)(10) of the Securities Act. The availability of the exemption is contingent upon the issuance of a permit (the "**Permit**") qualifying the issuance of the maximum number of shares of Cisco Common Stock issuable in connection with the Merger following a public hearing on the fairness of the terms and conditions of the Merger and the Merger Agreement (the "**Hearing**") to be conducted by the Commissioner of the California Department of Corporations (the "**Commissioner**") pursuant to Section 25142 of the Corporate Securities Law of 1968, as amended. The Pure Digital Stockholders will be asked to approve the Merger and adopt the Merger Agreement following the Hearing. If the Commissioner grants Cisco the Permit, then the securities to be issued by Cisco in the Merger will not be registered under the Securities Act in reliance upon the exemption from registration provided by Section 3(a)(10) of the Securities Act. If the Commissioner does not grant Cisco the Permit, then Cisco will not offer Cisco Common Stock as consideration in the Merger, but instead will pay cash for all of the outstanding shares of capital stock of Pure Digital. See "The Merger and Related Transactions – Material Features of the Merger" for more information.

B. THE MERGER AND RELATED TRANSACTIONS.

The description of the material features of the Merger contained herein does not purport to be complete and is qualified in its entirety by the copy of the Merger Agreement attached hereto as <u>Exhibit 1</u> which is incorporated herein by reference and the copy of the form of Escrow Agreement (the "Escrow Agreement") attached hereto as <u>Exhibit 2</u> which is incorporated herein by reference. Reference should be made to the Merger Agreement and the Escrow Agreement for a complete description of the terms of the Merger. Capitalized terms not defined herein have the respective meanings ascribed to them in the Merger Agreement. In the event of any inconsistency between the terms of the Merger Agreement as summarized herein and in the Merger Agreement, the terms of the Merger Agreement shall govern. In the event of any inconsistency between the terms of the Escrow Agreement as summarized herein and in the Escrow Agreement, the terms of the Escrow Agreement shall govern.

1. Summary Descriptions of the Parties.

a. Cisco.

Cisco designs, manufactures, and sells Internet Protocol (IP)-based networking and other products related to the communications and information technology (IT) industry and provides services associated with these products and their use. Cisco markets a broad line of products for transporting data, voice, and video within buildings, across campuses, and around the world. Cisco's products are designed to transform how people connect, communicate, and collaborate. Cisco's products, which include primarily routers, switches, and advanced technology products, are installed at large enterprises, public institutions, telecommunications companies, commercial businesses and personal residences. Cisco conducts its business globally and is managed geographically in five segments: the United States and Canada, European Markets, Emerging Markets, Asia Pacific, and Japan. The Emerging Markets theater consists of Eastern Europe, Latin America, the Middle East and Africa, and Russia and the Commonwealth of Independent States.

Cisco was incorporated in the state of California in December 1984. Cisco's principal corporate office is located at 170 West Tasman Drive, San Jose, California 95134. Shares of Cisco Common Stock are traded on the Nasdaq Stock Market under the symbol "CSCO." Pure Digital securityholders may contact Cisco's Investor Relations department at 408-526-4000 for additional information regarding investments in Cisco securities, and may contact Mark Gorman, Senior Director, Mergers & Acquisitions, Legal Services at 408-526-4000 for additional information regarding the Merger. Cisco's website is www.cisco.com; however, information on Cisco's website is not a part of this Information Statement. See "The Merger and Related Transactions – Information About Cisco" for additional information.

b. Pure Digital.

Pure Digital Technologies provides digital imaging solutions for the consumer market. Pure Digital's flagship product, the Flip Video camcorder, combines hardware and software solutions to give consumers the power to capture and share video using a variety of technologies. Flip Video camcorders have software to enable editing, organizing, and seamless video uploading to a variety of web-based video sharing sites, as well as a built-in, "flip"-out USB connector to enable transfer of videos from the camcorder to a computer.

Pure Digital was incorporated in the state of Delaware in November 2000. Pure Digital's principal corporate office is located at 30 Maiden Lane, 6th Floor, San Francisco, CA 94108. Pure Digital securityholders may contact Rebecca Eisenberg, General Counsel, at 415-445-8794 for additional information regarding the Merger. Pure Digital's website is www.theflip.com; however, information on Pure Digital's website is not a part of this Information Statement. See "The Merger and Related Transactions – Information About Pure Digital" for additional information.

c. Merger Sub.

Merger Sub is a wholly-owned subsidiary of Cisco created for the sole purpose of facilitating the Merger.

2. Background of the Merger.

In July 2008, Cisco and Pure Digital began a series of discussions regarding a potential commercial partnership between Cisco and Pure Digital. The possibility of a potential acquisition of Pure Digital by Cisco was briefly raised as part of these initial discussions.

On August 4, 2008, Cisco and Pure Digital executed a non-disclosure agreement. From time to time between July and December 2008, Pure Digital and Cisco held discussions on various potential strategic transactions, including potential partnering transactions and an acquisition.

On December 17, 2008, Cisco set forth during a meeting with Jonathan Kaplan, Pure Digital's Chief Executive Officer, several reasons for its interest in Pure Digital, including leveraging an acquisition of Pure Digital as a way to further expand Cisco's efforts and brand in the consumer market, as well as obtaining technological capabilities in consumer video applications.

On January 6 and January 7, 2009, Cisco and Pure Digital met to discuss valuation methods generally, and to engage in limited preliminary due diligence.

On January 27, 2009, several Cisco representatives attended a series of meetings with Pure Digital to discuss Pure Digital's finances, product marketing and product roadmap.

On February 9, 2009, Cisco made an initial verbal offer for the acquisition of Pure Digital, which Pure Digital rejected on February 10, 2009 and communication between the companies ceased.

On February 18, 2009, Cisco made a new offer to acquire Pure Digital and subsequently provided a non-binding term sheet setting forth the principal terms of a proposed acquisition of Pure Digital by Cisco.

On February 19, 2009, the Pure Digital Board met to discuss the proposed acquisition of Pure Digital by Cisco.

After review and negotiation of the non-binding term sheet, on February 26, 2009, the Pure Digital Board held a special meeting to approve a letter agreement ("Exclusivity Agreement") whereby Pure Digital was obligated to negotiate exclusively with Cisco for 45 days following the execution of such letter agreement and to authorize the officers of Pure Digital to negotiate a definitive acquisition agreement substantially in accordance with the terms presented to the Pure Digital Board. Pure Digital and Cisco then entered into the Exclusivity Agreement, Cisco began its due diligence review of Pure Digital, and the parties continued discussions regarding the proposed transaction.

On March 4, 2009, an initial draft of the definitive Merger Agreement was provided to Pure Digital, and the parties negotiated the terms of the Merger Agreement and several related agreements through March 18, 2009. On March 9, 2009, a form of key employment agreement was provided to certain Pure Digital officers, and such individuals and Cisco negotiated the terms of the key employment agreements and several related agreements through March 18, 2009. On March 11, 2009, the duly authorized Investment, Finance and Acquisition Committee of Cisco's board of directors (the "**Cisco Board Committee**") approved the Merger and Merger Agreement.

On March 17, 2009, Pure Digital's legal counsel, Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, discussed with the Pure Digital Board a summary and analysis of the material terms and conditions of the proposed Merger and Pure Digital's legal counsel briefed each member of the Pure Digital Board of his or her fiduciary duties in connection with the proposed Merger.

Following such briefing, the Pure Digital Board discussed the terms of the Merger, including, without limitation, the overall valuation of Pure Digital, key employment arrangements, escrow terms and indemnification provisions. After such discussion, the Pure Digital Board unanimously authorized Pure Digital to enter into the Merger Agreement and recommended to the stockholders of Pure Digital that the Merger Agreement be adopted and the Merger approved.

Later on March 18, 2009, (i) Cisco and Pure Digital entered into the Merger Agreement, (ii) Cisco and certain Pure Digital stockholders entered into voting agreements and irrevocable proxies which require such Pure Digital stockholders, among other things, to vote all of the shares of Pure Digital capital stock held of record by them in favor of the Merger, and (iii) Cisco and certain Pure Digital officers entered into key employment agreements and non-competition agreements which will become effective upon the closing of the Merger.

3. Reasons for the Merger.

a. Cisco.

In evaluating the Merger, the Cisco Board Committee consulted with Cisco's management and legal counsel, reviewed relevant information and considered a number of factors, including:

- the results of a due diligence investigation of Pure Digital;
- the products and technologies of Pure Digital;
- an analysis of the relative value that Pure Digital might contribute to the future business and prospects of Cisco; and
- the ability to integrate Pure Digital's technologies and personnel into a combined organization.

The Cisco Board Committee identified several potential benefits of the Merger that it determined will contribute to the success of the combined organization, including without limitation:

- the ability to accelerate growth in Cisco's consumer business through new video product offerings;

- enabling Cisco's strategy of expanding its presence in the media-enabled home and capturing the consumer market transition to visual networking;

- leveraging Pure Digital's "Flip" brand to increase Cisco's consumer brand relevance; and

- acquiring top-tier management, marketing and engineering talent to lead ongoing efforts within Cisco's consumer business.

For these reasons, the Cisco Board Committee determined that the Merger Agreement was in the best interests of Cisco and its shareholders and that Cisco should proceed with the Merger Agreement.

b. Pure Digital.

The Pure Digital Board has determined that the terms and conditions of the Merger are fair, just, reasonable, equitable, advisable and in the best interests of Pure Digital and its securityholders. In the course of reaching its decision, the Pure Digital Board consulted with management and legal counsel.

The decision of the Pure Digital Board was based upon a number of factors, including the following:

- the relative valuation given to Pure Digital by Cisco in the Merger;

- the form of consideration to be received by holders of Pure Digital securities;

- the likelihood of realizing superior benefits through alternative business strategies, including continuing to operate in the ordinary course of business and other strategic and financing alternatives;

- the economic environment, in general, and the market for Pure Digital's products, in particular;

- increased international exposure and growth opportunities;

- increased working capital to accommodate additional inventory investment;

- potential synergies for the combined entities in the wireless communications and networking space; and

- information concerning Pure Digital's business, financial performance, operations and products.

The preceding discussion of the information and factors considered by the Pure Digital Board is not, and is not intended to be, exhaustive, but is believed to include all of the factors considered by the Pure Digital Board to be material. In light of the variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Pure Digital Board did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In addition, the Pure Digital Board did not make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of the Pure Digital Board, but rather the Pure Digital Board conducted an overall analysis of the factors described above, including discussions with and questioning of Pure Digital's senior management and legal counsel. The list of factors described in this section as having been considered by the Pure Digital Board is not intended to be a complete list of all factors considered.

Based on its review and deliberations regarding these and other factors, it is the unanimous and unqualified recommendation of the Pure Digital Board to adopt the Merger Agreement and approve the Merger. The Pure Digital Board further concludes that the terms and conditions of the Merger and the Merger Agreement are fair, just, reasonable, equitable, advisable and in the best interests of Pure Digital and Pure Digital Stockholders, and therefore unanimously approves the Merger and the Merger Agreement, and unanimously resolves to recommend the approval thereof by Pure Digital Stockholders.

4. Risk Factors.

The Merger will involve a certain degree of risk. Pure Digital Stockholders should consider carefully, among other potential risks, the risk factors set forth in **Exhibit 3** hereto as well as the other information set forth in this Information Statement.

5. Material Features of the Merger.

a. Overview of Deal Economics.

The total Merger consideration to holders of Pure Digital capital stock and options is equal to (A) \$590,000,000 less (B) the amount (if any) by which Pure Digital's Net Working Capital is less than \$10,000,000, less (C) the amount of Transaction Expenses (the "**Total Merger Consideration**"). This Total Merger Consideration amount does not include the gross value attributed to Cisco's assumption of the New Restricted Stock Units (as defined below) and New Pure Digital Options (as defined below), but does include assumed Pure Digital Options and cashed out Pure Digital Options. As a result of the Merger, subject to the issuance of the Permit and the satisfaction of the other closing conditions, the outstanding shares of capital stock of Pure Digital will be converted at the Effective Time (as defined below) into the right to receive shares of Cisco Common Stock and potential escrow proceeds. The value of the Cisco Common Stock will be based on the average of the closing sales prices on the Nasdaq Stock Market for the five consecutive trading days ending with the trading day that is one trading day prior to the closing date.