

As filed with the Securities and Exchange Commission on September 23, 1999

Registration No. 333-\_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM S-8  
REGISTRATION STATEMENT

Under  
The Securities Act of 1933

BROADCOM CORPORATION  
(Exact name of registrant as specified in its charter)

CALIFORNIA 33-0480482  
(State or other jurisdiction (IRS Employer Identification No.)  
of incorporation or organization)

16215 ALTON PARKWAY, IRVINE, CALIFORNIA 92618  
(Address of principal executive offices) (Zip Code)

ALTOCOM, INC. 1997 STOCK PLAN

HOTHAUS TECHNOLOGIES INC. INCENTIVE STOCK OPTION PLAN

-----  
(Full title of the Plans)  
-----

HENRY T. NICHOLAS III, PH.D.  
PRESIDENT, CHIEF EXECUTIVE OFFICER AND CO-CHAIRMAN  
BROADCOM CORPORATION  
16215 ALTON PARKWAY, IRVINE, CALIFORNIA 92618  
(Name and address of agent for service)

(949) 450-8700  
(Telephone number, including area code, of agent for service)

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
-----				
AltoCom, Inc. 1997 Stock Plan				
Class A Common Stock, \$.0001 par value	68,240 shares	\$105.3125(2)	\$7,186,525.00(2)	\$1,997.85
Class B Common Stock, \$.0001 par value	68,240 shares	\$19.8860(3)	\$1,357,020.64(3)	\$377.25
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HotHaus Technologies Inc. Incentive Stock Option Plan				
Class A Common Stock, \$.0001 par value	169,719 shares	\$105.3125(2)	\$17,873,532.19(2)	\$4,968.84
Class B Common Stock, \$.0001 par value	169,719 shares	\$3.0940(3)	\$525,110.59(3)	\$145.98
-----				
Total			\$26,942,188.42	\$7,489.92
=====				

- (1) This Registration Statement shall also cover any additional shares of Broadcom's Class A Common Stock or Class B Common Stock which become issuable under the AltoCom, Inc. 1997 Stock Plan and the HotHaus Technologies Inc. Incentive Stock Option Plan by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without Broadcom's receipt of consideration which results in an increase in the number of Broadcom's outstanding shares of Class A Common Stock or Class B Common Stock.
- (2) Calculated solely for the purpose of this offering under Rule 457(h) of the Securities Act of 1933, as amended (the "Securities Act") on the basis of the high and low selling prices per share of Broadcom's Class A Common Stock on September 21, 1999, as reported on the Nasdaq National Market.
- (3) Calculated solely for purposes of this offering under Rule 457(h) of the Securities Act, on the basis of the weighted average exercise price of the outstanding options. The Class B Common Stock is not listed on the Nasdaq National Market.

## PART II

## INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

## Item 3. Incorporation of Documents by Reference

Broadcom Corporation hereby incorporates by reference into this Registration Statement the following documents previously filed with the Securities and Exchange Commission:

- (a) Broadcom's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed with the SEC on March 31, 1999;
- (b) Broadcom's Quarterly Reports on Form 10-Q for the fiscal quarter ended March 31, 1999, filed with the SEC on May 17, 1999 and the fiscal quarter ended June 30, 1999, filed with the SEC on August 16, 1999;
- (c) Broadcom's Current Reports on Form 8-K filed with the SEC on January 27, 1999, April 28, 1999, June 1, 1999, June 23, 1999, July 21, 1999, August 12, 1999, September 1, 1999 and September 17, 1999; and
- (d) Broadcom's Registration Statement No. 000-23993 on Form 8-A filed with SEC on April 6, 1998, and including any other amendments or reports filed for the purpose of updating such description, in which there is described the terms, rights and provisions applicable to Broadcom's Class A Common Stock.

All reports and definitive proxy or information statements filed pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, 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 de-registers all securities then remaining unsold shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing 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

The terms, rights and provisions applicable to the Class A Common Stock are set forth in Broadcom's Registration Statement No. 000-23993 on Form 8-A which is incorporated by reference into this Registration Statement pursuant to Item 3(d). The shares of the Class B Common Stock are substantially identical to the shares of Class A Common Stock, except that the holders of Class A Common Stock are entitled to one (1) vote per share and the holders of the Class B Common Stock are entitled to ten (10) votes per share on all matters submitted to shareholder vote. Holders of shares of Class A Common Stock and holders of shares of Class B Common Stock vote together as a single class on all matters submitted to a shareholder vote, except as otherwise required by law or with respect to a proposed issuance of additional shares of Class B Common Stock, which issuance currently requires the affirmative vote of the holders of

a majority of the outstanding shares of Class B Common Stock, voting separately as a class. Each share of Class B Common Stock is convertible at the option of the holder into one (1) share of Class A Common Stock and will, in general, automatically convert into one (1) share of Class A Common Stock upon the sale or transfer of the Class B Common Stock by the original holder.

Item 5. Interests of Named Experts and Counsel

Not Applicable.

Item 6. Indemnification of Directors and Officers

Broadcom's Articles of Incorporation limit the personal liability of its directors for monetary damages to the fullest extent permitted by the California General Corporation Law (the "California Law"). Under the California Law, a director's liability to a company or its shareholders may not be limited with respect to the following items: (i) acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) acts or omissions that a director believes to be contrary to the best interests of the company or its shareholders or that involve the absence of good faith on the part of the director, (iii) any transaction from which a director derived an improper personal benefit, (iv) acts or omissions that show a reckless disregard for the director's duty to the company or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of a serious injury to the company or its shareholders, (v) acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the company or its shareholders, (vi) contracts or transactions between the company and a director within the scope of Section 310 of the California Law or (vii) improper dividends, loans and guarantees under Section 316 of the California Law. The limitation of liability does not affect the availability of injunctions and other equitable remedies available to Broadcom's shareholders for any violation by a director of the director's fiduciary duty to Broadcom or its shareholders.

Broadcom's Articles of Incorporation also include an authorization for Broadcom to indemnify its "agents" (as defined in Section 317 of the California Law) through bylaw provisions, by agreement or otherwise, to the fullest extent permitted by law. Pursuant to this provision, Broadcom's Bylaws provide for indemnification of Broadcom's directors, officers and employees. In addition, Broadcom may, at its discretion, provide indemnification to persons whom Broadcom is not obligated to indemnify. The Bylaws also allow Broadcom to enter into indemnity agreements with individual directors, officers, employees and other agents. These indemnity agreements have been entered into with all directors and executive officers and provide the maximum indemnification permitted by law. These agreements, together with Broadcom's Bylaws and Articles of Incorporation, may require Broadcom, among other things, to indemnify these directors or executive officers (other than for liability resulting from willful misconduct of a culpable nature), to advance expenses to them as they are incurred, provided that they undertake to repay the amount advanced if it is ultimately determined by a court that they are not entitled to indemnification, and to obtain directors' and officers' insurance if available on reasonable terms. Section 317 of the California Law and Broadcom's Bylaws make provision for the indemnification of officers, directors and other corporate agents in terms sufficiently broad to indemnify such persons, under certain circumstances, for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

## Item 7. Exemption from Registration Claimed

Not Applicable.

## Item 8. Exhibits

Exhibit Number	Exhibit
4.1	Instruments Defining the Rights of Stockholders. Reference is made to Broadcom's Registration Statement No. 000-23993 on Form 8-A, together with the amendments and exhibits thereto, which is incorporated herein by reference pursuant to Item 3(d).
5.1	Opinion and consent of Brobeck, Phleger & Harrison LLP.
23.1	Consent of Ernst & Young LLP, Independent Auditors.
23.2	Consent of Brobeck, Phleger & Harrison LLP is contained in Exhibit 5.1.
24.1	Power of Attorney. Reference is made to page II-5 of this Registration Statement.
99.1	AltoCom, Inc. 1997 Stock Plan.
99.2	Form of Notice of Stock Option Grant and related form of Stock Option Agreement for AltoCom, Inc. 1997 Stock Plan.
99.3	Form of Stock Purchase Agreement for AltoCom, Inc. 1997 Stock Plan.
99.4	HotHaus Technologies Inc. Incentive Stock Option Plan, together with form of Stock Option Agreement for HotHaus Technologies Inc. Incentive Stock Option Plan.
99.5	Form of Option Assumption Agreement - AltoCom Plan.
99.6	Form of Option Assumption Agreement - HotHaus 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 Securities Act, (ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement and (iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement; provided, however, that clauses (1)(i) and (1)(ii) shall not apply if the information required to be included in a post-effective amendment by those clauses is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference into this Registration Statement; (2) that, for the purpose of determining any liability under the Securities Act each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and (3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the AltoCom, Inc. 1997 Stock Plan and the HotHaus Technologies Inc. Incentive Stock Option Plan.

B. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report

pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference into this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, 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 Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Irvine, California, on this 21st day of September, 1999.

## BROADCOM CORPORATION

By: /s/ HENRY T. NICHOLAS

-----  
Henry T. Nicholas III, Ph.D.  
President, Chief Executive Officer  
and Co-Chairman

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, That the undersigned officers and directors of Broadcom Corporation, a California corporation, do hereby constitute and appoint Henry T. Nicholas III and Henry Samueli and each of them, their lawful attorneys-in-fact and agents with full power and authority to do any and all acts and things and to execute any and all instruments which said attorneys and agents, and any one of them, determine may be necessary or advisable or required to enable said corporation to comply with the Securities Act of 1933, as amended, and any rules or regulations or requirements of the Securities and Exchange Commission in connection with this Registration Statement. Without limiting the generality of the foregoing power and authority, the powers granted include the power and authority to sign the names of the undersigned officers and directors in the capacities indicated below to this Registration Statement, to any and all amendments, both pre-effective and post-effective, and supplements to this Registration Statement, and to any and all instruments or documents filed as part of or in conjunction with this Registration Statement or amendments or supplements thereof, and each of the undersigned hereby ratifies and confirms that all said attorneys and agents, or any one of them, shall do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the date indicated. Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
/s/ HENRY T. NICHOLAS ----- Henry T. Nicholas III, Ph.D.	President, Chief Executive Officer and Co-Chairman (Principal Executive Officer)	September 21, 1999
/s/ HENRY SAMUELI ----- Henry Samueli, Ph.D.	Vice President of Research & Development, Chief Technical Officer and Co-Chairman	September 21, 1999
/s/ WILLIAM J. RUEHLE ----- William J. Ruehle	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 21, 1999
/s/ ALAN E. ROSS ----- Alan E. Ross	Director	September 21, 1999
/s/ MYRON S. EICHEN ----- Myron S. Eichen	Director	September 21, 1999
/s/ WERNER F. WOLFEN ----- Werner F. Wolfen	Director	September 21, 1999

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

EXHIBITS

TO

FORM S-8

UNDER

SECURITIES ACT OF 1933

BROADCOM CORPORATION

## EXHIBIT INDEX

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## OPINION AND CONSENT OF BROBECK, PHLEGER &amp; HARRISON LLP

September 23, 1999

Broadcom Corporation  
16215 Alton Parkway  
Irvine, California 92618

Re: Broadcom Corporation Registration Statement on Form S-8

Ladies and Gentlemen:

We have acted as counsel to Broadcom Corporation, a California corporation (the "Company") in connection with the registration on Form S-8 (the "Registration Statement") under the Securities Act of 1933, as amended, of an aggregate of 237,959 shares of the Company's Class A Common Stock and 237,959 shares of the Company's Class B Common Stock (collectively, the "Shares") and related stock options under (i) the AltoCom, Inc. 1997 Stock Plan, and (ii) the HotHaus Technologies Inc. Incentive Stock Option Plan (collectively, the "Plans").

This opinion is being furnished in accordance with the requirements of Item 8 of Form S-8 and Item 601(b)(5)(i) of Regulation S-K.

We have reviewed the Company's charter documents and the corporate proceedings taken by the Company in connection with the assumption of the Plans and the options outstanding thereunder. Based on such review, we are of the opinion that if, as and when the Shares are issued and sold (and the consideration therefor received) pursuant to the provisions of option agreements duly authorized under the Plans and in accordance with the Registration Statement, such Shares will be duly authorized, legally issued, fully paid and nonassessable.

We consent to the filing of this opinion letter as Exhibit 5.1 to the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act, the rules and regulations of the Securities and Exchange Commission promulgated thereunder, or Item 509 of Regulation S-K.

This opinion letter is rendered as of the date first written above and we disclaim any obligation to advise you of facts, circumstances, events or developments which hereafter may be brought to our attention and which may alter, affect or modify the opinion expressed herein. Our opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company or the Shares.

Very truly yours,

BROBECK, PHLEGER &amp; HARRISON LLP

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8) of Broadcom Corporation pertaining to the AltoCom, Inc. 1997 Stock Plan and the HotHaus Technologies Inc. Incentive Stock Option Plan, of our report dated January 26, 1999 (except for Note 2 as to which the date is May 31, 1999, and Notes 9 and 13 as to which the date is August 31, 1999) with respect to the consolidated financial statements of Broadcom Corporation included in its Current Report on Form 8-K dated September 17, 1999, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Orange County, California  
September 21, 1999

ALTOCOM, INC.

1997 STOCK PLAN

ADOPTED ON JULY 2, 1997  
(AMENDED AND RESTATED SEPTEMBER 28, 1998)

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## ALTOCOM, INC. 1997 STOCK PLAN

## SECTION 1. ESTABLISHMENT AND PURPOSE.

The purpose of the Plan is to offer selected individuals an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares of the Company's Stock. The Plan provides both for the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under the Plan may include Nonstatutory Options as well as ISOs intended to qualify under Section 422 of the Code.

Capitalized terms are defined in Section 12.

## SECTION 2. ADMINISTRATION.

(a) COMMITTEES OF THE BOARD OF DIRECTORS. The Plan may be administered by one or more Committees. Each Committee shall consist of two or more members of the Board of Directors who have been appointed by the Board of Directors. Each Committee shall have such authority and be responsible for such functions as the Board of Directors has assigned to it. If no Committee has been appointed, the entire Board of Directors shall administer the Plan. Any reference to the Board of Directors in the Plan shall be construed as a reference to the Committee (if any) to whom the Board of Directors has assigned a particular function.

(b) AUTHORITY OF THE BOARD OF DIRECTORS. Subject to the provisions of the Plan, the Board of Directors shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. All decisions, interpretations and other actions of the Board of Directors shall be final and binding on all Purchasers, all Optionees and all persons deriving their rights from a Purchaser or Optionee.

## SECTION 3. ELIGIBILITY.

(a) GENERAL RULE. Only Employees, Outside Directors and Consultants shall be eligible for the grant of Options or the direct award or sale of Shares. Only Employees shall be eligible for the grant of ISOs.

(B) TEN-PERCENT SHAREHOLDERS. An individual who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries shall not be eligible for designation as an Optionee or Purchaser unless (i) the Exercise Price is at least 110% of the Fair Market Value of a Share on the date of grant, (ii) the Purchase Price (if any) is at least 100% of the Fair Market Value of a Share and (iii) in the case of an ISO, such ISO by its terms is not exercisable after the expiration of five years from the date of grant. For purposes of this Subsection (b), in determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

## SECTION 4. STOCK SUBJECT TO PLAN.

(a) BASIC LIMITATION. The aggregate number of Shares that may be issued under the Plan (upon exercise of Options or other rights to acquire Shares) shall not exceed 3,861,218(1) Shares, subject to adjustment pursuant to Section 8. The number of Shares that are subject to Options or other rights outstanding at any time under the Plan shall not exceed the number of Shares that then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan.

(b) ADDITIONAL SHARES. In the event that any outstanding Option or other right for any reason expires or is canceled or otherwise terminated, the Shares allocable to the unexercised portion of such Option or other right shall again be available for the purposes of the Plan. In the event that Shares issued under the Plan are reacquired by the Company pursuant to any forfeiture provision, right of repurchase or right of first refusal, such Shares shall again be available for the purposes of the Plan, except that the aggregate number of Shares which may be issued upon the exercise of ISOs shall in no event exceed 3,861,218 Shares (subject to adjustment pursuant to Section 8).

## SECTION 5. TERMS AND CONDITIONS OF AWARDS OR SALES.

(a) STOCK PURCHASE AGREEMENT. Each award or sale of Shares under the Plan (other than upon exercise of an Option) shall be evidenced by a Stock Purchase Agreement between the Purchaser and the Company. Such award or sale shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Purchase Agreement. The provisions of the various Stock Purchase Agreements entered into under the Plan need not be identical.

(b) DURATION OF OFFERS AND NONTRANSFERABILITY OF RIGHTS. Any right to acquire Shares under the Plan (other than an Option) shall automatically expire if not exercised by the Purchaser within 30 days after the grant of such right was communicated to the Purchaser by the Company. Such right shall not be transferable and shall be exercisable only by the Purchaser to whom such right was granted.

(c) PURCHASE PRICE. The Purchase Price of Shares to be offered under the Plan shall not be less than 85% of the Fair Market Value of such Shares, and a higher percentage may be required by Section 3(b). Subject to the preceding sentence, the Purchase Price shall be determined by the Board of Directors at its sole discretion. The Purchase Price shall be payable in a form described in Section 7.

- - - - -  
 (1) The Board approved a 2-for-1 stock split on April 7, 1998, and the Shares were automatically adjusted from 1,700,000 to 3,400,000. On September 28, 1998, the board approved of a share increase equal to 461,218 (post-split) Shares for a total of 3,861,218 Shares, as required by the financing which was approved by the Board on April 7, 1998.

(d) WITHHOLDING TAXES. As a condition to the purchase of Shares, the Purchaser shall make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such purchase.

(e) RESTRICTIONS ON TRANSFER OF SHARES AND MINIMUM VESTING. Any Shares awarded or sold under the Plan shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Purchase Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally. In the case of a Purchaser who is not an officer of the Company, an Outside Director or a Consultant, any right to repurchase the Purchaser's Shares at the original Purchase Price (if any) upon termination of the Purchaser's Service shall lapse at least as rapidly as 20% per year over the five-year period commencing on the date of the award or sale of the Shares. Any such right may be exercised only within 90 days after the termination of the Purchaser's Service for cash or for cancellation of indebtedness incurred in purchasing the Shares.

(f) ACCELERATED VESTING. Unless the applicable Stock Purchase Agreement provides otherwise, any right to repurchase a Purchaser's Shares at the original Purchase Price (if any) upon termination of the Purchaser's Service shall lapse and all of such Shares shall become vested if (i) the Company is subject to a Change in Control before the Purchaser's Service terminates and (ii) the repurchase right is not assigned to the entity that employs the Purchaser immediately after the Change in Control or to its parent or subsidiary.

#### SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) STOCK OPTION AGREEMENT. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

(b) NUMBER OF SHARES. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 8. The Stock Option Agreement shall also specify whether the Option is an ISO or a Nonstatutory Option.

(c) EXERCISE PRICE. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price of an ISO shall not be less than 100% of the Fair Market Value of a Share on the date of grant, and a higher percentage may be required by Section 3(b). The Exercise Price of a Nonstatutory Option shall not be less than 85% of the Fair Market Value of a Share on the date of grant, and a higher percentage may be required by Section 3(b). Subject to the preceding two sentences, the Exercise Price under any Option shall be determined by the Board of Directors at its sole discretion. The Exercise Price shall be payable in a form described in Section 7.



(d) WITHHOLDING TAXES. As a condition to the exercise of an Option, the Optionee shall make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such exercise. The Optionee shall also make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option.

(e) EXERCISABILITY. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. In the case of an Optionee who is not an officer of the Company, an Outside Director or a Consultant, an Option shall become exercisable at least as rapidly as 20% per year over the five-year period commencing on the date of the grant. Subject to the preceding sentence, the exercisability provisions of any Stock Option Agreement shall be determined by the Board of Directors at its sole discretion.

(f) ACCELERATED EXERCISABILITY. Unless the applicable Stock Option Agreement provides otherwise, all of an Optionee's Options shall become exercisable in full if (i) the Company is subject to a Change in Control before the Optionee's Service terminates, (ii) such Options do not remain outstanding, (iii) such Options are not assumed by the surviving corporation or its parent and (iv) the surviving corporation or its parent does not substitute options with substantially the same terms for such Options.

(g) BASIC TERM. The Stock Option Agreement shall specify the term of the Option. The term shall not exceed 10 years from the date of grant, and a shorter term may be required by Section 3(b). Subject to the preceding sentence, the Board of Directors at its sole discretion shall determine when an Option is to expire.

(h) NONTRANSFERABILITY. No Option shall be transferable by the Optionee other than by beneficiary designation, will or the laws of descent and distribution. An Option may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's guardian or legal representative. No Option or interest therein may be transferred, assigned, pledged or hypothecated by the Optionee during the Optionee's lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(i) TERMINATION OF SERVICE (EXCEPT BY DEATH). If an Optionee's Service terminates for any reason other than the Optionee's death, then the Optionee's Options shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection (g) above;

(ii) The date three months after the termination of the Optionee's Service for any reason other than Disability; or

(iii) The date six months after the termination of the Optionee's Service by reason of Disability.

The Optionee may exercise all or part of the Optionee's Options at any time before the expiration of such Options under the preceding sentence, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination). The balance of such Options shall lapse when the Optionee's Service terminates. In the event that the Optionee dies after the termination of the Optionee's Service but before the expiration of the Optionee's Options, all or part of such Options may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination).

(j) LEAVES OF ABSENCE. For purposes of Subsection (i) above, Service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing and if continued crediting of Service for this purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company).

(k) DEATH OF OPTIONEE. If an Optionee dies while the Optionee is in Service, then the Optionee's Options shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (g) above; or

(ii) The date 12 months after the Optionee's death.

All or part of the Optionee's Options may be exercised at any time before the expiration of such Options under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee's death or became exercisable as a result of the death. The balance of such Options shall lapse when the Optionee dies.

(l) NO RIGHTS AS A SHAREHOLDER. An Optionee, or a transferee of an Optionee, shall have no rights as a shareholder with respect to any Shares covered by the Optionee's Option until such person becomes entitled to receive such Shares by filing a notice of exercise and paying the Exercise Price pursuant to the terms of such Option.

(m) MODIFICATION, EXTENSION AND ASSUMPTION OF OPTIONS. Within the limitations of the Plan, the Board of Directors may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair the Optionee's rights or increase the Optionee's obligations under such Option.

(n) RESTRICTIONS ON TRANSFER OF SHARES AND MINIMUM VESTING. Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally. In the case of an Optionee who is not an officer of the Company, an Outside Director or a Consultant, any right to repurchase the Optionee's Shares at the original Exercise Price upon termination of the Optionee's Service shall lapse at least as rapidly as 20% per year over the five-year period commencing on the date of the option grant. Any such repurchase right may be exercised only within 90 days after the termination of the Optionee's Service for cash or for cancellation of indebtedness incurred in purchasing the Shares.

(o) ACCELERATED VESTING. Unless the applicable Stock Option Agreement provides otherwise, any right to repurchase an Optionee's Shares at the original Exercise Price upon termination of the Optionee's Service shall lapse and all of such Shares shall become vested if (i) the Company is subject to a Change in Control before the Optionee's Service terminates and (ii) the repurchase right is not assigned to the entity that employs the Optionee immediately after the Change in Control or to its parent or subsidiary.

#### SECTION 7. PAYMENT FOR SHARES.

(a) GENERAL RULE. The entire Purchase Price or Exercise Price of Shares issued under the Plan shall be payable in cash or cash equivalents at the time when such Shares are purchased, except as otherwise provided in this Section 7.

(b) SURRENDER OF STOCK. To the extent that a Stock Option Agreement so provides, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value on the date when the Option is exercised. The Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

(c) SERVICES RENDERED. At the discretion of the Board of Directors, Shares may be awarded under the Plan in consideration of services rendered to the Company, a Parent or a Subsidiary prior to the award.

(d) PROMISSORY NOTE. To the extent that a Stock Option Agreement or Stock Purchase Agreement so provides, all or a portion of the Exercise Price or Purchase Price (as the case may be) of Shares issued under the Plan may be paid with a full-recourse promissory note. The Shares shall be pledged as security for payment of the principal amount of the promissory

note and interest thereon. The interest rate payable under the terms of the promissory note shall not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code. Subject to the foregoing, the Board of Directors (at its sole discretion) shall specify the term, interest rate, amortization requirements (if any) and other provisions of such note.

(e) EXERCISE/SALE. To the extent that a Stock Option Agreement so provides, and if Stock is publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

(f) EXERCISE/PLEDGE. To the extent that a Stock Option Agreement so provides, and if Stock is publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction to pledge Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

#### SECTION 8. ADJUSTMENT OF SHARES.

(a) GENERAL. In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a declaration of an extraordinary dividend payable in a form other than Shares in an amount that has a material effect on the Fair Market Value of the Stock, a combination or consolidation of the outstanding Stock into a lesser number of Shares, a recapitalization, a spin-off, a reclassification or a similar occurrence, the Board of Directors shall make appropriate adjustments in one or more of (i) the number of Shares available for future grants under Section 4, (ii) the number of Shares covered by each outstanding Option or (iii) the Exercise Price under each outstanding Option.

(b) MERGERS AND CONSOLIDATIONS. In the event that the Company is a party to a merger or consolidation, outstanding Options shall be subject to the agreement of merger or consolidation. Such agreement, without the Optionees' consent, may provide for:

(i) The continuation of such outstanding Options by the Company (if the Company is the surviving corporation);

(ii) The assumption of the Plan and such outstanding Options by the surviving corporation or its parent;

(iii) The substitution by the surviving corporation or its parent of options with substantially the same terms for such outstanding Options; or

(iv) The cancellation of such outstanding Options without payment of any consideration.

(c) RESERVATION OF RIGHTS. Except as provided in this Section 8, an Optionee or Purchaser shall have no rights by reason of (i) any subdivision or consolidation of shares of stock of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of stock of any class. Any issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

#### SECTION 9. SECURITIES LAW REQUIREMENTS.

(a) GENERAL. Shares shall not be issued under the Plan unless the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded.

(b) FINANCIAL REPORTS. The Company each year shall furnish to Optionees, Purchasers and shareholders who have received Stock under the Plan its balance sheet and income statement, unless such Optionees, Purchasers or shareholders are key Employees whose duties with the Company assure them access to equivalent information. Such balance sheet and income statement need not be audited.

#### SECTION 10. NO RETENTION RIGHTS.

Nothing in the Plan or in any right or Option granted under the Plan shall confer upon the Purchaser or Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Purchaser or Optionee) or of the Purchaser or Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

#### SECTION 11. DURATION AND AMENDMENTS.

(a) TERM OF THE PLAN. The Plan, as set forth herein, shall become effective on the date of its adoption by the Board of Directors, subject to the approval of the Company's shareholders. In the event that the shareholders fail to approve the Plan within 12 months after its adoption by the Board of Directors, any grants of Options or sales or awards of Shares that have already occurred shall be rescinded, and no additional grants, sales or awards shall be made thereafter under the Plan. The Plan shall terminate automatically 10 years after its adoption by the Board of Directors and may be terminated on any earlier date pursuant to Subsection (b) below.

(b) RIGHT TO AMEND OR TERMINATE THE PLAN. The Board of Directors may amend, suspend or terminate the Plan at any time and for any reason; provided, however, that any amendment of the Plan which increases the number of Shares available for issuance under the Plan (except as provided in Section 8), or which materially changes the class of persons who are eligible for the grant of ISOs, shall be subject to the approval of the Company's shareholders. Shareholder approval shall not be required for any other amendment of the Plan.

(c) EFFECT OF AMENDMENT OR TERMINATION. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Option granted prior to such termination. The termination of the Plan, or any amendment thereof, shall not affect any Share previously issued or any Option previously granted under the Plan.

#### SECTION 12. DEFINITIONS.

(a) "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company, as constituted from time to time.

(b) "CHANGE IN CONTROL" shall mean:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization; or

(ii) The sale, transfer or other disposition of all or substantially all of the Company's assets.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

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

(d) "COMMITTEE" shall mean a committee of the Board of Directors, as described in Section 2(a).

(e) "COMPANY" shall mean AltoCom, Inc., a California corporation.

(f) "CONSULTANT" shall mean an individual who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(g) "DISABILITY" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(h) "EMPLOYEE" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(i) "EXERCISE PRICE" shall mean the amount for which one Share may be purchased upon exercise of an Option, as specified by the Board of Directors in the applicable Stock Option Agreement.

(j) "FAIR MARKET VALUE" shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(k) "ISO" shall mean an employee incentive stock option described in Section 422(b) of the Code.

(l) "NONSTATUTORY OPTION" shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(m) "OPTION" shall mean an ISO or Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

(n) "OPTIONEE" shall mean an individual who holds an Option.

(o) "OUTSIDE DIRECTOR" shall mean a member of the Board of Directors who is not an Employee.

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

(q) "PLAN" shall mean this AltoCom, Inc. 1997 Stock Plan.

(r) "PURCHASE PRICE" shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Board of Directors.

(s) "PURCHASER" shall mean an individual to whom the Board of Directors has offered the right to acquire Shares under the Plan (other than upon exercise of an Option).

(t) "SERVICE" shall mean service as an Employee, Outside Director or Consultant.

(u) "SHARE" shall mean one share of Stock, as adjusted in accordance with Section 8 (if applicable).

(v) "STOCK" shall mean the Common Stock of the Company.

(w) "STOCK OPTION AGREEMENT" shall mean the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to the Optionee's Option.

(x) "STOCK PURCHASE AGREEMENT" shall mean the agreement between the Company and a Purchaser who acquires Shares under the Plan which contains the terms, conditions and restrictions pertaining to the acquisition of such Shares.

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

SECTION 13. EXECUTION.

To record the adoption of the Plan by the Board of Directors, the Company has caused its authorized officer to execute the same.

ALTOCOM, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_



ALTOCOM, INC. 1997 STOCK PLAN

NOTICE OF STOCK OPTION GRANT

You have been granted the following option to purchase Common Stock of AltoCom, Inc. (the "Company"):

Name of Optionee: (Name)

Total Number of Shares Granted: (Total Shares)

Type of Option: (ISO) Incentive Stock Option  
(NSO) Nonstatutory Stock Option

Exercise Price Per Share: \$ (Price Per Share)

Date of Grant: (Date Grant)

Date Exercisable: This option may be exercised, in whole or in part, for 100% of the Shares subject to this option at any time after the Date of Grant.

Vesting Commencement Date: (Vest Com Date)

Vesting Schedule: The Right of Repurchase shall lapse with respect to the first 25% of the Shares subject to this option when the Optionee completes 12 months of continuous Service after the Vesting Commencement Date. The Right of Repurchase shall lapse with respect to an additional 1/42nd of the Shares subject to this option when the Optionee completes each month of continuous Service thereafter.

Expiration Date: (Exp Date)

By your signature and the signature of the Company's representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of the 1997 Stock Plan and the Stock Option Agreement, both of which are attached to and made a part of this document.

OPTIONEE: ALTOCOM, INC.

\_\_\_\_\_ By: \_\_\_\_\_

\_\_\_\_\_ Title: \_\_\_\_\_

Print Name

THE OPTION GRANTED PURSUANT TO THIS AGREEMENT AND THE SHARES ISSUABLE UPON THE EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

ALTOCOM, INC. 1997 STOCK PLAN:  
STOCK OPTION AGREEMENT

SECTION 1. GRANT OF OPTION.

(a) OPTION. On the terms and conditions set forth in the Notice of Stock Option Grant and this Agreement, the Company grants to the Optionee on the Date of Grant the option to purchase at the Exercise Price the number of Shares set forth in the Notice of Stock Option Grant. The Exercise Price is agreed to be at least 100% of the Fair Market Value per Share on the Date of Grant (110% of Fair Market Value if Section 3(b) of the Plan applies). This option is intended to be an ISO or a Nonstatutory Option, as provided in the Notice of Stock Option Grant.

(b) STOCK PLAN AND DEFINED TERMS. This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 14 of this Agreement.

SECTION 2. RIGHT TO EXERCISE.

(a) EXERCISABILITY. Subject to Subsections (b) and (c) below and the other conditions set forth in this Agreement, all or part of this option may be exercised prior to its expiration at the time or times set forth in the Notice of Stock Option Grant. Shares purchased by exercising this option may be subject to the Right of Repurchase under Section 7.

(b) \$100,000 LIMITATION. If this Option is designated as an ISO in the Notice of Stock Option Grant, then the Optionee's right to exercise this option shall be deferred to the extent (and only to the extent) that this option otherwise would not be treated as an ISO by reason of the \$100,000 annual limitation under Section 422(d) of the Code, except that:

(i) The Optionee's right to exercise this option shall not be deferred with respect to that portion of the Shares subject to this option whose Fair Market Value as of the Date of Grant exceeds \$500,000; and

(ii) The Optionee's right to exercise this option shall no longer be deferred in the event that (A) a Change in Control occurs, (B) this option is not assumed by the surviving corporation or its parent and (C) the surviving corporation or its parent does not substitute its own option for this option.

(c) SHAREHOLDER APPROVAL. Any other provision of this Agreement notwithstanding, no portion of this option shall be exercisable at any time prior to the approval of the Plan by the Company's shareholders.

#### SECTION 3. NO TRANSFER OR ASSIGNMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

#### SECTION 4. EXERCISE PROCEDURES.

(a) NOTICE OF EXERCISE. The Optionee or the Optionee's representative may exercise this option by giving written notice to the Company pursuant to Section 13(c). The notice shall specify the election to exercise this option, the number of Shares for which it is being exercised and the form of payment. The notice shall be signed by the person exercising this option. In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise this option. The Optionee or the Optionee's representative shall deliver to the Company, at the time of giving the notice, payment in a form permissible under Section 5 for the full amount of the Purchase Price.

(b) ISSUANCE OF SHARES. After receiving a proper notice of exercise, the Company shall cause to be issued a certificate or certificates for the Shares as to which this option has been exercised, registered in the name of the person exercising this option (or in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship). The Company shall cause such certificate or certificates to be deposited in escrow or delivered to or upon the order of the person exercising this option.

(c) WITHHOLDING TAXES. In the event that the Company determines that it is required to withhold any tax as a result of the exercise of this option, the Optionee, as a condition to the exercise of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Optionee shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the vesting or disposition of Shares purchased by exercising this option.

#### SECTION 5. PAYMENT FOR STOCK.

(a) CASH. All or part of the Purchase Price may be paid in cash or cash equivalents.

(b) SURRENDER OF STOCK. All or any part of the Purchase Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their fair market value (as determined by the Board of Directors) on the date when this option is exercised. The Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Purchase Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to this option for financial reporting purposes.

(c) EXERCISE/SALE. If Stock is publicly traded, all or part of the Purchase Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company.

(d) EXERCISE/PLEDGE. If Stock is publicly traded, all or part of the Purchase Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to pledge Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company.

#### SECTION 6. TERM AND EXPIRATION.

(a) BASIC TERM. This option shall in any event expire on the expiration date set forth in the Notice of Stock Option Grant, which date is 10 years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies).

(b) TERMINATION OF SERVICE (EXCEPT BY DEATH). If the Optionee's Service terminates for any reason other than death, then this option shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection (a) above;

(ii) The date three months after the termination of the Optionee's Service for any reason other than Disability; or

(iii) The date six months after the termination of the Optionee's Service by reason of Disability.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option had become exercisable before the Optionee's Service terminated. When the Optionee's Service terminates, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable and with respect to any Restricted Shares. In the event that the Optionee dies after termination of Service but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's Service terminated.

(c) DEATH OF THE OPTIONEE. If the Optionee dies while in Service, then this option shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (a) above; or

(ii) The date 12 months after the Optionee's death.

All or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's death. When the Optionee dies, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable and with respect to any Restricted Shares.

(d) LEAVES OF ABSENCE. For any purpose under this Agreement, Service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing and if continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company).

(e) NOTICE CONCERNING ISO TREATMENT. If this option is designated as an ISO in the Notice of Stock Option Grant, it ceases to qualify for favorable tax treatment as an ISO to the extent it is exercised (i) more than three months after the date the Optionee ceases to be an Employee for any reason other than death or permanent and total disability (as defined in Section 22(e)(3) of the Code), (ii) more than 12 months after the date the Optionee ceases to be an Employee by reason of such permanent and total disability or (iii) after the Optionee has been on a leave of absence for more than 90 days, unless the Optionee's reemployment rights are guaranteed by statute or by contract.

#### SECTION 7. RIGHT OF REPURCHASE.

(a) SCOPE OF REPURCHASE RIGHT. Unless they have become vested in accordance with the Notice of Stock Option Grant and Subsection (c) below, the Shares acquired under this Agreement initially shall be Restricted Shares and shall be subject to a right (but not an obligation) of repurchase by the Company. The Optionee shall not transfer, assign, encumber or otherwise dispose of any Restricted Shares, except as provided in the following sentence. The Optionee may transfer Restricted Shares (i) by beneficiary designation, will or intestate succession or (ii) to the Optionee's spouse, children or grandchildren or to a trust established by the Optionee for the benefit of the Optionee or the Optionee's spouse, children or grandchildren, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Restricted Shares, then this Section 7 shall apply to the Transferee to the same extent as to the Optionee.

(b) CONDITION PRECEDENT TO EXERCISE. The Right of Repurchase shall be exercisable only during the 60-day period next following the later of:

(i) The date when the Optionee's Service terminates for any reason, with or without cause, including (without limitation) death or disability; or

(ii) The date when this option was exercised by the Optionee, the executors or administrators of the Optionee's estate or any person who has acquired this option directly from the Optionee by bequest, inheritance or beneficiary designation.

(c) LAPSE OF REPURCHASE RIGHT. The Right of Repurchase shall lapse with respect to the Shares subject to this option in accordance with the vesting schedule set forth in the Notice of Stock Option Grant. In addition, the Right of Repurchase shall lapse and all of the remaining Restricted Shares shall become vested if (i) the Company is subject to a Change in Control before the Optionee's Service terminates and (ii) the Right of Repurchase is not assigned to the entity that employs the Optionee immediately after the Change in Control or to its parent or subsidiary.

(d) REPURCHASE COST. If the Company exercises the Right of Repurchase, it shall pay the Optionee an amount equal to the Exercise Price for each of the Restricted Shares being repurchased.

(e) EXERCISE OF REPURCHASE RIGHT. The Right of Repurchase shall be exercisable only by written notice delivered to the Optionee prior to the expiration of the 60-day period specified in Subsection (b) above. The notice shall set forth the date on which the repurchase is to be effected. Such date shall not be more than 30 days after the date of the notice. The certificate(s) representing the Restricted Shares to be repurchased shall, prior to the close of business on the date specified for the repurchase, be delivered to the Company properly endorsed for transfer. The Company shall, concurrently with the receipt of such certificate(s), pay to the Optionee the purchase price determined according to Subsection (d) above. Payment shall be made in cash or cash equivalents or by canceling indebtedness to the Company incurred by the Optionee in the purchase of the Restricted Shares. The Right of Repurchase shall terminate with respect to any Restricted Shares for which it has not been timely exercised pursuant to this Subsection (e).

(f) ADDITIONAL SHARES OR SUBSTITUTED SECURITIES. In the event of the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any Restricted Shares or into which such Restricted Shares thereby become convertible shall immediately be subject to the Right of Repurchase. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of the Restricted Shares. Appropriate adjustments shall also, after each such transaction, be made to the price per share to be paid upon the exercise of the Right of Repurchase in order to reflect any

change in the Company's outstanding securities effected without receipt of consideration therefor; provided, however, that the aggregate purchase price payable for the Restricted Shares shall remain the same.

(g) TERMINATION OF RIGHTS AS SHAREHOLDER. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Restricted Shares to be repurchased in accordance with this Section 7, then after such time the person from whom such Restricted Shares are to be repurchased shall no longer have any rights as a holder of such Restricted Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Restricted Shares shall be deemed to have been repurchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(h) ESCROW. Upon issuance, the certificates for Restricted Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any new, substituted or additional securities or other property described in Subsection (f) above shall immediately be delivered to the Company to be held in escrow, but only to the extent the Shares are at the time Restricted Shares. All regular cash dividends on Restricted Shares (or other securities at the time held in escrow) shall be paid directly to the Optionee and shall not be held in escrow. Restricted Shares, together with any other assets or securities held in escrow hereunder, shall be (i) surrendered to the Company for repurchase and cancellation upon the Company's exercise of its Right of Repurchase or Right of First Refusal or (ii) released to the Optionee upon the Optionee's request to the extent the Shares are no longer Restricted Shares (but not more frequently than once every six months). In any event, all Shares which have vested (and any other vested assets and securities attributable thereto) shall be released within 60 days after the earlier of (i) the Optionee's cessation of Service or (ii) the lapse of the Right of First Refusal.

#### SECTION 8. RIGHT OF FIRST REFUSAL.

(a) RIGHT OF FIRST REFUSAL. In the event that the Optionee proposes to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the Right of First Refusal with respect to all (and not less than all) of such Shares. If the Optionee desires to transfer Shares acquired under this Agreement, the Optionee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price, the name and address of the proposed Transferee and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal or state securities laws. The Transfer Notice shall be signed both by the Optionee and by the proposed Transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company. The Company's rights under this Subsection (a) shall be freely assignable, in whole or in part.

(b) TRANSFER OF SHARES. If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal and state securities laws and not in violation of any other contractual restrictions to which the Optionee is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

(c) ADDITIONAL SHARES OR SUBSTITUTED SECURITIES. In the event of the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any Shares subject to this Section 8 or into which such Shares thereby become convertible shall immediately be subject to this Section 8. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of the Shares subject to this Section 8.

(d) TERMINATION OF RIGHT OF FIRST REFUSAL. Any other provision of this Section 8 notwithstanding, in the event that the Stock is readily tradable on an established securities market when the Optionee desires to transfer Shares, the Company shall have no Right of First Refusal, and the Optionee shall have no obligation to comply with the procedures prescribed by Subsections (a) and (b) above.

(e) PERMITTED TRANSFERS. This Section 8 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to the Optionee's spouse, children or to a trust established by the Optionee for the benefit of the Optionee or the Optionee's spouse, children or grandchildren, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Shares acquired under this Agreement, either under this Subsection (e) or after the Company has failed to exercise the Right of First Refusal, then this Section 8 shall apply to the Transferee to the same extent as to the Optionee.



(f) TERMINATION OF RIGHTS AS SHAREHOLDER. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with this Section 8, then after such time the person from whom such Shares are to be purchased shall no longer have any rights as a holder of such Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

#### SECTION 9. LEGALITY OF INITIAL ISSUANCE.

No Shares shall be issued upon the exercise of this option unless and until the Company has determined that:

(a) It and the Optionee have taken any actions required to register the Shares under the Securities Act or to perfect an exemption from the registration requirements thereof;

(b) Any applicable listing requirement of any stock exchange on which Stock is listed has been satisfied; and

(c) Any other applicable provision of state or federal law has been satisfied.

#### SECTION 10. NO REGISTRATION RIGHTS.

The Company may, but shall not be obligated to, register or qualify the sale of Shares under the Securities Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the sale of Shares under this Agreement to comply with any law.

#### SECTION 11. RESTRICTIONS ON TRANSFER.

(a) SECURITIES LAW RESTRICTIONS. Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any state or any other law.

(b) MARKET STAND-OFF. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Optionee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under this Agreement without the prior written consent of the

Company or its underwriters. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriters. In no event, however, shall such period exceed 180 days. The Market Stand-Off shall in any event terminate two years after the date of the Company's initial public offering. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable stand-off period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Subsection (b). This Subsection (b) shall not apply to Shares registered in the public offering under the Securities Act, and the Optionee shall be subject to this Subsection (b) only if the directors and officers of the Company are subject to similar arrangements.

(c) INVESTMENT INTENT AT GRANT. The Optionee represents and agrees that the Shares to be acquired upon exercising this option will be acquired for investment, and not with a view to the sale or distribution thereof.

(d) INVESTMENT INTENT AT EXERCISE. In the event that the sale of Shares under the Plan is not registered under the Securities Act but an exemption is available which requires an investment representation or other representation, the Optionee shall represent and agree at the time of exercise that the Shares being acquired upon exercising this option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

(e) LEGENDS. All certificates evidencing Shares purchased under this Agreement shall bear the following legend:

"THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT GRANTS TO THE COMPANY CERTAIN RIGHTS OF FIRST REFUSAL UPON AN ATTEMPTED TRANSFER OF THE SHARES AND CERTAIN REPURCHASE RIGHTS UPON TERMINATION OF SERVICE WITH THE COMPANY. THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

All certificates evidencing Shares purchased under this Agreement in an unregistered transaction shall bear the following legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(f) REMOVAL OF LEGENDS. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under this Agreement is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but without such legend.

(g) ADMINISTRATION. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 11 shall be conclusive and binding on the Optionee and all other persons.

#### SECTION 12. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 8(a) of the Plan, the terms of this option (including, without limitation, the number and kind of Shares subject to this option and the Exercise Price) shall be adjusted as set forth in Section 8(a) of the Plan. In the event that the Company is a party to a merger or consolidation, this option shall be subject to the agreement of merger or consolidation, as provided in Section 8(b) of the Plan.

#### SECTION 13. MISCELLANEOUS PROVISIONS.

(a) RIGHTS AS A SHAREHOLDER. Neither the Optionee nor the Optionee's representative shall have any rights as a shareholder with respect to any Shares subject to this option until the Optionee or the Optionee's representative becomes entitled to receive such Shares by filing a notice of exercise and paying the Purchase Price pursuant to Sections 4 and 5.

(b) NO RETENTION RIGHTS. Nothing in this option or in the Plan shall confer upon the Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) NOTICE. Any notice required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or upon deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company.

(d) ENTIRE AGREEMENT. The Notice of Stock Option Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(e) CHOICE OF LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, as such laws are applied to contracts entered into and performed in such State.

#### SECTION 14. DEFINITIONS.

(a) "AGREEMENT" shall mean this Stock Option Agreement.

(b) "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) "CHANGE IN CONTROL" shall mean:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization; or

(ii) The sale, transfer or other disposition of all or substantially all of the Company's assets.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

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

(e) "COMMITTEE" shall mean a committee of the Board of Directors, as described in Section 2 of the Plan.

(f) "COMPANY" shall mean AltoCom, Inc., a California corporation.

(g) "CONSULTANT" shall mean an individual who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(h) "DATE OF GRANT" shall mean the date specified in the Notice of Stock Option Grant, which date shall be the later of (i) the date on which the Board of Directors resolved to grant this option or (ii) the first day of the Optionee's Service.

(i) "DISABILITY" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(j) "EMPLOYEE" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(k) "EXERCISE PRICE" shall mean the amount for which one Share may be purchased upon exercise of this option, as specified in the Notice of Stock Option Grant.

(l) "FAIR MARKET VALUE" shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(m) "ISO" shall mean an employee incentive stock option described in Section 422(b) of the Code.

(n) "NONSTATUTORY OPTION" shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(o) "NOTICE OF STOCK OPTION GRANT" shall mean the document so entitled to which this Agreement is attached.

(p) "OPTIONEE" shall mean the individual named in the Notice of Stock Option Grant.

(q) "OUTSIDE DIRECTOR" shall mean a member of the Board of Directors who is not an Employee.

(r) "PARENT" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(s) "PLAN" shall mean the AltoCom, Inc. 1997 Stock Plan, as in effect on the Date of Grant.

(t) "PURCHASE PRICE" shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

(u) "RESTRICTED SHARE" shall mean a Share that is subject to the Right of Repurchase.

(v) "RIGHT OF FIRST REFUSAL" shall mean the Company's right of first refusal described in Section 8.

(w) "RIGHT OF REPURCHASE" shall mean the Company's right of repurchase described in Section 7.

(x) "SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

(y) "SERVICE" shall mean service as an Employee, Outside Director or Consultant.

(z) "SHARE" shall mean one share of Stock, as adjusted in accordance with Section 8 of the Plan (if applicable).

(aa) "STOCK" shall mean the Common Stock of the Company.

(bb) "SUBSIDIARY" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(cc) "TRANSFeree" shall mean any person to whom the Optionee has directly or indirectly transferred any Share acquired under this Agreement.

(dd) "TRANSFER NOTICE" shall mean the notice of a proposed transfer of Shares described in Section 8.

## ALTOCOM, INC. 1997 STOCK PLAN:

## STOCK PURCHASE AGREEMENT

## 1. ACQUISITION OF SHARES.

(a) TRANSFER. On the terms and conditions set forth in the Summary of Stock Purchase and this Agreement, the Company agrees to transfer to the Purchaser the number of Shares set forth in the Summary of Stock Purchase. The transfer shall occur at the offices of the Company on the date of purchase set forth in the Summary of Stock Purchase or at such other place and time as the parties may agree.

(b) CONSIDERATION. The Purchaser agrees to pay the Purchase Price set forth in the Summary of Stock Purchase for each Purchased Share. The Purchase Price is agreed to be at least 100% of the Fair Market Value of the Purchased Shares. Payment shall be made on the transfer date in cash or cash equivalents.

(c) STOCK PLAN AND DEFINED TERMS. The transfer of the Purchased Shares is subject to the Plan, a copy of which the Purchaser acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 12 of this Agreement.

## 2. RIGHT OF REPURCHASE.

(a) SCOPE OF REPURCHASE RIGHT. All Purchased Shares initially shall be Restricted Shares and shall be subject to a right (but not an obligation) of repurchase by the Company. The Purchaser shall not transfer, assign, encumber or otherwise dispose of any Restricted Shares, except as provided in the following sentence. The Purchaser may transfer Restricted Shares (i) by beneficiary designation, will or intestate succession or (ii) to the Purchaser's spouse, children or grandchildren or to a trust established by the Purchaser for the benefit of the Purchaser or the Purchaser's spouse, children or grandchildren, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Purchaser transfers any Restricted Shares, then this Section 2 shall apply to the Transferee to the same extent as to the Purchaser.

(b) CONDITION PRECEDENT TO EXERCISE. The Right of Repurchase shall be exercisable only during the 60-day period next following the date when the Purchaser's Service terminates for any reason, with or without cause, including (without limitation) death or disability.

(c) LAPSE OF REPURCHASE RIGHT. The Right of Repurchase shall lapse with respect to the Purchased Shares in accordance with the vesting schedule set forth in the Summary of Stock Purchase. In addition, the Right of Repurchase shall lapse and all of the remaining Restricted Shares shall become vested if (i) the Company is subject to a Change in Control before the Purchaser's Service terminates and (ii) the Right of Repurchase is not assigned to the entity that employs the Purchaser immediately after the Change in Control or to its parent or subsidiary.

(d) REPURCHASE COST. If the Company exercises the Right of Repurchase, it shall pay the Purchaser an amount equal to the Purchase Price for each of the Restricted Shares being repurchased.

(e) EXERCISE OF REPURCHASE RIGHT. The Right of Repurchase shall be exercisable only by written notice delivered to the Purchaser prior to the expiration of the 60-day period specified in Subsection (b) above. The notice shall set forth the date on which the repurchase is to be effected. Such date shall not be more than 30 days after the date of the notice. The certificate(s) representing the Restricted Shares to be repurchased shall, prior to the close of business on the date specified for the repurchase, be delivered to the Company properly endorsed for transfer. The Company shall, concurrently with the receipt of such certificate(s), pay to the Purchaser the purchase price determined according to Subsection (d) above. Payment shall be made in cash or cash equivalents or by canceling indebtedness to the Company incurred by the Purchaser in the purchase of the Restricted Shares. The Right of Repurchase shall terminate with respect to any Restricted Shares for which it has not been timely exercised pursuant to this Subsection (e).

(f) ADDITIONAL SHARES OR SUBSTITUTED SECURITIES. In the event of the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any Restricted Shares or into which such Restricted Shares thereby become convertible shall immediately be subject to the Right of Repurchase. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of the Restricted Shares. Appropriate adjustments shall also, after each such transaction, be made to the price per share to be paid upon the exercise of the Right of Repurchase in order to reflect any change in the Company's outstanding securities effected without receipt of consideration therefor; provided, however, that the aggregate purchase price payable for the Restricted Shares shall remain the same.

(g) TERMINATION OF RIGHTS AS SHAREHOLDER. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Restricted Shares to be repurchased in accordance with this Section 2, then after such time the person from whom such Restricted Shares are to be repurchased shall no longer have any rights as a holder of such Restricted Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Restricted Shares shall be deemed to have been repurchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(h) ESCROW. Upon issuance, the certificates for Restricted Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any new, substituted or additional securities or other property described in Subsection (f) above shall immediately be delivered to the Company to be held in escrow, but only to the extent the Purchased Shares are at the time Restricted Shares. All regular cash dividends on Restricted Shares (or other securities at the time held in escrow) shall be paid directly to the Purchaser and shall not be held in escrow. Restricted Shares, together with any other assets or securities held in escrow hereunder, shall be (i) surrendered to the Company for repurchase and cancellation upon the Company's exercise of its Right of Repurchase or Right of First Refusal or (ii) released to the Purchaser upon the Purchaser's request to the extent the Purchased Shares are no longer Restricted Shares (but not more frequently than once every six months). In any event, all Purchased Shares which have vested (and any other vested assets and securities attributable thereto) shall be released within 60 days after the earlier of (i) the Purchaser's cessation of Service or (ii) the lapse of the Right of First Refusal.



## 3. RIGHT OF FIRST REFUSAL.

(a) RIGHT OF FIRST REFUSAL. In the event that the Purchaser proposes to sell, pledge or otherwise transfer to a third party any Purchased Shares, or any interest in such Purchased Shares, the Company shall have the Right of First Refusal with respect to all (and not less than all) of such Purchased Shares. If the Purchaser desires to transfer Purchased Shares, the Purchaser shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Purchased Shares proposed to be transferred, the proposed transfer price, the name and address of the proposed Transferee and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal or state securities laws. The Transfer Notice shall be signed both by the Purchaser and by the proposed Transferee and must constitute a binding commitment of both parties to the transfer of the Purchased Shares. The Company shall have the right to purchase all, and not less than all, of the Purchased Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company. The Company's rights under this Subsection (a) shall be freely assignable, in whole or in part.

(b) TRANSFER OF SHARES. If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Purchaser may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Purchased Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal and state securities laws and not in violation of any other contractual restrictions to which the Purchaser is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Purchaser, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Purchased Shares on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Purchased Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Purchased Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

(c) ADDITIONAL SHARES OR SUBSTITUTED SECURITIES. In the event of the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any Purchased Shares subject to this Section 3 or into which such Purchased Shares thereby become convertible shall immediately be subject to this Section 3. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of Purchased Shares subject to this Section 3.

(d) TERMINATION OF RIGHT OF FIRST REFUSAL. Any other provision of this Section 3 notwithstanding, in the event that the Stock is readily tradable on an established securities market when the Purchaser desires to transfer Purchased Shares, the Company shall have no Right of First Refusal, and the Purchaser shall have no obligation to comply with the procedures prescribed by Subsections (a) and (b) above.

(e) PERMITTED TRANSFERS. This Section 3 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to the Purchaser's spouse, children or grandchildren or to a trust established by the Purchaser for the benefit of the Purchaser or the Purchaser's spouse, children or grandchildren, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Purchaser transfers any Purchased Shares, either under this Subsection (e) or after the Company has failed to exercise the Right of First Refusal, then this Section 3 shall apply to the Transferee to the same extent as to the Purchaser.

(f) TERMINATION OF RIGHTS AS SHAREHOLDER. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Purchased Shares to be purchased in accordance with this Section 3, then after such time the person from whom such Purchased Shares are to be purchased shall no longer have any rights as a holder of such Purchased Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Purchased Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

#### 4. OTHER RESTRICTIONS ON TRANSFER.

(a) PURCHASER REPRESENTATIONS. In connection with the issuance and acquisition of Shares under this Agreement, the Purchaser hereby represents and warrants to the Company as follows:

(i) The Purchaser is acquiring and will hold the Purchased Shares for investment for his or her account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act.

(ii) The Purchaser understands that the Purchased Shares have not been registered under the Securities Act by reason of a specific exemption therefrom and that the Purchased Shares must be held indefinitely, unless they are subsequently registered under the Securities Act or the Purchaser obtains an opinion of counsel, in form and substance satisfactory to the Company and its counsel, that such registration is not required. The Purchaser further acknowledges and understands that the Company is under no obligation to register the Purchased Shares.

(iii) The Purchaser is aware of the adoption of Rule 144 by the Securities and Exchange Commission under the Securities Act, which permits limited public resales of securities acquired in a non-public offering, subject to the satisfaction of certain conditions, including (without limitation) the availability of certain current public information about the issuer, the resale occurring only after the holding period required by Rule 144 has been satisfied, the sale occurring through an unsolicited "broker's transaction," and the amount of securities being sold during any three-month period not exceeding specified limitations. The Purchaser acknowledges and understands that the conditions for resale set forth in Rule 144 have not been satisfied and that the Company has no plans to satisfy these conditions in the foreseeable future.

(iv) The Purchaser will not sell, transfer or otherwise dispose of the Purchased Shares in violation of the Securities Act, the Securities Exchange Act of 1934, or the rules promulgated thereunder, including Rule 144 under the Securities Act. The Purchaser agrees that he or she will not dispose of the Purchased Shares unless and until he or she has complied with all requirements of this Agreement applicable to the disposition of Purchased Shares and he or she has provided the Company with written

assurances, in substance and form satisfactory to the Company, that (A) the proposed disposition does not require registration of the Purchased Shares under the Securities Act or all appropriate action necessary for compliance with the registration requirements of the Securities Act or with any exemption from registration available under the Securities Act (including Rule 144) has been taken and (B) the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Purchased Shares under the Rules of the California Corporations Commissioner.

(v) The Purchaser has been furnished with, and has had access to, such information as he or she considers necessary or appropriate for deciding whether to invest in the Purchased Shares, and the Purchaser has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Purchased Shares.

(vi) The Purchaser is aware that his or her investment in the Company is a speculative investment which has limited liquidity and is subject to the risk of complete loss. The Purchaser is able, without impairing his or her financial condition, to hold the Purchased Shares for an indefinite period and to suffer a complete loss of his or her investment in the Purchased Shares.

(b) SECURITIES LAW RESTRICTIONS. Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of the Purchased Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any state or any other law.

(c) MARKET STAND-OFF. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Purchaser shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Purchased Shares without the prior written consent of the Company or its underwriters. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriters. In no event, however, shall such period exceed 180 days. The Market Stand-Off shall in any event terminate two years after the date of the Company's initial public offering. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Purchased Shares until the end of the applicable stand-off period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Subsection (c). This Subsection (c) shall not apply to Shares registered in the public offering under the Securities Act, and the Purchaser shall be subject to this Subsection (c) only if the directors and officers of the Company are subject to similar arrangements.

(d) RIGHTS OF THE COMPANY. The Company shall not be required to (i) transfer on its books any Purchased Shares that have been sold or transferred in contravention of this Agreement or (ii) treat as the owner of Purchased Shares, or otherwise to accord voting, dividend or liquidation rights to, any transferee to whom Purchased Shares have been transferred in contravention of this Agreement.

5. SUCCESSORS AND ASSIGNS.

Except as otherwise expressly provided to the contrary, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and be binding upon the Purchaser and the Purchaser's legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person has become a party to this Agreement or has agreed in writing to join herein and to be bound by the terms, conditions and restrictions hereof.

6. NO RETENTION RIGHTS.

Nothing in this Agreement or in the Plan shall confer upon the Purchaser any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Purchaser) or of the Purchaser, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

7. TAX ELECTION.

The acquisition of the Purchased Shares may result in adverse tax consequences that may be avoided or mitigated by filing an election under Code Section 83(b). Such election may be filed only within 30 days after the date of purchase set forth in the Summary of Stock Purchase. The form for making the Code Section 83(b) election is attached to this Agreement as an Exhibit. THE PURCHASER SHOULD CONSULT WITH HIS OR HER TAX ADVISOR TO DETERMINE THE TAX CONSEQUENCES OF ACQUIRING THE PURCHASED SHARES AND THE ADVANTAGES AND DISADVANTAGES OF FILING THE CODE SECTION 83(B) ELECTION. THE PURCHASER ACKNOWLEDGES THAT IT IS HIS OR HER SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER CODE SECTION 83(B), EVEN IF THE PURCHASER REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON HIS OR HER BEHALF.

8. LEGENDS.

All certificates evidencing Purchased Shares shall bear the following legends:

"THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT GRANTS TO THE COMPANY CERTAIN RIGHTS OF FIRST REFUSAL UPON AN ATTEMPTED TRANSFER OF THE SHARES AND CERTAIN REPURCHASE RIGHTS UPON TERMINATION OF SERVICE WITH THE COMPANY. THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

If required by the authorities of any state in connection with the issuance of the Purchased Shares, the legend or legends required by such state authorities shall also be endorsed on all such certificates.

9. NOTICE.

Any notice required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or upon deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. Notice shall be addressed to the Company at its principal executive office and to the Purchaser at the address that he or she most recently provided to the Company.

10. ENTIRE AGREEMENT.

The Summary of Stock Purchase, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

11. CHOICE OF LAW.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, as such laws are applied to contracts entered into and performed in such State.

12. DEFINITIONS.

(a) "AGREEMENT" shall mean this Stock Purchase Agreement.

(b) "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) "CHANGE IN CONTROL" shall mean:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization; or

(ii) The sale, transfer or other disposition of all or substantially all of the Company's assets.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

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

(e) "COMMITTEE" shall mean a committee of the Board of Directors, as described in Section 2 of the Plan.

(f) "COMPANY" shall mean AltoCom, Inc., a California corporation.

(g) "CONSULTANT" shall mean an individual who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(h) "EMPLOYEE" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(i) "FAIR MARKET VALUE" shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(j) "OUTSIDE DIRECTOR" shall mean a member of the Board of Directors who is not an Employee.

(k) "PARENT" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(l) "PLAN" shall mean the AltoCom, Inc. 1997 Stock Plan, as amended.

(m) "PURCHASED SHARES" shall mean the Shares purchased by the Purchaser pursuant to this Agreement.

(n) "PURCHASE PRICE" shall mean the amount for which one Share may be purchased pursuant to this Agreement, as specified in the Summary of Stock Purchase.

(o) "PURCHASER" shall mean the individual named in the Summary of Stock Purchase.

(p) "RESTRICTED SHARE" shall mean a Purchased Share that is subject to the Right of Repurchase.

(q) "RIGHT OF FIRST REFUSAL" shall mean the Company's right of first refusal described in Section 3.

(r) "RIGHT OF REPURCHASE" shall mean the Company's right of repurchase described in Section 2.

(s) "SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

(t) "SERVICE" shall mean service as an Employee, Outside Director or Consultant.

(u) "SHARE" shall mean one share of Stock, as adjusted in accordance with Section 8 of the Plan (if applicable).

(v) "STOCK" shall mean the Common Stock of the Company.

(w) "SUBSIDIARY" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(x) "SUMMARY OF STOCK PURCHASE" shall mean the document so entitled to which this Agreement is attached.

(y) "TRANSFeree" shall mean any person to whom the Purchaser has directly or indirectly transferred any Purchased Share.

(z) "TRANSFER NOTICE" shall mean the notice of a proposed transfer of Purchased Shares described in Section 3.





ALTOCOM, INC. 1997 STOCK PLAN:

SUMMARY OF STOCK PURCHASE

By your signature and the signature of the Company's representative below, you and the Company agree that you are purchasing shares subject to the terms and conditions of the 1997 Stock Plan and the Stock Purchase Agreement, both of which are attached to and made a part of this document.

Name of Purchaser: (Name)  
 Total Number of Purchased Shares: (TotalShares)  
 Purchase Price Per Share: \$(PricePerShare)  
 Date of Purchase: (DatePurchase)  
 Vesting Commencement Date: (VestComDate)

Vesting Schedule: The Right of Repurchase shall lapse with respect to the first 33 and 1/3% of the Purchased Shares when the Purchaser completes 12 months of continuous Service after the Vesting Commencement Date. The Right of Repurchase shall lapse with respect to an additional 1/36th of the Purchased Shares when the Purchaser completes each month of continuous Service thereafter.

PURCHASER: ALTOCOM, INC.

-----  
By: -----

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Title: -----

Print Name

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INCENTIVE STOCK OPTION PLAN

Version 2.0  
09/24/98

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## 1 INTRODUCTION

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### 1.1 PURPOSE

The purpose of the Plan is to offer employees and directors of the Company an opportunity to acquire a proprietary interest in the success of the Company by purchasing Shares in the capital of the Company, and to provide a formal framework to govern the administration of share purchase options previously granted to employees and directors of the Company. The share purchase options previously granted to employees of the Company and now governed by and administered under this Plan are described in Appendix C.

### 1.2 BACKGROUND

The Company instituted its first stock option plan in December 1996 ("1996 Plan"). The 1996 Plan included several provisions that have been amended with the adoption of the current plan.

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2 DEFINITIONS  
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2.1 "Board of Directors" means the Board of Directors of the Company, as constituted from time to time.

2.2 "Company" means HotHaus Technologies Inc., a company incorporated under the COMPANY ACT (BRITISH COLUMBIA).

2.3 "Director" means a member of the Company's Board of Directors.

2.4 "Director Stock Option Agreement" means the agreement between the Company and a Director, which contains the terms, conditions and restrictions pertaining to his/her Options, substantially in the form as outlined in Appendix A.

2.5 "Employee" means an employee of the Company or a Subsidiary thereof, as defined below.

2.6 "Employee Stock Option Agreement" means the agreement between the Company and an Employee, which contains the terms, conditions and restrictions pertaining to his/her Options, substantially in the form as outlined in Appendix A.

2.7 "Exercise Price" means the amount for which one Share may be purchased upon exercise of an Option, as specified in the applicable Option Agreement.

2.8 "Escrow Agreement" means an Escrow and Voting Trust Agreement among an escrow agent, the Company and the Optionee substantially in the form as outlined in Appendix B.

2.9 "Fair Market Value" means the fair market value of a Share, as determined by the most recent material transaction in the Shares.

2.10 "Option" means the right and option to purchase from time to time, all or any part of the optioned shares granted to an Employee or Director by the Company pursuant to an Option Agreement.

2.11 "Option Agreement" means an Employee Stock Option Agreement or a Director Stock Option Agreement.

2.12 "Optioned Shares" means voting Common shares in the capital of the Company subject to an Option.

2.13 "Person" includes an individual, corporation, partnership, party, trust, fund, association and any other organized group of persons and the personal or other legal representative of a person to whom the context can apply according to the law.

2.14 "Optionee" means an individual who holds an Option.

2.15 "Plan" means the incentive stock option plan described herein.

2.16 "Share" means a voting Common share in the capital of the Company.

2.17 "Subsidiary" has the meaning ascribed thereto in the Securities Act (British Columbia). An entity that attains the status of a Subsidiary on a date after the adoption of the Plan will be considered a Subsidiary commencing as of the date on which it attains such status.

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3 ADMINISTRATION  
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3.1 PLAN ADMINISTRATION

Unless otherwise determined by the Board of Directors, the Administrator of the Plan will be the President of the Company. The Board of Directors may at any time appoint an alternate Administrator or a committee to function as the Administrator.

3.2 ADMINISTRATOR RESPONSIBILITIES

Subject to the provisions of the Plan and the overriding authority of the Board of Directors to manage the business and affairs of the Company, the Administrator will have full authority and discretion to take the following actions:

- (a) To interpret the Plan and to apply its provisions;
- (b) To adopt, amend or rescind procedures and forms relating to the Plan;
- (c) To execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;
- (d) To determine when and to whom Options are to be granted under the Plan, subject to the approval of the Board;
- (e) To take any other actions deemed necessary or advisable for the administration of the Plan.

All decisions, interpretations and other actions of the Administrator will be final and binding. The Administrator will not be liable for any action that he has taken or has failed to take in good faith with respect to the Plan, any Option, or any right to acquire Shares under the Plan.

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4 ELIGIBILITY  
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4.1 GENERAL

Employees and Directors who are not employees, contractors or agents of Texas Instruments Inc. (TI) and Working Opportunity Fund (EVCC) Ltd. (WOF) are eligible to receive a grant of Options under the Plan.

4.2 INSIDERS

"Insider" means,

- (a) a director or senior officer of the Company,
- (b) a director or senior officer of a Person that is itself an insider or subsidiary of the Company, or
- (c) a Person that has
  - (i) direct or indirect beneficial ownership of,
  - (ii) control or direction over, or
  - (iii) a combination of direct or indirect beneficial ownership of and control or direction over securities of the Company carrying more than 10% of the voting rights attached to all the Company's outstanding voting securities, excluding for the purpose of the calculation of the percentage held, any securities held by the Person as underwriter in the course of a distribution.

If required under the rules of a stock exchange to which the Company has made application to list any of its securities, Option Agreements representing Options granted to Insiders must be approved by an ordinary resolution of the members of the Company entitled to vote at a general meeting of the Company prior to the exercise of any of the Options represented by such agreements.

4.3 OUTSTANDING STOCK

For the purposes of Paragraph 4.2 above, "outstanding voting securities" includes all securities actually issued and outstanding but does not include securities authorized for issuance under outstanding Options.



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5 STOCK SUBJECT TO PLAN  
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5.1 BASIC LIMITATION

Options granted under the Plan will be Options to acquire previously allotted, but unissued Shares. The aggregate number of Shares reserved and allotted for issuance under the Plan will, subject to Article 9, not exceed 15% of the total number of Shares then outstanding on a fully-diluted basis, including the total number of Shares allotted or to be allotted for issuance under the Plan, but excluding: (a) Shares previously issued pursuant to the exercise of Options by employees of the Company; and (b) Shares allotted for issuance to TI and WOF on exercise of outstanding warrants, but not yet issued. The number of Shares that are subject to Options governed by this Plan will not exceed the number of Shares that are then reserved and allotted for issuance under the Plan. The Company, during the currency of this Plan, will at all times have reserved and allotted for issuance sufficient Shares to satisfy the requirements of this Plan.

5.2 ADDITIONAL SHARES

If any outstanding Option or other right expires or is canceled or otherwise terminated for any reason, then the Shares allocable to the unexercised portion of the Option or other right will again be available for the purposes of the Plan. If Shares issued under the Plan are reacquired by the Company pursuant to any forfeiture provision or right of repurchase at the original Purchase Price, then the Shares will again be available for the purposes of the Plan.

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6 TERMS AND CONDITIONS OF OPTION  
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6.1 EMPLOYEE STOCK

Each grant of an Option under the Plan will be evidenced by an Option Agreement (substantially in the form set out in Appendix A) between the Optionee and the Company. The provisions of the various Option Agreements entered into under the Plan need not be identical.

6.2 NUMBER OF SHARES

Each Option Agreement will specify the number of Shares that are subject to the Option.

6.3 EXERCISE PRICE

Each Option Agreement will specify the Exercise Price and will provide for the adjustment of the Exercise Price in accordance with Article 9. The Exercise Price will be payable in a form described in Article 8.

6.4 EXERCISE

Each Option Agreement will specify the date when all or any installment of the Option becomes exercisable. Where applicable, the Option Agreement will refer to a corresponding Escrow Agreement.

The following schedule indicates the standard schedule for Options to become exercisable (i.e., the vesting period):

- o 25% of the total grant following completion of 12 consecutive months of employment
- o 50% of the total grant following completion of 24 consecutive months of employment
- o 75% of the total grant following completion of 36 consecutive months of employment
- o 100% of the total grant following completion of 48 consecutive months of employment

Notwithstanding the foregoing provisions of this section, but subject to applicable stock exchange rules and policies, if any, Optionees will be able to exercise all unexercised options after one of the following events:

- (a) an initial public offering of the Company's securities has closed; or
- (b) more than 50% of the voting share capital of the Company has been acquired by a person or group not dealing at arm's length who is or are not now shareholders of the Company or an affiliate, subsidiary or relative of such a shareholder, other than by way of security given in good faith.

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#### 6.5 WITHHOLDING TAXES

As a condition to the exercise of an Option, the Optionee must comply with any conditions that the Administrator may impose in connection with the satisfaction of any withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option.

#### 6.6 TERM

The Option Agreements will specify the term of each Option. The term will not exceed 7 years from the date of grant. Subject to such term limit, the Administrator at its sole discretion will determine when an Option is to expire.

#### 6.7 NONTRANSFERABILITY

No option will be transferable by the Optionee other than by will or by intestacy. An Option may be exercised during the lifetime of the Optionee only by the Optionee or by the legal guardian or representative of the Optionee. No Option or interest therein may be transferred, assigned, pledged or hypothecated by the Optionee during the lifetime of the Optionee, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge or hypothecate any of an Optionee's Option, whether by operation of law or otherwise, or to make such Option subject to execution, attachment or similar process is void.

#### 6.8 TERMINATION OF SERVICE (GENERALLY)

If an Optionee ceases to be an Employee or Director prior to the Expiry Date defined in the Option Agreement to which such Optionee is a party, the Options held by such Optionee, to the extent they remain unexercised, will terminate and be of no further force or effect whatsoever at 5:00 p.m., Vancouver time, on the thirtieth day after the date upon which the Optionee ceases to be an Employee or Director.

#### 6.9 DEATH OF OPTIONEE

In the event of the death of an Optionee on or prior to the Expiry Date defined in an Option Agreement to which such Optionee is a party, the Options held by such Optionee, to the extent they remain unexercised, may be exercised by the personal representative of the Optionee at any time prior to the earlier of 5:00 p.m., Vancouver time, on the first anniversary of the date of death of the Optionee and the Expiry Date, and all other rights to Optioned Shares will cease.

#### 6.10 LEAVES OF ABSENCE

For purposes of Paragraphs 6.7 and 6.8, an Optionee's status as an Employee will be deemed to continue during a leave of absence (as determined by the Administrator).

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6.11 NO RIGHTS AS A STOCKHOLDER

An Optionee will have no rights as a stockholder with respect to any Shares covered by his or her Option until the date of the issuance of a stock certificate for the Shares acquired upon the exercise of such Option.

6.12 MODIFICATION, EXTENSION AND ASSUMPTION OF OPTIONS

Within the limitations of the Plan, the Administrator may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. Despite the foregoing, no modification of an Option will, without the consent of the Optionee, impair his or her rights or increase his or her obligations under an Option Agreement.

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7 ESCROW AND VOTING TRUST AGREEMENTS  
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7.1 GENERAL RULE

Concurrent with the execution of an Option Agreement, an Optionee may be required to enter into an Escrow Agreement pertaining to the escrow of Shares acquired on the exercise of an Option.

7.2 RELEASE OF SHARES FROM ESCROW

Any shares acquired on the exercise of an Option that are to be held in escrow by an escrow agent, will be so held until one of the following events has occurred:

- (a) an initial public offering of the Company's securities has closed; or
- (b) more than 50% of the voting share capital of the Company has been acquired by a person or group not dealing at arm's length who is or are not now shareholders of the Company or an affiliate, subsidiary or relative of such a shareholder, other than by way of security given in good faith; or
- (c) the Optionee has been continuously employed by the Company for a period of 12 consecutive months in which case the escrow agent will only release from escrow hereunder the number of Shares that is the lesser of all Shares held in escrow hereunder and twenty-five percent (25%) of the aggregate number of shares of the Company which the Optionee is entitled to acquire under the Option, and any remaining shares will remain held in escrow pursuant to the applicable Escrow Agreement; or
- (d) the Optionee has been continuously employed by the Company for a period of 24 consecutive months in which case the escrow agent will only release from escrow hereunder the number of Shares that is the lesser of all Shares held in escrow hereunder and fifty percent (50%) of the aggregate number of shares of the Company which the Optionee is entitled to acquire under the Option, and any remaining shares will remain held in escrow pursuant to the applicable Escrow Agreement; or
- (e) the Optionee has been continuously employed by the Company for a period of 36 consecutive months in which case the escrow agent will only release from escrow hereunder the number of Shares that is the lesser of all Shares held in escrow hereunder and seventy-five percent (75%) of the aggregate number of shares of the Company which the Optionee is entitled to acquire under the Option, and any remaining shares will remain held in escrow pursuant to the applicable Escrow Agreement; or
- (f) the Optionee has been continuously employed by the Company for a period of 48 consecutive months; or
- (g) the Optionee is deceased; or
- (h) the Optionee and the Company have agreed to release Shares from escrow.

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The length of service and percentages in (c) above may be amended pursuant to Article 13.3 or by the Administrator.

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8 PAYMENT FOR SHARES

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8.1 GENERAL RULE

Prior to acquisition of Shares by an Optionee pursuant to an Option Agreement, the applicable Exercise Price times the number of Shares so acquired must be paid by such Optionee to the Company by way of a draft or certified cheque in Canadian dollars.

8.2 LEGAL FEES

Where an Optionee exercises Options during the first five business days of a calendar quarter, the Company will be responsible for paying all legal fees associated with the issuance of the Shares so acquired. Where an Optionee exercises Options at any other time, the Optionee will be required to pay such fees.

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9 ADJUSTMENT OF SHARES  
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9.1 GENERAL

In the event the authorized capital of the Company, as presently constituted, is consolidated into a lesser number of Shares or subdivided into a greater number of Shares, the number of Shares in respect of which an Option remains unexercised shall be decreased or increased proportionately, as the case may be, and the then prevailing Exercise Price to be paid by the Optionee will be correspondingly decreased or increased as applicable. The Company expressly reserves the right to re-designate or convert the Optioned Shares and any Shares issued as a consequence of the exercise of an Option to any other class of common shares of the Company at not less than a 1:1 ratio on conversion. In the event the Company will determine to amalgamate or merge with any other company or companies (and the right to do so is hereby expressly reserved) whether by way of statutory amalgamation, sale of its assets and undertaking or otherwise howsoever, then and in each such event the number of shares in the corporation resulting from such amalgamation or merger in respect of which the Option remains unexercised will be such number of shares in the corporation as would have been acquired by the Optionee pursuant to the amalgamation or merger had the Option been fully exercised immediately prior to the date of such amalgamation or merger and the Exercise Price will be correspondingly decreased or increased as applicable.



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10 SECURITIES LAWS

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10.1 GENERAL

Options will not be granted under the Plan nor will any Shares be issued pursuant to an exercise of any Option unless the grant, or issuance and delivery of the Shares, as the case may be, complies with (or is exempt from) all applicable requirements of law and the regulations of any stock exchange on which the Company's securities may then be listed.

10.2 RESIDENCY

No Employee or Director who is a resident of the United States or any territory or possession thereof will be eligible to be an Optionee unless his or her participation in the Plan can be accomplished pursuant to and in accordance with and without violation of any securities laws or other legislation of the United States or of any applicable state, territory or possession thereof.

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11 NO EMPLOYMENT RIGHTS

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No provision of the Plan, nor any right or Option granted under the Plan, will be construed to give any person any right to become, to be treated as, or to remain an Employee. The Company and its subsidiaries reserve the right to terminate any person's service at any time and for any reason.

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12 DURATION AND AMENDMENTS  
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12.1 TERM OF THE PLAN

The Plan, as set out herein, will become effective on the date of its adoption by the Board of Directors, subject to the approval of the Company's shareholders. In the event that the shareholders fail to approve the Plan on or before the date 12 months after its adoption by the Board of Directors,

- (a) the Plan will terminate,
- (b) any Options already granted pursuant to the Plan will be canceled, and
- (c) any Shares already issued pursuant to an exercise of Options granted under the Plan will be repurchased by the Company at the original Exercise Price for which such Shares were acquired.

In any event, the Plan will terminate 10 years after its adoption by the Board of Directors and may be terminated on any earlier date pursuant to Paragraph 12.3 below.

12.2 RIGHT TO AMEND OR TERMINATE THE PLAN

The Board of Directors may amend, suspend or terminate the Plan at any time and for any reason; provided, however, that any amendment of the Plan which increases the number of Shares available for issuance under the Plan (except as provided in Article 9) or which materially changes the class of persons who are eligible for the grant of Options will be subject to the approval of the Company's shareholders. Shareholder approval will not be required for any other amendment of the Plan.

12.3 EFFECT OF AMENDMENT OF TERMINATION

No Shares will be issued or sold under the Plan after the termination thereof, except upon exercise of an Option granted prior to the termination. The termination of the Plan, or any amendment thereof, will not affect any Share previously issued or any Option previously granted under the Plan (except as provided in Paragraph 12.1).

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13 TRANSITIONAL PROVISIONS

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13.1 GENERAL

As outlined in Article 1.2, this Plan replaces the 1996 Plan. These transitional provisions provide for options that have been granted under the 1996 Plan. The purpose of these provisions is to ensure the fair treatment of all employees who hold Options granted under the 1996 plan or Shares acquired in respect of the same.

13.2 EMPLOYEES WHO HAVE EXERCISED OPTIONS

As at May 19, 1998 the Company has six (6) employees who have exercised Options granted under the 1996 Plan. Each such employee has signed an Escrow Agreement. Each of the applicable Escrow Agreements contains section 4.2, which applies the following timeline to releasing shares from escrow:

- o 40% after completion of 36 consecutive months of service.
- o 100% after completion of 60 consecutive months of service.

Section 4.2 of these escrow agreements will be amended to change the vesting period to be consistent with Article 6.4 of this Plan.

There is one employee who has exercised only 50% of the options available to him. Since this employee has worked continuously for 24 months effective April 1, 1998, he would be eligible to exercise 50% of his options, according to Article 6.4. Therefore the shares which he currently holds in escrow will be released from escrow forthwith upon the adoption of the Plan by the Board of Directors. The remaining options available to this employee will be subject to the transitional provisions outlined in Section 13.3 below.

The Company will prepare instructions for the escrow agent to release the applicable share certificates and instruct legal counsel to make the appropriate changes to the share certificates and the Company's records.

13.3 EMPLOYEES WHO HAVE NOT EXERCISED OPTIONS

Where Employees were granted options under the 1996 Plan ("1996 Options") and such options remain unexercised, those Employees will have two choices available to them if and when they elect to exercise their 1996 Options.

- (i) Each such Employee can elect to exercise his or her 1996 Options based on the vesting period formula set out in section 6.4 of the Plan.
- (ii) Alternately, he or she will have a one-time opportunity to exercise 100% of his or her 1996 Options. However, shares acquired pursuant to such exercise that would not yet have been acquirable under the formula set out in section 6.4 of the Plan will be subject to

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an Escrow Agreement, including provisions for the release of such Shares from escrow according to the same vesting period schedule set out in section 6.4 of the Plan.

Consistent with the application of the 1996 Policy, the Company will allow Employees to exercise 1996 Options during a designated week prior to the Company's fiscal year end (typically done in the first week of a fiscal quarter).

Examples:

Under the choice set out in (i) above, an Employee who commenced employment with the Company on February 1, 1997 and was, at that time, granted 1996 Options to acquire up to 5,000 Shares, can elect to exercise his or her 1996 Options to acquire up to 1,250 Shares (i.e., 25% of 5,000) at any time after February 1, 1998. The Shares issued pursuant to such exercise will not be subject to an Escrow Agreement.

Under the choice set out in (ii) above, an Employee who commenced employment with the Company on February 1, 1997 and was, at that time, granted 1996 Options to acquire up to 5,000 Shares, would be eligible to exercise 100% of his or her 1996 Options. However, 75% of the Shares so acquired (i.e., 3,750 Shares) would be subject to an Escrow Agreement. The Shares held in escrow would be released 25% (i.e. 1,250 Shares) after February 1, 1999, 25% after February 1, 2000, and 25% after February 1, 2001.

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APPENDIX A - SAMPLE STOCK OPTION AGREEMENT

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EMPLOYEE STOCK OPTION AGREEMENT

THIS AGREEMENT made the 3rd day of June, 1998.

BETWEEN:

HOTH AUS TECHNOLOGIES INC.,  
170 - 6651 Fraserwood Place, Richmond, B.C., V6W 1J3  
(hereinafter called the "Company")

OF THE FIRST PART

AND:

(hereinafter called the "Optionee")

OF THE SECOND PART

WHEREAS:

- A. The Optionee is an employee of the Company;
- B. The Company wishes the Optionee to continue as an employee and to continue to receive the benefit of the employee's services;
- C. The Company may conduct a public offering of its securities at some time;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the payment of \$1.00 and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties agree as follows:

1. DEFINITIONS. In this agreement (including Schedule "A" hereto):

- (a) "BUSINESS DAY" means a day on which commercial banking institutions in Vancouver, British Columbia are open for the transaction of business;

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- (b) "COMMISSIONS" means the securities commissions in Canada with which the Company files the Prospectus;
- (c) "ESCROW AGREEMENT" means an Escrow and Voting Trust Agreement substantially in the form outlined in Appendix B to the Incentive Stock Option Plan adopted by the Company's Board of Directors;
- (d) "EXCHANGES" means the stock exchanges on which the Company has made application to list any of its securities;
- (e) "EXERCISE PRICE" means:
  - (i) if the Option is exercised prior to the Prospectus Receipt Date, \$X.XX per Optioned Share; or
  - (ii) if the Option is exercised after the Prospectus Receipt Date, a price per Optioned Share determined in accordance with the policies of the Commissions and the policies of the Exchanges;
- (f) "EXPIRY DATE" means 5:00 p.m., Vancouver time, on the day which is the earlier of:
  - (i) seven (7) calendar years from the date of this Employee Stock Option Agreement; and
  - (ii) the maximum term permitted for stock options under the policies of the Exchanges;
- (g) "INSIDER" means,
  - (a) a director or senior officer of the Company,
  - (b) a director or senior officer of a person that is itself an insider or subsidiary of the Company, or
  - (c) a person that has
    - (i) direct or indirect beneficial ownership of,
    - (ii) control or direction over, or
    - (iii) a combination of direct or indirect beneficial ownership of and of control or direction over securities of the Company carrying more than 10% of the voting rights attached to all the Company's outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person as underwriter in the course of a distribution.
- (h) "NOTICE OF EXERCISE" means a notice in writing addressed to the Company confirming the exercise by the Optionee, in whole or in part, of the Option and

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setting out the number of Optioned Shares in respect of which the Option is being exercised;

- (i) "OPTION" means the right and option to purchase, from time to time, all, or any part of the Optioned Shares granted to the Optionee by the Company pursuant to paragraph 2 hereof;
- (j) "OPTIONED SHARES" means the voting Common shares in the capital of the Company subject to the Option;
- (k) "PERSON" includes an individual, corporation, partnership, party, trust, fund, association and any other organized group of persons and the personal or other legal representative of a person to whom the context can apply according to law;
- (l) "PROSPECTUS" means the preliminary prospectus of the Company with respect to the initial public offering of its securities;
- (m) "PROSPECTUS RECEIPT DATE" means the last date on which receipts for the Prospectus are issued by each of the Commissions ; and
- (n) "SHARES" means the voting Common shares in the capital of the Company.

2. GRANT OF OPTION. The Company hereby grants to the Optionee, as an incentive and in consideration of Optionee's services as an employee, subject to the terms and conditions hereinafter set forth, the Option to purchase an aggregate total of XXX Optioned Shares at the Exercise Price.

3. TERMINATION. Subject to paragraphs 4 and 5, the Option granted herein shall terminate on the Expiry Date and be of no further force or effect whatsoever.

4. DEATH OF OPTIONEE. In the event of the death of the Optionee on or prior to the Expiry Date, the Option, to the extent it remains unexercised, may be exercised by the personal representative of the Optionee at any time prior to the earlier of 5:00 p.m., Vancouver time, on the first anniversary of the date of death of the Optionee and the Expiry Date, and all other rights to Optioned Shares shall cease.

5. EMPLOYMENT. The Company represents and warrants that the Optionee is a bona fide employee as of the date hereof. If the Optionee ceases to be an employee prior to the Expiry Date, the Option shall terminate and be of no further force or effect whatsoever at 5:00 p.m., Vancouver time, on the thirtieth day after the date upon which the Optionee ceases to be an employee.

6. EXERCISE. Subject to the provisions hereof, the Optionee may exercise the Option to purchase Shares at the times and in the amounts set out in Schedule "A" to this agreement by giving to the Company a Notice of Exercise together with a certified cheque or bank draft drawn



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on a Canadian chartered bank in favour of the Company in full payment of the Exercise Price for the number of Shares then being purchased.

7. **TRADING RESTRICTIONS.** The Optionee acknowledges that he is aware that Shares acquired on exercise of Options may be subject to restrictions on transfer imposed under the Company's articles of incorporation and applicable securities laws, and that he has been cautioned to consult independent legal counsel if he has any concerns about a transfer of such Shares.

8. **CERTIFICATES.** The Company shall, within 10 business days after receipt of the Notice of Exercise deliver to the Optionee a share certificate representing the number of Optioned Shares with respect to which the Option was exercised, issued as of the date of the Notice of Exercise.

9. **LEGAL FEES.** If an Optionee delivers a Notice of Exercise to the Company during the first five business days of a calendar quarter, the Company will pay all legal fees arising in connection with the subject issuance of Shares. If an Optionee delivers a Notice of Exercise to the Company at any other time, the Optionee will pay all legal fees arising in connection with the subject issuance of Shares.

10. **APPROVALS.** If the Optionee is an Insider of the Company or the Optionee is not a full-time employee, this agreement is subject to the approval by ordinary resolution of the members of the Company entitled to vote at a general meeting of the Company prior to the exercise of the Option if required under the terms of the policies of the Exchanges.

11. **OPTIONEE BOUND TO ACCOMMODATE.** The Optionee shall be bound by any modification of the terms and conditions of this agreement as may be required by the Commissions or the Exchanges as a condition precedent for the issuance of a receipt for the Prospectus or the granting of a conditional listing of the Shares on the Exchanges.

12. **NO OBLIGATION.** Nothing herein contained shall obligate:

- (a) the Optionee to purchase any Optioned Shares except those Optioned Shares in respect of which the Optionee shall have exercised his Option in the manner hereinbefore provided;
- (b) the Company to conduct a public offering of its securities.

13. **ADJUSTMENT.** In the event the authorized capital of the Company, as presently constituted, is consolidated into a lesser number of Shares or subdivided into a greater number of Shares, the number of Shares in respect of which the Option remains unexercised shall be decreased or increased proportionately, as the case may be, and the then prevailing Exercise Price to be paid by the Optionee shall be correspondingly decreased or increased as applicable. The Company expressly reserves the right to re-designate or convert the Optioned Shares and any Shares issued as a consequence of the exercise of the Option to any other class of common shares

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of the Company at not less than a 1:1 ratio on conversion. In the event the Company shall determine to amalgamate or merge with any other company or companies (and the right to do so is hereby expressly reserved) whether by way of statutory amalgamation, sale of its assets and undertaking or otherwise howsoever, then and in each such event the number of shares in the corporation resulting from such amalgamation or merger in respect of which the Option remains unexercised shall be such number of shares in the corporation as would have been acquired by the Optionee pursuant to the amalgamation or merger had the Option been fully exercised immediately prior to the date of such amalgamation or merger and the Exercise Price shall be correspondingly decreased or increased as applicable.

14. NO RIGHTS AS SHAREHOLDER. The Optionee shall have no rights whatsoever as a shareholder of the Company in respect of any of the Optioned Shares including, without limitation, any right to receive dividends or other distribution therefrom, except those Optioned Shares in respect of which the Option has been properly exercised in accordance with paragraph 6 hereof.

15. TIME OF ESSENCE. Time shall be of the essence of this agreement.

16. ENUREMENT. This agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, personal representatives, administrators, successors and permitted assigns.

17. ASSIGNMENT. Subject to paragraph 4, this agreement shall not be transferable or assignable by the Optionee.

18. AMENDMENT: Any amendment to this agreement shall be in writing and, if such amendment is made after the Prospectus Receipt Date shall be subject to:

- (a) the approval of the Exchanges; and
- (b) if required by an Exchange, the approval by ordinary resolution of the members of the Company entitled to vote at a general meeting of the Company.

19. REFERENCES. Wherever the plural or masculine are used throughout this agreement, the same shall be construed as meaning singular or feminine or neuter or the body politic or corporate where the context of the parties thereto required.

20. NOTICE. Any notice or other communication required or permitted to be given under this agreement shall be in writing and shall be sufficiently given if delivered in person during normal business hours on a business day or sent by prepaid registered mail in either case addressed to the intended recipient at his address set out on the first page of this agreement. Each notice sent in accordance with this paragraph shall be deemed to have been given on the date of delivery, if delivered, and, if sent by prepaid registered mail, on the third business day after the date of mailing. If at the time of giving of such notice or prior to the deemed receipt thereof there is a disruption of postal services, such notice shall be delivered. Any party may

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change its address for notice by giving notice to the other party in accordance with this paragraph.

21. FURTHER ASSURANCES. The Optionee shall execute and deliver such further documents as may be required by the Company to give effect to this agreement, obtain a receipt from a Commission for the Prospectus or to effect the listing of the Shares on the Exchanges.

22. ESCROW. The Optionee may be required to enter into an Escrow Agreement pertaining to any Optioned Shares purchased prior to June 30, 1998.

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IN WITNESS WHEREOF THE PARTIES HERETO have caused these presents to be executed as of the day and year first above written.

THE CORPORATE SEAL of HOTH AUS TECHNOLOGIES INC. was )  
hereunto affixed in the presence of: )

/s/ )  
----- )

Authorized Signatory )

C/S

/s/ )  
----- )

Authorized Signatory )

SIGNED, SEALED AND DELIVERED by )  
)

----- )  
in the presence of: )

Name )

Address )

Occupation )  
)

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Schedule "A"

To the Option Agreement between Optionee and HotHaus Technologies Inc., dated

The Optionee will be entitled to purchase:

- (i) up to XXX Shares (being 25% of the total grant of Options provided for in the Option Agreement) on or after 2/1/96 (being the date on which the Optionee will have completed 12 consecutive months of employment with the Company);
- (ii) up to XXX Shares (being 50% of the total grant of Options provided for in the Option Agreement), less the number of Optioned Shares already purchased by the Optionee, on or after 2/1/97 (being the date on which the Optionee will have completed 24 consecutive months of employment with the Company);
- (iii) up to XXX Shares (being 75% of the total grant of Options provided for in the Option Agreement), less the number of Optioned Shares already purchased by the Optionee, on or after 2/1/98 (being the date on which the Optionee will have completed 36 consecutive months of employment with the Company); and
- (iv) up to XXX Shares (being 100% of the total grant of Options provided for in the Option Agreement), less the number of Optioned Shares already purchased by the Optionee, on or after 2/1/99 (being the date on which the Optionee will have completed 48 consecutive months of employment with the Company).

Notwithstanding the foregoing provisions of this schedule, but subject to the remaining terms of the Option Agreement, the Optionee will be able to exercise up to 100% of his Options on the terms and conditions described in paragraph (a) and (b) below:

(a) If the Company files a preliminary prospectus in connection with an initial public offering of its securities, the Company will immediately thereafter give a notice of that occurrence to the Optionee. In addition, the Company will endeavour to negotiate with the Exchange to permit the exercise of options at a price less than the initial public offering price. The Optionee will have 30 days from the giving of such notice to exercise up to 100% of his Options. Any Options remaining unexercised after such 30 day period will, subject to any amendments made to this agreement pursuant to section 11 of the Option Agreement, remain exercisable; or

(b) If more than 50% of the voting share capital of the Company is acquired by a person or group not dealing at arm's length who was or were not, as at starting date, shareholders of the Company or an affiliate, subsidiary or relative of such a shareholder, other than by way of security given in good faith, the Company will immediately thereafter give a notice of that occurrence to the Optionee. The Optionee will after the giving of such notice by the Company be entitled to exercise 100% of his Options at any time.

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APPENDIX B - ESCROW AND VOTING TRUST AGREEMENT  
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ESCROW AND VOTING TRUST AGREEMENT

THIS AGREEMENT is dated for reference \_\_\_\_\_ , 1998 and made

AMONG:

MONTREAL TRUST COMPANY OF CANADA  
 4th Floor, 510 Burrard Street  
 Vancouver, B.C.  
 V6K 3B9

(the "Escrow Agent")

AND:

HOTH AUS TECHNOLOGIES INC.  
 #170 - 6651 Fraserwood Place  
 Richmond, B.C.  
 V6W 1J3

(the "Company ")

AND:

(the "Shareholder")

(collectively, the "Parties")

WHEREAS:

- A. The Shareholder has or is about to acquire Shares in the capital of the Company pursuant to the exercise of the Shareholder's Option to purchase Shares pursuant to an Employee Stock Option Agreement between the Company and the Shareholder;
- B. The Shareholder and the Company desire that all Shares acquired on the exercise of the Option prior to the date which is five (5) years from the date of this Agreement be held in escrow by the Escrow Agent on the terms and for the period of time provided herein and that during such period of escrow the Shares be subject to a voting trust; and

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C. The Escrow Agent has agreed to act as escrow agent in respect of the Shares upon the acquisition of the Shares by the Shareholder.

NOW THEREFORE in consideration of the covenants contained in this agreement and other good and valuable consideration (the receipt and sufficiency of which is acknowledged), the Parties agree as follows:

1. INTERPRETATION

In this agreement:

- (a) "ACKNOWLEDGEMENT" means an acknowledgement and agreement to be bound in the form attached as Schedule A to this Agreement;
- (b) "AGREEMENT" means this Escrow and Voting Trust Agreement and any amendment made thereto;
- (c) "EMPLOYEE STOCK OPTION AGREEMENT" means the agreement of the same name between the Company and the Shareholder dated as of \_\_\_\_\_, 1998.
- (d) "OPTION" means the option to purchase Shares exercisable pursuant to the Employee Stock Option Agreement;
- (e) "SHARES" means all shares in the capital of the Company issued to the Shareholder from time to time pursuant to the exercise of the Shareholder's Option;

2. PLACEMENT OF SHARES IN ESCROW

Immediately upon receipt of Shares on each exercise of the Option prior to the date which is five (5) calendar years from the date hereof, the Shareholder will deliver all certificate(s) representing such Shares, endorsed in blank for transfer, to the Escrow Agent and the Escrow Agent will hold such Shares and certificates in escrow in accordance with the terms of this Agreement.

3. TRANSFER WITHIN ESCROW

- 3.1 The Shareholder shall not transfer any escrowed Shares or any interest therein until such Shares are released from escrow except with the prior written consent of the Company.
- 3.2 The Escrow Agent shall not effect a transfer of any Shares within escrow unless the Escrow Agent has received
  - (a) a copy of the Acknowledgement executed by the person to whom the shares are to be transferred, and
  - (b) a letter from the Company consenting to the transfer.

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3.3 Upon the death or bankruptcy of a Shareholder while Shares are held in escrow, the Escrow Agent shall hold the escrowed Shares subject to this Agreement for the person that is legally entitled to become the registered owner of the Shares.

3.4 The Shareholder shall not pledge, hypothecate, mortgage, encumber or charge in any manner the Shares held in escrow at any time either before or after delivery into escrow without the prior written consent of the Company.

4. RELEASE FROM ESCROW

4.1 The Shareholder irrevocably directs the Escrow Agent to retain the Shares until the Shares are released from escrow pursuant to subsection 4.2 or are surrendered for cancellation pursuant to section 5.

4.2 The Escrow Agent shall not release any Shares from escrow unless and until the Escrow Agent has received a letter from the Company confirming that one of the following events has occurred:

- (a) an initial public offering of the Company's securities has been fully subscribed; or
- (b) more than 50% of the voting share capital of the Company has been acquired by a person or group not dealing at arm's length who is or are not now shareholders of the Company or an affiliate, subsidiary or relative of such a shareholder, other than by way of security given in good faith; or
- (c) the Shareholder has been continuously employed by the Company for a period of 36 consecutive months from the date of this Agreement in which event the Escrow Agent will only release from escrow hereunder the number of Shares that is the lesser of all Shares held in escrow hereunder and forty percent (40%) of the aggregate number of shares of the Company which the Shareholder is entitled to acquire under the Option, and any remaining Shares shall remain held in escrow pursuant to this Agreement; or
- (d) The Shareholder has been continuously employed by the Company for a period of 60 consecutive months from the date of this Agreement; or
- (e) the Shareholder is deceased; or
- (f) the Shareholder and the Company have agreed to release Shares from escrow.

After receipt of such a letter the Escrow Agent will deliver the applicable Shares out of escrow to the Shareholder. In the event that a share certificate must be re-issued to accommodate a partial release of Shares, the Company shall co-operate to provide additional certificates to replace certificates representing Shares held in escrow.

4.3 Company shall not delay delivery to the Escrow Agent of the letter referred to in subsection 4.2 if and when the grounds for issuing such a letter exist.



## 5. SURRENDER FOR CANCELLATION

5.1 The Shareholder is entitled to remain the owner of the Shares while in escrow except that Shares that remain held in escrow hereunder must be surrendered to the Company by way of gift if at any time prior to 60 months from the date of this Agreement :

- (a) the Shareholder ceases to be an employee of the Company, except upon death;
- (b) the Shareholder is declared bankrupt or otherwise acknowledges his or her insolvency;
- (c) the Shareholder is convicted in or out of the Province of British Columbia of an offence:
  - (i) in connection with the promotion, formation or management of a corporation; or
  - (ii) involving fraud; or
- (d) the Shareholder fails to deliver any Shares into escrow as required herein or otherwise fails to comply with the terms of this Agreement.

5.2 Upon surrender of Shares by the Shareholder to the Company pursuant to subsection 5.1 the Company will cancel such shares and refund any monies paid by the Shareholder to acquire such Shares on the exercise of the Option.

## 6. VOTING AND OTHER RIGHTS

Subject to the terms of this Agreement, while Shares are held in escrow pursuant to this Agreement the Shareholder shall be and remain the owner of title to such Shares and shall be entitled to receive any and all dividends paid thereon except that during such period of escrow the Shareholder agrees it will not personally exercise the voting rights attached to Shares and the Shareholder hereby appoints and constitutes the President of the Company from time to time, as its attorney with full and exclusive power and authority to:

- (a) exercise or abstain from exercising all voting rights attached to Shares as the President may determine;
- (b) execute any waiver required to be obtained from the Shareholder in connection with any allotment or issuance of shares in the capital of the Company; and
- (c) consent to any reorganization of the Company that does not amount to a disposition of the Shares,

all until such time as all Shares are released from escrow as provided herein.

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7. PROXIES

The Shareholder will from time to time execute and deliver to the President of the Company such proxies and other documents as the President may reasonably request to implement the terms of this Agreement and to confirm the power and authority granted hereby and the Shareholder hereby appoints and constitutes the President of the Company from time to time as its attorney with full power and authority to execute and deliver on its behalf and in its place and stead such proxies and other documents as are not for any reason so executed in timely fashion by the Shareholder or to register the Shares or any of them in his name if necessary in order to secure the voting rights thereon.

8. SURVIVAL AND DELEGATION OF AUTHORITY

The authority of the President of the Company granted under this Agreement is to continue during the period of time that any Shares are held in escrow pursuant to this Agreement notwithstanding the death, mental infirmity or bankruptcy of the Shareholder and is not revocable by the Shareholder for any reason during such time. The President may delegate the authority granted herein to such person or persons as the President may determine from time to time.

9. AMENDMENT OF AGREEMENT

This agreement may be amended only by a written agreement among the Parties.

10. INDEMNIFICATION OF ESCROW AGENT

The Company and the Shareholder, jointly and severally, release, indemnify and save harmless the Escrow Agent from all costs, charges, claims, demands, damages, losses and expenses resulting from the Escrow Agent's compliance in good faith with this agreement.

11. RESIGNATION OF ESCROW AGENT

- 11.1 If the Escrow Agent wishes to resign as escrow agent in respect of the Shares, the Escrow Agent shall give notice to the Company.
- 11.2 If the Company wishes the Escrow Agent to resign as escrow agent in respect of the Shares, the Company shall give notice to the Escrow Agent.
- 11.3 A notice referred to in subsection 11.1 or 11.2 shall be in writing and delivered to
- (a) the Company at:
    - #170 - 6651 Fraserwood Place
    - Richmond, British Columbia
    - V6W 1J3
  - (b) the Escrow Agent at:
    - 4th Floor, 510 Burrard Street
    - Vancouver, British Columbia
    - V6K 3B9

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and the notice shall be deemed to have been received on the date of delivery. The Company or the Escrow Agent may change its address for notice by giving notice to the other party in accordance with this subsection.

11.4 A copy of a notice referred to in subsection 11.1 or 11.2 shall concurrently be delivered to the Shareholder at the address first noted above.

11.5 The resignation of the Escrow Agent shall be effective and the Escrow Agent shall cease to be bound by this agreement on the date that is 180 days after the date of receipt of the notice referred to in subsection 11.1 or 11.2 or on such other date as the Escrow Agent and the Company may agree upon (the "resignation date").

11.6 The Company shall, before the resignation date and with the written consent of the Shareholder, appoint another escrow agent and that appointment shall be binding on the Company and the Shareholders.

## 12. FURTHER ASSURANCES

The Parties shall execute and deliver any documents and perform any acts necessary to carry out the intent of this Agreement.

## 13. TIME

Time is of the essence of this agreement.

## 14. GOVERNING LAWS

This agreement shall be construed in accordance with and governed by the laws of British Columbia and the laws of Canada applicable in British Columbia.

## 15. COUNTERPARTS

This agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which shall constitute one agreement.

## 16. LANGUAGE

Wherever a singular expression is used in this agreement, that expression is deemed to include the plural or the body corporate where required by the context.

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[HOTH AUS TECHNOLOGIES INC LOGO]

17. ENUREMENT

This Agreement enures to the benefit of and is binding on the Parties and their heirs, executors, administrators, successors and permitted assigns.

The Parties have executed and delivered this agreement as of the date of reference of this agreement.

SIGNED, SEALED AND DELIVERED by \_\_\_\_\_ )  
in the presence of: )

)  
)  
)

(seal)

----- )  
Witness name )

)  
)

----- )  
Address )

)  
)

----- )  
Occupation )

)  
)

THE CORPORATE SEAL of )  
HOTH AUS TECHNOLOGIES INC. was )  
hereunto affixed in the presence of: )

)  
)  
)

----- )  
Authorized Signatory )

)  
)

C/S

----- )  
Authorized Signatory )

)  
)

THE CORPORATE SEAL of )  
----- )  
was hereunto affixed in the presence of: )

)  
)  
)

C/S

----- )  
Authorized Signatory )

)  
)

----- )  
Authorized Signatory )

)  
)

SCHEDULE A

ACKNOWLEDGEMENT AND AGREEMENT TO BE BOUND

TO: HOTHaus TECHNOLOGIES INC.

AND TO: MONTREAL TRUST COMPANY OF CANADA

I acknowledge that:

- (a) I have entered into an agreement with (Shareholder) under which \_\_\_\_\_ shares of HotHaus Technologies Inc. (the "Shares") will be transferred to me upon receipt of approval by the Company; and
- (b) the Shares are held in escrow subject to an escrow agreement dated for reference \_\_\_\_\_, 1997 (the "Escrow Agreement"), a copy of which is attached as Schedule A to this acknowledgement.

In consideration of \$1.00 and other good and valuable consideration (the receipt and sufficiency of which is acknowledged) I agree, effective upon the transfer to me of the Shares, to be bound by the Escrow Agreement in respect of the shares as if I were an original signatory to the Escrow Agreement.

DATED at Richmond on \_\_\_\_\_, 1997.

SIGNED, SEALED AND DELIVERED )  
 by \_\_\_\_\_ )  
 in the presence of: )  
 )  
 )  
 )  
 ) (seal)  
 - - - - - )  
 Witness name )  
 )  
 - - - - - )  
 Address )  
 )  
 - - - - - )  
 )  
 )  
 - - - - - )  
 Occupation )  
 )

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[HOTH AUS TECHNOLOGIES INC LOGO]

APPENDIX C -OPTIONS GRANTED AS AT  
MAY 19, 1998  
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Incentive Stock Option Plans Version 2.0

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## BROADCOM CORPORATION

STOCK OPTION ASSUMPTION AGREEMENT  
ALTOCOM, INC.  
1997 STOCK PLAN

STOCK OPTION ASSUMPTION AGREEMENT effective as of the 31st day of August, 1999 by Broadcom Corporation, a California corporation ("Broadcom").

WHEREAS, the undersigned individual ("Optionee") holds one or more outstanding options to purchase shares of the Common Stock of AltoCom, Inc., a California corporation ("AltoCom"), which were granted to Optionee under the AltoCom, Inc. 1997 Stock Plan (the "Plan") and are each evidenced by the following agreement between AltoCom and Optionee: a Stock Option Agreement (the "Option Agreement").

WHEREAS, AltoCom has been acquired by Broadcom through the merger (the "Merger") of Alto Acquisition Corp. ("MergerSub"), a wholly-owned subsidiary of Broadcom, with and into AltoCom, pursuant to the Merger Agreement and Plan of Reorganization dated August 10, 1999 by and among Broadcom, MergerSub and AltoCom (the "Reorganization Agreement").

WHEREAS, the provisions of the Reorganization Agreement require Broadcom to assume all obligations of AltoCom under all outstanding options 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 Reorganization Agreement, the exchange ratio (the "Exchange Ratio") in effect for the Merger is .07184670 of a share of Broadcom Class B Common Stock ("Broadcom Stock") for each outstanding share of AltoCom Common Stock ("AltoCom Stock").

WHEREAS, this Stock Option Assumption Agreement is effective as of 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 Broadcom in connection with the Merger.

NOW, THEREFORE, it is hereby agreed as follows:

1. The number of shares of AltoCom Stock subject to the options outstanding under the Plan held by Optionee immediately prior to the Effective Time (the "AltoCom Options") and the exercise price payable per share are set forth in Exhibit(s) A hereto. Broadcom hereby assumes, as of the Effective Time, all the duties and obligations of AltoCom under each

of the AltoCom Options. In connection with such assumption, the number of shares of Broadcom Stock purchasable under each AltoCom Option hereby assumed and the exercise price payable thereunder have been adjusted to reflect the Exchange Ratio. Accordingly, the number of shares of Broadcom Stock subject to each AltoCom Option hereby assumed shall be as specified for that option in attached Exhibit(s) A, and the adjusted exercise price payable per share of Broadcom Stock under the assumed AltoCom Option shall also be as indicated for that option in attached Exhibit(s) A.

2. The intent of the foregoing adjustments to each assumed AltoCom Option is to assure that the difference between the aggregate fair market value of the shares of Broadcom Stock purchasable under each such option and the aggregate exercise price of such shares as adjusted pursuant to this Agreement will, immediately after the consummation of the Merger, be not less than the difference which existed, immediately prior to the Merger, between the then aggregate fair market value of the AltoCom Stock subject to the AltoCom Option and the aggregate exercise price of such shares in effect at such time under the Option Agreement. Such adjustments are also intended to preserve, immediately after the Merger, on a per share basis, the same ratio of exercise price per option share to fair market value per share as that which existed under the AltoCom Option immediately prior to the Merger. Such adjustments are also intended to preserve, to the extent applicable, the Incentive Stock Option status of the assumed AltoCom Options under Section 422 of the Internal Revenue Code of 1986, as amended.

3. The following provisions shall govern each AltoCom Option hereby assumed by Broadcom:

(a) Unless the context otherwise requires, all references in each Option Agreement and in the Plan (as incorporated into such Option Agreement) (i) to the "Company" shall mean Broadcom, (ii) to "Stock" shall mean Broadcom Stock, (iii) to the "Board of Directors" shall mean the Board of Directors of Broadcom and (iv) to the "Committee" shall mean the Option Committee of the Board of Directors of Broadcom.

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

(c) Pursuant to the terms of the Option Agreement, none of your options assumed by Broadcom in connection with the transaction will terminate and cease to outstanding upon the consummation of the Merger. Each AltoCom Option shall be assumed by Broadcom as of the Effective Time. Each such assumed AltoCom Option shall thereafter continue to vest for any remaining unvested shares of Broadcom Stock subject to that option on the same terms and in accordance with the same installment vesting schedule as those in effect under



the applicable Option Agreement immediately prior to the Effective Time; provided, however, that the number of shares of Broadcom Stock subject to each such installment shall be adjusted to reflect the Exchange Ratio.

(d) For purposes of applying any and all provisions of the Option Agreement and the Plan relating to Optionee's status as an employee of or a consultant to AltoCom, Optionee shall be deemed to continue in such status as an employee or a consultant for so long as Optionee renders services as an employee of or a consultant to Broadcom or any present or future Broadcom subsidiary. Accordingly, the provisions of the Option Agreement governing the termination of the assumed AltoCom Options upon Optionee's cessation of service as an employee of or a consultant to AltoCom shall hereafter be applied on the basis of Optionee's cessation of employee or consultant status with Broadcom and its subsidiaries, and each assumed AltoCom Option shall accordingly terminate, within the designated time period in effect under the Option Agreement for that option, following such cessation of service as an employee of or a consultant to Broadcom and its subsidiaries.

(e) The adjusted exercise price payable for the Broadcom Stock subject to each assumed AltoCom Option shall be payable in any of the forms authorized under the Option Agreement applicable to that option. For purposes of determining the holding period of any shares of Broadcom Stock delivered in payment of such adjusted exercise price, the period for which such shares were held as AltoCom Stock prior to the Merger shall be included.

(f) In order to exercise each assumed AltoCom Option, Optionee must deliver to Broadcom a written notice of exercise in which the number of shares of Broadcom Stock to be purchased thereunder must be indicated. The exercise notice must be accompanied by payment of the adjusted exercise price payable for the purchased shares of Broadcom Stock or must specify the arrangement for the payment of the purchase price as permitted in Section 5 of the Plan. This notice should be delivered to Broadcom at the following address:

Broadcom Corporation  
16215 Alton Parkway  
Irvine, California 92618  
Attention: Manager of Shareholder Services

4. Except to the extent specifically modified by this Stock Option Assumption Agreement, all of the terms and conditions of each Option Agreement 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, Broadcom has caused this Stock Option Assumption Agreement to be executed on its behalf by its duly-authorized officer as of the 31st day of August, 1999.

BROADCOM CORPORATION

By:

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David A. Dull, Esq.  
Vice President, General Counsel  
and Secretary

ACKNOWLEDGMENT

The undersigned acknowledges receipt of the foregoing Stock Option Assumption Agreement and understands and agrees that all rights and liabilities with respect to each of his or her AltoCom Options hereby assumed by Broadcom are as set forth in the Option Agreement, the Plan and this Stock Option Assumption Agreement.

DATED: \_\_\_\_\_, 1999

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SIGNATURE OF OPTIONEE

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PRINT NAME

## BROADCOM CORPORATION

STOCK OPTION ASSUMPTION AGREEMENT  
HOTHAUS TECHNOLOGIES INC.  
INCENTIVE STOCK OPTION PLAN

STOCK OPTION ASSUMPTION AGREEMENT effective as of the 31st day of August, 1999 by Broadcom Corporation, a California corporation ("Broadcom").

WHEREAS, the undersigned individual ("Optionee") holds one or more outstanding options to purchase voting common shares of HotHaus Technologies Inc., a British Columbia corporation ("HotHaus"), which were granted to Optionee under the HotHaus Technologies Inc. Incentive Stock Option Plan (the "Plan") and are each evidenced by the following agreement between HotHaus and Optionee: an Employee [Director] Stock Option Agreement (the "Option Agreement").

WHEREAS, HotHaus has been acquired by Broadcom (the "Acquisition"), pursuant to that certain Acquisition Agreement, dated July 15, 1999, by and among Broadcom, HotHaus, Broadcom (BVI) Limited, 585573 B.C. Ltd. (now known as HH Acquisition Inc.) and 3030814 Nova Scotia ULC (now known as HH Acquisition ULC) (the "Acquisition Agreement").

WHEREAS, the provisions of the Acquisition Agreement require Broadcom to assume all obligations of HotHaus under all outstanding options under the Plan upon consummation of the Acquisition 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 Acquisition Agreement, the exchange ratio (the "Exchange Ratio") in effect for the Acquisition is .30720961 of a share of Broadcom Class B Common Stock (the "Broadcom Stock") for each outstanding common share of HotHaus (the "HotHaus Stock") and for each option to purchase HotHaus Stock.

WHEREAS, this Stock Option Assumption Agreement is effective as of the consummation of the Acquisition (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 Broadcom in connection with the Acquisition.

NOW, THEREFORE, it is hereby agreed as follows:

1. The number of shares of HotHaus Stock subject to the options outstanding under the Plan held by Optionee immediately prior to the Effective Time (the "HotHaus Options") and the exercise price payable per share are set forth in Exhibit(s) A hereto. Broadcom hereby assumes, as of the Effective Time, all the duties and obligations of HotHaus under each of the HotHaus Options. In connection with such assumption, the number of shares of Broadcom Stock purchasable under each HotHaus Option hereby assumed and the exercise price payable

thereunder have been adjusted to reflect the Exchange Ratio. Accordingly, the number of shares of Broadcom Stock subject to each HotHaus Option hereby assumed shall be as specified for that option in attached Exhibit(s) A, and the adjusted exercise price payable per share of Broadcom Stock under the assumed HotHaus Option shall also be as indicated for that option in attached Exhibit(s) A. Optionee acknowledges and agrees that, upon consummation of the Acquisition, the exercise price of the Option shall be expressed in U.S. dollars, based upon the currency exchange rate of Canadian dollars in U.S. dollars as of the Effective Time.

2. The intent of the foregoing adjustments to each assumed HotHaus Option is to assure that the difference between the aggregate fair market value of the shares of Broadcom Stock purchasable under each such option and the aggregate exercise price of such shares as adjusted pursuant to this Stock Option Assumption Agreement will, immediately after the consummation of the Acquisition, be not less than the difference which existed, immediately prior to the Acquisition, between the then aggregate fair market value of the HotHaus Stock subject to the HotHaus Option and the aggregate exercise price of such shares in effect at such time under the Option Agreement. Such adjustments are also intended to preserve, immediately after the Acquisition, on a per share basis, the same ratio of exercise price per option share to fair market value per share as that which existed under the HotHaus Option immediately prior to the Acquisition.

3. The following provisions shall govern each HotHaus Option hereby assumed by Broadcom:

(a) Unless the context otherwise requires, all references in each Option Agreement and in the Plan (i) to the "Company" shall mean Broadcom, (ii) to "Common shares" or "Shares" shall mean shares of Broadcom Stock, and (iii) to the "Board" shall mean the Board of Directors of Broadcom.

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

(c) Pursuant to the terms of the Option Agreement, none of the options assumed by Broadcom in connection with the transaction will terminate or cease to be outstanding upon the consummation of the Acquisition. Each HotHaus Option shall be assumed by Broadcom as of the Effective Time and shall be fully vested pursuant to the terms of the Option Agreement as a consequence of the Acquisition.

(d) For purposes of applying any and all provisions of the Option Agreement and the Plan relating to Optionee's status as an Employee or Director of HotHaus, Optionee shall be deemed to continue in such status as an Employee or a Director for so long as Optionee renders services as an Employee

of or a Director to Broadcom or any present or future Broadcom subsidiary. Accordingly, the provisions of the Option Agreement governing the termination of the assumed HotHaus Options upon Optionee's cessation of service as an Employee of or a Director to HotHaus shall hereafter be applied on the basis of Optionee's cessation of Employee or Director status with Broadcom and its subsidiaries, and each assumed HotHaus Option shall accordingly terminate, within the designated time period in effect under the Option Agreement for that option, following such cessation of service as an Employee or a Director of Broadcom and its subsidiaries.

(e) The adjusted exercise price payable for the Broadcom Stock subject to each assumed HotHaus Option shall be payable in any of the forms authorized under the Option Agreement applicable to that option. For purposes of determining the holding period of any shares of Broadcom Stock delivered in payment of such adjusted exercise price, the period for which such shares were held as HotHaus Stock prior to the Acquisition shall be included.

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

Broadcom Corporation  
16215 Alton Parkway  
Irvine, California 92618  
Attention: Manager of Shareholder Services

4. Except to the extent specifically modified by this Stock Option Assumption Agreement, all of the terms and conditions of each Option Agreement as in effect immediately prior to the Acquisition 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, Broadcom has caused this Stock Option Assumption Agreement to be executed on its behalf by its duly-authorized officer as of the 31st day of August, 1999.

BROADCOM CORPORATION

By: -----  
David A. Dull, Esq.  
Vice President, General Counsel and  
Secretary

AGREEMENT AND ACKNOWLEDGMENT

The undersigned acknowledges receipt of the foregoing Stock Option Assumption Agreement and understands and agrees that all rights and liabilities with respect to each of his or her HotHaus Options hereby assumed by Broadcom are as set forth in the Option Agreement, the Plan and this Stock Option Assumption Agreement.

DATED: \_\_\_\_\_, 1999

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SIGNATURE OF OPTIONEE

PRINT NAME