AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 6, 1996
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

8X8, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	3674	77-0142404
(State or other jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

2445 MISSION COLLEGE BOULEVARD
SANTA CLARA, CA 95054
(408) 727-1885
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JOE PARKINSON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
8X8, INC.
2445 MISSION COLLEGE BOULEVARD
SANTA CLARA, CA 95054
(408) 727-1885
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

Copies to:

JEFFREY D. SAPER, ESQ. KURT J. BERNEY, ESQ. BRETT D. BYERS, ESQ. WILSON SONSINI GOODRICH & ROSATI, P.C. 650 PAGE MILL ROAD PALO ALTO, CALIFORNIA 94304-1050 (415) 493-9300	BROOKS STOUGH, ESQ. BRIAN K. BEARD, ESQ. GUNDERSON DETTMER STOUGH VILLENEUVE FRANKLIN & HACHIGIAN, LLP 600 HANSEN WAY, SECOND FLOOR PALO ALTO, CALIFORNIA 94304 (415) 843-0500

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after this Registration Statement becomes effective

If this Form is filed to register additional securities for an offering pursuant to rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE
Common Stock, par value $0.001.....	2,875,000 shares	$10.00	$28,750,000	$8,712.12

(1) Includes up to 375,000 shares of Common Stock which may be purchased by the Underwriters to cover overallotments, if any.

(2) Estimated pursuant to Rule 457(a) solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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8X8, INC.

CROSS-REFERENCE SHEET

SHOWING LOCATION IN PROSPECTUS
OF INFORMATION REQUIRED BY ITEMS OF FORM S-1

1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus....	Front Cover Page of Prospectus
2.	Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front and Outside Back Cover Pages of Prospectus
3.	Summary Information and Risk Factors.....	Prospectus Summary; Risk Factors; Selected Consolidated Financial Data
4.	Use of Proceeds.....	Prospectus Summary; Use of Proceeds
5.	Determination of Offering Price.....	Front Cover Page of Prospectus; Underwriting
6.	Dilution.....	Risk Factors; Dilution
7.	Selling Security Holders.....	Not Applicable
8.	Plan of Distribution.....	Outside and Inside Front Cover Pages of Prospectus; Underwriting
9.	Description of Securities to be Registered.....	Front Cover Page of Prospectus; Prospectus Summary; Capitalization; Description of Capital Stock
10.	Interests of Named Experts and Counsel....	Not Applicable
11.	Information with Respect to the Registrant.....	Front Cover Page of Prospectus; Prospectus Summary; Risk Factors; Use of Proceeds; Dividend Policy; Capitalization; Dilution; Selected Consolidated Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Certain Transactions; Principal Stockholders; Description of Capital Stock; Shares Eligible for Future Sale; Legal Matters; Experts; Consolidated Financial Statements
12.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	Not Applicable

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION, DATED NOVEMBER 6, 1996

2,500,000 SHARES

LOGO

COMMON STOCK

All of the 2,500,000 shares of Common Stock offered hereby are being sold by 8x8, Inc. ("8x8" or the "Company"). Prior to this offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price will be between $8.00 and $10.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Company has applied to have its Common Stock approved for quotation on the Nasdaq National Market under the symbol "EGHT."

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 5 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
Per Share	$	$	$
Total(3)	$	$	$

(1) See "Underwriting" for information concerning indemnification of the Underwriters and other matters.

(2) Before deducting expenses payable by the Company estimated at $1,050,000.

(3) The Company has granted the Underwriters a 30-day option to purchase up to 375,000 additional shares of Common Stock solely to cover over-allotments, if any. If the Underwriters exercise this option in full, the Price to Public will total $, the Underwriting Discounts and Commissions will total $ and the Proceeds to Company will total $. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters named herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the certificates representing such shares will be made against payment therefor at the office of Montgomery Securities on or about , 1996.

MONTGOMERY SECURITIES DONALDSON, LUFKIN & JENRETTE Securities Corporation

, 1996

NO DEALER, SALES REPRESENTATIVE OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY SECURITIES OTHER THAN THE SHARES OF COMMON STOCK TO WHICH IT RELATES OR AN OFFER TO, OR A SOLICITATION OF, ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THAT INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

UNTIL , 199 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

TABLE OF CONTENTS

The Company intends to furnish its stockholders with annual reports containing financial statements audited by its independent accountants and quarterly reports for the first three quarters of each fiscal year containing unaudited financial information.

This Prospectus includes trademarks and trade names of the Company and other corporations.

As used in this Prospectus, "8x8" and the "Company" refer to 8x8, Inc. and its subsidiaries, unless the context otherwise indicates. Except as otherwise indicated, the information presented in this Prospectus assumes that (i) the Underwriters' over-allotment option is not exercised, (ii) all outstanding shares of Preferred Stock have been converted into Common Stock and (iii) the Company has reincorporated in Delaware and has filed an Amended and Restated Certificate of Incorporation immediately after the closing of this Offering to eliminate the Company's currently existing classes of Preferred Stock. See "Capitalization," "Description of Capital Stock" and "Underwriting."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information, including "Risk Factors" and Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Prospectus. The discussion in this Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those discussed in such forward-looking statements. Factors that may cause or contribute to such differences include those discussed in sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as those discussed elsewhere in this Prospectus.

THE COMPANY

8x8, Inc. ("8x8" or the "Company") designs, develops and markets highly integrated, proprietary video compression semiconductors and associated software to OEMs of corporate video conferencing systems. To address new opportunities, the Company intends to leverage its strengths in semiconductor design and related software by introducing video conferencing systems for the consumer market. The first product in the Company's planned family of VideoCommunicators is the VC100, which is currently under development. The VC100 connects to a television set and a standard touch-tone telephone adding video to an otherwise normal telephone call, without the need for a personal computer ("PC"). The Company plans to introduce the VC100 in early 1997 targeted at the consumer market.

The proliferation of video conferencing products is dependent on several factors including network bandwidth, advanced compression technologies and the acceptance of video telephony standards. Increases in available bandwidth improve the data carrying capacity of networks, while improvements in compression technologies utilize a given bandwidth more efficiently. Finally, video telephony standards are key to widespread adoption as they are designed to permit the interoperability between systems offered by different vendors.

As a result of recent technological advances and the adoption of the H.324 standard for video telephony over standard analog telephone lines (commonly known as plain old telephone service, or "POTS"), consumer video phones are being developed by a number of suppliers. These products are being introduced in a variety of form factors, including those based on telephones and televisions and those based on the PC. An increasing number of PCs are being shipped with pre-installed H.324 compliant software. An installed base of H.324 products, if achieved, should increase the usefulness and demand for additional video phones.

The Company's video compression semiconductors combine, on a single chip, a RISC microprocessor, a digital signal processor, specialized video processing circuitry, static RAM memory and proprietary software to perform the real time compression and decompression ("codec") of video and audio information and establish and maintain network connections in a manner consistent with international standards for video telephony. These semiconductors are designed to provide video conferencing over a broad range of network types including POTS, integrated services digital networks ("ISDN"), local area networks ("LAN") and asymmetric digital subscriber lines ("ADSL"). Customers for the Company's video compression semiconductors include PictureTel, Siemens, Sony, VideoServer, VCON and Vtel.

The Company's VideoCommunicators will be based on its proprietary semiconductor, software and systems technology. The VC100 is designed to be compliant with the H.324 international standard for video telephony over POTS and to be compatible with PC and non-PC based systems that adhere to the H.324 standard. The VC100 is designed to communicate with full duplex audio and video rates of up to 12 frames per second. In addition, the Company is currently developing a second VideoCommunicator, the VC200, a non-PC based POTS video phone with a built-in liquid crystal display. The Company intends to sell its VideoCommunicators through a direct marketing effort utilizing a combination of advertising, toll-free telemarketing and direct mail supported by co-marketing arrangements with third parties and resale through the retail channel.

The Company was incorporated in California under the name Integrated Information Technology, Inc. in February 1987. In April 1996, the Company changed its name to 8x8, Inc. Prior to the consummation of this Offering, the Company will reincorporate in Delaware. The Company's executive offices are located at 2445 Mission College Boulevard, Santa Clara, CA 95054, and its telephone number is (408) 727-1885.

THE OFFERING

Common Stock offered by the Company.....	2,500,000 shares
Common Stock to be outstanding after the Offering.....	13,195,348 shares(1)
Use of Proceeds.....	For general corporate purposes including working capital. See "Use of Proceeds."
Proposed Nasdaq National Market symbol.....	EGHT

SUMMARY CONSOLIDATED FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED MARCH 31,					SIX MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1995	1996
CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Total revenues.....	$36,001	$31,082	$34,401	$19,929	$28,774	$12,122	$10,075
Gross profit.....	23,509	16,945	14,932	8,025	12,106	4,197	868
Income (loss) from operations.....	7,527	(1,473)	243	(6,527)	(4,149)	(3,781)	(5,894)
Net income (loss).....	4,960	(841)	(348)	(5,881)	(3,217)	(3,701)	(5,913)
Pro forma net loss per share.....					$ (.28)	$ (.32)	$ (.50)
Shares used in pro forma per share calculations.....					11,654	11,585	11,800

	SEPTEMBER 30, 1996	
	ACTUAL	AS ADJUSTED(2)
CONSOLIDATED BALANCE SHEET DATA:		
Working capital.....	$ 5,728	$ 27,093
Total assets.....	12,856	34,221
Total liabilities.....	5,105	5,105
Stockholders' equity.....	7,751	29,116

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(1) Based on shares outstanding as of September 30, 1996, but includes an aggregate of 270,913 shares of Common Stock issuable upon conversion of Series D Preferred Stock issued in October 1996. Excludes, as of September 30, 1996, (i) an aggregate of 1,543,787 shares of Common Stock issuable on the exercise of outstanding options granted under the Company's 1992 Stock Option Plan and 1996 Stock Plan and (ii) an aggregate of 1,871,330 shares of Common Stock reserved for issuance under the Company's 1992 Stock Option Plan, 1996 Stock Plan, 1996 Director Option Plan and 1996 Employee Stock Purchase Plan. See "Management -- Compensation Plans" and Note 6 of Notes to Consolidated Financial Statements.

(2) Adjusted to reflect (i) the sale of 270,913 shares of Series D Preferred Stock by the Company for aggregate proceeds of approximately $1.5 million in October 1996 and (ii) the sale of 2,500,000 shares of Common Stock by the Company at an assumed public offering price of $9.00 per share after deducting estimated underwriting discounts and commissions and estimated offering expenses. See "Use of Proceeds" and "Capitalization."

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and under "Business," as well as other statements contained in this Prospectus regarding matters that are not historical facts are forward-looking statements (as such term is defined in the rules promulgated pursuant to the Securities Act of 1933, as amended (the "Securities Act")). Because the outcome of the events described in such forward-looking statements is subject to risks and uncertainties, actual results may differ materially from those expressed in or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those discussed herein under "Risk Factors." The Company undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RISK FACTORS

An investment in the shares of Common Stock being offered hereby involves a high degree of risk. In addition to the other information in this Prospectus, the following risk factors should be considered carefully by potential purchasers in evaluating an investment in the Common Stock offered hereby.

HISTORY OF LOSSES; UNCERTAINTY OF FUTURE PROFITABILITY

After a modest operating profit in fiscal 1994, the Company recorded operating losses of $6.5 million and $4.1 million in the years ended March 31, 1995 and 1996, respectively. Revenues fluctuated from $34.4 million in fiscal 1994 to $19.9 million in fiscal 1995 to $28.8 million in fiscal 1996. The Company recorded an operating loss of $3.8 million for the six months ended September 30, 1995, which increased to $5.9 million for the six months ended September 30, 1996. Revenues declined from $12.1 million for the six months ended September 30, 1995 to $10.1 million for the six months ended September 30, 1996. In view of the Company's operating losses, there can be no assurance that the Company will either become profitable or sustain profitability on an annual or quarterly basis. Losses and declining revenues will likely continue unless the Company's initial VideoCommunicators, particularly the VC100, are successfully introduced and achieve widespread consumer market acceptance, of which there can be no assurance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

CRITICAL DEPENDENCE ON FUTURE VIDEOCOMMUNICATOR REVENUES

The Company's business and future profitability will be critically dependent on the development and successful introduction and marketing of its first VideoCommunicator, the VC100. The Company currently plans to introduce the VC100 in early 1997. The Company has in the past experienced delays in the development of new products and the enhancement of existing products, and such delays may occur in the development and introduction of the VC100. Moreover, the Company must achieve significant technological and business milestones in order to permit the introduction and marketing of the VC100 product. These milestones include debugging the current VC100 prototype design; receiving necessary domestic and international regulatory approvals; completing reliability testing; procuring adequate semiconductor foundry and electronic subcontract manufacturing services and capacity; establishing production of the VC100 in volumes on a cost effective basis and at acceptable quality levels; implementing the marketing, sales, distribution and customer support strategy for the VC100 product; and establishing direct marketing capabilities and distribution relationships with third parties. There can be no assurance that any of these or other milestones will be met in sufficient time to permit the introduction of the VC100 by early 1997, if at all. If the Company is unable for any reason to develop, introduce and market the VC100 product in a timely manner or, if the VC100 product does not achieve sufficient market acceptance, it would have a material adverse effect on the Company's business and operating results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business -- 8x8 Strategy."

POTENTIAL FLUCTUATIONS IN FUTURE OPERATING RESULTS

The Company's future operating results are expected to fluctuate as the Company proceeds with the development, introduction and marketing of its family of non-PC based VideoCommunicators. Further, because of the Company's planned reliance on its VideoCommunicators, the Company's historical operating results will not be comparable to, and should not be relied upon as an indication of, future operating results. In addition, the Company's operating results have fluctuated significantly and may continue to fluctuate in the future, on an annual and a quarterly basis, as a result of a number of factors, many of which are outside the Company's control, including changes in market demand, the timing of customer orders, competitive market conditions, lengthy sales cycles, new product introductions by the Company or its competitors, market acceptance of new or existing products, the cost and availability of components, the mix of the Company's customer base and sales channels, the mix of products sold, the level of international sales, continued compliance with industry standards and general economic conditions. The Company's gross margin is affected by a number of factors, including product mix, product pricing, the allocation between international and domestic sales, the percentage of direct sales and sales to distributors, and manufacturing and component costs. The Company may also be required to reduce prices in response to competitive pressure or other factors or increase spending to pursue new market opportunities. Any decline in average selling prices of a particular product which is not offset by a reduction in production costs or by sales of other products with higher gross margins would decrease the Company's overall gross margin and adversely affect the Company's operating results. In particular, in the event that the Company encounters significant price competition in the markets for its products, the Company could be at a significant disadvantage compared to its competitors, many of which have substantially greater resources, and therefore may be better able to withstand an extended period of downward pricing pressure. Moreover, the Company believes that the introduction of its family of VideoCommunicators may adversely impact its gross margins due in part to higher unit costs associated with initial production of its first products as well as substantially different cost and pricing structures related to the manufacture and sale of consumer products.

Variations in timing of sales may cause significant fluctuations in future operating results. In addition, because a significant portion of the Company's business may be derived from orders placed by a limited number of large customers, the timing of such orders can also cause significant fluctuations in the Company's operating results. Anticipated orders from customers may fail to materialize, and delivery schedules may be deferred or canceled for a number of reasons, including changes in specific customer requirements. If sales do not meet the Company's expectations in any given quarter, the adverse impact of the shortfall on the Company's operating results may be magnified by the Company's inability to adjust spending to compensate for the shortfall. Announcements by the Company or its competitors of new products and technologies could cause customers to defer purchases of the Company's existing products, which would also have a material adverse effect on the Company's business and operating results.

The Company's strategic shift towards the introduction and marketing of VideoCommunicators, such as the VC100, may result in substantially different patterns in operating results. For example, the Company's operating results may be subject to increased seasonality with sales higher during the Company's third fiscal quarter, corresponding to the Christmas shopping season. The Company intends to spend substantial additional amounts on advertising, toll-free marketing and customer support. There can be no assurance as to the amount of such spending or that revenues adequate to justify such spending will result. As a result of its shift to selling VideoCommunicators, the Company may experience different inventory, product return, price protection and warranty cost patterns.

As a result of these and other factors, it is likely that in some future period the Company's operating results will be below the expectations of securities analysts or investors, which would likely result in a significant reduction in the market price for the Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

COMPETITION

The Company competes with independent manufacturers of video compression semiconductors and, after the planned introduction of its VideoCommunicators, will compete with manufacturers of video conferencing products targeted at the consumer market. The markets for the Company's products are characterized by intense competition, declining average selling prices and rapid technological change. The competitive factors in the market for its planned VideoCommunicators include audio and video quality, phone line connectivity at high transmission rates, ability to connect and maintain stable connections, ease of use, price, access to enabling technologies, product design, time-to-market, adherence to industry standards, interoperability, strength of distribution channels, customer support, reliability and brand name. The Company expects intense competition for its VideoCommunicators from the following segments:

Large consumer electronics manufacturers. The Company will face intense competition from many well known, established suppliers of consumer electronics products, which may include Lucent Technologies, Matsushita Electric Industrial Co., Ltd. ("Matsushita"), Philips, Samsung and Sony. Many of these potential competitors sell television and telephone products into which they may integrate video conferencing systems, thereby eliminating a consumer's need to purchase a separate video conferencing system, such as the VC100.

Personal computer system and software manufacturers. Potential customers for the Company's VideoCommunicators may elect instead to buy PCs equipped with video conferencing capability. As a result, the Company may face competition from Intel; PC system manufacturers such as Apple, Compaq, IBM and Sony; PC software suppliers such as Microsoft and Netscape; and PC add-on component suppliers.

Existing manufacturers of video conferencing equipment. Manufacturers of more expensive corporate video conferencing systems may enter the market for lower cost consumer video conferencing products. Potential competitors include Compression Labs, PictureTel, Sony and Vtel.

Emerging suppliers of "Internet appliances." Potential customers for the Company's VideoCommunicators may elect instead to buy standalone internet access terminals which may provide some or all of the functionality of the Company's products. Consumer products for TV-based Internet access have recently been announced by companies such as Philips and Sony.

The principal competitive factors in the market for video compression semiconductors include product definition, product design, system integration, chip size, functionality, time-to-market, adherence to industry standards and reliability. The Company has a number of direct competitors in this market including Lucent Technologies and Texas Instruments. Certain of the Company's competitors for video compression semiconductors maintain their own semiconductor foundries and may therefore benefit from certain capacity, cost and technical advantages.

Many of the Company's current and potential competitors have longer operating histories, are substantially larger, and have greater financial, manufacturing, marketing, technical and other resources. A number also have greater name recognition and a larger installed base of products than the Company. Competition in the Company's markets may result in significant price reductions. As a result of their greater resources, many current and potential competitors may be better able than the Company to withstand significant price competition or downturns in the economy. There can be no assurance that the Company will be able to continue to compete effectively, and any failure to do so would have a material adverse effect upon the Company's business and operating results.

A number of companies have licensed portions of the Company's technology (including an affiliate of Matsushita which has licensed substantially all of the Company's technology underlying the Company's VideoCommunicators currently under development) and, therefore, may be able to use this technology to produce products that compete directly with the Company's VideoCommunicators. See "Business -- Licensing and Development Arrangements."

UNCERTAINTY OF MARKET ACCEPTANCE; LIMITS OF EXISTING TECHNOLOGY

Previous efforts to sell consumer video phones have been unsuccessful and there can be no assurance that the market for such products will develop. The Company has no reliable data to suggest that there will be significant customer demand for such products, including the Company's VideoCommunicators. For such products to achieve widespread consumer acceptance, the installed base must reach a critical mass. Failure of the market for consumer video telephony to develop or achieve critical mass would have a material adverse effect on the Company's business and operating results.

In addition, the data carrying capacity of standard analog phone lines is limited. Currently, modems used for the transmission of data over standard analog phone lines are limited to data transfer rates of up to 33.6 Kbps. Using such modems, the Company's VC100 may initially be capable of delivering video data at rates only up to 12 frames per second. This compares to 30 frames per second provided by television, 24 frames per second provided by movies and 24 or more frames per second provided by ISDN video teleconferencing. At rates less than approximately 24 frames per second, the human eye can detect degradation of video quality. Further, POTS infrastructure varies widely in configuration and integrity, which can result in decreased rates of transmission and difficulties in establishing and maintaining connections. Actual or perceived technical difficulties related to the H.324 standard on POTS could have a material adverse effect on the Company's business and results of operations. See "Business -- Sales and Marketing."

DEPENDENCE ON H.324 STANDARD FOR VIDEO TELEPHONY

The H.324 standard has only recently received industry endorsement as an international protocol for video telephony using POTS. The Company believes that adherence to this standard is an important factor in the development of this marketplace and, if the H.324 standard is not widely implemented in the industry, different vendors' products will not be compatible, which may deter or delay growth in the market and reduce the demand for consumer video telephony products. However, the emergence of industry standards may also lower barriers to entry and result in increased competition. There can be no assurance that the H.324 standard will not change or be supplanted by other standards, which could render the Company's H.324 compliant products uncompetitive. There can be no assurance that, even with the H.324 standard in place, a market for video telephony products compatible with H.324 will develop. Further, the implementation of the H.324 standard by different manufacturers may vary. Such variation could degrade the quality and limit the interoperability of POTS based systems, which may inhibit widespread acceptance of consumer video telephony products.

NO HISTORY OF DIRECT CONSUMER MARKETING

In recent years, the Company has been a provider of video compression semiconductors to OEMs of video conferencing systems. Accordingly, the Company has had no prior experience in marketing commercial quantities of consumer products such as the VC100. In order to achieve significant market penetration and brand awareness for the VC100, the Company must expand its sales and marketing efforts and develop direct consumer marketing capabilities. There can be no assurance that the Company will be successful in these areas or that the Company will be able to achieve significant market penetration with its VC100. See "Business -- Sales and Marketing."

POTENTIAL REDUCTION IN LICENSING REVENUES

The Company has in the past received substantial revenues from licensing of technology. Licensing revenues were $8.1 million and $1.8 million in the year ended March 31, 1996 and the six months ended September 30, 1996, respectively. There can be no assurance that the Company will receive revenues from licensing of its technology in the future.

PRODUCT CONCENTRATION; POTENTIAL LOSS OF SEMICONDUCTOR SALES; DEPENDENCE ON VIDEO CONFERENCING INDUSTRY

In the years ended March 31, 1994, 1995 and 1996 and the six month period ended September 30, 1996, sales of video compression semiconductors accounted for approximately 12%, 42%, 63% and 81%, respectively,

of the Company's total revenues. Pending a successful introduction of its VideoCommunicators, sales of video compression semiconductors will continue to account for a substantial majority of total revenues. Moreover, successful introduction of VideoCommunicators may adversely affect sales of semiconductors to the Company's existing customers that currently, or may in the future, sell products that compete with the Company's VideoCommunicators.

Sales of the Company's existing compression semiconductors and planned VideoCommunicators are also dependent on the video conferencing industry. Thus, regardless of the success or failure of its VideoCommunicators, the Company will continue to be substantially dependent on the video conferencing industry. Any reduction in the demand for the Company's video compression semiconductors (particularly prior to significant VideoCommunicator revenues) or any general decline in the market for video conferencing products could have a material adverse effect on the Company's business, and operating results. See "Business -- Sales and Marketing" and "Business -- Competition."

DEPENDENCE ON KEY CUSTOMERS

Historically, a significant portion of the Company's sales has been to relatively few customers, although the composition of these customers has varied. Product revenues from the Company's ten largest customers, in the years ended March 31, 1994, 1995 and 1996 and the six months ended September 30, 1996 accounted for approximately 55%, 44%, 39% and 53%, respectively, of its total revenues. Sales of video compression semiconductors to relatively few customers may continue to account for a significant portion of its total revenues. Substantially all the Company's sales have been made, and are expected to be made, on a purchase order basis. None of the Company's customers has entered into a long-term agreement requiring it to purchase the Company's products. The loss of, or any reduction in orders from, significant customers could have a material adverse effect on the Company's business and operating results. See "Business -- Sales and Marketing."

RAPID TECHNOLOGICAL CHANGE; DEPENDENCE ON NEW PRODUCT INTRODUCTION

The video compression semiconductor and video conferencing markets are characterized by rapid changes in customer requirements, frequent introductions of new and enhanced products, and continuing and rapid technological advancement. To compete successfully, the Company must continue to design, develop, manufacture and sell new and enhanced products that provide increasingly higher levels of performance and reliability, take advantage of technological advancements and changes and respond to new customer requirements. The Company's success in designing, developing, manufacturing and selling such products will depend on a variety of factors, including the identification of market demand for new products, product selection, timely implementation of product design and development, product performance, cost-effectiveness of products under development, effective manufacturing processes and the success of promotional efforts.

The Company is currently a developer and supplier of video compression semiconductors which it has sold since 1991. The Company was previously involved in several other businesses which have since been discontinued. Prior product lines and development efforts included math co-processors, microprocessors, graphics and MPEG decoding semiconductors. The Company discontinued its efforts in these areas in part because of rapid changes in the personal computer marketplace and severe price competition for certain of these components.

The Company plans to introduce additional VideoCommunicators and video compression semiconductors subsequent to the introduction of the VC100. There can be no assurance that these or any future products will be successfully developed or introduced to the market. The Company has in the past experienced delays in the development of new products and the enhancement of existing products, and such delays may occur in the future. If the Company is unable, due to resource constraints or technological or other reasons, to develop and introduce new or enhanced products in a timely manner, or if such new or enhanced products do not achieve sufficient market acceptance, it would have a material adverse effect on the Company's business and operating results. See "Business -- Research and Development."

MANAGEMENT OF GROWTH

The development, introduction and marketing of the Company's VideoCommunicators will place a significant strain on the Company's limited personnel, management and other resources. The Company's ability to manage any future growth effectively will require it to attract, train, motivate and manage new employees successfully, to effectively integrate new employees into its operations and to continue to improve its operational, financial and management systems. In particular, the Company intends to hire additional research and development personnel and to develop direct consumer marketing capabilities by increasing the size of its domestic and international sales and marketing staff. The Company's failure to manage its growth effectively could have a material adverse effect on the Company's business and operating results. See "Business -- 8x8 Strategy."

DEPENDENCE ON PROPRIETARY TECHNOLOGY; RELIANCE ON THIRD PARTY LICENSES

The Company relies in part on trademark, copyright and trade secret law to protect its intellectual property in the United States and abroad. The Company seeks to protect its software, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. There can be no assurance that the steps taken by the Company will prevent misappropriation of its technology. The Company also relies in part on patent law to protect its intellectual property in the United States and abroad. The Company currently holds three United States patents, including patents relating to video compression and memory architecture technology, and has 17 United States patent applications pending. The Company has four foreign patent applications pending. There can be no assurance that any patent, trademark or copyright owned by the Company will not be invalidated, circumvented or challenged, that the rights granted thereunder will provide competitive advantages to the Company or that any of the Company's pending or future patent applications will be issued with the scope of the claims sought by the Company, if at all. In addition, the laws of some foreign countries do not protect the Company's proprietary rights as fully as do the laws of the United States. Thus, effective intellectual property protection may be unavailable or limited in certain foreign countries. There can be no assurance that the Company's means of protecting its proprietary rights in the United States or abroad will be adequate or that competitors will not independently develop technologies that are similar or superior to the Company's technology, duplicate the Company's technology or design around any patent of the Company. Moreover, litigation may be necessary in the future to enforce the Company's intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of management time and resources and could have a material adverse effect on the Company's business and operating results.

There has been substantial litigation in the semiconductor, electronics and related industries regarding intellectual property rights, and there can be no assurance that third parties will not claim infringement by the Company of their intellectual property rights. In addition, as is common in its industry, the Company has from time to time received notification from other companies of intellectual property rights held by those companies upon which the Company's products may infringe. If the Company were found to be infringing on the intellectual property rights of any third party, the Company could be subject to liabilities for such infringement, which could be material, and could be required to seek licenses from other companies or to refrain from using, manufacturing or selling certain products or using certain processes. Although holders of patents and other intellectual property rights often offer licenses to their patents or other intellectual property rights, no assurance can be given that licenses would be offered to the Company, that the terms of any offered license would be acceptable to the Company or that failure to obtain a license would not adversely affect the Company's business and operating results.

The Company relies upon certain software licensed from third parties. There can be no assurance that the software licensed by the Company will continue to provide competitive features and functionality or that licenses for software currently utilized by the Company or other software which the Company may seek to license in the future will be available to the Company on commercially reasonable terms or at all. The loss of, or inability to maintain, existing licenses could result in shipment delays or reductions until equivalent software or suitable alternative products could be developed, identified, licensed and integrated, and the

inability to license key new software that may be developed, on commercially reasonable terms, would have a material adverse effect on the Company's business and operating results. See "Business -- Intellectual Property."

LACK OF EXPERIENCE IN MANUFACTURING CONSUMER VIDEO TELEPHONY PRODUCTS

The Company is a fabless semiconductor manufacturer and has not manufactured commercial quantities of any consumer video telephony products. To achieve future profitability, the Company must be able to manufacture the VC100 and its other VideoCommunicators directly or through third party subcontract manufacturers, in commercial quantities on a cost effective basis, of which there can be no assurance. In view of the Company's lack of manufacturing experience, there can be no assurance that unforeseen technical or other difficulties will not arise which could interfere with the manufacture thereof or prevent, or create delays in, marketing these products. Any delay in the manufacture of the VideoCommunicators, quality control problems, or inability to produce such products in commercial quantities or on a cost effective basis could have a material adverse effect on the Company's business and operating results.

DEPENDENCE ON THIRD PARTY MANUFACTURERS; COMPONENT AVAILABILITY

The Company uses independent foundries to fabricate, assemble and test its video compression semiconductors. The Company does not have long-term purchase agreements with its semiconductor foundries, and purchases semiconductor wafers pursuant to purchase orders. Therefore these foundries are generally not obligated to supply products to the Company for any specific period, in any specific quantity or at any specific price. The Company secures assembly and test services on a purchase order basis as well.

The Company plans to outsource the manufacture of its VideoCommunicators to subcontract manufacturers. The Company is currently negotiating arrangements with certain large subcontract manufacturing companies to produce its VideoCommunicators. There can be no assurance that these negotiations will be successful. The Company anticipates that its subcontract manufacturers will procure components from their suppliers and perform assembly and testing of the Company's VideoCommunicators on a turnkey basis. There can be no assurance that these or additional contract manufacturers will be able to reliably manufacture the Company's products in volumes, on a cost effective basis or in a timely manner.

The Company's reliance on independent semiconductor foundries and subcontract manufacturers involves a number of risks, including the lack of direct control over the manufacturing process, the absence or unavailability of adequate capacity, the unavailability of, or interruption in access to, certain process technologies (particularly in the case of semiconductors) and reduced control over delivery schedules, quality control, manufacturing yields and costs. In the event that the Company's foundries and subcontract manufacturers are unable or unwilling to continue to manufacture the Company's products in required volumes at commercially acceptable costs or at all, the Company will have to secure additional foundry or manufacturing capacity. Available semiconductor foundry and manufacturing capacity at times has been limited. Even if such additional capacity is available at commercially acceptable terms, the qualification process could be lengthy and could create delays in product shipments.

Certain components necessary for the manufacture of the Company's products are obtained from a single supplier or a limited group of suppliers. These include a digital camera, modem chips, certain ASICs and other semiconductor components. The Company does not maintain any long-term agreements with any of its suppliers of components. Because the purchase of certain key components may involve long lead times, in the event of unanticipated increases in demand for the Company's products, the Company could be unable to manufacture certain products in a quantity sufficient to meet end user demand. A shortage of key component would have a material adverse effect on the Company's business and operating results.

These risks and the related difficulties that the Company may experience due to its reliance on independent semiconductor foundries, subcontract manufacturers and component suppliers could have a material adverse effect on the Company's business and operating results.

COMPLIANCE WITH REGULATIONS AND INDUSTRY STANDARDS

The Company must comply with certain rules and regulations of the Federal Communications Commission ("FCC") regarding electromagnetic radiation and standards established by Underwriters Laboratories, Inc., as well as similar regulations and standards applicable in other countries. The Company's VideoCommunicators must comply with these regulations and standards as a prerequisite to commercial sales. As these regulations and standards evolve, the Company may be required to modify its existing products or develop and support new versions of its products. The failure of the Company's products to comply, or delays in compliance, with the various existing and evolving government regulations and industry standards could delay introduction of the VideoCommunicators, which would have a material adverse effect on the Company's business and operating results.

INTERNATIONAL OPERATIONS

Sales to customers outside of the United States represented 29%, 40%, 49% and 62% of the total revenues in the years ended March 31, 1994, 1995 and 1996 and the six months ended September 30, 1996, respectively, and international sales are likely to continue to represent a substantial portion of its total revenues for the foreseeable future. In addition, substantially all of the Company's current products are, and substantially all of the Company's future products will be, manufactured, assembled and tested by independent third parties in foreign countries. International sales and manufacturing are subject to a number of risks, including changes in foreign government regulations and telecommunications standards, export license requirements, tariffs and taxes, other trade barriers, fluctuations in currency exchange rates, difficulty in collecting accounts receivable and difficulty in staffing and managing foreign operations. While international sales are typically denominated in U.S. dollars, fluctuations in currency exchange rates could cause the Company's products to become relatively more expensive to customers in a particular country, leading to a reduction in sales or profitability in that country. Payment cycles for international customers may be longer than those for customers in the United States. The Company is also subject to geopolitical risks, such as political, social and economic instability, potential hostilities and changes in diplomatic and trade relationships, in connection with its international operations. See "Business -- Sales and Marketing" and "Business -- Manufacturing."

NEED FOR ADDITIONAL CAPITAL TO FINANCE GROWTH AND CAPITAL REQUIREMENTS

While the Company expects that the proceeds from this Offering, its existing cash balances and the amounts, if any, generated from operations will be sufficient to meet its cash requirements for at least the next 12 months, the Company is operating in a rapidly changing industry. There can be no assurance that the Company will not seek to exploit business opportunities that will require it to raise additional capital from equity or debt sources to finance its growth and capital requirements. In particular, the development and marketing of new products could require a significant commitment of resources, which could in turn require the Company to obtain additional financing earlier than otherwise expected. There can be no assurance that the Company will be able to raise such capital on acceptable terms, if at all. If the Company is unable to obtain such additional capital, the Company may be required to reduce the scope of its planned product development and introduction, which could adversely affect the Company's business and operating results. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DEPENDENCE ON KEY PERSONNEL

The Company is highly dependent on the continued service of, and on its ability to attract and retain, qualified technical, marketing, sales and managerial personnel. The competition for such personnel is intense, particularly in Silicon Valley, where the Company's principal office is located, and the loss of any of such persons, as well as the failure to recruit additional key technical and sales personnel in a timely manner, would have a material adverse effect on the Company's business and operating results. There can be no assurance that the Company will be able to continue to attract and retain the qualified personnel necessary for the development of its business. The Company currently does not have employment contracts with any of its

employees and does not maintain key person life insurance policies on any of its employees. See "Business -- Employees" and "Management."

ANTI-TAKEOVER PROVISIONS OF THE COMPANY'S CERTIFICATE OF INCORPORATION, BYLAWS AND DELAWARE LAW

Certain provisions of the Company's Certificate of Incorporation and Bylaws, as in effect upon the closing of this Offering, may have the effect of making it more difficult for a third party to acquire, or discouraging a third party from attempting to acquire, control of the Company. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of the Company's Common Stock. Certain of these provisions eliminate the right of the stockholders to act by written consent without a meeting, eliminate cumulative voting by stockholders in the election of directors and specify procedures for director nominations by stockholders and submission of other proposals for consideration at stockholder meetings. In addition, the Company's Board of Directors has the authority to issue up to 5,000,000 shares of Preferred Stock and to determine the price, rights, preferences, privileges and restrictions of those shares without any further vote or action by the stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The Company has no present plans to issue shares of Preferred Stock. Certain provisions of Delaware law applicable to the Company could also delay or make more difficult a merger, tender offer or proxy contest involving the Company, including Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years unless certain conditions are met. Additionally, the issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, may discourage bids for the Common Stock at a premium over the market price of the Common Stock and may adversely affect the market price of and the voting and other rights of the holders of the Common stock. Such provisions could have the effect of delaying, deferring or preventing a change in control of the Company, including without limitation, discouraging a proxy contest or making more difficult the acquisition of a substantial block of the Company's Common Stock. These provisions could also limit the price that investors might be willing to pay in the future for shares of the Company's Common Stock. See "Description of Capital Stock -- Preferred Stock," "Description of Capital Stock -- Anti-Takeover of Provisions of Certificate of Incorporation and Bylaws" and "Description of Capital Stock -- Effect of Delaware Antitakeover Statute."

NO PRIOR TRADING MARKET FOR COMMON STOCK; POTENTIAL VOLATILITY OF STOCK PRICE

Prior to this Offering, there has been no public market for the Common Stock and there can be no assurance that an active trading market will develop or be sustained after this Offering. The initial public offering price will be determined through negotiations between the Company and the representatives of the Underwriters based on several factors and may not be indicative of the market price of the Common Stock after this Offering. See "Underwriting." The market price of the shares of Common Stock is likely to be highly volatile and may be significantly affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcements of technical innovations, new products or new contracts by the Company, its competitors or their customers, governmental regulatory action, developments with respect to patents or proprietary rights, general market conditions, changes in financial estimates by securities analysts and other factors, certain of which could be unrelated to, or outside the control of, the Company. The stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices for the common stocks of technology companies and that have often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Common Stock. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has been initiated against the issuing company. There can be no assurance that such litigation will not occur in the future with respect to the Company. Such litigation could result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on the Company's business, financial condition and operating results. Any settlement or adverse determination in such litigation would also subject the Company to significant liability, which would have a material adverse effect on the Company's business and financial condition.

DILUTION

Purchasers of the Common Stock offered hereby will suffer immediate and substantial dilution in the net tangible book value of the Common Stock from the initial public offering price. To the extent outstanding options to purchase the Company's Common Stock are exercised, there will be further dilution. See "Dilution."

SHARES ELIGIBLE FOR FUTURE SALE

Sale of substantial amounts of shares in the public market or the prospect of such sales could adversely affect the market price of the Company's Common Stock. Upon completion of this Offering, the Company will have outstanding 13,195,348 shares of Common Stock. Of the shares outstanding prior to this Offering, with the exception of 143,316 shares which will be immediately eligible for sale under Rule 144 promulgated pursuant to the Securities Act, all shares of Common Stock held by current stockholders are subject to lock-up agreements under which the holders of such shares have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this Prospectus without the prior written consent of Montgomery Securities. After the 180-day period, 9,496,071 shares held by current stockholders will be eligible for sale under Rule 144 or Rule 701. The remaining 1,055,961 shares held by existing stockholders will become eligible for sale from time to time in the future under Rule 144 or Rule 701. In addition, the Company intends to file a registration statement under the Securities Act, upon the effectiveness of this Offering or shortly thereafter, covering the sale of shares of Common Stock reserved for issuance under its Key Personnel Plan, 1992 Stock Option Plan, 1996 Stock Plan, 1996 Employee Stock Purchase Plan and 1996 Director Option Plan. Upon completion of this Offering, there will be outstanding options to purchase a total of 1,543,787 shares of the Company's Common Stock, all of which are subject to 180-day lock-up agreements. A total of 230,566 shares issuable upon exercise of such options, as of September 30, 1996, will be eligible for sale into the public market 180 days after the date of this Prospectus. See "Management -- Compensation Plans," "Shares Eligible for Future Sale" and "Underwriting." Certain existing stockholders holding approximately 3,726,373 shares of Common Stock, are also entitled to registration rights with respect to their shares of Common Stock. See "Description of Capital Stock -- Registration Rights."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 2,500,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $9.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses, are estimated to be $19.9 million ($23.0 million if the Underwriters' over-allotment option is exercised in full).

The net proceeds of the Offering will be used for product development, manufacturing and marketing of the Company's products as well as for working capital and other purposes. A portion of the net proceeds may also be used for investments in or acquisitions of complementary businesses, products or technologies, although no such transactions are currently under negotiation. Pending such uses, the Company plans to invest the net proceeds in short-term, interest-bearing, investment grade securities.

DIVIDEND POLICY

The Company has never declared or paid cash dividends on its capital stock. The Company currently does not anticipate paying any cash dividends on its capital stock in the foreseeable future.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 1996, (i) on an actual basis, (ii) on a pro forma basis to reflect the sale of 270,913 shares of Series D Preferred Stock by the Company in October 1996, the automatic conversion of all outstanding shares of Preferred Stock into Common Stock upon the closing of this Offering and the filing of Amended and Restated Certificate of Incorporation immediately after the closing of the Offering to eliminate the Company's currently existing classes of Preferred Stock; and (iii) as adjusted to reflect the receipt by the Company of the net proceeds from the sale of the 2,500,000 shares of Common Stock offered hereby at an assumed initial public offering price of $9.00 per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses.

	SEPTEMBER 30, 1996		
	ACTUAL	PRO FORMA	AS ADJUSTED
	(IN THOUSANDS)		
Long-term debt, including current portion	$ --	$ --	$ --
Stockholders' equity:			
Preferred Stock, par value $0.001 per share; actual: 5,411,820 shares authorized, 3,455,460 shares issued and outstanding; pro forma and as adjusted: 5,000,000 shares authorized, no shares issued or outstanding	4	--	--
Common Stock, par value $0.001 per share; actual: 40,000,000 shares authorized, 6,968,975 shares issued and outstanding; pro forma: 40,000,000 shares authorized, 10,695,348 shares issued and outstanding; as adjusted: 40,000,000 shares authorized, 13,195,348 shares issued and outstanding (1)	7	11	13
Additional paid in capital	14,520	16,010	35,883
Notes receivable from stockholders	(1,078)	(1,078)	(1,078)
Accumulated deficit	(5,702)	(5,702)	(5,702)
Total stockholders' equity	7,751	9,241	29,116
Total capitalization	$7,751	$ 9,241	$ 29,116

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(1) Excludes, as of September 30, 1996, (i) an aggregate of 1,543,787 shares of Common Stock issuable on the exercise of outstanding options granted under the Company's 1992 Stock Option Plan and 1996 Stock Plan and (ii) an aggregate of 1,871,330 shares of Common Stock reserved for issuance under the Company's 1992 Stock Option Plan, 1996 Stock Plan, 1996 Director Option Plan and 1996 Employee Stock Purchase Plan. See "Management -- Compensation Plans."

DILUTION

The pro forma net tangible book value of the Company at September 30, 1996, giving effect to (i) the sale of 270,913 shares of Series D Preferred Stock by the Company in October 1996 and (ii) the conversion of all outstanding shares of Preferred Stock into Common Stock upon the closing of this Offering, was approximately $9.2 million, or $0.86 per share of Common Stock. "Pro forma net tangible book value" per share represents the amount of total tangible assets of the Company less total liabilities, divided by the number of shares of Common Stock outstanding. After giving effect to the sale by the Company of 2,500,000 shares of Common Stock offered hereby (and after deducting the estimated underwriting discounts and commissions and estimated offering expenses) at an assumed initial public offering price of $9.00 per share, the pro forma net tangible book value of the Company at September 30, 1996 would have been $29.1 million, or $2.21 per share. This represents an immediate increase in pro forma net tangible book value of $1.35 per share to existing stockholders and an immediate dilution of $6.79 per share to new investors purchasing in this Offering. The following table illustrates this per share dilution:

Assumed initial public offering price		$ 9.00
Pro forma net tangible book value before this Offering	$0.86	
Increase per share attributable to new investors	1.35	
Pro forma net tangible book value per share after this Offering		2.21
Dilution per share to new investors		$ 6.79

The following table summarizes, on a pro forma basis as of September 30, 1996 and after giving effect to the issuance of an aggregate of 270,913 shares of Series D Preferred Stock in October 1996, the differences between the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by the Company's existing stockholders and the new investors in this Offering with respect to the 2,500,000 shares of Common Stock to be sold by the Company. The calculations in this table with respect to shares of Common Stock to be purchased by new investors in this Offering reflect an assumed initial public offering price of $9.00 per share:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders	10,695,348	81.1%	$16,054,000	41.6%	$ 1.50
New investors	2,500,000	18.9	22,500,000	58.4	9.00
Total	13,195,348	100.0%	$38,554,000	100.0%	$ 2.92

The foregoing computations exclude as of September 30, 1996, (i) an aggregate of 1,543,787 shares of Common Stock issuable on the exercise of outstanding options granted under the Company's 1992 Stock Option Plan and 1996 Stock Plan and (ii) an aggregate of 1,871,330 shares of Common Stock reserved for issuance under the Company's 1992 Stock Option Plan, 1996 Stock Plan, 1996 Director Option Plan and 1996 Employee Stock Purchase Plan. See "Management -- Compensation Plans."

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated statement of operations data presented below for each of the years ended March 31, 1994, 1995 and 1996 and for the six months ended September 30, 1995 and 1996, and the selected consolidated balance sheet data as of March 31, 1995 and 1996 and September 30, 1996, are derived from, and are qualified by reference to, the Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus. The selected consolidated statement of operations data for the years ended March 31, 1992 and 1993 and the selected consolidated balance sheet data as of March 31, 1992, 1993 and 1994 are derived from the audited historical financial statements of the Company, which are not included herein. The Company's future operating results are expected to fluctuate as the Company proceeds with the development, introduction and marketing of its family of VideoCommunicators. Further, because of the Company's planned reliance on its VideoCommunicators, the Company's historical operating results will not be comparable to, and should not be relied upon as an indication of, future operating results. The data set forth below are qualified in their entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus.

	YEAR ENDED MARCH 31,					SIX MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1995	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Total revenues	$36,001	$31,082	$34,401	$19,929	$28,774	$12,122	$10,075
Cost of revenues	12,492	14,137	19,469	11,904	16,668	7,925	9,207
Gross profit	23,509	16,945	14,932	8,025	12,106	4,197	868
Operating expenses:							
Research and development	6,797	7,005	6,540	8,107	7,714	3,997	3,992
Selling, general and administrative	9,185	11,413	8,149	6,445	7,938	3,378	2,711
Restructuring costs	--	--	--	--	603	603	59
Total operating expenses	15,982	18,418	14,689	14,552	16,255	7,978	6,762
Income (loss) from operations	7,527	(1,473)	243	(6,527)	(4,149)	(3,781)	(5,894)
Other income, net	264	282	189	611	952	80	127
Income (loss) before provision for income taxes	7,791	(1,191)	432	(5,916)	(3,197)	(3,701)	(5,767)
Provision (benefit) for income taxes	2,831	(350)	780	(35)	20	--	146
Net income (loss)	$ 4,960	$ (841)	$ (348)	$(5,881)	$(3,217)	$(3,701)	$(5,913)
Pro forma loss per share(1)					$ (0.28)	$ (0.32)	$ (0.50)
Shares used in pro forma per share calculations(1)					11,654	11,585	11,800

	MARCH 31,					SEPTEMBER 30,
	1992	1993	1994	1995	1996	1996
	(IN THOUSANDS)					
CONSOLIDATED BALANCE SHEET DATA:						
Working capital	$10,976	$10,355	$10,683	$11,983	$ 9,333	$ 5,728
Total assets	24,265	24,586	21,908	20,644	23,067	12,856
Total liabilities	10,764	11,920	9,579	6,661	11,693	5,105
Total stockholders' equity	13,501	12,666	12,329	13,983	11,374	7,751

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(1) See Note 1 of Notes to Consolidated Financial Statements for an explanation of the method used to determine the number of shares used to compute per share amounts.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company was incorporated in California in February 1987 and intends to reincorporate in Delaware prior to the consummation of this Offering. The Company initially developed and sold math co-processors compatible with systems based on Intel's microprocessors. As Intel's microprocessors eliminated the need for a separate math co-processor, the Company's revenues from math co-processors declined.

In 1990, the Company began development of semiconductors and related software for the video conferencing and digital video playback markets. In fiscal 1994, 1995, 1996 and the six months ended September 30, 1996, sales of the Company's video compression semiconductors and related software accounted for 12%, 42%, 63% and 81%, respectively, of total revenues.

Since June 1995, the Company has been executing a new business strategy designed to discontinue efforts unrelated to video conferencing. As part of this strategy, the Company discontinued its efforts to develop Intel compatible x86 microprocessors in June 1995, reduced its workforce in May 1996 and sold its remaining MPEG inventory in September 1996. To address new opportunities, the Company intends to leverage its strength in semiconductor design and related software by introducing video conferencing systems for the consumer market. The first product in the Company's planned family of VideoCommunicators is the VC100, which is currently under development. The VC100 connects to a television set and a standard touch-tone telephone adding video to an otherwise normal telephone call, without the need for a PC. The Company plans to introduce the VC100 in early 1997 targeted at the consumer market. In addition, the Company is currently developing a second VideoCommunicator, the VC200, a non-PC based POTS video telephone with a built-in liquid crystal display.

The Company's future operating results are expected to fluctuate as the Company proceeds with the development, introduction and marketing of its VideoCommunicators. Further, because of the Company's planned reliance on its VideoCommunicators, the Company's historical operating results will not be comparable to, and should not be relied upon as an indication of, future operating results. The development, introduction and marketing of the Company's VideoCommunicators are subject to a number of risks, many of which are beyond the control of the Company. See "Risk Factors."

Historically, the Company has sold its video compression semiconductors and related software to video conferencing OEMs and distributors. The Company intends to sell its VideoCommunicators through a direct marketing effort utilizing a combination of advertising, toll-free telemarketing and direct mail supported by co-marketing arrangements with third parties and resale through the retail channel.

The Company believes that the introduction of its family of VideoCommunicators may adversely impact its gross margins due in part to higher unit costs associated with initial production of its first products as well as substantially different cost and pricing structures related to the manufacture and sale of consumer products.

RESULTS OF OPERATIONS

The following table sets forth certain items from the Company's consolidated statement of operations as a percentage of total revenues for the periods indicated. The data set forth below should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

	YEAR ENDED MARCH 31,			SIX MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1995	1996
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	56.6	59.7	57.9	65.4	91.4
Gross margin	43.4	40.3	42.1	34.6	8.6
Operating expenses:					
Research and development	19.0	40.7	26.8	33.0	39.6
Selling, general and administrative	23.7	32.3	27.6	27.8	26.9
Restructuring costs	--	--	2.1	5.0	0.6
Total operating expenses	42.7	73.0	56.5	65.8	67.1
Income (loss) from operations	0.7	(32.7)	(14.4)	(31.2)	(58.5)
Other income (expense), net	0.5	3.1	3.3	0.7	1.3
Income (loss) before provision for income taxes	1.2	(29.6)	(11.1)	(30.5)	(57.2)
Provision (benefit) for income taxes	2.3	(0.2)	0.1	0.0	1.5
Net (loss)	(1.1)%	(29.4)%	(11.2)%	(30.5)%	(58.7)%

FISCAL YEARS ENDED MARCH 31, 1994, 1995 AND 1996

Total Revenues. Total revenues consist of product sales and the licensing of technology. Total revenues were $34.4 million, $19.9 million and $28.8 million in fiscal 1994, 1995 and 1996, respectively. Total revenues fluctuated primarily due to the declining sales of math co-processors and increasing sales of the Company's video compression semiconductors. Math co-processor total revenues declined from $27.5 million in fiscal 1994 to $10.9 million in fiscal 1995 and to $2.5 million in fiscal 1996, while total revenues from video compression semiconductors increased from $4.1 million in fiscal 1994 to $8.3 million in fiscal 1995 and to $18.2 million in fiscal 1996. In fiscal 1996, total revenues included $8.1 million of technology licensing revenue, of which $6.8 million was derived from one customer. During fiscal 1994 and 1995, the Company generated no technology licensing revenues.

Gross Profit. The cost of revenues consists of costs associated with wafer fabrication, assembly and testing performed by third-party vendors and direct and indirect costs associated with purchasing, scheduling and quality assurance. The Company's gross profit was $14.9 million, $8.0 million and $12.1 million, or 43%, 40% and 42% of total revenues, in fiscal 1994, 1995, and 1996, respectively. The gross profit for fiscal 1996 was favorably impacted by technology licensing revenues and adversely impacted by negative margin from sales of MPEG products. The Company sold its remaining MPEG inventory in September 1996.

Research and Development. Research and development expenses consist primarily of personnel, mask and equipment costs necessary for the Company to conduct its development efforts. Research and development costs, including software development costs, are expensed as incurred. Research and development expenses were $6.5 million, $8.1 million and $7.7 million, or 19%, 41% and 27% of total revenues, in fiscal 1994, 1995 and 1996, respectively. A significant portion of research and development expenses during these periods was attributable to the development of products that were subsequently discontinued, including an Intel compatible x86 microprocessor and graphics and MPEG semiconductors. During fiscal 1997, research and development expenses are expected to be concentrated on video compression semiconductors and VideoCommunicators.

Selling, General and Administrative. Selling, general and administrative expenses consist primarily of personnel and related overhead costs for sales, marketing, finance, human resources and general management. Such costs also include advertising, sales commissions, trade shows and other marketing and promotional expenses. Selling, general and administrative expenses were $8.1 million, $6.4 million and $7.9 million, or 24%, 32% and 28% of total revenues, in fiscal 1994, 1995 and 1996, respectively. In fiscal 1995, selling, general and administrative expenses decreased by $1.7 million primarily due to decreases in advertising and sales commissions associated with the Company's math co-processor business. Selling, general and administrative expenses increased by $1.5 million in fiscal 1996 primarily due to higher compensation expenses and, to a lesser extent, higher legal and bad debt expenses.

Restructuring costs. During fiscal 1996, the Company recorded restructuring charges related to concentrating its research and development activities on video conferencing products and eliminating certain unrelated product development efforts. The restructuring costs related primarily to a write off of equipment associated with the eliminated development efforts.

Other income, net. In fiscal 1994, 1995 and 1996, other income was $189,000, $611,000 and $952,000, respectively. In fiscal 1994 and 1995, other income consisted primarily of interest income. Interest income increased in fiscal 1995 due to the increase in cash balances resulting from an equity financing that occurred in April 1994. During fiscal 1996, the Company acquired equity positions in four privately held companies. In fiscal 1996, the Company realized $727,000 of income by selling the stock of one of these entities. The Company's investment in each of these entities represents less than 15% of the outstanding voting stock of these entities and accordingly, the Company has accounted for these investments on a cost basis. At September 30, 1996, the book value of the remaining investments totaled $400,000.

Income Taxes. In fiscal 1995 and 1996, the Company was not profitable and incurred no material income tax expense. Income tax expense in fiscal 1994 on pre-tax income of $432,000 was $780,000 due to a valuation reserve primarily relating to the Company's state deferred tax assets.

The Internal Revenue Service (the "IRS") is currently conducting an examination of the Company's federal income tax return for the fiscal year ended March 31, 1992. In August 1996, the IRS asserted a deficiency against the Company for the taxable year 1992 of approximately $1.4 million for accumulated earnings taxes, together with a penalty of approximately $273,000 plus accrued interest. The Company has filed an appeal challenging the assessment. The outcome of this matter cannot be predicted. In addition, the IRS has requested information related to the Company's federal tax returns for the year ended March 31, 1995.

SIX MONTHS ENDED SEPTEMBER 30, 1995 COMPARED TO SIX MONTHS ENDED SEPTEMBER 30, 1996

Total Revenues. The Company's total revenues decreased from $12.1 million in the first six months of fiscal 1996 to $10.1 million in the first six months of fiscal 1997, principally as a result of declining math co-processor revenues. Math co-processor total revenues in the first six months of fiscal 1996 and 1997 were $1.8 million and $186,000, respectively. Total revenues from the sale of video compression semiconductors were $8.0 million and $8.1 million for the first six months of fiscal 1996 and 1997, respectively. The Company entered into technology licensing agreements generating $2.3 million and $1.8 million in licensing revenues during the first six months of fiscal 1996 and 1997, respectively.

Gross Profit. The Company's gross profit was $4.2 million and $868,000 in the first six months of fiscal 1996 and 1997, respectively. This significant decline in gross profit relates primarily to a $4.0 million charge for inventories in the first six months of fiscal 1997 related to the Company's exit from the MPEG market. In September 1996, the Company sold its remaining MPEG inventory.

Research and Development. Research and development expenses were $4.0 million and $4.0 million in the first six months of fiscal 1996 and 1997, respectively. The research and development efforts in the six months ended September 30, 1996 were primarily focused on video conferencing products. The Company's development of new products and the enhancement of existing products is essential to its success. Accordingly,

the Company anticipates that research and developments expenses will continue to increase in the foreseeable future.

Selling, General and Administrative. Selling, general and administrative expenses were $3.4 million and $2.7 million in the first six months of fiscal 1996 and 1997, respectively. Such expenses decreased partly due to a decrease in headcount in the quarter ended June 30, 1996. The Company's selling, general and administrative expenses will increase in future periods as it expands its sales and marketing efforts in conjunction with the introduction and marketing of its family of VideoCommunicators. Additionally, the Company's general and administrative expenses will increase in future periods as the Company expands its administrative staff and assumes additional responsibilities associated with being a public company.

Restructuring costs. During fiscal 1997, the Company recorded an additional charge for restructuring its operations by reducing its workforce. As of September 30, 1996, the Company's restructuring actions were fully completed and there were no outstanding restructuring cost accruals.

Income Taxes. The provision for income taxes for the six months ended September 30, 1996 primarily represents certain foreign withholding taxes.

At September 30, 1996, the Company had approximately $7.5 million of federal net operating loss carryforwards and approximately $1.2 million of research and development tax credit carryforwards available to offset future taxable income; such carryforwards expire beginning in the year 2010. Under the ownership changes limitations provided by the Internal Revenue Code of 1986, as amended, the amount of, and benefit from, the net operating losses and credit carryforwards may be impaired or limited in certain circumstances. At September 30, 1996, the Company's net operating loss carryforwards were not subject to any such limitations.

At September 30, 1996, the Company had gross deferred tax assets of approximately $7.0 million. The weight of available evidence indicates that it is more likely than not that the Company will not be able to realize its deferred tax assets and thus a full valuation reserve has been recorded at September 30, 1996.

QUARTERLY RESULTS

The following tables set forth consolidated statements of operations data for the six quarters in the period ended September 30, 1996, both in dollar amounts and as percentages of total revenues. The data set forth has been derived from unaudited consolidated financial statements of the Company and has been prepared on the same basis as the audited financial statements, and in the opinion of management, includes all normal recurring adjustments that the Company considers necessary for a fair presentation of the results of the interim periods and should be read in conjunction with the Consolidated Financial Statements and Notes thereto. The operating results for any quarter are not necessarily indicative of results for future quarters. Further, because of the Company's planned reliance on its VideoCommunicators, the Company's historical operating results will not be comparable to, and should not be relied upon as an indication of, future operating results.

	QUARTER ENDED					
	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MARCH 31, 1996	JUNE 30, 1996	SEPT. 30, 1996
	(IN THOUSANDS)					
Total revenues	$ 4,881	$ 7,241	$7,083	$ 9,569	$ 5,703	$ 4,372
Cost of revenues	4,184	3,741	3,019	5,724	7,330	1,877
Gross profit (loss)	697	3,500	4,064	3,845	(1,627)	2,495
Operating expenses						
Research and development	2,296	1,701	1,633	2,084	1,854	2,138
Selling, general and administrative	1,803	1,575	2,243	2,317	1,520	1,191
Restructuring costs	603	--	--	--	59	--
Total operating expenses	4,702	3,276	3,876	4,401	3,433	3,329
Income (loss) from operations	(4,005)	224	188	(556)	(5,060)	(834)
Other income (expense), net	152	(72)	233	639	53	74
Income (loss) before income taxes	(3,853)	152	421	83	(5,007)	(760)
Provision for income taxes	--	--	--	(20)	(100)	(46)
Net income (loss)	$ (3,853)	$ 152	$ 421	$ 63	$ (5,107)	$ (806)

	AS A PERCENTAGE OF TOTAL REVENUES					
	QUARTER ENDED					
	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MARCH 31, 1996	JUNE 30, 1996	SEPT. 30, 1996
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	85.7	51.7	42.6	59.8	128.5	42.9
Gross margin	14.3	48.3	57.4	40.2	(28.5)	57.1
Operating expenses						
Research and development	47.0	23.5	23.0	21.8	32.5	48.9
Selling, general and administrative	36.9	21.7	31.7	24.2	26.7	27.2
Restructuring costs	12.4	--	--	--	1.0	--
Total operating expenses	96.3	45.2	54.7	46.0	60.2	76.1
Income (loss) from operations	(82.0)	3.1	2.7	(5.8)	(88.7)	(19.0)
Other income (expense), net	3.1	(1.0)	3.3	6.7	0.9	1.7
Income (loss) before income taxes	(78.9)	2.1	6.0	0.9	(87.8)	(17.3)
Provision for income taxes	--	--	--	(0.2)	(1.7)	(1.0)
Net income (loss)	(78.9)%	2.1%	6.0%	0.7%	(89.5)%	(18.3)%

The Company's technology licensing activities have contributed to fluctuations in the Company's quarterly revenues. Technology licensing revenues for each of the six quarters in the period ended September 30, 1996, were $0.0, $2.3 million, $2.8 million, $3.0 million, $1.0 million and $725,000, respectively. In addition, revenues have fluctuated as the Company has introduced new or enhanced versions of its video compression semiconductors and as earlier products approached the end of their life cycle. In the quarter ended March 31, 1996, the Company realized both significant technology licensing revenues and "end of life" revenues related to the Company's prior generation of video compression semiconductors. In contrast, the quarter ended June 30, 1996 reflects licensing revenues of only $1.0 million and insignificant revenues related to these discontinued products.

In general, favorable gross margin fluctuations in the quarters ended September 30, 1995 and December 31, 1995 reflect the impact of technology license revenues, which have no material associated costs. However, in the quarter ended June 30, 1996 the unfavorable gross margin fluctuation was due primarily to a $4.0 million charge for inventories related to the Company's MPEG inventory. In September 1996, the Company sold its remaining MPEG inventory.

Operating expenses have fluctuated as the Company discontinued its efforts to develop an Intel compatible x86 microprocessor in the quarter ended June 30, 1995, reduced its workforce in the quarter ended June 30, 1996 and has focused its efforts on developing its video compression semiconductors and its VideoCommunicators.

The Company currently anticipates that for the quarter ending December 31, 1996 its total revenues will be lower and its operating loss will be higher than the corresponding amounts for the quarter ended September 30, 1996.

The Company's operating results have fluctuated significantly and may continue to fluctuate in the future, on an annual and a quarterly basis, as a result of a number of factors, many of which are outside the Company's control, including changes in market demand, the timing of customer orders, competitive market conditions, lengthy sales cycles, new product introductions by the Company or its competitors, market acceptance of new or existing products, the cost and availability of components, the mix of the Company's customer base and sales channels, the mix of products sold, the level of international sales, continued compliance with industry standards and general economic conditions.

Variations in timing of sales can cause significant fluctuations in future operating results. In addition, because a significant portion of the Company's business may be derived from orders placed by a limited number of large customers, the timing of such orders can also cause significant fluctuations in the Company's operating results. Anticipated orders from customers may fail to materialize, and delivery schedules may be deferred or canceled for a number of reasons, including changes in specific customer requirements. If sales do not meet the Company's expectations in any given quarter, the adverse impact of the shortfall on the Company's operating results may be magnified by the Company's inability to adjust spending to compensate for the shortfall. Announcements by the Company or its competitors of new products and technologies could cause customers to defer purchases of the Company's existing products, which would also have a material adverse effect on the Company's business and operating results.

The Company's strategic shift towards the introduction and marketing of VideoCommunicators such as the VC100 may result in substantially different patterns in operating results. For example, the Company's operating results may be subject to more heightened seasonality with sales higher during the Company's third fiscal quarter, corresponding to the Christmas shopping season. The Company intends to spend substantial additional amounts on advertising, toll-free marketing and customer support. There can be no assurance as to the amount of such spending or that revenues adequate to justify such spending will result. As a result of its shift to selling VideoCommunicators, the Company may experience different inventory, product return, price protection and warranty cost patterns.

As a result of these and other factors, it is likely that in some future period the Company's operating results will be below the expectations of securities analysts or investors, which would likely result in a

significant reduction in the market price for the Common Stock. See "Risk Factors -- Potential Fluctuations in Future Operations Results."

LIQUIDITY AND CAPITAL RESOURCES

Since fiscal 1993, the Company has satisfied its liquidity needs principally from proceeds generated from two issuances of its equity securities and cash generated from operations in fiscal 1993 and prior years. At March 31, 1993, the Company had cash, cash equivalents and short term investments of $9.4 million, which decreased to $7.5 million at September 30, 1996. As part of the Company's recent equity issuance (sold in September and October 1996), the Company received an additional $1.5 million in October 1996. The Company currently has no bank borrowing arrangements.

The Company's operating activities generated cash of $279,000 in fiscal 1994. The cash used for operations was $4.1 million, $625,000 and $4.3 million in fiscal 1995, 1996 and the six months ended September 30, 1996, respectively. Cash used in operations in fiscal 1995 reflects a net loss of $5.9 million that was partially offset by cash generated by changes in working capital. Cash used in operations in fiscal 1996 reflects a net loss of $3.2 million that was substantially offset by changes in working capital. Cash used in operations in the six months ended September 30, 1996 reflects a net loss of $5.9 million that was partially offset by reductions in inventory and accounts receivable.

During fiscal 1994, 1995, 1996 and the six months ended September 30, 1996, the Company's capital expenditures were $451,000, $1.5 million, $1.0 million and $465,000, respectively. These capital expenditures related primarily to the acquisition of machinery, equipment and software. At September 30, 1996 the Company did not have any material capital commitments outstanding.

During fiscal 1994, 1995, 1996 and the six months ended September 30, 1996, the Company's cash flows from financing activities generated cash of $11,000, $7.5 million, $608,000 and $2.3 million from the sale of the Company's equity securities.

The Company expects that the anticipated net proceeds of this Offering, its existing cash resources, and the amounts, if any, generated from operations, will be sufficient to meet the Company's cash requirements for at least the next 12 months. However, the Company is operating in a rapidly changing industry. There can be no assurance that the Company will not seek to exploit business opportunities that will require it to raise additional capital from equity or debt sources to finance its growth and capital requirements. There can be no assurance that the Company will be able to raise such capital on acceptable terms, if at all. See "Risk Factors -- Need for Additional Capital to Finance Growth and Capital Requirements."

BUSINESS

8x8, Inc. designs, develops and markets highly integrated, proprietary video compression semiconductors and associated software to OEMs of corporate video conferencing systems. To address new opportunities, the Company intends to leverage its strengths in semiconductor design and related software by introducing video conferencing systems for the consumer market. The first product in the Company's planned family of VideoCommunicators is the VC100, which is currently under development. The VC100 connects to a television set and a standard touch-tone telephone adding video to an otherwise normal telephone call, without the need for a PC. The Company plans to introduce the VC100 in early 1997 targeted at the consumer market.

The Company's video compression semiconductors combine, on a single chip, a RISC microprocessor, a digital signal processor ("DSP"), specialized video processing circuitry, static RAM memory and proprietary software to perform the real time compression and decompression of video and audio information and establish and maintain network connections in a manner consistent with international standards for video telephony. These semiconductors are designed to provide video conferencing over a broad range of network types including POTS, integrated services digital networks ("ISDN"), local area networks ("LAN") and asymmetric digital subscriber lines ("ADSL"). Customers for the Company's video compression semiconductors include PictureTel, Siemens, Sony, VideoServer, VCON and Vtel.

The Company's VideoCommunicators will be based on its proprietary semiconductor, software and systems technology. The VC100 is designed to be compliant with the H.324 international standard for video telephony over POTS and to be compatible with PC and non-PC based systems that adhere to the H.324 standard. The VC100 is designed to communicate with full duplex audio and video rates of up to 12 frames per second. In addition, the Company is currently developing a second VideoCommunicator, the VC200, a non-PC based POTS video phone with a built-in liquid crystal display ("LCD"). The Company intends to sell its VideoCommunicators through a direct marketing effort utilizing a combination of advertising, toll-free telemarketing and direct mail supported by co-marketing arrangements with third parties and resale through the retail channel.

INDUSTRY BACKGROUND

The proliferation of video conferencing products is dependent on several factors including network bandwidth, advanced compression technologies and the acceptance of video telephony standards. Increases in available bandwidth improve the data carrying capacity of networks, while improvements in compression technologies utilize a given bandwidth more efficiently. Finally, video telephony standards are key to widespread adoption as they are designed to permit the interoperability between systems offered by different vendors.

Since the first video conferencing products were introduced in the late 1970's, users have faced a tradeoff between the cost and availability of network bandwidth and the quality of video images which can be transmitted over the network. High capacity connections, such as T1/E1 (1.5/2.0 Mbps) and ISDN (128 Kbps), provide greater bandwidth but are significantly more costly and less available than ubiquitous analog POTS lines (currently up to 33.6 Kbps). The challenge faced by developers of video conferencing systems has been to provide the best possible image quality through the efficient compression of video and audio data for transmission over available network bandwidth. The proliferation of video communications equipment has been influenced by the adoption of international video telephony standards which, if complied with, will permit interoperability between systems offered by different vendors.

To date, nearly all video conferencing products have been targeted at corporate users with access to high bandwidth connections such as T1/E1 and ISDN. However, the vast majority of consumers continue to have limited access to bandwidth beyond that provided by standard analog POTS lines. The Company believes that significant demand exists for inexpensive video phone products that would allow users to transmit video images

with audio over normal telephone lines. Several factors are contributing to the viability of consumer video phones, including:

- Improved Bandwidth. A number of technologies have been deployed or are under development which aim to increase the bandwidth available from existing copper telephone lines. These include faster POTS modems (currently up to 33.6 Kbps) and residential ISDN and ADSL service.

- Advanced Compression Techniques. The quality of transmitted video images is a function of network bandwidth and the sophistication of the hardware and software used to compress and decompress the data. Because video images contain a large amount of information, video conferencing systems must compress the video and audio data to fit the available network bandwidth while attempting to maintain the quality and synchronization of audio and video. For example, a normal television signal contains 90 Mbps of information, which must be compressed by a factor of approximately 2,700 to 1 to permit transmission over POTS at 33.6 Kbps. By using sophisticated compression algorithms and advanced DSP semiconductors, video conferencing system manufacturers can achieve improved video quality.

- Adoption of Industry-Wide Standards. Increased usage of video conferencing in the corporate market has been facilitated by the adoption of the H.320 standard, which defined the video telephony protocols used by systems connected over ISDN. The adoption of H.320 enabled interoperability between systems from different vendors, encouraged new market entrants, and contributed to significantly lower system pricing and an increased installed base. The Company believes that the H.320 standard expanded the market for business video conferencing systems over ISDN. Similarly, the H.324 standard for video telephony over POTS may result in expanded home use of video phones. Other standards, such as H.323, are being developed for communications over packet-based networks, such as LANs.

As a result of the above technological advances and the adoption of the H.324 standard, low cost consumer POTS video phones are being developed by a number of suppliers. These products may be introduced in a variety of form factors, including those based on telephones using a television for display, such as the VC100, or using an LCD for display, such as the VC200, and those based on the PC. An increasing number of PCs are being shipped with pre-installed H.324 compliant software. An installed base of H.324 products, if achieved, should increase the usefulness of and demand for additional video phones.

8X8 STRATEGY

The Company's strategy is to leverage its expertise in video compression semiconductors, software and system design and its understanding of video telephony standards to develop a family of cost effective VideoCommunicators for the consumer video conferencing market. Key elements of the Company's strategy include:

Leverage Proprietary Technology. The Company provides highly integrated video compression semiconductors and related software to manufacturers of video conferencing systems. The Company plans to leverage its proprietary semiconductor and software expertise to develop its non-PC based VideoCommunicators to address the consumer market. In addition, the Company intends to develop future generations of highly integrated semiconductor and software products for use in video conferencing systems developed both by the Company and its OEM customers. The Company's ongoing development efforts are targeted at reducing overall system costs continuously improving video and audio quality at varying bandwidths and ensuring compliance with emerging video telephony standards to encourage proliferation of its products.

Broaden and Enhance VideoCommunicator Family. The Company intends to develop a variety of consumer video conferencing products. The initial product, the VC100, is targeted at the consumer market and is based upon the Company's proprietary semiconductor and software technology. The VC100 connects to a television and standard touch-tone telephone and adds video to an otherwise normal telephone call, without the need for a PC. The Company is developing a second VideoCommunicator, the VC200, which is a POTS video telephone with a built-in LCD display. The Company plans to extend its VideoCommunicator product line in the future by developing products in new form factors and products that are designed to comply with

emerging video telephony standards. The Company further intends to differentiate its products in the future by adding features which may include picture quality enhancements, simultaneous remote and self-view picture display, Internet browsing, caller ID and movie playback.

Utilize Direct Marketing Model for VideoCommunicators. The Company plans to sell its VideoCommunicators through a direct marketing channel, utilizing a combination of advertising, toll-free telemarketing and direct mail supported by co-marketing arrangements with third parties and resale through the retail channel. The direct marketing approach generally allows more rapid establishment of brand recognition and introduction of new products, and enables competitive pricing and better management of working capital. The Company intends to continue to sell its video compression semiconductor and software products to OEMs and distributors through its existing sales and marketing force.

Drive Price/Performance Improvements. Price/performance improvements in end-user systems are important to expanding the consumer video conferencing market. By enhancing its proprietary semiconductor and software technologies, the Company intends to improve the price/performance of its consumer video phones by integrating a number of essential system functions onto future versions of its video compression semiconductors. The Company also intends to utilize off-the-shelf components when appropriate and to work closely with its key suppliers to achieve cost and performance advantages.

PRODUCTS

The Company develops, markets and sells a variety of video compression semiconductors and related software and reference boards. The Company is currently developing a family of non-PC based VideoCommunicators, which incorporate the Company's proprietary semiconductor, software and systems technologies.

VideoCommunicator Systems

The Company's initial VideoCommunicator, the VC100, connects to a television and standard touch-tone telephone and adds video to an otherwise normal telephone call, without the need for a PC. The Company plans to introduce the VC100 in early 1997 targeted at consumer markets. The VC100 is designed to be compliant with the H.324 international standard for video telephony over POTS and to be compatible with PC and non-PC-based systems that adhere to the H.324 standard. The VC100 is designed to communicate with full duplex audio and video rates of up to 12 frames per second. The VC100, which is based on the Company's Low bit-rate Videophone Processor ("LVP") semiconductor and proprietary software, includes an integrated digital camera and a V.34/V.80 modem and displays video in either full or quarter screen format, as well as self-view mode. The VC100 is controlled through the touch-tone keypad of the user's telephone and menu driven instructions that appear on the television screen.

The Company is developing a second VideoCommunicator, the VC200, which is a non-PC based POTS video phone with a built-in LCD display. The Company plans to extend its VideoCommunicator product line in the future by developing products in new form factors and products that are designed to comply with emerging video telephony standards. The Company further intends to differentiate its products by adding features which may include picture quality enhancements, simultaneous remote and self-view display, Internet browsing, caller ID and movie playback.

The development of the Company's VideoCommunicators is at an early stage and, as a result, the Company must achieve numerous significant milestones and overcome substantial risks in order to successfully introduce its VideoCommunicators in a timely manner. See "Risk Factors -- Critical Dependence on Future VideoCommunicator Revenues."

Video Compression Semiconductors

The Company's video compression semiconductors are based on the Company's proprietary architecture. This architecture combines, on a single chip, a custom RISC microprocessor, a high performance DSP core, specialized video processing circuitry, static RAM memory and proprietary software, which together perform the core processing functions required by video conferencing and other digital video applications.

The table below describes the Company's video compression semiconductors and their applications:

PRODUCT	DESCRIPTION	APPLICATIONS
Video Communications Processor("VCP")	H.320 compression semiconductor for ISDN video conferencing systems	- PC ISDN video conferencing add-in boards - ISDN group video conferencing systems
Low bit-rate Videophone Processor("LVP")	H.324 compression semiconductor for POTS video conferencing systems	- Consumer video telephones for POTS - PC video phone add-in boards for POTS
Multimedia Encoding Processor("MEP")	Compression semiconductor for video capture and encoding systems	- Cameras with embedded compression - Video capture PC add-in boards
Video to PCI Interface Chip("VPIC")	Interface chip which connects the VCP/LVP/MEP devices to the PCI bus	- PC (POTS or ISDN) video conferencing boards

VCP -- Video Communications Processor. The Company's VCP is an integrated video compression semiconductor, which allows OEMs to develop video conferencing systems based on the H.320 standard for ISDN video conferencing. In recent quarters, the VCP accounted for the majority of the Company's semiconductor product sales. The Company's proprietary RISC and DSP technology allows a single VCP semiconductor to output up to 24 frames per second of H.320 based video over an ISDN line. The VCP includes video processing circuitry that compresses and decompresses video images. Systems designed using multiple VCPs are capable of providing higher frame rates, which approach television quality video conferencing. The VCP can reside on PC add-in cards or non-PC based corporate conference room systems.

LVP -- Low bit-rate Videophone Processor. The LVP semiconductor is designed to support H.324 based video phones using standard POTS phone lines. Systems based on the LVP benefit from the same RISC and DSP technology found in the Company's VCP product, and are designed to deliver video at up to 12 frames per second over a standard POTS telephone line. The LVP can be designed into systems in a variety of form factors, including non-PC based systems that utilize a telephone and either television or a LCD display. The LVP can also be designed into PC video phone add-in boards. The LVP is the core compression semiconductor inside the Company's VC100 and VC200 products currently under development.

MEP -- Multimedia Encoding Processor. The MEP is designed for multimedia compression applications which require high processing power to compress high bandwidth digital video, such as cameras with embedded compression, PC add-in boards for video capture and editing and CD-ROM title development.

VPIC -- Video to PCI Interface Chip. The VPIC is a companion semiconductor to the Company's video compression semiconductors. The VPIC provides a direct interface between the Company's compression semiconductors and the high speed PCI expansion bus found in PCs. By providing a direct path into the PC's graphic display memory, the VPIC allows PC board designers to improve the performance and quality of their designs based on the Company's compression semiconductors.

Application Software

The Company's semiconductors are sold with its proprietary application specific software, which addresses the unique system requirements of various international video telephony standards. This software, which is a combination of microcode assembly and C firmware, enables the Company's proprietary semiconductor architecture to implement multiple compression standards such as H.320, H.323, H.324 and MPEG. In many cases, by enhancing its application software, the Company can improve the quality of transmitted video images, address emerging standards and add user features to its existing video compression semiconductors. The Company supplies an Application Programmers Interface ("API") with its software to allow limited customization through an external microprocessor or host controller. The Company also sells non-exclusive licenses for the source code for its software to customers who wish to modify the software by

adding their own features and controls. Development kits are also licensed to customers allowing them to write, compile and develop software on the Company's proprietary semiconductor architecture.

Reference Boards

The Company provides a range of printed circuit boards as reference boards to its customers which serve as examples for targeted applications. Each reference board is provided with schematics, complete documentation, video processor software and board-level software diagnostics. This allows the customer to leverage the Company's systems design expertise. These reference boards enable customers to more quickly introduce new products and improve the Company's technical support capabilities. Examples of the Company's reference board designs include the DVC5, which is designed for H.320 systems, and the DVC8, which is designed for H.324 systems.

TECHNOLOGY

The Company has developed the following video conferencing technologies:

Semiconductor Architecture

The Company's video compression semiconductors share a common architectural foundation. This architecture has been specifically tailored to video conferencing applications which must simultaneously compress and transmit video and audio data from one side of a video call while receiving and decompressing video and audio data from the remote side. This architecture integrates two core processors running in parallel: a 33 MIPS 32-bit RISC microprocessor and a 128-bit Single Instruction Multiple Data ("SIMD") DSP. The Company's video compression semiconductors currently in production are manufactured using 0.5 micron, 3-layer metal CMOS process technology. Follow-on versions are being designed using 0.35 micron process technology.

The Company's RISC processor core uses a proprietary instruction set specifically designed for video conferencing applications. The RISC core controls the overall chip operation and manages the input/output interface through a variety of specialized ports which connect the chip directly to external host, audio, and network subsystems. This core is programmable in the C programming language and allows customers to add their own features and functionality to the device software provided by the Company.

The second processor is a proprietary DSP core. This DSP core is a 2 BOPS (billion operations per second) SIMD processor which implements the computationally intensive video and audio processing routines. Variable length 32 and 64 bit microcode instructions of the DSP core provide the flexibility to improve algorithm performance, enhance video and audio quality and maintain compliance with changing digital video standards. Unlike many competing semiconductors which use hardwired building blocks to implement each step in the compression/decompression (codec) process, the Company's DSP core uses microcode software routines to implement the fundamental processing steps which form the basis of H.320, H.323 and H.324 standards-based video conferencing systems, thus allowing upgrades through changes in software only.

In addition to the RISC and DSP cores, all of the Company's video compression semiconductors share a common set of video processing capabilities which are fundamental to enhancing video quality. Digital video inputs directly into the chip and passes through a series of digital filters designed to resize, re-color and remove noise from the images in preparation for compression. These semiconductors also incorporate proprietary interlacing and resizing filters at the output stage.

Application Software Development

The Company's proprietary application specific software, sold with the Company's semiconductor products, addresses the unique system requirements of the various international video telephony standards. This software is a combination of microcode assembly (for the DSP core) and compiled C code (for the RISC core). By refining its software, the Company can enhance picture quality, address new standards, and

add significant user features. In addition, several of the Company's customers have licensed source code to which they use to add proprietary features, custom interfaces and, in some cases, algorithm improvements. See "Business -- Licensing and Development Arrangements."

Algorithm Expertise

The Company has devoted significant resources to develop video and audio codec algorithms to meet international video telephony standards. While the H.32x standards clearly specify the syntax requirements of a standards-compliant decoder, and thus what constitutes a valid H.32x bitstream, they do not specify the methods by which an H.32x encoder achieves this result. The flexibility of the Company's video compression semiconductor architecture allows the Company to apply its core algorithm expertise to develop products for a variety of video conferencing applications. The Company's algorithm expertise enables the following:

- Video Coding Efficiency and Video Quality. By improving its proprietary motion search algorithms and optional coding modes which are tuned to the capabilities of the Company's semiconductor architecture, the Company is able to enhance video quality for H.32x video conferencing applications.

- Integrated Control of Real-Time Systems. Video conferencing systems are inherently complex due to the convergence of video, audio and control information. The Company's proprietary semiconductor architecture and interrupt-driven control firmware manage these varying data streams in concert thereby reducing the complexity of the external system design.

- Proprietary Rate Buffer Control. The real-time management of video and audio buffer occupancy has a significant effect on the performance of video conferencing systems, especially at low bit-rates. The Company has developed a suite of proprietary adaptive rate-buffer control algorithms which dynamically controls the occupancy rate of these buffers and allows for efficient use of available network bandwidth.

SALES AND MARKETING

The Company markets its semiconductors through its own direct sales force as well as through distributors. The Company's direct sales force supports domestic and international sales and operates from the Company's headquarters in Santa Clara, California and a European office in London. As of September 30, 1996, the Company employed 17 persons in sales and marketing. These persons provide direct account support for OEM and distributor customers of the Company's semiconductor and systems products. The Company's sales and marketing personnel typically provide support to such OEM customers through sales literature, periodic training, customer symposia, pre-sales support and joint sales calls.

The Company utilizes several marketing programs to support the sale and distribution of its products, including participation in industry trade shows and conferences. The Company also publishes technical articles, distributes sales and product literature and has an active public relations plan to encourage coverage of the Company's products and technology by editors of trade journals.

The Company plans to sell its VideoCommunicators through a direct marketing effort, utilizing a combination of advertising, toll-free telemarketing and direct mail supported by co-marketing arrangements with third parties and resale through the retail channel. The direct marketing approach generally allows more rapid establishment of brand recognition and introduction of new products and enables competitive pricing and better management of working capital. The Company intends to continue to sell its video compression semiconductor and software products to OEMs and distributors through its existing sales and marketing force.

In recent years, the Company has been a provider of video compression semiconductors to OEMs of video conferencing systems. As such, the Company has not marketed commercial quantities of consumer products such as its VideoCommunicators. In order to achieve significant market penetration and brand awareness for its VideoCommunicators, the Company must expand its sales and marketing efforts and develop direct consumer marketing capabilities. There can be no assurance that the Company will be able to expand its sales and marketing efforts or develop direct consumer marketing capabilities or that the Company will be able to achieve significant market penetration with its VideoCommunicators. Failure of the Company to

successfully expand its sales and marketing efforts, or to develop direct consumer marketing capabilities or to generate significant sales of the VC100 would have a material adverse effect on the Company's business and operating results. See "Risk Factors -- No History of Direct Consumer Marketing," "Risk Factors -- Management of Growth," "Potential Fluctuations in Future Operating Results" and "Risk Factors -- Uncertainty of Market Acceptance; Limits of Existing Technology."

MARKETS AND CUSTOMERS

The Company provides highly integrated, proprietary semiconductors and associated software sold primarily to OEMs of corporate video conferencing systems. The Company sells its VCP semiconductors and related software and reference designs primarily to OEMs designing ISDN office video conferencing systems that use the H.320 standard, including PictureTel, Siemens, Sony, VideoServer, VCON and Vtel. The Company has sold limited quantities of its LVP semiconductors and related software and reference board designs to OEMs designing POTS video conferencing systems for the consumer market using the H.324 standard, including Sony and an affiliate of Matsushita. To address new opportunities, the Company is expanding its product lines by developing a family of non-PC based VideoCommunicators for consumer customers. The Company plans to introduce the VC100 in early 1997 with sales targeted at the consumer market.

Historically, a significant portion of the Company's sales has been to relatively few customers, although the composition of these customers has varied consistently. Product revenues from the Company's ten largest customers, in the years ended March 31, 1994, 1995 and 1996 and the six months ended September 30, 1996 accounted for approximately 55%, 44%, 39% and 53%, respectively, of its total revenues. The loss of, or any reduction in orders from, a significant customer, or any reduction in demand for the Company's video compression semiconductors (particularly prior to significant VideoCommunicator revenues) or any general decline in the market for video conferencing products, could have a material adverse effect on the Company's business and operating results. See "Risk Factors -- Dependence on Key Customers and End Users" and "Risk Factors -- Product Concentration; Potential Loss of Semiconductor Sales; Dependence on Video Conferencing Industry."

MANUFACTURING

The Company uses independent foundries to fabricate, assemble and test its video compression semiconductors. The Company does not have long-term purchase agreements with its semiconductor foundries, and purchases semiconductor wafers pursuant to purchase orders. Therefore these foundries are generally not obligated to supply products to the Company for any specific period, in any specific quantity or at any specific price. The Company secures assembly and test services on a purchase order basis as well.

The Company has not yet manufactured commercial quantities of any consumer system product such as the VC100. The Company plans to outsource the manufacture of its VideoCommunicators to subcontract manufacturers. The Company anticipates that these subcontract manufacturers will procure components from their suppliers and perform assembly and testing of the Company's VideoCommunicators on a turnkey basis. There can be no assurance that the Company will be able to reliably manufacture the VC100 or its other VideoCommunicators in volumes, on cost effective basis or in a timely manner. See "Risk Factors -- Lack of Experience in Manufacturing Consumer Video Telephony Products."

The Company's reliance on subcontract foundries and system subcontract manufacturers, its manufacture of semiconductors, its purchase of components from third parties and its reliance of foreign subcontract manufacturers involve a number of risks. There can be no assurance that certain risks associated with these practices and activities will not have a material adverse effect on the Company's business and operating results. See "Risk Factors -- Dependence on Third Party Manufacturers; Component Availability" and "Risk Factors -- International Operations."

RESEARCH AND DEVELOPMENT

As of September 30, 1996, the Company had 36 employees engaged in research and development. Research and development expenses in years ended March 31, 1994, 1995 and 1996 and the six months ended

September 30, 1996 were $6.5 million, $8.1 million, $7.7 million and $4.0 million, respectively. The Company's development of new products and the enhancement of existing products is essential to its success. Accordingly, the Company anticipates that research and developments expenses will continue to increase in the foreseeable future. However, such expenses may fluctuate from quarter to quarter depending on a wide range of factors, including the status of and prospects for various development projects.

The Company's future research and development efforts relating primarily to video semiconductors, related proprietary software and reference boards will focus on the Company's next generation of these products. Areas of emphasis will include an enhanced version of its video compression semiconductor architecture intended to provide higher performance, enhanced functionality and further integration of certain essential system functions. This integration is designed to permit improved system price/performance. Future software developments may focus on emerging video telephony standards, picture quality enhancements and additional features supporting both the Company's systems products and its OEM customer products.

Research and development efforts relating to the VC100, the Company's initial VideoCommunicator, will focus on picture quality enhancements, simultaneous remote and self-view display, Internet browsing, caller ID and movie playback. To expand its family of VideoCommunicators, the Company's research and development efforts will focus on developing products in new form factors and products that are designed to comply with emerging video telephony standards.

Although the Company is a developer of video compression semiconductors and systems, the Company was previously involved in several other businesses which have since been discontinued. Prior product lines and development efforts included math co-processors, microprocessors, graphics and MPEG decoding semiconductors. The Company has discontinued its efforts in these areas in part because of rapid changes in the personal computer marketplace and severe price reduction for certain of these components.

The video compression semiconductor and video conferencing markets are characterized by rapid changes in customer requirements, frequent introductions of new and enhanced products, and continuing and rapid technological advancement. To compete successfully, the Company must continue to design, develop, manufacture and sell new and enhanced products that provide increasingly higher levels of performance and reliability, take advantage of technological advancements and changes and respond to new customer requirements in a timely manner. The Company's success in designing, developing, manufacturing and selling such products will depend on a variety of factors. In addition, the development of the Company's VideoCommunicators is at an early stage and, as a result, the Company must achieve numerous significant milestones and overcome substantial risks in order to successfully introduce its VideoCommunicators. There can be no assurance that the VC100 or VC200 or other VideoCommunicators can be successfully developed, introduced to the market or achieve market acceptance. The Company has in the past experienced delays in the development of new products and the enhancement of existing products, and such delays may occur in the future. If the Company is unable, due to resource constraints or technological or other reasons, to develop and introduce new or enhanced products in a timely manner, or if such new or enhanced products do not achieve sufficient market acceptance, it would have a material adverse effect on the Company's business and operating results. See "Risk Factors -- Rapid Technological Change; Dependence on New Product Introduction" and "Risk Factors -- Critical Dependence on Future VideoCommunicator Revenues."

LICENSING AND DEVELOPMENT ARRANGEMENTS

The Company from time to time enters into licensing and development arrangements with other corporations that are designed to promote the design, development, manufacture and sale of the Company's new products. Such arrangements may enable these corporations to use the Company's technology to produce products that compete directly with the Company's VideoCommunicators. See "Risk Factors -- Competition." The most significant license is with Kyushu Matsushita Electric Co., Ltd. ("KME"). This agreement provides to KME, for a license fee paid to the Company, all of the source code and object code of the H.324

software for 8x8's LVP semiconductor product and related development software, as well as certain board schematics (the "H.324 Technology"), and grants KME a nonexclusive, nonassignable worldwide license to make, use or sell products with the H.324 Technology. Under this arrangement, KME also has a nonassignable option, upon payment of additional consideration, to obtain the Company's LVP and VCP semiconductor technology for use only on systems assembled by KME or its affiliates, which would include any entity controlled directly or indirectly by Matsushita. As a result, KME has a license to substantially all of the technology underlying the Company's VideoCommunicators currently under development. In addition, KME must pay to the Company a royalty for any LVP or VCP semiconductor it manufactures or any product wherein KME uses any part of the LVP or VCP semiconductor technology. Both parties agree to license to the other party, at no charge, any enhancements to the H.324 Technology or the LVP or VCP semiconductor made by either party, until such time as KME decides to discontinue sharing of enhancements.

COMPETITION

The Company competes with independent manufacturers of video compression semiconductors and, after the planned introduction of its VideoCommunicators, will compete with manufacturers of video conferencing products targeted at the consumer market. The markets for the Company's products are characterized by intense competition, declining average selling prices and rapid technological change. The competitive factors in the market for its planned VideoCommunicators include audio and video quality, phone line connectivity at high transmission rates, ability to connect and maintain stable connections, ease of use, price, access to enabling technologies, product design, time-to-market, adherence to industry standards, interoperability, strength of distribution channels, customer support, reliability and brand name. The Company expects intense competition for its VideoCommunicators from the following segments:

Large consumer electronics manufacturers. The Company will face intense competition from many well known, established suppliers of consumer electronics products, which may include Lucent Technologies, Matsushita, Philips, Samsung and Sony. Many of these potential competitors sell television and telephone products into which they may integrate video conferencing systems, thereby eliminating a consumer's need to purchase a separate video conferencing system, such as the VC100.

Personal computer system and software manufacturers. Potential customers for the Company's VideoCommunicators may elect instead to buy PCs equipped with video conferencing capabilities. As a result, the Company may face competition from Intel; PC system manufacturers such as Apple, Compaq, IBM and Sony; PC software suppliers such as Microsoft and Netscape; and PC add-on component suppliers.

Existing manufacturers of video conferencing equipment. Manufacturers of more expensive corporate video conferencing systems may enter the market for lower cost consumer video conferencing products. Potential competitors include Compression Labs, PictureTel, Sony and Vtel.

Emerging suppliers of "Internet appliances." Potential customers for the Company's Video Communicator products may elect instead to buy standalone internet access terminals which may provide some or all of the functionality of the Company's products. Consumer products for TV-based Internet access have recently been announced by companies such as Philips and Sony.

The principal competitive factors in the market for video compression semiconductors include product definition, product design, system integration, chip size, functionality, time-to-market, adherence to industry standards and reliability. The Company has a number of direct competitors in this market, including Lucent Technologies and Texas Instruments. Certain of the Company's competitors for video communications semiconductor products maintain their own semiconductor foundries and may therefore benefit from certain capacity, cost and technical advantages.

Many of the Company's current and potential competitors have longer operating histories, are substantially larger, and have greater financial, manufacturing, marketing, technical and other resources. A number also have greater name recognition and a larger installed base of products than the Company. Competition in the Company's markets may result in significant price reductions. As a result of their greater resources, many

current and potential competitors may be better able to withstand significant price competition or downturns in the economy. There can be no assurance that the Company will be able to continue to compete effectively, and any failure to do so would have a material adverse effect upon the Company's business and operating results.

A number of companies have licensed portions of the Company's technology (including an affiliate of Matsushita which has licensed substantially all of the Company's technology underlying the Company's VideoCommunicators currently under development and, therefore, may be able to use this technology to produce products that compete directly with the Company's VideoCommunicators. See "Business -- Licensing and Development Arrangements."

INTELLECTUAL PROPERTY

The Company relies in part on trademark, copyright and trade secret law to protect its intellectual property in the United States and abroad. The Company seeks to protect its software, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. There can be no assurance that the steps taken by the Company will prevent misappropriation of its technology. The Company also relies in part on patent law to protect its intellectual property in the United States and abroad. The Company currently holds three United States patents, including patents relating to video compression and memory architecture technology, and has 17 United States patent applications pending. The Company has four foreign patent applications pending. There can be no assurance that any patent, trademark or copyright owned by the Company will not be invalidated, circumvented or challenged, that the rights granted thereunder will provide competitive advantages to the Company or that any of the Company's pending or future patent applications will be issued with the scope of the claims sought by the Company, if at all. In addition, the laws of some foreign countries do not protect the Company's proprietary rights as fully as do the laws of the United States. Thus, effective intellectual property protection may be unavailable or limited in certain foreign countries. There can be no assurance that the Company's means of protecting its proprietary rights in the United States or abroad will be adequate or that competition will not independently develop technologies that are similar or superior to the Company's technology, duplicate the Company's technology or design around any patent of the Company. Moreover, litigation may be necessary in the future to enforce the Company's intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of management time and resources and could have a material adverse effect on the Company's business, operating results and financial condition.

There has been substantial litigation in the semiconductor, electronics and related industries regarding intellectual property rights, and there can be no assurance that third parties will not claim infringement by the Company of their intellectual property rights. In addition, as is common in its industry, the Company has from time to time received notification from other companies of intellectual property rights held by those companies upon which the Company's products may infringe. If the Company were found to be infringing on the intellectual property rights of any third party, the Company could be subject to liabilities for such infringement, which could be material, and could be required to seek licenses from other companies or to refrain from using, manufacturing or selling certain products or using certain processes. Although holders of patents and other intellectual property rights often offer licenses to their patents or other intellectual property rights, no assurance can be given that licenses would be offered to the Company, that the terms of any offered license would be acceptable to the Company or that failure to obtain a license would not adversely affect the Company's business, operating results and financial condition.

The Company relies upon certain software licensed from third parties. There can be no assurance that the software licensed by the Company will continue to provide competitive features and functionality or that licenses for software currently utilized by the Company or other software which the Company may seek to license in the future will be available to the Company on commercially reasonable terms or at all. The loss of, or inability to maintain, existing licenses could result in shipment delays or reductions until equivalent software or suitable alternative products could be developed, identified, licensed and integrated, and the

inability to license key new software that may be developed, on commercially reasonable terms, would have a material adverse effect on the Company's business and operating results.

EMPLOYEES

As of September 30, 1996, the Company employed a total of 78 people, including 16 in manufacturing operations, 36 in research and development, 17 in sales and marketing and 9 in general and administrative capacities. The Company also employs a number of temporary employees and consultants on a contract basis. None of the Company's employees is represented by a labor union with respect to his or her employment by the Company. The Company has not experienced any work stoppages and considers its relations with its employees to be good.

The Company's future success will depend, in part, upon its ability to attract and retain qualified personnel. Competition for qualified personnel in the electronics and communications industries is intense, and there can be no assurance that the Company will be successful in retaining its key employees or that it will be able to attract skilled personnel as the Company grows. See "Risk Factors -- Management of Growth" and "Risk Factors -- Dependence on Key Personnel."

FACILITIES

The Company's principal operations are located in an approximately 61,767 square foot facility in Santa Clara, California. A portion of this facility has been subleased. This lease expires in December 1997, and the Company has an option to extend the lease for a period of up to 5 years. The Company also leases 2,267 square feet in London, England. This lease expires in January 1999 and the Company has no option to extend the lease. The Company's existing facilities are adequate to meet its current needs.

LEGAL PROCEEDINGS

The IRS is currently conducting an examination of the Company's federal income tax return for the fiscal year ended March 31, 1992. In August 1995, the IRS asserted a deficiency against the Company for the taxable year 1992 of approximately $1.4 million for accumulated earnings taxes, together with a penalty of approximately $273,000 plus accrued interest. The Company has filed an appeal challenging the assessment. The outcome of this matter cannot be predicted. In addition, the IRS has requested information related to the Company's federal tax returns for the year ended March 31, 1995.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information regarding the executive officers and directors of the Company as of the date of this Prospectus:

NAME	AGE	POSITION
Joe Parkinson(1).....	51	Chief Executive Officer and Chairman of the Board
Y.W. Sing.....	42	Vice Chairman of the Board
Sandra L. Abbott.....	49	Chief Financial Officer, Vice President, Finance
David Harper.....	49	Vice President, European Operations
Bryan R. Martin.....	28	Chief Technical Officer and Vice President, Engineering
Chris McNiffe.....	35	Vice President, Marketing and Sales
Michael Noonen.....	33	Vice President, Business Development
Samuel Wang.....	47	Vice President, Process Technology and Director
Bernd Girod.....	38	Director
Richard M. Chang(1).....	56	Director
Sada Chidambaram(2).....	51	Director
Akifumi Goto(1).....	53	Director
Thomas L. Humphrey(2).....	58	Director
William Tai.....	34	Director

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

Joe Parkinson has served as Chief Executive Officer and Chairman of the Board of the Company since June 1995. From October 1994 to June 1995, Mr. Parkinson served as a consultant to Micron Technology, Inc. ("Micron"), a manufacturer of semiconductor memory products, personal computers and circuit board assemblies. From October 1985 to October 1994, he served as Chairman of the Board and Chief Executive Officer of Micron, and from July 1980 to October 1985 he served as President of Micron. Mr. Parkinson is a director of Ultratech Stepper, Inc. Mr. Parkinson received a B.A. from Columbia College, a J.D. from Tulane University, and a L.L.M. in Taxation from New York University.

Dr. Y.W. Sing co-founded the Company in April 1987 and served as Vice President of Engineering until December 1989. From December 1989 to July 1995, he served as the Company's Executive Vice President, and in July 1995 became the Company's Vice Chairman of the Board. For six years prior to 1987, Dr. Sing worked for Weitek Corporation , a semiconductor manufacturer, where he served as senior technical manager. From 1979 to 1981, Dr. Sing was a member of the technical staff at the Hewlett-Packard Company. Dr. Sing holds a B.S. from National Taiwan University and a M.S. and Ph.D. in Electrical Engineering from the University of California at Berkeley.

Sandra L. Abbott joined the Company as Controller in April 1991, and was promoted to Chief Financial Officer and Vice President, Finance in June 1995. From February 1990 to March 1991, Ms. Abbott served as Controller for InfoChip Systems, Inc, a semiconductor manufacturer. Prior to 1990, Ms. Abbott held Controller positions at MRP, Inc. (a subsidiary of U.S. West), Free-Flow Packaging, Inc. and Weitek Corporation. Ms. Abbott received a B.A. from University California, Riverside and a M.B.A. from Santa Clara University.

David Harper joined the Company in May 1990 and was promoted to Vice President, European Operations in March 1991. From 1988 to 1990, Mr. Harper was Chief Executive Officer of Dialog Semiconductor, a European ASIC manufacturer. Prior to 1988, Mr. Harper held various sales management positions at GEC Plessey Semiconductor, LSI Logic Corp. and General Electric Company. Mr. Harper

received a B.S. in Electrical Engineering from the University of Manchester Institute of Science and Technology.

Bryan R. Martin was promoted to Chief Technical Officer and Vice President, Engineering of the Company in August 1995. Mr. Martin served as Video Project Manager of the Company from April 1995 to August 1995, and as an integrated circuit designer for the Company from April 1990 to August 1995. Mr. Martin received a B.S. and a M.S. in Electrical Engineering from Stanford University.

Chris McNiffe has served as Vice President, Marketing and Sales for the Company since July 1995. From June 1992 to July 1995, Mr. McNiffe held various sales & marketing management positions at the Company. From July 1986 to June 1992, Mr. McNiffe held a position as sales manager at NCR Corporation, a computer products and services provider. From 1982 to 1986, Mr. McNiffe was a design engineer at RCA Corporation. Mr. McNiffe received a B.S. in Electrical Engineering from Rutgers University.

Michael Noonen has served as Vice President, Business Development for the Company since May 1996. From February 1996 to the present, he has also served as Chief Executive Officer of VidUs, Inc., a subsidiary of the Company engaged in the design of integrated camera and video compression solutions. From July 1992 to April 1995, Mr. Noonen held various sales management positions at the Company. From August 1990 to July 1992, Mr. Noonen served as an Area Sales Manager for NCR Corporation, a computer products and services provider. Prior to 1992, Mr. Noonen was a field application engineer for Seattle Silicon Corporation, a software developer. Mr. Noonen received a B.S. in Electrical Engineering from Colorado State University.

Dr. Samuel Wang has served as Vice President, Process Technology and a director of the Company since October 1995. From 1984 to October 1995, Mr. Wang served as Executive Vice President and a director of ICT Inc., a manufacturer of programmable logic devices. From 1981 to 1983 Mr. Wang was a Senior Engineering Manager at National Semiconductor Corporation, and from 1978 to 1980 he was a staff engineer at Intel Corporation. Mr. Wang received a B.S. in Physics from the National Tsing Hua University, Taiwan, and a M.S. and Ph.D. in Solid State Electronics from Princeton University.

Dr. Bernd Girod has served as a director of Company since November 1996. Dr. Girod has been a Chaired Professor of Electrical Engineering/Telecommunications at the University of Enlangen-Nuremberg in Germany since October 1993. In May 1993, he co-founded Vivo Software, Inc., a developer of video compression software, and has served as Chief Scientist since then. From June 1990 to September 1993, Dr. Girod was Professor of Computer Graphics and Technical Director of the Academy of Media Arts in Cologne, Germany, jointly appointed with the Computer Science Section of Cologne University. From January 1988 to May 1990, he was employed at the Massachusetts Institute of Technology, first as a Visiting Scientist and then as an Assistant Professor with the Media Laboratory. Dr. Girod received a M.S. in Electrical Engineering from the Georgia Institute of Technology and a Doctoral degree (Dr.-Ing.) from the University of Hannover, Germany.

Dr. Richard M. Chang has been a director of the Company since February 1987. He has served in various marketing and manufacturing management positions at Hewlett-Packard Company, an electronics component and system manufacturer, since 1970. Dr. Chang received a B.S. in Physics from the California Institute of Technology and a Ph.D. in Applied Physics from Stanford University.

Sada Chidambaram has been a director of the Company since December 1995. He has also been a director of ASCII Corporation ("ASCII") and has served as President of ASCII of America, Inc., a subsidiary of ASCII, since February 1988. ASCII, based in Tokyo, Japan, publishes software and computer magazines and manufactures and distributes specialized semiconductors and solutions. Mr. Chidambaram also serves on the Board of Directors of several privately held companies. Mr. Chidambaram received a B.S. in Chemistry from Loyola University and a M.S. in Chemical Engineering from the Tokyo Institute of Technology.

Akifumi Goto has been a director of the Company since September 1996. He has served as President and Chief Executive Officer of Sanyo Semiconductor Corporation ("Sanyo"), a semiconductor manufacturer, since February 1993. From February 1983 to January 1993, Mr. Goto served as Executive Vice President of

Sanyo. Mr. Goto received a B.S. in Electrical Engineering from Tamagawa University and a M.B.A. from Santa Clara University.

Dr. Thomas L. Humphrey has been a director of the Company since November 1995. He has served as a Director, Corporate Business Development of National Semiconductor Corporation, a semiconductor manufacturer, since January 1992. From January 1991 to January 1992, Dr. Humphrey was an independent consultant. Dr. Humphrey received a B.S. from University of California, Los Angeles and a M.S. and Ph.D. in Electrical Engineering from Stanford University.

William Tai has been a director of the Company since April 1994. Mr. Tai has served as a General Partner of the Walden Group of Venture Capital Funds, a venture capital firm, since September 1991. From August 1987 to September 1991, Mr. Tai served as Vice President of Alex. Brown & Sons Incorporated. Mr. Tai is also a director of Network Peripherals, Inc. and Award Software International, Inc. Mr. Tai received a B.S. in Electrical Engineering from the University of Illinois and a M.B.A. from Harvard Business School.

BOARD COMMITTEES

The Board of Directors has a Compensation Committee and an Audit Committee. The Compensation Committee makes recommendations to the Board concerning salaries and incentive compensation for the Company's officers and employees and administers the Company's 1992 Stock Option Plan, Key Personnel Plan, 1996 Stock Plan, 1996 Director Option Plan and 1996 Employee Stock Purchase Plan. The Audit Committee aids management in the establishment and supervision of the Company's financial controls, evaluates the scope of the annual audit, reviews audit results, consults with management and the Company's independent auditors prior to the presentation of financial statements to stockholders and, as appropriate, initiates inquiries into aspects of the Company's financial affairs.

DIRECTOR COMPENSATION

Directors receive no cash remuneration for serving on the Board of Directors, although directors are reimbursed for all reasonable expenses incurred by them in attending Board and Committee meetings. Effective upon this Offering, the Company has adopted the 1996 Director Option Plan and, in the future, non-employee directors will be eligible to receive stock options under this plan. See "Management -- Compensation Plans."

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Board of Directors currently consists of Messrs. Parkinson, Chang and Goto. No member of the Compensation Committee or executive officer of the Company has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity. See "Certain Transactions."

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

The Company's Amended and Restated Certificate of Incorporation limits the liability of directors to the fullest extent permitted by the Delaware General Corporation Law (the "Delaware Law"). Under the Delaware Law, a director's liability to a company or its stockholders may not be limited with respect to (i) any breach of his duty of loyalty to the company or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) unlawful payments or dividends or unlawful stock repurchases or redemptions, or (iv) transactions from which the director derived an improper personal benefit.

The Company's Bylaws provide that the Company shall indemnify its officers and directors and may indemnify its employees and other agents to the fullest extent permitted under the Delaware Law. The Company has also entered into agreements to indemnify its directors and executive officers. The Company's Bylaws also permit it to secure insurance on behalf of any officer, director, employee or other agent for any

liability arising out of his or her actions, regardless of whether the Delaware Law would permit indemnification.

There is no pending litigation or proceeding involving any director, officer, employee or agent of the Company where indemnification will be required or permitted. The Company is not aware of any pending or threatened litigation or proceeding that might result in a claim for such indemnification.

EXECUTIVE COMPENSATION

The following table sets forth in summary form information concerning the compensation awarded to, earned by, or paid for services rendered to the Company in all capacities during the fiscal year ended March 31, 1996 by (i) the Company's Chief Executive Officer, (ii) the Company's next four most highly compensated executive officers whose salary and bonus for such fiscal year exceeded $100,000 and who served as executive officers of the Company at March 31, 1996, and (iii) one additional individual for whom disclosure would have been provided pursuant to (ii) above but for the fact that the individual was not serving as an executive officer of the Company on March 31, 1996 (collectively, the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION			LONG TERM COMPENSATION	
NAME AND PRINCIPAL POSITION	SALARY($)	BONUS($)	OTHER ANNUAL COMPENSATION ($)(1)	SECURITIES UNDERLYING OPTIONS(#)	ALL OTHER COMPEN-SATION($)
Joe Parkinson, Chairman and Chief Executive Officer	115,384(2)	4,580	--	600,000	--
Y. W. Sing, Vice Chairman	163,590	4,700	55,046(3)	115,000	--
Sandra L. Abbott, Chief Financial Officer	114,647	4,700	--	65,000	--
David Harper, Vice President, European Operations	97,491	47,115	22,992(4)	25,000	49,389(5)
Chris McNiffe, Vice President, Marketing and Sales	150,157	4,700	--	100,000	--
Michael Noonen, Vice President, Business Development	107,750	105,800	--	--	--

(1) Excludes perquisites and other personal benefits which for each Named Executive Officer did not exceed the lesser of $50,000 or 10% of the total annual salary and bonus for such officer.

(2) Represents compensation for a partial year, as Mr. Parkinson joined the Company in June 1995. Mr. Parkinson's annualized salary during this period was $150,000.

(3) Represents one time payout of accrued paid time off.

(4) Represents the incremental cost to the Company of the use of a Company car.

(5) Represents contributions by the Company to a plan which provides for payments to Mr. Harper during his retirement.

Option Grants and Holdings

The following table provides information with respect to stock option grants to each of the Named Executive Officers during the fiscal year ended March 31, 1996:

OPTION GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(1)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SH.)	EXPIRATION DATE	5%($)	10%($)
Joe Parkinson.....	500,000(2)	16.8%	$.50(3)	06/15/05	$69,070	$152,628
Joe Parkinson.....	100,000(4)	3.4%	$.50(3)	11/20/05	$13,814	$ 30,526
Y.W. Sing.....	115,000(5)	3.9%	$.50(3)	01/01/05	$15,886	$ 35,104
Sandra L. Abbott.....	65,000(6)	2.1%	$.50(3)	07/10/05	$ 8,979	$ 19,842
David Harper.....	25,000(6)	0.8%	$.50(3)	07/10/05	$ 3,453	$ 7,631
Chris McNiffe.....	100,000(6)	3.4%	$.50(3)	07/10/05	$13,814	$ 30,526

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(1) Potential gains are net of the exercise price but before taxes associated with the exercise. The 5% and 10% assumed annual rates of compounded stock appreciation are mandated by the rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of the future Common Stock price. Actual gains, if any, on stock option exercises are dependent on the future financial performance of the Company, overall market conditions and the option holders' continued employment through the vesting period.

(2) The options were granted under the Key Personnel Plan and vest at a rate of 1/3 of the shares at the end of one year and 1/24 of the remaining shares at the end of each month thereafter, subject to continued service as an employee, consultant or director. The term of each option is ten years. The exercise price of each option granted is equal to the fair market value of the Common Stock of the Company on the date of grant. See "Management -- Compensation Plans."

(3) These options were originally priced at $2.50 per share and were cancelled and reissued at $0.50 in June 1996. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Certain Transactions."

(4) The options were granted under the Key Personnel Plan and vest upon the effectiveness of the Company's initial public offering. The term of each option is ten years. The exercise price of each option granted is equal to the fair market value of the Common Stock of the Company on the date of grant. See "Management -- Compensation Plans." The options were canceled in June 1996.

(5) The options were granted under the Key Personnel Plan and vest at a rate of 1/24 of the shares at the end of each month, subject to continued service as an employee, consultant or director. The term of each option is ten years. The exercise price of each option granted is equal to the fair market value of the Common Stock of the Company on the date of grant. See "Management -- Compensation Plans."

(6) The options were granted under the Key Personnel Plan and vest at a rate of 1/48 of the shares at the end of each month, subject to continued service as an employee, consultant or director. The term of each option is ten years. The exercise price of each option granted is equal to the fair market value of the Common Stock of the Company on the date of grant. See "Management -- Compensation Plans."

In June 1996, the Company granted options to purchase shares of the Company's Common Stock at an exercise price of $0.50 per share to the following executive officers: (i) Joe Parkinson received two grants of stock options to purchase 250,000 shares each, for an aggregate of 500,000 shares; and (ii) Y.W. Sing, Sandra L. Abbott, David Harper, Bryan R. Martin, Chris McNiffe, Michael Noonen and Samuel Wang each received options to purchase 57,400 shares.

One of the above-mentioned options received by Mr. Parkinson to purchase 250,000 shares of the Company's Common Stock shall vest on June 24, 2000; provided, however, that vesting shall be accelerated in the event of an initial public offering or a change of control (defined as an acquisition of at least 35% of the Company's fully diluted Common Stock) as follows: (i) all of Mr. Parkinson's 250,000 shares shall vest on December 31, 1996 in the event of an initial public offering or a change of control occurring on or before December 31, 1996, which initial public offering or change of control results in a price per share of the Company's Common Stock of at least $11.00; (ii) 100,000 and 150,000 of Mr. Parkinson's shares shall vest on December 31, 1996 and June 24, 2000, respectively, in the event of an initial public offering or change of control occurring on or before December 31, 1996, which results in a price per share of the Company's Common Stock of at least $6.00 and under $11.00; (iii) 100,000 and 150,000 of Mr. Parkinson's shares shall vest on March 31, 1997 and June 24, 2000, respectively, in the event of an initial public offering or change of control occurring between December 31, 1996 and March 31, 1997, which results in a price per share of the Company's Common Stock of at least $11.00; and (iv) 60,000 and 190,000 of Mr. Parkinson's shares shall vest on March 31, 1997 and June 24, 2000, respectively, in the event of an initial public offering or change of control occurring between December 31, 1996 and March 31, 1997, which results in a price per share of the Company's Common Stock of at least $6.00 and under $11.00.

The following table provides information with respect to the value of stock options held as of March 31, 1996 by each of the Named Executive Officers. There were no stock option exercises by such individuals during the year ended March 31, 1996.

FISCAL YEAR-END OPTION VALUES

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR END(#)(1)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR END($)(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Joe Parkinson(2).....	0	600,000	$ 0.00	$ 0.00
Y.W. Sing (2).....	165,416	69,584	$ 0.00	$ 0.00
Sandra L. Abbott(2).....	10,833	54,167	$ 0.00	$ 0.00
David Harper(3).....	34,667	5,333	$ 52,000.50	$7,999.50
David Harper(2).....	4,167	20,833	$ 0.00	$ 0.00
Chris McNiffe(2).....	29,626	89,374	$ 0.00	$ 0.00
Michael Noonen(2).....	12,500	5,500	$ 0.00	$ 0.00

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(1) In June 1996, these options to purchase Common Stock were cancelled and reissued at $.50 per share. The new options became immediately exercisable subject to right of repurchase in favor of the Company, which expires ratably through June 24, 2000.

(2) Calculated by determining the difference between the fair market value of the Common Stock as of March 28, 1996 ($2.50) and the exercise price of the underlying options as of March 28, 1996 ($2.50).

(3) Calculated by determining the difference between the fair market value of the Common Stock as of March 28, 1996 ($2.50) and the exercise price of the underlying options as of March 28, 1996 ($1.00).

COMPENSATION PLANS

1992 Stock Option Plan

The Company's 1992 Stock Option Plan (the "1992 Plan") was adopted in January 1992. The 1992 Plan provides for the grant to employees of the Company (including officers and employee directors) of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and for the grant of nonstatutory stock options to employees and consultants of the Company. The 1992 Plan is administered by the Board of Directors or a Committee of the Board of Directors (the "Administrator"), which selects the optionees, determines the number of shares to be subject to each option

and determines the exercise price of each option. The 1992 Plan authorizes the issuance of up to 2,000,000 shares of Common Stock. As of September 30, 1996, 234,636 shares had been issued under the 1992 Plan, options for 1,382,075 shares were outstanding and 383,289 shares remained available for future grants. The exercise price of all incentive stock options granted under the 1992 Plan must be at least equal to the fair market value per share of the Common Stock on the date of grant. The exercise price of all nonstatutory stock options granted under the 1992 Plan must be at least equal to 85% of the fair market value per share of the Common Stock on the date of the grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of the option must not exceed five years. The term of all other options granted under the 1992 Plan may not exceed ten years.

In the event of a merger of the Company with or into another corporation, the 1992 Plan requires that each outstanding option be assumed or an equivalent option substituted by such successor corporation or a parent or subsidiary of such successor corporation; provided, however, that the Administrator may, in lieu of such assumption or substitution, provide for the optionee to have the right to exercise the option as to all or a portion of the stock subject thereto, including shares which would not otherwise be exercisable. Unless terminated sooner, the 1992 Plan will terminate ten years from its effective date. The Board has authority to amend or terminate the 1992 Plan, provided no such action would impair the rights of the holder of any outstanding options without the written consent of such holder.

Key Personnel Plan

The Company's Key Personnel Plan (the "Key Personnel Plan") was adopted in July 1995. The Key Personnel Plan provides for the grant to employees of the Company (including officers and employee directors) of incentive stock options within the meaning of Section 422 of the Code, and for the grant of nonstatutory stock options to employees and consultants of the Company. The Key Personnel Plan is administered by the Board of Directors or a Committee of the Board of Directors (the "Administrator"), which selects the optionees, determines the number of shares to be subject to each option and determines the exercise price of each option. The Key Personnel Plan authorizes the issuance of up to 2,199,925 shares of Common Stock. As of November 5, 1996, 2,199,925 shares had been issued under the Key Personnel Plan and no shares remained available for future grants. The exercise price of all incentive stock options granted under the Key Personnel Plan must be at least equal to the fair market value of the Common Stock on the date of grant. The exercise price of all nonstatutory stock options granted under the Key Personnel Plan shall be no less than 85% of the fair market value per share on the date of the grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of the option must not exceed five years. The term of all other options granted under the Key Personnel Plan may not exceed ten years.

In the event of a merger of the Company with or into another corporation, the Key Personnel Plan requires that each outstanding option be assumed or an equivalent option substituted by such successor corporation or a parent or subsidiary of such successor corporation; provided, however, that the Administrator may, in lieu of such assumption or substitution, provide for the optionee to have the right to exercise the option as to all or a portion of the stock subject thereto, including shares which would not otherwise be exercisable.

1996 Stock Plan

The Company's 1996 Stock Plan (the "1996 Plan") was adopted in June 1996. The 1996 Plan provides for the grant to employees of the Company (including officers and employee directors) of incentive stock options within the meaning of Section 422 of the Code, and for the grant of nonstatutory stock options and stock purchase rights ("Rights") to employees and consultants of the Company. The 1996 Plan is administered by the Board of Directors or a Committee of the Board of Directors (the "Administrator"), which selects the optionees, determines the number of shares to be subject to each option or Right and determines the exercise price of each option or Right. The 1996 Plan authorizes the issuance of up to 1,000,000 shares of Common Stock, to be increased annually on the first day of each of the Company's fiscal years during the term of the plan in an amount equal to 5% of the Company's Common Stock issued and outstanding at the close of business on the last day of the immediately preceding fiscal year (the "Annual

Replenishment"), with only the initial 1,000,000 shares and subsequent annual increases in an amount equal to the lesser of (i) 1,000,000 shares, or (ii) the number of shares subject to the Annual Replenishment to be available for issuance as "incentive stock options" qualified under Section 422 of the Code. As of September 30, 1996, 247 shares had been issued under the 1996 Plan, options for 161,712 shares were outstanding and 838,041 shares remained available for future grants. The exercise price of all incentive stock options granted under the 1996 Plan must be at least equal to the fair market value of the Common Stock on the date of grant. The exercise price of all nonstatutory stock options granted under the 1996 Plan shall be no less than 85% of the fair market value per share on the date of the grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of an incentive stock option must not exceed five years. The term of all other options granted under the 1996 Plan may not exceed ten years.

In the event of a merger of the Company with or into another corporation, or the sale of all or substantially all of the assets of the Company, the 1996 Plan requires that each outstanding option be assumed or an equivalent option substituted by the successor corporation or a parent or subsidiary of such successor corporation; provided, however, that the Administrator may, in lieu of such assumption or substitution, provide for the optionee to have the right to exercise the option or Right as to all or a portion of the stock subject thereto, including shares which would not otherwise be exercisable. Unless terminated sooner, the 1996 Plan will terminate ten years from its effective date. The Board has authority to amend or terminate the 1996 Plan, provided no such action would impair the rights of the holder of any outstanding options without the written consent of such holder.

1996 Director Option Plan

The Company's 1996 Director Option Plan (the "Director Plan") was adopted in June 1996 and will become effective upon the closing of this Offering. A total of 150,000 shares of Common Stock has been reserved for issuance under the Director Plan. The Director Plan provides for the grant of nonstatutory stock options to all nonemployee directors of the Company ("Outside Directors") pursuant to an automatic, nondiscretionary grant mechanism. The Director Plan provides that each Outside Director shall be granted a nonstatutory stock option to purchase 16,000 shares of Common Stock on the date upon which such person first becomes an Outside Director or, if later, on the effective date of the Director Plan (the "First Option"). Thereafter, each Outside Director shall be automatically granted an option to purchase 4,000 shares of Common Stock on the date such Outside Director is reelected to the Board of Directors by the Company's stockholders at the Company's annual meeting of stockholders or otherwise (a "Subsequent Option"), if on such date, such Outside Director shall have served on the Company's Board of Directors for at least six (6) months. The Director Plan provides that each option shall become exercisable in installments over a period of four (4) years from the date of grant. The exercise price per share of all options granted under the Director Plan shall be equal to the fair market value of a share of the Company's Common Stock on the date of grant. Options granted to Outside Directors under the Director Plan have a ten year term, or shorter upon termination of an Outside Director's status as a director. In the event of the merger or sale of substantially all of the assets of the Company, all outstanding options shall be assumed or substituted by the successor corporation, or if they are not assumed or substituted for, they shall become fully vested and exercisable. If the options are assumed or substituted for, they shall also become fully exercisable if the director is terminated other than upon voluntary termination. If not terminated earlier, the Director Plan will have a term of ten years.

1996 Employee Stock Purchase Plan

The Company's 1996 Employee Stock Purchase Plan (the "Purchase Plan") was adopted in June 1996 and will become effective upon the closing of this Offering. A total of 500,000 shares of Common Stock has been reserved for issuance under the Purchase Plan, to be increased annually on the first day of each of the Company's fiscal years during the term of the Purchase Plan in an amount equal to (i) 500,000 shares minus (ii) the number of shares available for issuance under the Purchase Plan as of such date, all of which share numbers are subject to adjustment upon changes in capitalization of the Company. The Purchase Plan, which

is intended to qualify under Section 423 of the Code, will be implemented by an offering commencing on the date of the closing of this Offering and ending on the last business day in the period ending October 31, 1998. Each twenty-four month offering period will consist of four purchase periods of approximately six months duration. Employees are eligible to participate if they are regularly employed by the Company for at least twenty hours per week and more than five months in any calendar year.

The Purchase Plan permits eligible employees to purchase Common Stock through payroll deductions, which may not exceed 10% of an employee's compensation, including commissions, bonuses and overtime, at a price equal to 85% of the fair market value of the Common Stock at the beginning of each offering period or the end of a six month purchase period, whichever is lower. In the event of a merger of the Company with or into another corporation, or the sale of all or substantially all of the assets of the Company, the Purchase Plan provides that a new exercise date shall be set for each option under the plan, which exercise date shall occur before the date of the merger or asset sale. In the event that the fair market value of the Company's Common Stock at the end of any six month purchase period is lower than the fair market value of the Company's Common Stock at the beginning of the offering period, Purchase Plan participants will be automatically withdrawn from such offering period and re-enrolled in the new offering period commencing immediately thereafter. Unless terminated sooner, the Purchase Plan will terminate ten years after its effective date. The Board of Directors has authority to amend or terminate the Purchase Plan provided no such action may adversely affect the rights of any participant.

Change of Control

In the event of any individual or corporate entity and related parties cumulatively acquiring at least 35% of the Company's fully diluted stock (a "Change of Control"), all stock options held by officers under any stock option plan shall vest immediately without regard to the term of the option. In addition, in the event of a Change of Control, each officer shall be entitled to one (1) year severance pay and continuing medical benefits for life after leaving the Company, provided that such medical benefits shall cease should such officer accept employment with a competing company.

Profit Sharing Plan

In July 1995, the Company's Board of Directors approved a profit sharing plan which provides for additional compensation to all employees of the Company based on quarterly income before income taxes. The profit sharing plan is effective beginning in the year ended March 31, 1996 and provides for payments of up to 15% of quarterly income before income taxes. Additionally, the plan provides for payment of certain discretionary bonuses based on criteria established by management.

CERTAIN TRANSACTIONS

In September 1996, the Company sold an aggregate of 363,640 shares of Series D Preferred Stock to Sanyo Semiconductor Corporation ("Sanyo"), a manufacturer of semiconductors, at a price of $5.50 per share. Akifumi Goto, President of Sanyo, became a director of the Company in connection with this transaction.

In July 1996, certain officers and directors of the Company exercised their stock options under the Company's Key Personnel Plan pursuant to a restricted stock purchase agreement. The officers and directors exercised an aggregate of 2,156,800 shares of Common Stock at a purchase price of $0.50 per share by payment of partial recourse promissory notes. The following officers and directors exercised shares of Common Stock under the Company's Key Personnel Plan: 122,400 shares exercised by Sandra Abbott; 122,400 shares exercised by David Harper; 160,400 shares exercised by Bryan Martin; 176,400 shares exercised by Chris McNiffe; 125,400 shares exercised by Michael Noonen; 1,000,000 shares exercised by Joe Parkinson; 292,400 shares exercised by Y.W. Sing; and 157,400 shares exercised by Samuel Wang.

In April 1994, the Company sold an aggregate of 681,820 shares of Series C Preferred Stock to National Semiconductor Corporation ("NSC"), a semiconductor manufacturer, at a price of $11.00 per share. In connection with NSC's investment, Thomas Humphrey, Director, Corporate Business Development of NSC, became a director of the Company.

In April 1994, the Company entered into various joint development and supply agreements with NSC, which were terminated by mutual agreement between the parties in June 1996. During the year ended March 31, 1995, the company recognized contract revenue and related costs under these agreements of $294,000 and $229,000, respectively and purchased $868,000 in inventory from NSC.

During the years ended March 31, 1995 and 1996 and September 30, 1996 the Company's product revenues included $897,000, $2,037,000 and $959,000 in sales to ASCII Corporation ("ASCII"), or approximately 4.5%, 7.1% and 9.5% of the Company's revenues, respectively. ASCII acts as a distributor for the Company in Japan and is party to certain distributor and sales agreements with the Company. Sada Chidambaram, a director of the Company, is a director of ASCII and the President of ASCII of America, Inc., a subsidiary of ASCII.

During the years ended March 31, 1994 and 1995, the Company sold $3,258,000 and $795,000, respectively, of product to Mitsui Comtek, one of its stockholders. Mitsui Comtek is also the guarantor of the Company's office facilities.

In March 1996, 8x8 entered into an investment agreement (the "Agreement") with VidUs, Inc. ("VidUs"), a company whose officers include Michael Noonen ("Noonen") and Sandra L. Abbott. VidUs is currently developing technology in which a camera transfers data to a Universal Serial Bus port using the Company's MEP semiconductor and reference design video compression capabilities (the "CompressionCam Concept"). Pursuant to the Agreement, the Company and Noonen own approximately 75% and 12%, respectively, of the Common Stock of VidUs. Also in connection with the Agreement, the Company will own all patents related to the CompressionCam Concept, but has provided VidUs with a royalty free, nonexclusive, nonassignable license to make, have made, use and sell products which incorporate the CompressionCam Concept.

Y.W. Sing, Vice Chairman of the Board and a director of the Company, served as Chief Executive Officer and beneficial owner of two entities (collectively, the"Entities") until March 1994. During the year ended March 31, 1994, the Entities provided various marketing, sales and research and development services to the Company. In compensation for these services the Entities received, in the aggregate, $940,000 from the Company. In March 1994, the Company purchased all assets and assumed all liabilities of the Entities for nominal consideration, and expensed $50,000 previously paid for an option to acquire all of the capital stock of one of the Entities.

In June 1996, certain officers and directors had their options to buy Common Stock repriced to $.50 per share through the cancellation of then existing options and the issuance of new options. The following

summarizes the number of shares repriced, the exercise price per share before the Offering and persons associated with the repriced shares: Joe Parkinson had 500,000 shares repriced from $2.50 per share; Y.W. Sing had 235,000 shares repriced from $2.50 per share; Sandra L. Abbott had 65,000 shares repriced from $2.50 per share; David Harper had 25,000 shares repriced from $2.50 per share, and 40,000 shares repriced from $1.00 per share; Bryan R. Martin had 103,000 shares repriced from $2.50 per share; Chris McNiffe had 119,000 shares repriced from $2.50 per share; Michael Noonen had 68,000 shares repriced from $2.50 per share; Samuel Wang had 100,000 shares repriced from $2.50 per share; and William Tai had 25,000 shares repriced from $2.50 per share.

In June 1996, the Company granted an option to purchase 250,000 shares of its Common Stock at an exercise price of $0.50 per share to Joe Parkinson, the Chairman and Chief Executive Officer of the Company. This option shall vest on June 24, 2000; provided, however, that vesting shall be accelerated in the event of an initial public offering or a change of control (defined as an acquisition of at least 35% of the Company's fully diluted Common Stock) as follows: (i) all of Mr. Parkinson's 250,000 shares shall vest on December 31, 1996 in the event of an initial public offering or a change of control occurring on or before December 31, 1996, which initial public offering or change of control results in a price per share of the Company's Common Stock of at least $11.00; (ii) 100,000 and 150,000 of Mr. Parkinson's shares shall vest on December 31, 1996 and June 24, 2000, respectively, in the event of an initial public offering or change of control occurring on or before December 31, 1996, which results in a price per share of the Company's Common Stock of at least $6.00 and under $11.00; (iii) 100,000 and 150,000 of Mr. Parkinson's shares shall vest on March 31, 1997 and June 24, 2000, respectively, in the event of an initial public offering or change of control occurring between December 31, 1996 and March 31, 1997, which results in a price per share of the Company's Common Stock of at least $11.00; and (iv) 60,000 and 190,000 of Mr. Parkinson's shares shall vest on March 31, 1997 and June 24, 2000, respectively, in the event of an initial public offering or change of control occurring between December 31, 1996 and March 31 1997, which results in a price per share of the Company's Common Stock of at least $6.00 and under $11.00.

In July 1996, the officers of the Company entered into partial recourse promissory notes in connection with the purchase of the Company's Common Stock (at a price of $.50 per share) through the exercise of stock options granted under the Key Personnel Plan. The following summarizes the amount of the promissory note entered into by each officer and the persons associated with them: Joe Parkinson, $500,000; Y.W. Sing, $146,200; Sandra L. Abbott, $61,200; David Harper, $61,200; Bryan R. Martin, $80,200; Chris McNiffe, $88,200; Michael Noonen, $62,700; and Samuel Wang, $78,700. Each of these promissory notes have an interest rate of 6.4% per year, and are secured by the shares of the Company's Common Stock. Principal and interest on these promissory notes are due and payable in June 2001.

The Company believes that all of the transactions set forth above were made on terms no less favorable to the Company than could have been otherwise obtained from unaffiliated third parties. All future transactions, including loans (if any), between the Company and its officers, directors and principal stockholders and their affiliates will be approved by a majority of the Board of Directors, including a majority of the independent and disinterested outside directors of the Board of Directors, and will be on terms no less favorable to the Company than could have been obtained from unaffiliated third parties.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock as of October 31, 1996, and as adjusted to reflect the sale of the shares of Common Stock offered hereby and the automatic conversion of all outstanding shares of Preferred Stock into Common Stock upon the closing of this Offering, by (i) each person (or group of affiliated persons) who is known by the Company to own beneficially 5% or more of the Company's Common Stock, (ii) each of the Company's directors, (iii) each of the Named Executive Officers and (iv) all directors and officers as a group. Except as indicated in the footnotes to the table, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable and the address of each listed stockholder is c/o 8x8, Inc., 2445 Mission College Boulevard, Santa Clara, CA 95054.

		PERCENTAGE OF TOTAL SHARES(1)(2)	
NAME AND ADDRESS	NUMBER OF SHARES BENEFICIALLY OWNED	BEFORE OFFERING	AFTER OFFERING
Y.W. Sing(3)(4)	1,036,400	9.7%	7.9%
Joe Parkinson(3)(5)	1,000,000	9.3	7.6
National Semiconductor Corporation(6) 2900 Semiconductor Drive Santa Clara, CA 95051	681,820	6.4	5.2
Thomas L. Humphrey(3)(6)	681,820	6.4	5.2
Deby Investments, Ltd.(7) General Electronics Building FSSTL 96 Sheung Shui, N.T. Hong Kong	600,000	5.6	4.5
Richard M. Chang(3)	453,334	4.2	3.4
Akifumi Goto(3)(8)	363,640	3.4	2.8
Sada Chidambaram(3)(9)	300,000	2.8	2.3
David Harper(10)	222,400	2.1	1.7
Chris McNiffe(11)	176,400	1.6	1.3
Bryan Martin(12)	172,900	1.6	1.3
Samuel Wang(3)(13)	157,400	1.5	1.2
Sandra L. Abbott(14)	153,400	1.4	1.2
Michael Noonen(15)	125,400	1.2	1.0
William Tai(3)(16)	36,667	*	*
Bernd Girod	--	--	--
All directors and executive officers as a group (14 persons) (17)	4,879,761	45.6	36.9

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* Less than 1%

(1)Percentage of ownership is based on (i) 10,695,348 shares of Common Stock outstanding as of October 31, 1996, plus any shares issuable pursuant to options held by the person or class in question which may be exercised within 60 days of October 31, 1996, and (ii) 13,195,348 shares of Common Stock outstanding after completion of this Offering, plus any shares issuable pursuant to options held by the person or class in question which may be exercised within 60 days of October 31, 1996.

(2) Assumes no exercise of the Underwriters' over-allotment option.

(3) The named person is a director of the Company.

(4)Includes 84,646 shares that are subject to a right of repurchase in favor of the Company which expires ratably through June 24, 2000.

(5)Includes 776,042 shares that are subject to a right of repurchase in favor of the Company which expires ratably through June 24, 2000.

(6)Includes 681,820 shares beneficially held by National Semiconductor Corporation. Mr. Humphrey is Director, Corporate Business Development of National Semiconductor Corporation.

(7) The beneficial owner of the shares held by Deby Investments, Ltd. is Samuel Fang.
(8) Includes 363,640 shares beneficially held by Sanyo Semiconductor Corporation. Mr. Goto is the President and Chief Executive Officer of Sanyo Semiconductor Corporation.
(9) Includes 300,000 shares owned by ASCII Corporation. Mr. Chidambaram is a director of ASCII and the President of ASCII of America, Inc., a subsidiary of ASCII Corporation. Mr. Chidambaram disclaims beneficial ownership of shares held by ASCII.
(10) Includes 72,853 shares that are subject to a right of repurchase in favor of the Company which expires ratably through June 24, 2000.
(11) Includes 127,853 shares that are subject to a right of repurchase in favor of the Company which expires ratably through June 24, 2000.
(12) Includes 127,791 shares that are subject to a right of repurchase in favor of the Company which expires ratably through June 24, 2000.
(13) Includes 153,812 shares that are subject to a right of repurchase in favor of the Company which expires ratably through June 24, 2000.
(14) Includes 99,854 shares that are subject to a right of repurchase in favor of the Company which expires ratably through June 24, 2000.
(15) Includes 102,853 shares that are subject to a right or repurchase in favor of the Company which expires ratably through June 24, 2000.
(16) Includes (i) 11,667 shares issuable pursuant to stock options which may be exercised within 60 days of October 31, 1996, and (ii) 25,000 shares issuable upon exercise of stock options to purchase the following number of shares from the persons indicated: Y.W. Sing, 7,000 shares; Chi-Shin Wang, 7,000 shares; Samuel Fang, 7,000 shares; and Richard Chang, 4,000 shares.
(17) Includes (i) 1,545,704 shares that are subject to a right of repurchase in favor of the Company which expires ratably through June 24, 2000, and (ii) 11,667 shares issuable pursuant to stock options which may be exercised within 60 days of October 31, 1996.

DESCRIPTION OF CAPITAL STOCK

Upon the closing of this Offering, the authorized capital stock of the Company will consist of 40,000,000 shares of Common Stock, par value $0.001 per share and 5,000,000 shares of Preferred Stock, par value $0.001 per share.

COMMON STOCK

As of September 30, 1996, as adjusted for (i) the sale of 270,913 shares of Series D Preferred Stock by the Company in October 1996 and (ii) the conversion of all outstanding shares of Preferred Stock into Common Stock upon the closing of this Offering, there were 10,695,348 shares of Common Stock outstanding held of record by approximately 180 stockholders. As of September 30, 1996, there were options to purchase 1,543,787 shares of Common Stock outstanding. The holders of Common Stock are entitled to one vote per share on all matters to be voted on by the stockholders. Subject to preferences that may be applicable to outstanding shares of Preferred Stock, if any, the holders of Common Stock are entitled to receive ratably such dividends as may be declared from time to time by the Board of Directors out of funds legally available therefor. In the event of the liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior liquidation rights of Preferred Stock, if any, then outstanding. The Common Stock has no preemptive conversion rights or other subscription rights. There are no redemption or sinking funds provisions applicable to the Common Stock. All outstanding shares of Common Stock are fully paid and nonassessable, and the shares of Common Stock to be outstanding upon completion of this Offering will be fully paid and non-assessable.

PREFERRED STOCK

Pursuant to the Company's Amended and Restated Certificate of Incorporation, the Board of Directors has the authority, without further action by the stockholders, to issue up to 5,000,000 shares of Preferred Stock in one or more series and to fix the designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the Common Stock. The Board of Directors, without stockholder approval, can issue Preferred Stock with voting, conversion or other rights that could adversely affect the voting power and other rights of the holders of Common Stock. Preferred Stock could thus be issued quickly with terms calculated to delay or prevent a change in control of the Company or make removal of management more difficult. Additionally, the issuance of Preferred Stock may have the effect of decreasing the market price of the Common Stock, and may adversely affect the voting and other rights of the holders of Common Stock. At present, there are no shares of Preferred Stock outstanding and the Company has no plans to issue any of the Preferred Stock.

REGISTRATION RIGHTS

Under the terms of the Amended and Restated Registration Rights Agreement dated as of September 6, 1996 among the Company and certain holders of its securities (the "Rights Agreement"), following the closing of this Offering, the holders of 3,726,373 shares of Common Stock (the "Registrable Securities") will be entitled to certain rights with respect to the registration of such shares of Common Stock under the Securities Act. Under the Rights Agreement, if the Company proposes to register any of its Common Stock under the Securities Act, certain holders of Registrable Securities are entitled to notice of such registration and to include their Registrable Securities therein; provided, among other conditions, that the underwriters have the right to limit the number of shares included in any such registration. Beginning six months after the closing of this Offering, the holders of at least fifty percent (50%) of the Registrable Securities have the right to require the Company, on not more than two occasions, to file a registration statement under the Securities Act in order to register all or any part of their Registrable Securities. The Company may, in certain circumstances, defer such registration and the underwriters have the right, subject to certain limitations, to limit the number of shares included in such registrations. Further, the holders of Registrable Securities may

require the Company to register all or any portion of their Registrable Securities on Form S-3, when such form becomes available to the Company, subject to certain conditions and limitations.

ANTI-TAKEOVER EFFECTS OF PROVISIONS OF CERTIFICATE OF INCORPORATION AND BYLAWS

The Company's Restated Certificate of Incorporation provides that all stockholder actions must be effected at a duly called annual or special meeting and may not be effected by written consent. The Company's Bylaws provide that, except as otherwise required by law, special meetings of the stockholders can only be called pursuant to a resolution adopted by a majority of the Board of Directors, by the chief executive officer of the Company, or by stockholders holding shares in the aggregate entitled to cast not less than 10% of the votes at such meeting. In addition, the Company's Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nomination of persons for election to the Board. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of the meeting or brought before the meeting by or at the direction of the Board of Directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who had delivered timely written notice in proper form to the Company's Secretary of the stockholder's intention to bring such business before the meeting.

The foregoing provisions of the Company's Restated Certificate of Incorporation and Bylaws are intended to enhance the likelihood of continuity and stability in the composition of the Board of Directors and in the policies formulated by the Board of Directors and to discourage certain types of transactions which may involve an actual or threatened change of control of the Company. Such provisions are designed to reduce the vulnerability of the Company to an unsolicited acquisition proposal and, accordingly, could discourage potential acquisition proposals and could delay or prevent a change in control of the Company. Such provisions are also intended to discourage certain tactics that may be used in proxy fights but could, however, have the effect of discouraging others from making tender offers for the Company's shares and, consequently, may also inhibit fluctuations in the market price of the Company's shares that could result from actual or rumored takeover attempts. These provisions may also have the effect of preventing changes in the management of the Company. See "Risk Factors -- Anti-Takeover Provisions of the Company's Certificate of Incorporation, Bylaws and Delaware Law."

EFFECT OF DELAWARE ANTI-TAKEOVER STATUE

The Company is subject to Section 203 of the Delaware General Corporation Law (the "Antitakeover Law"), which regulates corporate acquisitions. The Antitakeover Law prevents certain Delaware corporations, including those whose securities are listed for trading on the Nasdaq National Market, from engaging, under certain circumstances in a "business combination" with any "interested stockholder" for three years following the date that such stockholder became an interested stockholder. For purposes of the Antitakeover Law, a "business combination" includes, among other things, a merger or consolidation involving the Company and the interested stockholder and the sale of more than ten percent (10%) of the Company's assets. In general, the Antitakeover Law defines an "interested stockholder" as any entity or person beneficially owning 15% or more of the outstanding voting stock of the Company and any entity or person affiliated with or controlling or controlled by such entity or person. A Delaware corporation may "opt out" of the Antitakeover Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from amendments approved by the holders of at least a majority of the Company's outstanding voting shares. The Company has not "opted out" of the provisions of the Antitakeover Law. See "Risk Factors -- Antitakeover Provisions of the Company's Certificate of Incorporation, Bylaws and Delaware Law."

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is American Securities Transfer & Trust, Inc. Its telephone number is (303) 234-5300.

LISTING

The Company has applied to list its Common Stock on the Nasdaq National Market under the trading symbol "EGHT."

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the Company will have 13,195,348 shares of Common Stock outstanding. Of this amount, the 2,500,000 shares offered hereby and 143,316 shares will be available for immediate sale in the public market as of the date of this Prospectus. Approximately 9,500,000 additional shares will be available for sale in the public market following the expiration of the 180-day lockup agreements with the Representatives of the Underwriters or the Company, subject in some cases to compliance with the volume and other limitations of Rule 144.

DAYS AFTER DATE OF THIS PROSPECTUS	SHARES ELIGIBLE FOR SALE	COMMENT
Upon Effectiveness.....	2,643,316	Freely tradeable shares sold in Offering and shares saleable under Rule 144(k) that are not subject to 180-day lockup
180 days.....	9,496,071	Lockup released; shares saleable under Rule 144, 144(k) or 701
Thereafter.....	1,036,428	Restricted securities held for two years or less
Thereafter.....	19,533	Securities held for two years or less and not subject to 180- day lockup

In general, under Rule 144 a person (or persons whose shares are aggregated) who has beneficially owned shares for at least two years is entitled to sell within any three-month period commencing 90 days after the date of this Prospectus a number of shares that does not exceed the greater of (i) 1% of the then outstanding shares of Common Stock (approximately 132,000 shares immediately after this Offering) or (ii) the average weekly trading volume during the four calendar weeks preceding such sale, subject to the filing of a Form 144 with respect to such sale. A person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of the Company at any time during the 90 days immediately preceding the sale who has beneficially owned his or her shares for at least three years is entitled to sell such shares pursuant to Rule 144(k) without regard to the limitations described above. Persons deemed to be affiliates must always sell pursuant to Rule 144, even after the applicable holding periods have been satisfied.

The Company is unable to estimate the number of shares that will be sold under Rule 144, as this will depend on the market price for the Common Stock of the Company, the personal circumstances of the sellers and other factors. Prior to this Offering, there has been no public market for the Common Stock, and there can be no assurance that a significant public market for the Common Stock will develop or be sustained after this Offering. Any future sale of substantial amounts of the Common Stock in the open market may adversely affect the market price of the Common Stock offered hereby.

The Company, its directors, executive officers, stockholders with registration rights and certain other stockholders have agreed pursuant to the Underwriting Agreement and other agreements that they will not sell any Common Stock without the prior consent of Montgomery Securities for a period of 180 days from the date of this Prospectus (the "180-day Lockup Period"), except that the Company may, without such consent, grant options and sell shares pursuant to the 1996 Plan, the Director Plan and the Purchase Plan.

The Company intends to file a registration statement on Form S-8 under the Securities Act to register shares of Common Stock subject to outstanding options or reserved for issuance under the 1996 Plan, the Director Plan and the Purchase Plan within 180 days after the date of this Prospectus, thus permitting the resale of such shares by nonaffiliates in the public market without restriction under the Securities Act.

Any employee or consultant to the Company who purchased his or her shares pursuant to a written compensatory plan or contract is entitled to rely on the resale provisions of Rule 701, which permits nonaffiliates to sell their Rule 701 shares without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144 and permits affiliates to sell their Rule 701 shares

without having to comply with the Rule 144 holding period restrictions, in each case commencing 90 days after the date of this Prospectus. As of September 30, 1996, the holders of options exercisable into approximately 230,566 shares of Common Stock will be eligible to sell their shares in reliance upon Rule 701 or pursuant to the Form S-8 upon the expiration of the 180-day Lockup Period.

In addition, after this Offering, the holders of 3,726,373 shares of Common Stock will be entitled to certain rights with respect to registration of such shares under the Securities Act. Registration of such shares under the Securities Act would result in such shares becoming freely tradeable without restriction under the Securities Act (except for shares purchased by affiliates of the Company) immediately upon the effectiveness of such registration. See "Description of Capital Stock -- Registration Rights."

UNDERWRITING

The underwriters named below (the "Underwriters"), represented by Montgomery Securities and Donaldson, Lufkin & Jenrette Securities Corporation (the "Representatives"), have severally agreed, subject to the terms and conditions set forth in the Underwriting Agreement, to purchase from the Company the number of shares of Common Stock indicated below opposite their respective names at the initial public offering price less the underwriting discount set forth on the cover page of this Prospectus. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain terms and conditions precedent and that the Underwriters are committed to purchase all of such shares, if any are purchased.

UNDERWRITER	NUMBER OF SHARES
Montgomery Securities	
Donaldson, Lufkin & Jenrette Securities Corporation	
Total	2,500,000

The Representatives have advised the Company that the Underwriters initially propose to offer the Common Stock to the public on the terms set forth on the cover page of this Prospectus. The Underwriters may allow to selected dealers a concession of not more than $ per share, and the Underwriters may allow, and any such dealers may reallow, a concession of not more than $ per share to certain other dealers. After the initial public offering, the price and concessions and reallowances to dealers may be changed by the Representatives. The Common Stock is offered subject to receipt and acceptance by the Underwriters and to certain other conditions, including the right to reject orders in whole or in part.

The Company has granted an option to the Underwriters, exercisable during the 30-day period after the date of this Prospectus, to purchase up to a maximum of 375,000 additional shares of Common Stock to cover over-allotments, if any, at the same price per share as the initial 2,500,000 shares to be purchased by the Underwriters. To the extent the Underwriters exercise this option, each of the Underwriters will be committed, subject to certain conditions, to purchase such additional shares in approximately the same proportion as set forth in the above table. The Underwriters may purchase such shares only to cover over-allotments made in connection with this Offering.

The Underwriting Agreement provides that the Company will indemnify the Underwriters against certain liabilities, including civil liabilities, of the Securities Act, or will contribute to payments to the Underwriters may be required to make in respect thereof.

Each director and officer of the Company and certain of other holders of Common Stock prior to this Offering, as well as certain other holders of options, warrants or other rights to purchase Common Stock, have agreed not to sell, offer to sell, or otherwise dispose of any rights with respect to any shares of Common Stock, any options or warrants to purchase Common Stock, or any securities convertible or exchangeable for Common Stock, owned directly by such holders or with respect to which they have power of disposition for a period of 180 days after the date of this Prospectus without the prior written consent of Montgomery Securities. Montgomery Securities may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to these lock-up agreements. In addition, the Company has agreed not to sell, offer to sell, contract to sell or otherwise sell or dispose of any shares of Common Stock or any rights to acquire Common Stock, other than pursuant to the 1996 Plan, the Director Plan and the Purchase Plan, upon exercise of outstanding options and warrants, for a period of 180 days after the Effective Date without the prior consent of Montgomery Securities. See "Shares Eligible for Future Sale."

In October 1996, Montgomery Associates, an affiliate of Montgomery Securities, purchased 84,545 shares of the Company's Series D Preferred Stock at a purchase price of $5.50 per share.

The Representatives have advised the Company that the Underwriters do not intend to confirm sales to any accounts over which they exercise discretionary authority in excess of 5% of the number of shares of Common Stock offered hereby.

Prior to the Offering, there has been no public market for the Common Stock of the Company. Consequently, the initial public offering price will be determined through negotiations among the Company and the Representatives. Among the factors to be considered in such negotiations will be the history of, and prospects for, the Company and the industry in which it competes, an assessment of the Company's management, the present state of the Company's development, the prospects for future earnings of the Company, the prevailing market conditions at the time of this Offering, market valuations of publicly traded companies that the Company and the Representatives believe to be comparable to the Company, and other factors deemed relevant. See "Risk Factors -- No Prior Trading Market for Common Stock; Potential Volatility of Stock Price" and "Risk Factors -- Dilution."

LEGAL MATTERS

The validity of the issuance of shares of Common Stock offered hereby will be passed upon for the Company by Wilson Sonsini Goodrich & Rosati, P.C. ("WSGR"), Palo Alto, California. Certain legal matters in connection with this Offering will be passed upon for the Underwriters by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Palo Alto, California. As of the date of this Prospectus, Jeffrey D. Saper, a member of WSGR, is an Assistant Secretary of the Company and beneficially owns 4,550 shares of the Company's Preferred Stock.

EXPERTS

The consolidated financial statements of the Company as of March 31, 1995 and 1996 and September 30, 1996; for each of the years ended March 31, 1994, 1995 and 1996; and for the six months ended September 30, 1996 included in this Prospectus have been so included in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of such firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 with respect to the shares of Common Stock offered hereby, of which this Prospectus forms a part. In accordance with the rules of the Commission, this Prospectus omits certain information contained in the Registration Statement. For further information with respect to the Company and the securities offered hereby, reference is made to the Registration Statement and the exhibits and schedules filed therewith. Statements contained in this Prospectus concerning the provisions of such documents are necessarily summaries of such documents and each such statement is qualified in its entirety by reference to the copy of the applicable document filed with the Commission as an exhibit to the Registration Statement. Copies of the Registration Statement and the exhibits and schedules thereto may be inspected, without charge, at the offices of the Commission, or obtained at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549.

8X8, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
8x8, Inc.

The reincorporation described in Note 10 to the Consolidated Financial Statements has not been consummated at November 1, 1996. When it has been consummated, we will be in a position to furnish the following report:

"In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of 8x8, Inc. and its subsidiaries at March 31, 1995 and 1996 and September 30, 1996 and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1996 and for the six-month period ended September 30, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above."

PRICE WATERHOUSE LLP
San Jose, California
[November 1, 1996, except for note 10, which is as of _____, 1996.]

8X8, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	MARCH 31,		SEPTEMBER 30,	
	1995	1996	1996	PRO FORMA SEPTEMBER 30, 1996
				(UNAUDITED)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 890	$ 4,652	$ 7,373	$ 8,863
Short-term investments	10,433	5,241	89	89
Accounts receivable, net	3,195	3,579	1,802	1,802
Inventory	1,482	7,270	1,211	1,211
Income taxes receivable	2,241	--	--	--
Prepaid expenses and other assets	403	284	288	288
Total current assets	18,644	21,026	10,763	12,253
Property and equipment, net	1,829	1,526	1,579	1,579
Deposits and other assets	171	515	514	514
	$20,644	$23,067	$ 12,856	$ 14,346
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 1,754	$ 5,581	$ 388	$ 388
Accrued compensation	1,204	1,779	926	926
Accrued warranty	1,057	1,058	1,234	1,234
Other accrued liabilities	1,132	1,741	953	953
Income taxes payable	1,514	1,534	1,534	1,534
Total current liabilities	6,661	11,693	5,035	5,035
Commitments and contingencies (Notes 4 and 5)				
Minority interest	--	--	70	70
Stockholders' equity:				
Preferred stock $0.001 par value; 5,411,820 shares authorized actual; 5,000,000 shares authorized pro forma (unaudited)				
Series A convertible preferred noncumulative stock, $0.001 par value; 1,260,000 shares issued and outstanding actual; none issued and outstanding pro forma (unaudited)	1	1	1	--
Series B convertible preferred noncumulative stock, $0.001 par value; 1,100,000 shares issued and outstanding actual; none issued and outstanding pro forma (unaudited)	1	1	1	--
Series C convertible preferred noncumulative stock, $0.001 par value; 681,820 shares issued and outstanding actual; none issued and outstanding pro forma (unaudited)	1	1	1	--
Series D convertible preferred noncumulative stock, $0.001 par value; 413,640 shares issued and outstanding actual; none issued and outstanding pro forma (unaudited)	--	--	1	--
Common stock, $0.001 par value; 40,000,000 shares authorized; 4,550,721, 4,782,021 and 6,968,975 shares issued and outstanding actual; 10,695,348 shares issued and outstanding pro forma (unaudited)	5	5	7	11
Additional paid-in capital	10,547	11,155	14,520	16,010
Notes receivable from stockholders	--	--	(1,078)	(1,078)
Retained earnings/(accumulated deficit)	3,428	211	(5,702)	(5,702)
Total Stockholders' equity	13,983	11,374	7,751	9,241
	$20,644	$23,067	$ 12,856	$ 14,346

The accompanying notes are an integral part of these financial statements.

8X8, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED MARCH 31,			SIX MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1995	1996
				(UNAUDITED)	
Product revenues	$34,401	$19,929	$20,691	$ 9,872	$ 8,323
Technology license revenues	--	--	8,083	2,250	1,752
Total revenues	34,401	19,929	28,774	12,122	10,075
Cost of product revenues	19,469	11,904	16,668	7,925	9,207
Gross profit	14,932	8,025	12,106	4,197	868
Operating expenses:					
Research and development	6,540	8,107	7,714	3,997	3,992
Selling, general and administrative	8,149	6,445	7,938	3,378	2,711
Restructuring costs	--	--	603	603	59
Total operating expenses	14,689	14,552	16,255	7,978	6,762
Income (loss) from operations	243	(6,527)	(4,149)	(3,781)	(5,894)
Other income, net	189	611	952	80	127
Income (loss) before taxes	432	(5,916)	(3,197)	(3,701)	(5,767)
Provision (benefit) for income taxes	780	(35)	20	--	146
Net loss	$ (348)	$(5,881)	$(3,217)	$(3,701)	$(5,913)
Pro forma net loss per share (unaudited)			$ (0.28)	$ (0.32)	$ (0.50)
Shares used in pro forma per share calculations (unaudited)			11,654	11,585	11,800

The accompanying notes are an integral part of these financial statements.

8X8, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	PREFERRED STOCK										
	SERIES A		SERIES B		SERIES C		SERIES D		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	
Balance at March 31, 1993	1,260,000	$ 1	1,100,000	$ 1	--	$ --	--	$ --	4,579,189	$ 5	$ 3,009
Issuance of common stock upon exercise of options	--	--	--	--	--	--	--	--	4,983	1	7
Repurchase of common stock	--	--	--	--	--	--	--	--	(40,985)	(1)	(3)
Payment received on notes receivable from Stockholders	--	--	--	--	--	--	--	--	--	--	--
Net loss	--	--	--	--	--	--	--	--	--	--	--
Balance at March 31, 1994	1,260,000	1	1,100,000	1	--	--	--	--	4,543,187	5	3,013
Issuance of common stock upon exercise of options	--	--	--	--	--	--	--	--	14,199	--	35
Repurchase of common stock	--	--	--	--	--	--	--	--	(6,665)	--	--
Issuance of Series C convertible preferred noncumulative stock	--	--	--	--	681,820	1	--	--	--	--	7,499
Net loss	--	--	--	--	--	--	--	--	--	--	--
Balance at March 31, 1995	1,260,000	1	1,100,000	1	681,820	1	--	--	4,550,721	5	10,547
Issuance of common stock upon exercise of options	--	--	--	--	--	--	--	--	246,389	1	609
Repurchase of common stock	--	--	--	--	--	--	--	--	(15,089)	(1)	(1)
Net loss	--	--	--	--	--	--	--	--	--	--	--
Balance at March 31, 1996	1,260,000	1	1,100,000	1	681,820	1	--	--	4,782,021	5	11,155
Issuance of common stock upon exercise of options	--	--	--	--	--	--	--	--	2,166,954	2	1,080
Issuance of common stock	--	--	--	--	--	--	--	--	20,000	--	10
Issuance of Series D convertible preferred non-cumulative stock	--	--	--	--	--	--	413,640	1	--	--	2,275
Net loss	--	--	--	--	--	--	--	--	--	--	--
Balance at September 30, 1996	1,260,000	$ 1	1,100,000	$ 1	681,820	$ 1	413,640	$ 1	6,968,975	$ 7	$ 14,520

	NOTES RECEIVABLE FROM STOCKHOLDERS	RETAINED EARNINGS	TOTAL
Balance at March 31, 1993	$ (7)	$ 9,657	$12,666
Issuance of common stock upon exercise of options	--	--	8
Repurchase of common stock	--	--	(4)
Payment received on notes receivable from Stockholders	7	--	7
Net loss	--	(348)	(348)
Balance at March 31, 1994	--	9,309	12,329

Issuance of common stock upon exercise of options.....	--	--	35
Repurchase of common stock.....	--	--	--
Issuance of Series C convertible preferred noncumulative stock.....	--	--	7,500
Net loss.....	--	(5,881)	(5,881)
Balance at March 31, 1995.....	--	3,428	13,983
Issuance of common stock upon exercise of options.....	--	--	610
Repurchase of common stock.....	--	--	(2)
Net loss.....	--	(3,217)	(3,217)
Balance at March 31, 1996.....	--	211	11,374
Issuance of common stock upon exercise of options.....	(1,078)	--	4
Issuance of common stock.....	--	--	10
Issuance of Series D convertible preferred non-cumulative stock.....	--	--	2,276
Net loss.....	--	(5,913)	(5,913)
Balance at September 30, 1996.....	$ (1,078)	$(5,702)	$ 7,751

The accompanying notes are an integral part of these financial statements.

8X8, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED MARCH 31,			SIX MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1995	1996
				(UNAUDITED)	
Cash flows from operating activities:					
Net loss	$ (348)	$(5,881)	$(3,217)	$(3,701)	$(5,913)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,091	1,000	775	300	412
Loss on disposition of capital equipment	--	--	541	541	--
Deferred income taxes	287	1,905	--	--	--
Other	--	--	--	--	18
Changes in assets and liabilities:					
Accounts receivable, net	96	663	(384)	577	1,777
Inventory	1,172	3,264	(5,788)	126	6,059
Income taxes receivable	--	(2,241)	2,241	2,241	--
Prepaid expenses and other assets	322	114	175	(635)	(3)
Accounts payable	(1,389)	(1,704)	3,827	100	(5,193)
Accrued compensation	194	133	575	(193)	(853)
Accrued warranty	(267)	(641)	1	(452)	176
Other accrued liabilities	(1,960)	(891)	609	57	(788)
Income taxes payable	1,081	185	20	--	--
Net cash provided by (used in) operating activities	279	(4,094)	(625)	(1,039)	(4,308)
Cash flows from investing activities:					
Acquisitions of property and equipment	(451)	(1,492)	(1,013)	(136)	(465)
Proceeds from the sale of equipment	--	138	--	--	--
Sales of short-term investments -- available for sale	5,442	16,681	21,711	11,464	5,168
Purchases of short-term investments -- available for sale	--	(27,114)	(16,583)	(9,268)	--
Sales of short-term investments -- trading	--	--	11,216	62	25
Purchases of short-term investments -- trading	--	--	(11,152)	(113)	(41)
Purchase of other investments	--	--	(400)	--	--
Net cash provided by (used in) investing activities	4,991	(11,787)	3,779	2,009	4,687
Cash flows from financing activities:					
Proceeds from issuance of convertible preferred non-cumulative stock, net	--	7,500	--	--	2,276
Proceeds from issuance of common stock, net	4	35	608	36	14
Payments received on stockholders' notes receivable	7	--	--	--	--
Proceeds from minority interest in subsidiary	--	--	--	--	52
Net cash provided by financing activities	11	7,535	608	36	2,342
Net increase (decrease) in cash and cash equivalents	5,281	(8,346)	3,762	1,006	2,721
Cash and cash equivalents beginning of period	3,955	9,236	890	890	4,652
Cash and cash equivalents end of period	$ 9,236	$ 890	$ 4,652	$ 1,896	$ 7,373

The accompanying notes are an integral part of these financial statements.

8X8, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES:

THE COMPANY

8x8, Inc. (the Company or 8x8) was incorporated in California in February 1987 as Integrated Information Technology, Inc. and formally changed its name to 8x8, Inc. on April 5, 1996. The Company develops, manufactures, and markets high-performance multimedia processors focusing on highly integrated silicon compression and decompression devices for video phones and video conferencing.

FISCAL YEAR

The Company's fiscal year ends on the Thursday closest to March 31. Prior to the fiscal year ended March 28, 1996, the Company's fiscal year ended on March 31. The six month periods ended September 26 each included 26 weeks of operations. For purposes of these consolidated financial statements, the Company has indicated its fiscal year as ending on March 31 and its interim periods as ending on September 30.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly and majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenues from product sales to equipment manufacturers and other end users are recognized upon shipment. Technology license revenues are generally recognized upon the delivery of the licensed technology provided no significant future obligations exist and collection is probable. Revenues generated by sales to distributors under agreements allowing certain rights of return are deferred for financial reporting purposes until the products are sold by the distributors. Revenues generated by sales to distributors when no rights of return exist are recognized upon shipment.

CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Effective April 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 (SFAS 115) "Accounting for Certain Investments in Debt and Equity Securities." The cumulative effect as of April 1, 1994, of adopting SFAS 115 was immaterial. On March 31, 1996 and September 30, 1996, the Company classified its investments subject to SFAS 115 either as available-for-sale or as trading. On March 31, 1995, the Company's investments were classified as available-for-sale. The cost of the Company's investments are determined based on specific identification. Investments classified as available-for-sale are reported at fair value with unrealized gains and losses, net of related tax, if any, recorded as a separate component of stockholders' equity. At March 31, 1995 and 1996, the fair value of the Company's investments classified as available-for-sale approximated cost. The investments classified as trading are reported at fair value with realized and unrealized gains and losses from investments subject to SFAS 115 being reported in

the statement of operations. At March 31, 1996 and September 30, 1996, the fair value of the Company's investments classified as trading approximated cost. Realized and unrealized gains and losses were immaterial for the years ended March 31, 1995 and 1996 and the six months ended September 30, 1996. Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates the classification at each reporting date. At March 31, 1995 and 1996, the Company's investments were primarily comprised of commercial paper with a maturity of less than 12 months. The cost and fair value of investments classified as trading were not material at March 31, 1996 and September 30, 1996.

INVENTORY

Inventory is stated at the lower of standard cost, which approximates actual cost, using the first-in, first-out method or market.

NONMARKETABLE EQUITY INVESTMENTS

Nonmarketable equity investments of less than 20% of the investee's outstanding voting stock are accounted for on the cost method, because the Company does not have an ability to significantly influence the operating and financial policies of the investees. Loss resulting from impairment in the value of investments which is other than a temporary decline is recorded in the period in which such loss occurs.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation and amortization are computed using the straight-line method, based upon the shorter of the estimated useful lives, ranging from three to five years, or the lease term of the respective assets as follows:

Machinery and computer equipment.....	3 years
Furniture and fixtures.....	5 years
Licensed software.....	3 years
Leasehold improvements.....	shorter of lease term or useful life of the asset

WARRANTY EXPENSE

The Company provides for the estimated cost which may be incurred under its product warranties upon revenue recognition.

RESEARCH AND SOFTWARE DEVELOPMENT COSTS

Research and development costs are charged to operations as incurred. Software development costs incurred prior to the establishment of technological feasibility are included in research and development and are expensed as incurred. The Company defines establishment of technological feasibility as the completion of a working model. Software development costs incurred subsequent to the establishment of technological feasibility through the period of general market availability of the product are capitalized, if material. To date, all software development costs have been expensed as incurred.

FOREIGN CURRENCY TRANSLATION

The U.S. dollar is the functional currency of the Company's foreign subsidiary. Exchange gains and losses resulting from transactions denominated in currencies other than the U.S. dollar are included in the results of operations for the year. To date, such amounts have not been material. Total assets of the Company's foreign subsidiary were $247,000, $320,000, $479,000, and $335,000 as of March 31, 1994, 1995 and 1996 and September 30, 1996, respectively. The Company does not undertake any foreign currency hedging activities.

INCOME TAXES

Income taxes are accounted for using the asset and liability approach. Under the asset and liability approach, a current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the current year. A deferred tax liability or asset is recognized for the estimated future tax effects attributed to temporary differences and carry forwards. The deferred tax assets are reduced, if necessary, by the amount of benefits that, based on available evidence, are not expected to be realized.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents, short-term investments and trade accounts receivable. The Company places its cash, cash equivalents and short-term investments primarily in market rate accounts, certificates of deposit, U.S. Treasury bonds and commercial paper. The Company, by policy, limits the amount of credit exposure for cash and cash equivalents to any one financial institution and to any one debt or equity instrument. The Company sells its products to original equipment manufacturers and distributors throughout the world. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for uncollectible accounts receivable based upon the expected collectibility of all accounts receivable. At March 31, 1996 three customers accounted for 26%, 18% and 11% of accounts receivable. At September 30, 1996 two customers accounted for 36% and 12% of accounts receivable.

PRO FORMA NET LOSS PER SHARE (UNAUDITED)

Pro forma net loss per share is computed using the weighted average number of common and common equivalent shares outstanding during the periods assuming the conversion of all shares of the Company's Convertible Preferred Stock into Common Stock which will occur upon the consummation of the offering. Pursuant to the requirements of the Securities and Exchange Commission, common equivalent shares relating to preferred stock (using the if-converted method) and stock options (using the treasury stock method and assuming an initial public offering price of $9 per share) issued subsequent to September 30, 1995 have been included in the computations for all periods presented.

Historical net loss per share data has not been presented since such amounts are not deemed to be meaningful due to the significant change in the Company's capital structure which will occur in connection with the offering.

PRO FORMA BALANCE SHEET (UNAUDITED)

During October 1996, the Company issued 270,913 shares of Series D convertible preferred stock and received cash of approximately $1,490,000 (see Note 10). If the offering contemplated by this prospectus (the "Offering") is consummated, all shares of convertible preferred stock outstanding at the closing date will automatically convert into an aggregate of 3,726,373 shares of Common Stock.

The pro forma effect of the above mentioned transactions has been reflected in the accompanying unaudited pro forma balance sheet as of September 30, 1996.

INTERIM RESULTS (UNAUDITED)

The accompanying statements of operations and of cash flows for the six months ended September 30, 1995 are unaudited. In the opinion of management, these statements have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of the results for the interim period. The data disclosed in these notes to consolidated financial statements related to this period are unaudited.

NOTE 2 -- BALANCE SHEET COMPONENTS (IN THOUSANDS):

	MARCH 31,		SEPTEMBER 30,
	1995	1996	1996
Accounts receivable:			
Accounts receivable	$ 3,592	$ 4,099	$ 2,248
Less: allowance for doubtful accounts	(397)	(520)	(446)
	$ 3,195	$ 3,579	$ 1,802
Inventories:			
Raw materials	$ 216	$ 262	$ 140
Work-in-process	578	6,231	784
Finished goods	688	777	287
	$ 1,482	$ 7,270	$ 1,211
Property and equipment:			
Machinery and computer equipment	$ 4,073	$ 4,005	$ 3,751
Furniture and fixtures	703	729	750
Licensed software	1,521	1,782	2,156
Leasehold improvements	499	532	554
	6,796	7,048	7,211
Less: accumulated depreciation and amortization	(4,967)	(5,522)	(5,632)
	$ 1,829	$ 1,526	$ 1,579

NOTE 3 -- TRANSACTIONS WITH RELATED PARTIES:

During fiscal 1995, the Company issued 681,820 shares of Series C Preferred Stock to a major semiconductor manufacturer for $11.00 per share (see Note 6). This transaction resulted in the other company obtaining a seat on 8x8's Board of Directors. In addition, the Company entered into three agreements with this company. Two of these agreements involved the joint development and production of specific products and the third was a supply agreement under which 8x8 had reserved a specific level of production capacity at the other company's fabrication facilities and was obligated to make certain minimum purchases on a monthly basis. All three agreements were terminated by mutual agreement between the parties in fiscal 1996. The Company recognized, during fiscal 1995, contract revenue and related costs under these agreements of $294,000 and $229,000, respectively. Also, the Company purchased $868,000 in inventory from this stockholder during 1995. Accounts receivable from this stockholder were $252,000 at March 31, 1995.

During the years ended March 31, 1995 and 1996 and the six months ended September 30, 1996, the Company's product revenues included $897,000, $2,037,000 and $959,000, respectively, in sales to a company which is one of the Company's stockholders. An executive of this company is also on the Company's Board of Directors. Accounts receivable from this stockholder aggregated $245,000, $628,000 and $140,000 at March 31, 1995 and 1996 and September 30, 1996, respectively.

During the years ended March 31, 1994 and 1995, the Company sold $3,258,000 and $795,000, respectively, of product to one of its stockholders. The stockholder is also the guarantor of the Company's facility lease (see Note 5).

During fiscal 1994, the Company paid $940,000 to two related entities 100% owned by a founder and officer of the Company for various marketing, sales and distribution and research and development activities undertaken on behalf of the Company. Besides providing certain marketing and research and development services to 8x8, these entities did not have any other operations or activities. At March 31, 1994, the Company

purchased all assets and assumed all liabilities of these companies at a nominal purchase price of $1. The assets acquired and liabilities assumed were not material to the Company.

During fiscal 1996, the Company licensed certain technologies to a privately held entity founded by one of 8x8's former officers, in exchange for $600,000 in cash and 10% ownership of this entity. This entity was subsequently acquired by another entity and the Company received $727,000 for its 10% interest. The gain on sale of the stock has been included in other income, net during fiscal 1996.

During fiscal 1996, the Company licensed certain technologies to a privately held semiconductor company founded by another of 8x8's former officers, in exchange for $1,000,000 in cash and 10% ownership in that company.

During fiscal 1996, the Company acquired for cash approximately 14% of the outstanding voting stock of a privately held company. The Company is accounting for this investment on the cost method.

In April 1996, the Company and certain of its employees formed VidUs, Inc. ("VidUs"). The Company paid $158,000 for a 75% ownership in VidUs and the employees paid $52,000 for a 25% ownership. VidUs is engaged in the design of integrated camera and video compression solutions. VidUs has been consolidated in the Company's financial statements since inception.

NOTE 4 -- INCOME TAXES:

Income (loss) before income taxes includes $50,000, $62,000, $51,000, and $31,000 of income of a foreign subsidiary for the fiscal years ended March 31, 1994, 1995 and 1996 and the six months ended September 30, 1996, respectively. The components of the consolidated provision (benefit) for income taxes consisted of the following (in thousands):

	YEARS ENDED MARCH 31,			SIX MONTHS ENDED SEPTEMBER 30,
	1994	1995	1996	1996
Current:				
Federal	$ 170	$(1,962)	$ --	$ --
State	14	--	--	--
Foreign	19	22	20	146
	203	(1,940)	20	146
Deferred:				
Federal	(49)	1,905	--	--
State	626	--	--	--
	577	1,905	--	--
	$ 780	$ (35)	$ 20	$ 146

Deferred tax assets are comprised of the following (in thousands):

	MARCH 31,		SEPTEMBER 30,
	1995	1996	1996
Deferred revenue	$ 324	$ 85	$ 79
Inventory reserves	1,291	1,543	1,102
Section 263A adjustments	61	292	95
Provision for doubtful accounts	168	220	177
Warranty reserve	223	449	488
Research and development	957	1,200	1,270
NOL carry forwards	--	594	3,038
Other	331	386	705
	3,355	4,769	6,954
Valuation allowance	(3,355)	(4,769)	(6,954)
Total	$ --	$ --	$ --

Based on factors which include the lack of significant history of recent profits, the fact that the market in which the Company competes is intensely competitive and characterized by rapidly changing technology, and the lack of carryback capacity to realize these assets, the weight of available evidence indicates that it is more likely than not that it will not be able to realize its deferred tax assets and thus a full valuation allowance has been recorded at September 30, 1996.

At September 30, 1996, the Company had approximately $7,500,000 of federal net operating loss carryforwards for tax reporting purposes available to offset future taxable income; such carryforwards expire at various dates beginning 2011. In addition, at September 30, 1996, the Company had research and development credit carryforwards for federal and state tax reporting purposes of approximately $446,000 and $824,000, respectively, which begin expiring in 2010. Under the Tax Reform Act of 1986, the amounts of and benefits from net operating losses and credits that can be carried forward may be impaired or limited in certain circumstances. Events which may cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three year period. As of September 30, 1996, the net operating loss carry forwards of the Company were not subject to any material annual limitations.

A reconciliation of the tax provision (benefit) to the amounts computed using the statutory U.S. federal income tax rate of 34% is as follows (in thousands):

	YEARS ENDED MARCH 31,			SIX MONTHS ENDED SEPTEMBER 30,
	1994	1995	1996	1996
Provision (benefit) at statutory rate	$ 147	$(2,012)	$(1,087)	$(1,988)
State income taxes before valuation allowance, net of federal benefit	24	(328)	(177)	(143)
Research and development credits	(591)	(366)	(243)	(70)
Valuation allowance	1,048	2,307	1,414	2,185
Other	152	364	113	162
Provision (benefit) for income taxes	$ 780	$ (35)	$ 20	$ 146

The Internal Revenue Service (the "IRS") is currently conducting an examination of the Company's federal income tax return for the fiscal year ended March 31, 1992. In August 1995, the IRS asserted a deficiency against the Company for the taxable year 1992 in the amount of approximately $1,365,000, together

with a penalty in the amount of approximately $273,000 plus accrued interest. The Company has filed an appeal challenging the assessment. The outcome of this matter cannot be predicted. Additionally, the IRS has requested information related to the Company's federal tax returns for fiscal year 1995.

NOTE 5 -- LEASES AND OTHER COMMITMENTS:

LEASES

The Company leases its facility under a non-cancelable operating lease agreement. This agreement provides for annual increments of rent in predetermined amounts, requires the Company to pay property taxes, insurance and normal maintenance costs and expires in December 1997 with an option to extend the lease for an additional five-year period. The lease has been partially guaranteed by a corporate stockholder of the Company.

For accounting purposes, the rent expense for the facility lease is based on straight-line amortization of the total minimum payments required over the lease term. Rent expense so recognized before its payment due date amounted to $265,000, $192,000 and $145,000 at March 31, 1995 and 1996 and September 30, 1996, respectively, and is included in "Other accrued liabilities."

Future minimum lease payments under this non-cancelable operating lease (inclusive of the aforementioned deferred rent) as of September 30, 1996 are as follows (in thousands):

YEAR ENDING MARCH 31,	
1997	$ 412
1998	612
Total minimum payments	$1,024

Rent expense for all operating leases for the years ended March 31, 1994, 1995 and 1996 and the six months ended September 30, 1996 was $574,000, $776,000, $767,000 and $356,000, respectively.

OTHER COMMITMENTS

As of March 31, 1996, the Company had an outstanding letter of credit in the amount of $435,000 which expired on August 15, 1996 and was secured by certain of the Company's short-term investments.

NOTE 6 -- STOCKHOLDERS' EQUITY:

PREFERRED STOCK

As of September 30, 1996 the Company had issued 3,455,460 shares of non-cumulative, convertible preferred stock, of which 1,260,000 shares, 1,100,000 shares, 681,820 and 413,640 shares have been designated as Series A, B, C and D, respectively. The Series A, B, C and D preferred stock were sold for $0.50, $2.00, $11.00 and $5.50 per share, respectively, representing fair market value of the stock at the date of issuance, as determined by the Board of Directors.

Each share of preferred stock is convertible into one share of common stock, subject to adjustment for dilution, and will be automatically converted into common stock in the event of the closing of an underwritten public offering of at least $5,000,000. The preferred stock has voting rights equal to common stock on an as-if converted basis.

Holders of the Series A, B, C and D preferred stock are entitled to receive noncumulative dividends at a rate of $0.05, $0.20, $1.10 and $0.55 per share per annum, respectively, when and as declared by the Board of Directors, prior to payment of dividends on common stock.

In the event of liquidation, dissolution or winding up of the Company, either voluntary or involuntary, holders of the Series A, B, C and D preferred stock shall be entitled to receive $0.50, $2.00, $11.00 and $5.50 per share, respectively, plus any declared but unpaid dividends, prior to any distribution to the holders of common stock. To date, no dividends have been declared.

The Company has reserved 3,455,460 shares of its common stock for issuance upon conversion of the outstanding preferred stock.

1987 INCENTIVE STOCK PLAN

In 1987, the Company adopted an Incentive Stock Plan (the 1987 Plan) which was subsequently terminated by the Board of Directors in January 1992. The Company had reserved 2,962,000 shares of its common stock for issuance under the 1987 Plan. The 1987 Plan provided for grants of stock purchase rights at prices equal to the fair market value of stock as determined by the Company's Board of Directors. Stock purchase rights granted under the plan generally vested over five years. During the years ended March 31, 1994, 1995 and 1996, unvested shares aggregating 40,985, 6,665 and 15,089, respectively, were repurchased at prices ranging from $0.10 to $0.40 per share. In January 1992, on termination, all unissued shares under the 1987 Plan were canceled. At September 30, 1996, all shares of common stock purchased under the 1987 Plan were fully vested.

1992 STOCK OPTION PLAN

In January 1992, the Board of Directors adopted the 1992 Stock Option Plan (the 1992 Plan) and reserved 1,000,000 shares of the Company's common stock for issuance under this plan. In August 1994, the Board of Directors authorized an increase in the number of shares of the common stock reserved for issuance under the 1992 Plan to 2,000,000 shares. The 1992 Plan provides for granting incentive and non-statutory stock options to employees at prices equal to the fair market value of stock at the grant dates as determined by the Company's Board of Directors. Options generally vest over periods ranging from two to four years. Vesting for certain options accelerates, if certain predefined milestones are met. The following is a summary of the activity under the 1992 Stock Option Plan during the fiscal years ended March 31, 1994, 1995 and 1996 and the six months ended September 30, 1996:

	OPTIONS AVAILABLE FOR GRANT	SHARES SUBJECT TO OPTIONS OUTSTANDING	EXERCISE PRICE PER SHARE
Balance at March 31, 1993	381,167	616,550	$1.00-$2.50
Granted	(226,800)	226,800	$2.50
Exercised	--	(4,983)	$1.00-$2.50
Returned to plan	51,017	(51,017)	$1.00-$2.50
Balance at March 31, 1994	205,384	787,350	$1.00-$2.50
Increase in options available for grant	1,000,000	--	
Granted	(423,367)	423,367	$2.50
Exercised	--	(14,199)	$2.50
Returned to plan	98,168	(98,168)	$1.00-$2.50
Balance at March 31, 1995	880,185	1,098,350	$1.00-$2.50
Granted	(1,422,550)	1,422,550	$2.50
Exercised	--	(203,264)	$1.00-$2.50
Returned to plan	861,879	(861,879)	$1.00-$2.50
Balance at March 31, 1996	319,514	1,455,757	$1.00-$2.50
Granted	(1,662,112)	1,662,112	$0.50-$2.50
Exercised	--	(9,907)	$0.50-$2.50
Returned to plan	1,725,887	(1,725,887)	$0.50-$2.50
Balance at September 30, 1996	383,289	1,382,075	$0.50
Options exercisable at September 30, 1996	--	223,114	$0.50

KEY PERSONNEL OPTION PLAN

In July 1995, the Board of Directors adopted the Key Personnel Option Plan (the Key Personnel Plan) and reserved 2,000,000 shares of the Company's common stock for issuance under this plan. The 1995 Key Personnel Plan provides for granting incentive and non-statutory stock options to Officers of the Company at prices equal to fair market value of stock at the grant dates as determined by the Company's Board of Directors. Options generally vest over periods ranging from two to four years. Vesting for certain options accelerates if certain predefined milestones are met. The following is a summary of the activity under the Key Personnel Stock Option Plan since inception:

	OPTIONS AVAILABLE FOR GRANT	SHARES SUBJECT TO OPTIONS OUTSTANDING	EXERCISE PRICE PER SHARE
Adoption of plan	2,000,000	--	$2.50
Granted	(1,551,000)	1,551,000	$2.50
Exercised	--	(43,125)	$2.50
Returned to plan	402,875	(402,875)	$2.50
Balance at March 31, 1996	851,875	1,105,000	$2.50
Increase in options available for grant	200,000	--	$0.50
Granted	(2,206,800)	2,206,800	$0.50-$2.50
Exercised	--	(2,156,800)	$0.50
Returned to plan	1,155,000	(1,155,000)	$2.50
Balance at September 30, 1996	75	--	--

At September 30, 1996, approximately 1,516,000 shares issued under this plan were not vested.

In June 1996, in connection with restructuring of the Company's operations, the Board of Directors approved a proposal under which employees could elect to cancel their options in exchange for grants of new options with exercise price of $0.50, which was the fair value of the Company's common stock at that time. The Company has obtained an independent appraisal to support the June 1996 fair market value determination of $0.50 by the Board of Directors. Options for the purchase of approximately 2,467,000, shares of the 1992 Plan and the Key Personnel Plan were canceled in exchange for newly issued options to purchase an equal number of shares.

1996 STOCK PLAN

In June 1996, the Board of Directors adopted the 1996 Stock Plan (the 1996 Plan) and reserved 1,000,000 shares of the Company's common stock for issuance. This amount is to be increased annually on the first day of each of the Company's fiscal years commencing November 1, 1997 in an amount equal to 5% of the Company's common stock issued and outstanding at the end of the immediately preceding fiscal year subject to certain maximum limitations. The 1996 Plan provides for granting incentive and nonstatutory stock options to employees at prices equal to the fair market value of the stock at the grant dates as determined by

the Company's Board of Directors. Options generally vest over a period of not more than five years. The following is a summary of the activity of the 1996 Plan during the six months ended September 30, 1996:

	OPTIONS AVAILABLE FOR GRANT	SHARES SUBJECT TO OPTIONS OUTSTANDING	EXERCISE PRICE PER SHARE
Adoption of plan	1,000,000	--	--
Granted	(171,150)	171,150	$0.50
Exercised	--	(247)	$0.50
Returned to plan	9,191	(9,191)	$0.50
Balance at September 30, 1996	838,041	161,712	$0.50
Options exercisable at September 30, 1996	--	7,452	$0.50

1996 DIRECTOR OPTION PLAN

The Company's 1996 Director Option Plan (the Director Plan) was adopted in June 1996 and will become effective upon the closing of an initial public offering. A total of 150,000 shares of common stock have been reserved for issuance under the Director Plan. The Director Plan provides for the grant of nonstatutory stock options to certain nonemployee directors of the Company (Outside Directors). The Director Plan provides that each Outside Director shall be granted a nonstatutory stock option to purchase 16,000 shares of common stock on the date upon which such person first becomes an Outside Director or, if later, on the effective date of the Director Plan. Thereafter, each Outside Director shall be automatically granted an option to purchase 4,000 shares of common stock on the date such Outside Director is reelected to the Board of Directors, if on such date, such Outside Director shall have served on the Company's Board of Directors for at least six months. The Director Plan provides that each option shall become exercisable in monthly installments over a period of one year from the date of grant. The exercise price per share of all options granted under the Director Plan shall be equal to the fair market value of a share of the Company's common stock on the date of grant. Options granted to Outside Directors under the Director Plan have a ten year term, or shorter upon termination of an Outside Director's status as a director. If not terminated earlier, the Director Plan will have a term of ten years.

1996 EMPLOYEE STOCK PURCHASE PLAN

The Company's 1996 Stock Purchase Plan (the Purchase Plan) was adopted in June 1996 and will become effective upon the closing of an initial public offering. Under the Purchase Plan a total of 500,000 shares of common stock have been reserved for issuance to participating employees who meet eligibility requirements.

The Purchase Plan permits eligible employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee's base compensation, including commissions, bonuses and overtime, at a price equal to 85% of the fair market value of the common stock at the beginning of each offering period or the end of a six month purchase period, whichever is lower. In the event of a merger of the Company with or into another corporation or the sale of all or substantially all of the assets of the Company, the Purchase Plan provides that a new exercise date shall be set for each option under the plan which exercise date shall occur before the date of the merger or asset sale.

CERTAIN PRO FORMA DISCLOSURES

The Company accounts for its employee stock option plans in accordance with the provisions of Accounting Principles Board Opinion No. 25. In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (FAS 123), "Accounting for Stock-Based

Compensation" which established a fair value based method of accounting for employee stock option plans. Had compensation cost for the Company's option plans been determined based on the fair value at the grant dates, as prescribed in FAS 123, the Company's net loss and pro forma net loss per share would have been as follows:

	YEAR ENDED MARCH 31, 1996	SIX MONTHS ENDED SEPTEMBER 30, 1996
Net loss:		
As reported	$(3,217,000)	$ (5,913,000)
Pro forma	(3,517,000)	(6,248,000)
Pro forma net loss per share:		
As reported	$ (0.28)	$ (0.50)
Adjusted pro forma	(0.30)	(0.52)

For the purposes of above noted FAS 123 pro forma disclosures the fair value of each option grant has been estimated on the date of grant using the minimum value method with the following assumptions used for grants during the applicable period: dividend yield of 0.0% for both periods: risk-free interest rates of 5.1% to 6.7% for options granted during the year ended March 31, 1996 and 5.7% to 6.5% for options granted during the six months ended September 30, 1996; and a weighted average expected option term of five years for both periods.

Because the determination of the fair value of all options granted after the Company becomes a public entity will include an expected volatility factor in addition to the factors described in the preceding paragraph and, because additional option grants are expected to be made each year, the above pro forma disclosures are not representative of pro forma effects on reported net loss for future years.

NOTE 7 -- EMPLOYEE BENEFITS PLANS:

401(K) SAVINGS PLAN

In April 1991, the Company adopted a 401(k) savings plan ("Savings Plan") covering substantially all of its U.S. employees. Under the Savings Plan, eligible employees may contribute up to the maximum allowed by the IRS from their compensation to the Savings Plan with the Company matching participants' contributions up to $300 per employee per year at a dollar for dollar rate of the employee contribution. The Company matching vests over 3 years. To date, the Company's contributions have not been material.

PROFIT SHARING PLAN

In July 1995, the Company's Board of Directors approved a profit sharing plan which provides for additional compensation to all employees of the Company based on quarterly income before income taxes. The profit sharing plan is effective beginning in fiscal 1996 and provides for payments of up to 15% of total quarterly income before income taxes. Additionally the plan provides for payment of certain discretionary bonuses based on criterion established by management. Charges related to this plan were not material for the fiscal year ended March 31, 1996 or the six months ended September 30, 1996.

NOTE 8 -- GEOGRAPHIC AREA AND SIGNIFICANT CUSTOMER INFORMATION:

The Company's export sales to Europe represented 21%, 26%, 17% and 23% of total revenues in fiscal years 1994, 1995, 1996 and the six months ended September 30, 1996. The Company's export sales to the Asia Pacific region represented less than 10% of total revenues in 1994, 14% of total revenues in 1995, 32% of total revenues in 1996, and 39% of total revenues in the six months ended September 30, 1996.

Product sales to two different customers accounted for approximately 23% and 13%, of the Company's total revenues for the years ended March 31, 1994 and 1995, respectively. During the year ended March 31, 1996 and the six months ended September 30, 1996 product sales to no customer accounted for 10% or more of the Company's total revenues. License revenues from two different customers accounted for approximately 24% and 10% of the Company's total revenues for the year ended March 31, 1996 and the six months ended September 30, 1996, respectively.

NOTE 9 -- RESTRUCTURING COSTS:

During fiscal 1996, the Company recorded restructuring charges resulting from the Company's decision to reduce the scope of its research and development activities by eliminating certain product development efforts. The restructuring costs related primarily to a write off of equipment associated with the terminated development efforts.

During fiscal 1997, the Company recorded an additional charge for restructuring its operations by reducing its workforce by approximately 25%. As of September 30, 1996, the Company's restructuring actions were fully completed and there were no outstanding restructuring cost accruals.

NOTE 10 -- SUBSEQUENT EVENTS:

During October 1996, the Company issued an additional 270,913 shares of Series D Preferred Stock for cash proceeds of approximately $1,490,000.

DELAWARE REINCORPORATION

On October 21, 1996, the Company's Board of Directors, subject to stockholder approval, authorized the reincorporation of the Company in Delaware and the associated exchange of each series of stock of the predecessor company into 1 share of each corresponding series of stock of the Delaware successor.

The Board of Directors also approved that effective upon the closing of the initial public offering, the Company will be authorized to issue five million shares of undesignated Preferred Stock, and the Board of Directors will have the authority to issue the undesignated Preferred Stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof.

The reincorporation will occur prior to the completion the Company's initial public offering. These financial statements have been prepared giving effect to the reincorporation for all periods presented.

APPENDIX -- DESCRIPTION OF GRAPHICS

OUTSIDE FRONT COVER

Graphic: 8x8, Inc. logo.

INSIDE FRONT COVER

The graphic heading reads "Silicon, software and systems for video conferencing." Underneath this heading, and to the left, there is a picture of a prototype of the Company's VideoCommunicator product, the VC100, currently under development. To the right of this picture is the following text: "8x8 is developing a family of VideoCommunicator products. The initial VideoCommunicator, the VC100, is compliant with the H.324 standard for POTS video telephony and connects to a television and touch-tone phone to add video to an otherwise normal telephone call." Underneath the heading, and to the right, there is a picture of the Company's VCP and LVP semiconductor products. To the left of this picture is the following text: "8x8's video compression semiconductors combine, on a single chip, a RISC microprocessor, a digital signal processor, specialized video processing circuitry, static RAM memory and proprietary software to perform the real time compression and decompression of video and audio information and establish and maintain network connections in a manner consistent with international standards for video telephony." Underneath this picture on the left are two pictures demonstrating the use of the Company's planned VideoCommunicator product, the VC100 with a man at one location and a man and woman at the other location. Underneath the picture on the right are two pictures demonstrating the use of video conferencing products.

Underneath these four pictures is the following text: "8x8, Inc. designs, develops and markets highly integrated, proprietary video compression semiconductors and associated software to manufacturers of corporate video conferencing systems. To address new opportunities, the Company intends to leverage its strengths in semiconductor design and related software by introducing video conferencing systems for the consumer market."

OUTSIDE BACK COVER

Graphic: 8x8, Inc. logo.

LOGO

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale of the Common Stock being registered hereby. All amounts are estimates except the SEC registration fee and the NASD filing fee.

	AMOUNT TO BE PAID BY REGISTRANT
SEC Registration Fee	$ 8,712
NASD Filing Fee	3,375
Nasdaq National Market Application Fee	50,000
Printing	125,000
Legal Fees and Expenses	275,000
Accounting Fees and Expenses	180,000
Blue Sky Fees and Expenses	10,000
Director and Officer Liability Insurance	350,000
Custodial Fees	2,500
Transfer Agent and Registrar Fees	5,000
Miscellaneous	40,413
Total	$1,050,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law (the "Delaware Law") authorizes a court to award, or a corporation's Board of Directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Securities Act"). Article Ten of the Registrant's Certificate of Incorporation (Exhibit 3.1 hereto) and Article VI of the Registrant's Bylaws (Exhibit 3.3 hereto) provide for indemnification of the Registrant's directors, officers, employees and other agents to the maximum extent permitted by Delaware Law. In addition, the Registrant has entered into Indemnification Agreements (Exhibit 10.1 hereto) with its officers and directors. The Underwriting Agreement (Exhibit 1.1) also provides for crossindemnification among the Company and the Underwriters with respect to certain matters, including matters arising under the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Since September 30, 1993, the Registrant has issued and sold the following unregistered securities:

1. Between March 3, 1994 and June 26, 1996, the Registrant sold an aggregate of 258,046 shares of Common Stock at a price of $2.50 per share for an aggregate purchase price of $645,115 to the following stockholders pursuant to the exercise of an option granted under the Registrant's 1992 Stock Option Plan: 183 shares to Maria Balicka; 150 shares to Yu-Chuan Liu; 83 shares to Aaron Emigh; 600 shares to Amit Gulati; 8,000 shares to David Laws; 125 shares to Kathleen Hassett; 441 shares to Norman Duong; 600 shares to Leslie Jan; 4,200 shares to Faisal Khan; 200 shares to Laura Stansfield; 1,900 shares to Xiaolin (Richard) Tang; 177 shares to Henry Hao-jan Tung; 538 shares to Deborah Rudd; 867 shares to Chiao-er Allisa Lee; 1,642 shares to Dong Ha Lim; 1,300 shares to Clyde Wright; 980 shares to Wen-Huei Adam Wang; 133,125 shares to Chi-Shin Wang; 1,042 shares to Duat Hoang Tran; 50 shares to Manu Gulati; 20,000 shares to Mark Birman; 4,000 shares to Brett Coon; 68,333 shares to Richard Johnson; 850 shares to Hay-Pang Stephen Leung; 600 shares to Ekman Tsang; 418 shares to Joanna Liu; 1,000 shares to Dawn Wang; 2,925 shares to

Arijanto Soemedi; 2,042 shares to Sehat Sutardja; 100 shares to Peter Kong; and 1,575 shares to Robin Chirico.

2. Between February 24, 1994 and November 21, 1995, the Registrant sold an aggregate of 12,100 shares of Common Stock at a price of $1.00 per share for an aggregate purchase price of $12,100 to the following stockholders pursuant to the exercise of an option granted under the Registrant's 1992 Stock Option Plan: 2,500 shares to Sydney Lee; 5,200 shares to Sergio Golombek; and 4,400 shares to Ramah Sutardja.

3. In May 1994, the Registrant sold 681,820 shares of Series C Preferred Stock to National Semiconductor Corporation at a purchase price of $7,500,020.

4. In July 1996, the Registrant sold an aggregate of 2,156,800 shares to the following officers and directors at an aggregate purchase price of $1,078,400: 122,400 shares to Sandra L. Abbott; 122,400 shares to David Harper; 160,400 shares to Bryan Martin; 176,400 shares to Chris McNiffe; 125,400 shares to Michael Noonen; 1,000,000 shares to Joe Parkinson; 292,400 shares to Y.W. Sing; and 157,400 shares to Samuel Wang.

5. Between August 24, 1996 and September 13, 1996, the Registrant sold an aggregate of 247 shares of Common Stock at a price of $0.50 per share for an aggregate purchase price of $123.50 to the following stockholders pursuant to the exercise of an option granted under the Registrant's 1996 Stock Option Plan: 205 shares to Scott Shengwei Zhang; and 42 shares to Richard Williams.

6. Between August 24, 1996 and September 28, 1996, the Registrant sold an aggregate of 8,232 shares of Common Stock at a price of $0.50 per share for an aggregate purchase price of $4,116 to the following stockholders pursuant to the exercise of an option granted under the Registrant's 1992 Stock Option Plan: 3,271 shares to Scott Shengwei Zhang; 958 shares to Richard Williams; 2,000 shares to Rong-Xiang Ni; and 2,003 shares to Carl Fong.

7. In September 1996, the Registrant sold an aggregate of 413,640 shares of Series D Preferred Stock to the following investors at an aggregate purchase price of $2,275,020: 363,640 shares to Sanyo Semiconductor Corporation; and 50,000 shares to Guy Hecker.

8. In September 1996, the Registrant issued 20,000 shares of Common Stock to Daniel Helman at a value of $0.50 per share for an aggregate value of $10,000. The Registrant issued to Mr. Helman such shares in connection with services provided to the Registrant.

9. In October 1996, the Registrant sold an aggregate of 270,913 shares of Series D Preferred Stock to the following investors at an aggregate purchase price of $2,302,760.50: 84,545 shares to Montgomery Associates; 10,364 shares to G. Farman-Farmaian; 100,000 shares to Bexley Enterprises; 26,000 shares to Alidad Farman Farma; 4,550 shares to Jeffrey D. Saper; and 45,454 shares to John Price.

There was no underwriter involved in connection with any transaction set forth above. The issuances of the securities set forth in paragraph 1, 2, 4, 5 and 6 of this Item 15 were deemed to be exempt from registration under the Securities Act in reliance upon Rule 701 promulgated thereunder. The other issuances set forth in this Item 15 were deemed to be exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder as a transaction by an issuer not involving a public offering.

In all of such transactions, the recipients of securities represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the securities issued.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) EXHIBITS.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
1.1	Form of Underwriting Agreement.
3.1	Certificate of Incorporation of Registrant.
3.2	Form of Amended and Restated Certificate of Incorporation of Registrant.
3.3	Bylaws of Registrant.
5.1	Opinion of Wilson, Sonsini, Goodrich & Rosati, Professional Corporation.
10.1	Form of Indemnification Agreement.
10.2	1992 Stock Option Plan and form of Stock Option Agreement.
10.3	Key Personnel Plan and form of Stock Option Agreement.
10.4	1996 Stock Plan and form of Stock Option Agreement.
10.5	1996 Employee Stock Purchase Plan and form of Subscription Agreement.
10.6	1996 Director Option Plan and form of Director Option Agreement.
10.7	Amended and Restated Registration Rights Agreement dated as of September 6, 1996 among the Registrant and certain holders of the Registrant's Common Stock.
10.8	Facility lease dated as of July 3, 1990 by and between Sobrato Interests, a California Limited Partnership, and the Registrant, as amended.
10.9*	License Agreement dated as of May 7, 1996 by and between Kyushu Matsushita Electric Industrial Co., Ltd. and the Registrant.
10.10	Promissory Note between Joe Parkinson and Registrant dated June 29, 1996.
10.11	Promissory Note between Y.W. Sing and Registrant dated June 29, 1996.
10.12	Promissory Note between Sandra L. Abbott and Registrant dated June 29, 1996.
10.13	Promissory Note between David M. Harper and Registrant dated June 29, 1996.
10.14	Promissory Note between Bryan R. Martin and Registrant dated June 29, 1996.
10.15	Promissory Note between Chris McNiffe and Registrant dated June 29, 1996.
10.16	Promissory Note between Mike Noonen and Registrant dated June 29, 1996.
10.17	Promissory Note between Samuel T. Wang and Registrant dated June 29, 1996.
11.1	Computation Regarding Earnings Per Share.
21.1	Subsidiaries of Registrant.
23.1	Consent of Independent Accountants.
23.2	Consent of Counsel (included in Exhibit 5.1).
24.1	Power of Attorney (see page II-5).
27.1	Financial Data Schedule.

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* Confidential treatment requested as to certain portions of this exhibit.

(B) FINANCIAL STATEMENT SCHEDULES

Schedule II Valuation and Qualifying Accounts.

ITEM 17. UNDERTAKINGS

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 provisions referenced in Item 14 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the

Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, 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 of 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.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of this prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus 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.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing, as specified in the Underwriting Agreement, certificates in such denomination and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Clara, State of California, on November 6, 1996.

8X8, INC.

By: /s/ JOE PARKINSON

Joe Parkinson,
Chairman and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Joe Parkinson and Sandra L. Abbott and each of them acting individually, as his or her attorney-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Registration Statement, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments to said Registration Statement, or any related registration statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended.

Pursuant to the requirements of the Securities Exchange Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ JOE PARKINSON Joe Parkinson	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	November 6, 1996
/s/ Y.W. SING Y.W. Sing	Vice Chairman of the Board	November 6, 1996
/s/ SANDRA L. ABBOTT Sandra L. Abbott	Chief Financial Officer and Vice President, Finance (Principal Financial and Accounting Officer)	November 6, 1996
/s/ SAMUEL WANG Samuel Wang	Vice President, Process Technology and Director	November 6, 1996
/s/ BERND GIROD Bernd Girod	Director	November 6, 1996
/s/ RICHARD CHANG Richard Chang	Director	November 6, 1996
/s/ SADA CHIDAMBARAM Sada Chidambaram	Director	November 6, 1996
/s/ AKIFUMI GOTO Akifumi Goto	Director	November 6, 1996
/s/ THOMAS HUMPHREY Thomas Humphrey	Director	November 6, 1996
/s/ WILLIAM TAI William Tai	Director	November 6, 1996

8 X 8 INC.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	WRITE-OFFS/ RECOVERIES OF UNCOLLECTIBLE ACCOUNTS	BALANCE AT END OF PERIOD
Allowance for doubtful accounts:				
March 31, 1994	$681	$137	$ 142	$676
March 31, 1995	$676	--	$ 279	$397
March 31, 1996	$397	$234	$ 111	$520
September 30, 1996	$520	--	$ 74	$446

EXHIBIT INDEX

EXHIBIT NO.	EXHIBIT
1.1	Form of Underwriting Agreement.
3.1	Certificate of Incorporation of Registrant.
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3.3	Bylaws of Registrant.
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10.8	Facility lease dated as of July 3, 1990 by and between Sobrato Interests, a California Limited Partnership, and the Registrant, as amended.
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11.1	Computation Regarding Earnings Per Share.
21.1	Subsidiaries of Registrant.
23.1	Consent of Independent Accountants.
23.2	Consent of Counsel (included in Exhibit 5.1).
24.1	Power of Attorney (see page II-5).
27.1	Financial Data Schedule.

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* Confidential treatment requested as to certain portions of this exhibit.

EXHIBIT 1.1

2,500,000 Shares

8X8, INC.

Common Stock

UNDERWRITING AGREEMENT

December __, 1996

MONTGOMERY SECURITIES
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
As Representatives of the several Underwriters
c/o MONTGOMERY SECURITIES
600 Montgomery Street
San Francisco, California 94111

Dear Sirs:

SECTION 1. Introductory. 8x8, Inc., a Delaware corporation (the "Company"), proposes to issue and sell 2,500,000 shares of its authorized but unissued Common Stock (the "Common Stock") to the several underwriters named in Schedule A annexed hereto (the "Underwriters"), for whom you are acting as Representatives. Said aggregate of 2,500,000 shares are herein called the "Firm Common Shares." In addition, the Company proposes to grant to the Underwriters an option to purchase up to 375,000 additional shares of Common Stock (the "Optional Common Shares"), as provided in Section 4 hereof. The Firm Common Shares and, to the extent such option is exercised, the Optional Common Shares are hereinafter collectively referred to as the "Common Shares."

You have advised the Company that the Underwriters propose to make a public offering of their respective portions of the Common Shares on the effective date of the registration statement hereinafter referred to, or as soon thereafter as in your judgment is advisable.

The Company hereby confirms its agreements with respect to the purchase of the Common Shares by the Underwriters as follows:

SECTION 2. Representations and Warranties of the Company. The Company hereby represents and warrants to the several Underwriters that:

(a) A registration statement on Form S-1 (File No. _____) with respect to the Common Shares has been prepared by the Company in conformity with the requirements of the

Securities Act of 1933, as amended (the "Act"), and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder, and has been filed with the Commission. The Company has prepared and has filed or proposes to file prior to the effective date of such registration statement an amendment or amendments to such registration statement, which amendment or amendments have been or will be similarly prepared. There have been delivered to you two signed copies of such registration statement and amendments, together with two copies of each exhibit filed therewith. Conformed copies of such registration statement and amendments (but without exhibits) and of the related preliminary prospectus have been delivered to you in such reasonable quantities as you have requested for each of the Underwriters. The Company will next file with the Commission one of the following: (i) prior to effectiveness of such registration statement, a further amendment thereto, including the form of final prospectus, (ii) a final prospectus in accordance with Rules 430A and 424(b) of the Rules and Regulations or (iii) a term sheet (the "Term Sheet") as described in and in accordance with Rule 434 and 424(b) of the Rules and Regulations. As filed, the final prospectus, if one is used, or the Term Sheet and Preliminary Prospectus, if a final prospectus is not used, shall include all Rule 430A Information and, except to the extent that you shall agree in writing to a modification, shall be in all substantive respects in the form furnished to you prior to the date and time that this Agreement was executed and delivered by the parties hereto, or, to the extent not completed at such date and time, shall contain only such specific additional information and other changes (beyond that contained in the latest Preliminary Prospectus) as the Company shall have previously advised you in writing would be included or made therein.

The term "Registration Statement" as used in this Agreement shall mean such registration statement at the time such registration statement becomes effective and, in the event any post-effective amendment thereto becomes effective prior to the First Closing Date (as hereinafter defined), shall also mean such registration statement as so amended; provided, however, that such term shall also include (i) all Rule 430A Information deemed to be included in such registration statement at the time such registration statement becomes effective as provided by Rule 430A of the Rules and Regulations and (ii) any registration statement filed pursuant to 462(b) of the Rules and Regulations relating to the Common Shares. The term "Preliminary Prospectus" shall mean any preliminary prospectus referred to in the preceding paragraph and any preliminary prospectus included in the Registration Statement at the time it becomes effective that omits Rule 430A Information. The term "Prospectus" as used in this Agreement shall mean either (i) the prospectus relating to the Common Shares in the form in which it is first filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations or, (ii) if a Term Sheet is not used and no filing pursuant to Rule 424(b) of the Rules and Regulations is required, shall mean the form of final prospectus included in the Registration Statement at the time such registration statement becomes effective or (iii) if a Term Sheet is used, the Term Sheet in the form in which it is first filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations, together with the Preliminary Prospectus included in the Registration Statement at the time it becomes effective. The term "Rule 430A Information" means information with respect to the Common Shares and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A of the Rules and Regulations.

(b) The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus, and each Preliminary Prospectus has conformed in all material respects to the requirements of the Act and the Rules and Regulations and, as of its date, has not included any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and at the time the Registration Statement becomes effective, and at all times subsequent thereto up to and including each Closing Date hereinafter mentioned, the Registration Statement and the Prospectus, and any amendments or supplements thereto, will contain all material statements and information required to be included therein by the Act and the Rules and Regulations and will in all material respects conform to the requirements of the Act and the Rules and Regulations, and neither the Registration Statement nor the Prospectus, nor any amendment or supplement thereto, will include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, no representation or warranty contained in this subsection 2(b) shall be applicable to information contained in or omitted from any Preliminary Prospectus, the Registration Statement, the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter, directly or through the Representatives, specifically for use in the preparation thereof.

(c) The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed in Exhibit 21.1 to the Registration Statement. The Company and each of its subsidiaries have been duly incorporated and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation, with full power and authority (corporate and other) to own and lease their properties and conduct their respective businesses as described in the Prospectus; the Company owns all of the outstanding capital stock of its subsidiaries free and clear of all claims, liens, charges and encumbrances; the Company and each of its subsidiaries are in possession of and operating in compliance with all authorizations, licenses, permits, consents, certificates and orders material to the conduct of their respective businesses, all of which are valid and in full force and effect; the Company and each of its subsidiaries are duly qualified to do business and in good standing as foreign corporations in each jurisdiction in which the ownership or leasing of properties or the conduct of their respective businesses requires such qualification, except for jurisdictions in which the failure to so qualify would not have a material adverse effect upon the Company or the subsidiary; and no proceeding has been instituted in any such jurisdiction, revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification.

(d) The Company has authorized and outstanding capital stock as set forth under the heading "Capitalization" in the Prospectus; the issued and outstanding shares of Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities, and conform to the description thereof contained in the Prospectus. All issued and outstanding shares of capital stock of each subsidiary of the Company have been duly authorized and validly issued and are fully paid and nonassessable. Except as disclosed in or contemplated by the Prospectus and the financial statements of the Company, and the related notes thereto, included in the Prospectus, neither the

Company nor any subsidiary has outstanding any options to purchase, or any preemptive rights or other rights to subscribe for or to purchase, any securities or obligations convertible into, or any contracts or commitments to issue or sell, shares of its capital stock or any such options, rights, convertible securities or obligations. The description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted and exercised thereunder, set forth in the Prospectus accurately and fairly presents the information required to be shown with respect to such plans, arrangements, options and rights.

(e) The Common Shares to be sold by the Company have been duly authorized and, when issued, delivered and paid for in the manner set forth in this Agreement, will be duly authorized, validly issued, fully paid and nonassessable, and will conform to the description thereof contained in the Prospectus. No preemptive rights or other rights to subscribe for or purchase exist with respect to the issuance and sale of the Common Shares by the Company pursuant to this Agreement. No stockholder of the Company has any right which has not been waived to require the Company to register the sale of any shares owned by such stockholder under the Act in the public offering contemplated by this Agreement. No further approval or authority of the stockholders or the Board of Directors of the Company will be required for the issuance and sale of the Common Shares to be sold by the Company as contemplated herein.

(f) The Company has full legal right, power and authority to enter into this Agreement and perform the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company in accordance with its terms. The making and performance of this Agreement by the Company and the consummation of the transactions herein contemplated will not violate any provisions of the certificate of incorporation or bylaws, or other organizational documents, of the Company or any of its subsidiaries, and will not conflict with, result in the breach or violation of, or constitute, either by itself or upon notice or the passage of time or both, a default under any agreement, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of its respective properties may be bound or affected, any statute or any authorization, judgment, decree, order, rule or regulation of any court or any regulatory body, administrative agency or other governmental body applicable to the Company or any of its subsidiaries or any of its respective properties. No consent, approval, authorization or other order of any court, regulatory body, administrative agency or other governmental body is required for the execution and delivery of this Agreement or the consummation of the transactions contemplated by this Agreement, except for compliance with the Act, the Blue Sky laws applicable to the public offering of the Common Shares by the several Underwriters and the clearance of such offering with the National Association of Securities Dealers, Inc. (the "NASD").

(g) Price Waterhouse LLP, who have expressed their opinion with respect to the financial statements and schedules filed with the Commission as a part of the Registration Statement and included in the Prospectus and in the Registration Statement, are independent accountants as required by the Act and the Rules and Regulations.

(h) The financial statements and schedules of the Company, and the related notes thereto, included in the Registration Statement and the Prospectus present fairly the financial position of the Company as of the respective dates of such financial statements and schedules, and the results of operations and changes in financial position of the Company for the respective periods covered thereby. Such statements, schedules and related notes have been prepared in accordance with generally accepted accounting principles applied on a consistent basis as certified by the independent accountants named in subsection 2(g). No other financial statements or schedules are required to be included in the Registration Statement. The selected financial data set forth in the Prospectus under the captions "Capitalization" and "Selected Financial Data" fairly present the information set forth therein on the basis stated in the Registration Statement.

(i) Except as disclosed in the Prospectus, and except as to defaults which individually or in the aggregate would not be material to the Company, neither the Company nor any of its subsidiaries is in violation or default of any provision of its certificate of incorporation or bylaws, or other organizational documents, or is in breach of or default with respect to any provision of any agreement, judgment, decree, order, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument to which it is a party or by which it or any of its properties are bound; and there does not exist any state of facts which constitutes an event of default on the part of the Company or any such subsidiary as defined in such documents or which, with notice or lapse of time or both, would constitute such an event of default.

(j) There are no contracts or other documents required to be described in the Registration Statement or to be filed as exhibits to the Registration Statement by the Act or by the Rules and Regulations that have not been described or filed as required. The contracts so described in the Prospectus are accurate and complete; all such contracts are in full force and effect on the date hereof; and neither the Company nor any of its subsidiaries, nor to the best of the Company's knowledge, any other party is in breach of or default under any of such contracts.

(k) There are no legal or governmental actions, suits or proceedings pending or threatened to which the Company or any of its subsidiaries is or may be a party or of which property owned or leased by the Company or any of its subsidiaries is or may be the subject, or related to environmental or discrimination matters, which actions, suits or proceedings might, individually or in the aggregate, prevent or adversely affect the transactions contemplated by this Agreement or result in a material adverse change in the condition (financial or otherwise), properties, business, results of operations or prospects of the Company and its subsidiaries; and no labor disturbance by the employees of the Company or any of its subsidiaries exists or is imminent which might be expected to affect adversely such condition, properties, business, results of operations or prospects. Neither the Company nor any of its subsidiaries is a party or subject to the provisions of any material injunction, judgment, decree or order of any court, regulatory body, administrative agency or other governmental body.

(l) The Company or the applicable subsidiary has good and marketable title to all the properties and assets reflected as owned in the financial statements hereinabove described (or elsewhere in the Prospectus), subject to no lien, mortgage, pledge, charge or encumbrance of any kind except (i) those, if any, reflected in such financial statements (or elsewhere in the Prospectus),

or (ii) those which are not material in amount and do not adversely affect the use made and proposed to be made of such property by the Company and its subsidiaries. The Company or the applicable subsidiary holds its leased properties under valid and binding leases, with such exceptions as are not materially significant in relation to the business of the Company. The Company owns or leases all such properties as are necessary to its operations as now conducted or as proposed to be conducted.

(m) Since the respective dates as of which information is given in the Registration Statement and Prospectus, and except as described in or specifically contemplated by the Prospectus: (i) the Company and its subsidiaries have not incurred any material liabilities or obligations, indirect, direct or contingent, or entered into any material verbal or written agreement or other transaction that is not in the ordinary course of business or which could result in a material reduction in the future earnings of the Company and its subsidiaries; (ii) the Company and its subsidiaries have not sustained any material loss or interference with their respective businesses or properties from fire, flood, windstorm, accident or other calamity, whether or not covered by insurance; (iii) the Company has not paid or declared any dividends or other distributions with respect to its capital stock and the Company and its subsidiaries are not in default in the payment of principal or interest on any outstanding debt obligations; (iv) there has not been any change in the capital stock (other than upon the sale of the Common Shares hereunder and upon the exercise of options described in the Registration Statement) or indebtedness material to the Company and its subsidiaries (other than in the ordinary course of business); and (v) there has not been any material adverse change in the condition (financial or otherwise), business, properties, results of operations or prospects of the Company and its subsidiaries.

(n) Except as disclosed in or specifically contemplated by the Prospectus, the Company and its subsidiaries have sufficient trademarks, trade names, patent rights, mask works, copyrights, trade secret and know-how rights, other intellectual property rights, licenses, approvals and governmental authorizations to conduct their businesses as now conducted; the expiration of any trademarks, trade names, patent rights, mask works, copyrights, trade secret and know-how rights, other intellectual property rights, licenses, approvals or governmental authorizations would not have a material adverse effect on the condition (financial or otherwise), business, results of operations or prospects of the Company or its subsidiaries; and the Company has no knowledge of any material infringement by it or its subsidiaries of trademark, trade name rights, patent rights, mask works, copyrights, trade secret and know-how rights, other intellectual property rights, licenses, or other similar rights of others, and there is no claim being made or threatened against the Company or its subsidiaries regarding trademark, trade name, patent, mask work, copyright, trade secret and know-how rights, other intellectual property rights, license, or other infringement and, to the knowledge of the Company, there is no basis for any such claim.

(o) The Company has not been advised, and has no reason to believe, that either it or any of its subsidiaries is not conducting business in compliance with all applicable laws, rules and regulations of the jurisdictions in which it is conducting business, including, without limitation, all applicable local, state and federal environmental laws and regulations; except where failure to be so in compliance would not materially adversely affect the condition (financial or otherwise), business, results of operations or prospects of the Company and its subsidiaries.

(p) The Company and its subsidiaries have filed all necessary federal, state and foreign income and franchise tax returns and have paid all taxes shown as due thereon; and the Company has no knowledge of any tax deficiency which has been or might be asserted or threatened against the Company or its subsidiaries.

(q) The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(r) The Company has not distributed and will not distribute prior to the First Closing Date any offering material in connection with the offering and sale of the Common Shares other than the Prospectus, the Registration Statement and the other materials permitted by the Act.

(s) Each of the Company and its subsidiaries maintain insurance of the types and in the amounts generally deemed adequate for its business, including, but not limited to, insurance covering real and personal property owned or leased by the Company and its subsidiaries against theft, damage, destruction, acts of vandalism and all other risks customarily insured against, all of which insurance is in full force and effect.

(t) Neither the Company nor any of its subsidiaries has at any time during the last five (5) years (i) made any unlawful contribution to any candidate for foreign office, or failed to disclose fully any contribution in violation of law, or (ii) made any payment to any federal or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof.

(u) The Company has not taken and will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Common Shares.

(v) All material transactions during the Company's current or last three (3) fiscal years between the Company and the officers, directors and 5% stockholders of the Company have been accurately disclosed in the Prospectus to the extent required; and the terms of each such transaction are in all material respects fair to the Company and no less favorable to the Company than the terms that could have been obtained from unrelated parties.

(w) The Company has not incurred any liability for a fee, commission, or other compensation on account of the employment of a broker or finder in connection with the transactions contemplated by this Agreement other than as contemplated hereby.

(x) The Company has obtained the Agreement of each of its officers, directors and stockholders not to sell, contract to sell, grant any options to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock or securities convertible into, or exercisable or exchangeable for Common Stock or other rights to purchase Common Stock of the Company for a period of 180 days after the effective date of the Registration Statement without the prior written consent of Montgomery Securities.

(y) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability of assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(z) Each current and/or former employee, officer and consultant of the Company has executed a proprietary information agreement in the form or forms that have been delivered to counsel for the Underwriters.

SECTION 3. Representations and Warranties of the Underwriters. The Representatives, on behalf of the several Underwriters, represent and warrant to the Company that the information set forth (i) on the cover page of the Prospectus with respect to price, underwriting discounts and commissions and terms of offering and (ii) under "Underwriting" in the Prospectus was furnished to the Company by and on behalf of the Underwriters for use in connection with the preparation of the Registration Statement and the Prospectus and is correct in all material respects. The Representatives represent and warrant that they have been authorized by each of the other Underwriters as the Representatives to enter into this Agreement on its behalf and to act for it in the manner herein provided.

SECTION 4. Purchase, Sale and Delivery of Common Shares. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell to the Underwriters the number of the Firm Common Shares described below in Schedule A. The Underwriters agree, severally and not jointly, to purchase from the Company the number of Firm Common Shares described below. The purchase price per share to be paid by the several Underwriters to the Company shall be $_____ per share.

The obligation of each Underwriter to the Company shall be to purchase from the Company that number of full shares that (as nearly as practicable, as determined by you) bears to _____ the same proportion as the number of shares set forth opposite the name of such Underwriter in Schedule A hereto bears to the total number of Firm Common Shares.

Delivery of certificates for the Firm Common Shares to be purchased by the Underwriters and payment therefor shall be made at the offices of Montgomery Securities, 600 Montgomery Street, San Francisco, California (or such other place as may be agreed upon by the Company and the Representatives) at such time and date, not later than the third (or, if the Firm Common Shares are priced, as contemplated by Rule 15c6-1(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after 4:30 p.m. Washington D.C. time, the fourth) full business day following the first date that any of the Common Shares are released by you for sale to the public, as you shall designate by at least 48 hours prior notice to the Company (the "First Closing Date"); provided, however, that if the Prospectus is at any time prior to the First Closing Date recirculated

to the public, the First Closing Date shall occur upon the later of the third or fourth, as the case may be, full business day following the first date that any of the Common Shares are released by you for sale to the public or the date that is 48 hours after the date that the Prospectus has been so recirculated.

Delivery of certificates for the Firm Common Shares shall be made by or on behalf of the Company to you, for the respective accounts of the Underwriters against payment by you, for the accounts of the several Underwriters, of the purchase price therefor by a wire transfer of federal funds to an account designated by the Company. The certificates for the Firm Common Shares shall be registered in such names and denominations as you shall have requested at least two full business days prior to the First Closing Date, and shall be made available for checking and packaging on the business day preceding the First Closing Date at a location in New York, New York, as may be designated by you. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriters.

In addition, on the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company hereby grants an option to the several Underwriters to purchase, severally and not jointly, up to an aggregate of 375,000 Optional Common Shares at the purchase price per share to be paid for the Firm Common Shares, for use solely in covering any over-allotments made by you for the account of the Underwriters in the sale and distribution of the Firm Common Shares. The option granted hereunder may be exercised at any time (but not more than once) within 30 days after the first date that any of the Common Shares are released by you for sale to the public, upon notice by you to the Company setting forth the aggregate number of Optional Common Shares as to which the Underwriters are exercising the option, the names and denominations in which the certificates for such shares are to be registered and the time and place at which such certificates will be delivered. Such time of delivery (which may not be earlier than the First Closing Date), being herein referred to as the "Second Closing Date," shall be determined by you, but if at any time other than the First Closing Date shall not be earlier than three nor later than five full business days after delivery of such notice of exercise. The number of Optional Common Shares to be purchased by each Underwriter shall be determined by multiplying the number of Optional Common Shares to be sold by the Company pursuant to such notice of exercise by a fraction, the numerator of which is the number of Firm Common Shares to be purchased by such Underwriter as set forth opposite its name in Schedule A and the denominator of which is 375,000 (subject to such adjustments to eliminate any fractional share purchases as you in your discretion may make). Certificates for the Optional Common Shares will be made available for checking and packaging on the business day preceding the Second Closing Date at a location in New York, New York, as may be designated by you. The manner of payment for and delivery of the Optional Common Shares shall be the same as for the Firm Common Shares purchased from the Company as specified in the two preceding paragraphs. At any time before lapse of the option, you may cancel such option by giving written notice of such cancellation to the Company. If the option is canceled or expires unexercised in whole or in part, the Company will deregister under the Act the number of Option Shares as to which the option has not been exercised.

You have advised the Company that each Underwriter has authorized you to accept delivery of its Common Shares, to make payment and to receipt therefor. You, individually and not as the

Representatives of the Underwriters, may (but shall not be obligated to) make payment for any Common Shares to be purchased by any Underwriter whose funds shall not have been received by you by the First Closing Date or the Second Closing Date, as the case may be, for the account of such Underwriter, but any such payment shall not relieve such Underwriter from any of its obligations under this Agreement.

Subject to the terms and conditions hereof, the Underwriters propose to make a public offering of their respective portions of the Common Shares as soon after the effective date of the Registration Statement as in the judgment of the Representatives is advisable and at the public offering price set forth on the cover page of and on the terms set forth in the final prospectus, if one is used, or on the first page of the Term Sheet, if one is used.

SECTION 5. Covenants of the Company. The Company covenants and agrees that:

(a) The Company will use its best efforts to cause the Registration Statement and any amendment thereof, if not effective at the time and date that this Agreement is executed and delivered by the parties hereto, to become effective. If the Registration Statement has become or becomes effective pursuant to Rule 430A of the Rules and Regulations, or the filing of the Prospectus is otherwise required under Rule 424(b) of the Rules and Regulations, the Company will file the Prospectus, properly completed, pursuant to the applicable paragraph of Rule 424(b) of the Rules and Regulations within the time period prescribed and will provide evidence satisfactory to you of such timely filing. The Company will promptly advise you in writing (i) of the receipt of any comments of the Commission, (ii) of any request of the Commission for amendment of or supplement to the Registration Statement (either before or after it becomes effective), any Preliminary Prospectus or the Prospectus or for additional information, (iii) when the Registration Statement shall have become effective, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the institution of any proceedings for that purpose. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment. The Company will not file any amendment or supplement to the Registration Statement (either before or after it becomes effective), any Preliminary Prospectus or the Prospectus of which you have not been furnished with a copy a reasonable time prior to such filing or to which you reasonably object or which is not in compliance with the Act and the Rules and Regulations.

(b) The Company will prepare and file with the Commission, promptly upon your request, any amendments or supplements to the Registration Statement or the Prospectus that in your judgment may be necessary or advisable to enable the several Underwriters to continue the distribution of the Common Shares and will use its best efforts to cause the same to become effective as promptly as possible. The Company will fully and completely comply with the provisions of Rule 430A of the Rules and Regulations with respect to information omitted from the Registration Statement in reliance upon such Rule.

(c) If at any time within the nine-month period referred to in Section 10(a)(3) of the Act during which a prospectus relating to the Common Shares is required to be delivered under the Act any event occurs, as a result of which the Prospectus, including any amendments or

supplements, would include an untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary at any time to amend the Prospectus, including any amendments or supplements, to comply with the Act or the Rules and Regulations, the Company will promptly advise you thereof and will promptly prepare and file with the Commission, at its own expense, an amendment or supplement that will correct such statement or omission or an amendment or supplement which will effect such compliance and will use its best efforts to cause the same to become effective as soon as possible; and, in case any Underwriter is required to deliver a prospectus after such nine-month period, the Company upon request, but at the expense of such Underwriter, will promptly prepare such amendment or amendments to the Registration Statement and such Prospectus or Prospectuses as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act.

(d) As soon as practicable, but not later than 45 days after the end of the first quarter ending after one year following the "effective date of the Registration Statement" (as defined in Rule 158(c) of the Rules and Regulations), the Company will make generally available to its security holders an earnings statement (which need not be audited) covering a period of 12 consecutive months beginning after the effective date of the Registration Statement that will satisfy the provisions of the last paragraph of Section 11(a) of the Act and the relevant Rules and Regulations (including, at the option of the Company, Rule 158).

(e) During such period as a prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, the Company, at its expense, but only for the nine-month period referred to in Section 10(a)(3) of the Act, will furnish to you or mail to your order copies of the Registration Statement, the Prospectus, the Preliminary Prospectus and all amendments and supplements to any such documents in each case as soon as available and in such quantities as you may request, for the purposes contemplated by the Act and the relevant Rules and Regulations.

(f) The Company will deliver to, or upon the order of, the Representatives, from time to time, as many copies of any Preliminary Prospectus as the Representatives may reasonably request. The Company will deliver to, or upon the order of, the Representatives at any time when delivery of a Prospectus is required under the Act, as many copies of the Prospectus in final form, or as thereafter supplemented, as the Representatives may reasonably request. The Company will deliver to the Representatives at or before the First Closing Date four signed copies of the Registration Statement and all amendments thereto including all exhibits filed therewith, and will deliver to the Representatives such number of copies of the Registration Statement, including documents incorporated by reference therein, but without exhibits, and of all amendments thereto, as the Representatives may reasonably request. Prior to the filing thereof with the Commission, the Company will submit to you, for your information, a copy of any post-effective amendment to the Registration Statement and any supplement to the Prospectus or any amended prospectus proposed to be filed.

(g) The Company shall cooperate with you and your counsel in order to qualify or register the Common Shares for sale under (or obtain exemptions from the application of) the Blue Sky laws of such jurisdictions as you designate, will comply with such laws and will continue

such qualifications, registrations and exemptions in effect so long as reasonably required for the distribution of the Common Shares. The Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The Company will advise you promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Common Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company, with your cooperation, will use its best efforts to obtain the withdrawal thereof. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to continue such qualifications in effect for so long a period as the Representatives may reasonably request for distribution of the Common Shares.

(h) During the period of five (5) years hereafter, the Company will furnish to the Representatives and, upon request of the Representatives, to each of the other Underwriters: (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders' equity and cash flows for the year then ended and the opinion thereon of the Company's independent public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Report on Form 8-K or other report filed by the Company with the Commission, the NASD or any securities exchange; and (iii) as soon as available, copies of any report or communication of the Company mailed generally to holders of its Common Stock.

(i) During the period of 180 days after the first date that any of the Common Shares are released by you for sale to the public, without the prior written consent of Montgomery Securities (which consent may be withheld at the sole discretion of Montgomery Securities), the Company will not, other than (i) the Common Shares to be sold to the Underwriters pursuant to this Agreement and (ii) shares of Common Stock issued, or issuable upon the exercise of options granted, to employees or directors of, or consultants to, the Company (provided that any such shares of Common Stock issued or issuable upon the exercise of options are not transferable until after the expiration of such 180-day period) issue, offer, sell, grant options to purchase or otherwise dispose of any of the Company's equity securities or any other securities convertible into or exchangeable with its Common Stock or other equity security, or file any registration statement with the Commission other than registration statements on Form S-8. For purposes of this paragraph (i), a sale, offer or other disposition shall be deemed to include any sale of Common Stock to the public in reliance on Rule 144A.

(j) The Company will apply the net proceeds of the sale of the Common Shares sold by it substantially in accordance with its statements under the caption "Use of Proceeds" in the Prospectus and will file such reports with the Commission with respect to its sale of the Common Shares and the application of the proceeds therefrom as may be required by Rule 463 under the Act. The Company will invest such proceeds pending their use in such a manner that, upon completion of such investment, the Company will not be an "investment company" as defined in the Investment Company Act of 1940, as amended.

(k) The Company will use its best efforts to qualify or register its Common Stock for sale in non-issuer transactions under (or obtain exemptions from the application of) the Blue Sky laws of the State of California (and thereby permit market making transactions and secondary trading in the Company's Common Stock in California), will comply with such Blue Sky laws and will continue such qualifications, registrations and exemptions in effect for a period of five (5) years after the date hereof.

(l) The Company will use its best efforts to designate the Common Stock for quotation as a national market system security on the Nasdaq National Market.

(m) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar (which may be the same entity as the transfer agent) for its Common Stock.

(n) The Company will file Form SR in conformity with the requirements of the Act and the Rules and Regulations.

(o) The Company will not file a Form S-8 registration statement until ninety (90) days after the date of the final prospectus filed pursuant to Rule 424(b) of the Rules and Regulations.

(p) The Company will inform the Florida Department of Banking and Finance at any time prior to the consummation of the distribution of the Securities by the Underwriters if it commences engaging in business with the government of Cuba or with any person or affiliate located in Cuba. Such information will be provided within 90 days after the commencement thereof or after a change occurs with respect to previously reported information.

(q) The Company will use its best efforts to do and perform all things required or necessary to be done and performed under this Agreement by the Company prior to the First Closing Date or the Second Closing Date, as the case may be, and to satisfy all conditions precedent to the delivery of the Common Shares.

(r) The Company will use its best efforts to cause all directors, officers, and other beneficial owners of shares of Common Stock to agree with Montgomery Securities that without the prior written consent of Montgomery Securities (which consent may be withheld at the sole discretion of Montgomery Securities), each of such holders will not, directly or indirectly, sell, offer, contract to sell, make any short sale, pledge or otherwise dispose of any shares of Common Stock (or interest therein or right thereto) that such person, directly or indirectly, beneficially owns or may in the future beneficially own for a period of 180 days following the commencement of the public offering of the Firm Common Shares by the Underwriters. A person shall be deemed to beneficially own shares of Common Stock that are issuable upon the exercise of options, warrants or other rights to acquire Common Stock on or before 180 days following the commencement of the public offering of the Common Shares by the Underwriters.

(s) If at any time during the 25-day period after the Registration Statement becomes effective any rumor, publication or event relating to or affecting the Company and the

Subsidiary shall occur as a result of which in your opinion the market price for the Common Shares has been or is likely to be materially affected (regardless of whether such rumor, publication or event necessitates a supplement to or amendment of the Prospectus), the Company will, after written notice from you advising the Company to the effect set forth above, consult in good faith with you concerning the preparation and dissemination of a press release or other public statement, reasonably satisfactory to you, responding to or commenting on such rumor, publication or event.

You, on behalf of the Underwriters, may, in your sole discretion, waive in writing the performance by the Company of any one or more of the foregoing covenants or extend the time for their performance.

SECTION 6. Payment of Expenses. Whether or not the transactions contemplated hereunder are consummated or this Agreement becomes effective or is terminated, the Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limiting the generality of the foregoing, (i) all expenses incident to the issuance and delivery of the Common Shares (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Common Stock, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Common Shares to the Underwriters, (iv) all fees and expenses of the Company's counsel and the Company's independent accountants, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement, each Preliminary Prospectus and the Prospectus (including all exhibits and financial statements) and all amendments and supplements provided for herein, this Agreement, the Agreement Among Underwriters, the Selected Dealers Agreement, the Underwriters' Questionnaire, the Underwriters' Power of Attorney and the Blue Sky memorandum, (vi) all filing fees, attorneys' fees and expenses incurred by the Company or the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Common Shares for offer and sale under the Blue Sky laws, (vii) the filing fee of, and all fees and expenses (including any attorneys' fees) incurred by the Company or the Underwriters incident to securing any required approval from, the National Association of Securities Dealers, Inc., and (viii) all other fees, costs and expenses referred to in Item 13 of the Registration Statement. Except as provided in this Section 6, Section 8 and Section 10 hereof, the Underwriters shall pay all of their own expenses, including the fees and disbursements of their counsel (excluding those relating to qualification, registration or exemption under the Blue Sky laws and the Blue Sky memorandum referred to above).

SECTION 7. Conditions of the Obligations of the Underwriters. The obligations of the several Underwriters to purchase and pay for the Firm Common Shares on the First Closing Date and the Optional Common Shares on the Second Closing Date shall be subject to the accuracy of the representations and warranties on the part of the Company herein set forth as of the date hereof and as of the First Closing Date or the Second Closing Date, as the case may be, to the accuracy of the statements of Company officers made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder, and to the following additional conditions:

(a) The Registration Statement shall have become effective not later than 5:00 P.M. (or, in the case of a registration statement filed pursuant to Rule 462(b) of the Rules and Regulations relating to the Common Shares, not later than 10 P.M.), Washington, D.C. Time, on the date of this Agreement, or at such later time as shall have been consented to by you; if the filing of the Prospectus, or any supplement thereto, is required pursuant to Rule 424(b) of the Rules and Regulations, the Prospectus shall have been filed in the manner and within the time period required by Rule 424(b) of the Rules and Regulations; and prior to such Closing Date, no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or shall be pending or, to the knowledge of the Company or you, shall be contemplated by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement, or otherwise, shall have been complied with to your satisfaction.

(b) You shall be satisfied that since the respective dates as of which information is given in the Registration Statement and Prospectus, (i) there shall not have been any change in the capital stock other than pursuant to the exercise of outstanding options disclosed in the Prospectus of the Company or any of its subsidiaries or any material change in the indebtedness (other than in the ordinary course of business) of the Company or any of its subsidiaries, (ii) except as set forth or contemplated by the Registration Statement or the Prospectus, no verbal or written agreement or other transaction shall have been entered into by the Company or any of its subsidiaries, which is not in the ordinary course of business or which could result in a material reduction in the future earnings of the Company and its subsidiaries, (iii) no loss or damage (whether or not insured) to the property of the Company or any of its subsidiaries shall have been sustained which materially and adversely affects the condition (financial or otherwise), business, results of operations or prospects of the Company and its subsidiaries, (iv) no legal or governmental action, suit or proceeding affecting the Company or any of its subsidiaries which is material to the Company and its subsidiaries or which affects or may affect the transactions contemplated by this Agreement shall have been instituted or threatened, and (v) there shall not have been any material change in the condition (financial or otherwise), business, management, results of operations or prospects of the Company and its subsidiaries that makes it impractical or inadvisable in the judgment of the Representatives to proceed with the public offering or purchase the Common Shares as contemplated hereby.

(c) There shall have been furnished to you, as Representatives of the Underwriters, on each Closing Date, in form and substance satisfactory to you, except as otherwise expressly provided below:

(i) An opinion of Wilson, Sonsini, Goodrich & Rosati, P.C., counsel for the Company, addressed to the Underwriters and dated the First Closing Date, or the Second Closing Date, as the case may be, to the effect that:

(1) Each of the Company and its subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, is duly qualified to do business as a foreign corporation and is in good standing in all other jurisdictions where the ownership or leasing of properties or the conduct of its

business requires such qualification, except for jurisdictions in which the failure to so qualify would not have a material adverse effect on the Company and its subsidiaries, and has full corporate power and authority to own its properties and conduct its business as described in the Registration Statement;

(2) The authorized, issued and outstanding capital stock of the Company is as set forth under the caption "Capitalization" in the Prospectus; all necessary and proper corporate proceedings have been taken in order to authorize validly such authorized Common Stock; all outstanding shares of capital stock (including the Firm Common Shares and any Optional Common Shares) have been duly and validly issued, are fully paid and nonassessable, have been issued in compliance with federal and state securities laws, were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase any securities and conform to the description thereof contained in the Prospectus; without limiting the foregoing, there are no preemptive or other rights to subscribe for or purchase any of the Common Shares to be sold by the Company hereunder;

(3) All of the issued and outstanding shares of the Company's subsidiaries have been duly and validly authorized and issued, are fully paid and nonassessable and are owned beneficially by the Company free and clear of all liens, encumbrances, equities, claims, security interests, voting trusts or other defects of title whatsoever;

(4) The certificates evidencing the Common Shares to be delivered hereunder are in due and proper form under California and Delaware corporate law, and when duly countersigned by the Company's transfer agent and registrar, and delivered to you or upon your order against payment of the agreed consideration therefor in accordance with the provisions of this Agreement, the Common Shares represented thereby will be duly authorized and validly issued, fully paid and nonassessable, will not have been issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities and will conform in all respects to the description thereof contained in the Prospectus;

(5) except as disclosed in or specifically contemplated by the Prospectus, there are no outstanding options, warrants or other rights calling for the issuance of, and no commitments, plans or arrangements to issue, any shares of capital stock of the Company or any security convertible into or exchangeable for capital stock of the Company;

(6) (a) The Registration Statement has become effective under the Act, and no stop order suspending the effectiveness of the Registration Statement or preventing the use of the Prospectus has been issued and no proceedings for that purpose have been instituted or are pending or contemplated by the Commission; any required filing of the Prospectus and any supplement thereto pursuant to Rule 424(b) of the Rules and Regulations has been made in the manner and within the time period required by such Rule 424(b);

(b) The Registration Statement, the Prospectus and each amendment or supplement thereto (except for the financial statements and schedules included therein as to which such counsel need express no opinion) comply as to form in all material

respects with the requirements of the Act or the Exchange Act, as applicable, and the applicable Rules and Regulations;

(c) The statements under the captions "Business -- [Licensing Arrangements]," "Management," "Certain Transactions," "Description of Capital Stock" and "Shares Eligible for Future Sale" in the Prospectus and Items 14 and 15 of Part II of the Registration Statement, insofar as such statements constitute a summary of documents referred to therein or matters of law, fairly summarize in all material respects the information called for with respect to such documents and matters.

(d) To such counsel's knowledge, there are no franchises, leases, contracts, agreements or documents of a character required to be disclosed in the Registration Statement or Prospectus or to be filed as exhibits to the Registration Statement which are not disclosed or filed, as required, and such franchises, leases, contracts, agreements and documents as are summarized in the Registration Statement or Prospectus are fairly summarized in all material respects; and

(e) To the best of such counsel's knowledge, there are no legal or governmental actions, suits or proceedings pending or threatened against the Company which are required to be described in the Prospectus which are not described as required.

(7) The Company has full right, power and authority to enter into this Agreement and to sell and deliver the Common Shares to be sold by it to the several Underwriters; this Agreement has been duly and validly authorized by all necessary corporate action by the Company, has been duly and validly executed and delivered by and on behalf of the Company, and is a valid and binding agreement of the Company in accordance with its terms, except as enforceability may be limited by general equitable principles, bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and except as to those provisions relating to indemnity or contribution for liabilities arising under the Act as to which no opinion need be expressed; and no approval, authorization, order, consent, registration, filing, qualification, license or permit of or with any court, regulatory, administrative or other governmental body is required for the execution and delivery of this Agreement by the Company or the consummation of the transactions contemplated by this Agreement, except such as have been obtained and are in full force and effect under the Act and such as may be required under applicable Blue Sky laws in connection with the purchase and distribution of the Common Shares by the Underwriters and the clearance of such offering with the NASD;

(8) The execution and performance of this Agreement and the consummation of the transactions herein contemplated will not conflict with, result in the breach of, or constitute, either by itself or upon notice or the passage of time or both, a default under, any agreement, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument known to such counsel to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of its or their property may be bound or affected that is material to the Company and its subsidiaries, or violate any of the provisions of the certificate of incorporation or bylaws, or other organizational documents, of the Company or any of its

subsidiaries or, so far as is known to such counsel, violate any statute, judgment, decree, order, rule or regulation of any court or governmental body having jurisdiction over the Company or any of its subsidiaries or any of its or their property;

(9) Neither the Company nor any subsidiary is in violation of its certificate of incorporation or bylaws, or other organizational documents, or to such counsel's knowledge, in breach of or default with respect to any provision of any agreement, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument known to such counsel to which the Company or any such subsidiary is a party or by which it or any of its properties may be bound or affected, except where such default would not materially adversely affect the Company and its subsidiaries; and, to such counsel's knowledge, the Company and its subsidiaries are in compliance with all laws, rules, regulations, judgments, decrees, orders and statutes of any court or jurisdiction to which they are subject, except where noncompliance would not materially adversely affect the Company and its subsidiaries;

(10) To such counsel's knowledge, no holders of securities of the Company have rights that have not been waived to the registration of shares of Common Stock or other securities, because of the filing of the Registration Statement by the Company or the offering contemplated hereby;

(11) No transfer taxes are required to be paid in connection with the sale and delivery of the Common Shares to the Underwriters hereunder.

(12) To such counsel's knowledge, the Company is not an "investment company" as defined in the 1940 Act.

In rendering such opinion, such counsel may rely as to matters of local law, on opinions of local counsel, and as to matters of fact, on certificates of officers of the Company and of governmental officials, in which case their opinion is to state that they are so doing and that the Underwriters are justified in relying on such opinions or certificates and copies of said opinions or certificates are to be attached to the opinion. Such counsel shall also include a statement to the effect that nothing has come to such counsel's attention that would lead such counsel to believe that either at the effective date of the Registration Statement or at the applicable Closing Date the Registration Statement or the Prospectus, or any such amendment or supplement, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading;

(ii) You shall have received on the Closing Date an opinion of Merchant, Gould, Smith, Edell, Welter & Schmidt, P.A. intellectual property counsel for the Company, dated the Closing Date, to the effect that

(1) Such counsel represents the Company in certain matters relating to intellectual property, including patents, trade secrets and certain trademark matters;

(2) Such counsel is familiar with the technology used by the Company in its business and the manner of its use and has read the portions of the Registration Statement and

the Prospectus entitled "Risk Factor -- Dependence on Proprietary Technology; Reliance on Third Party Licenses" and "Business -- Intellectual Property" (collectively, the "Intellectual Property Portion");

(3) The Intellectual Property Portion contains accurate descriptions of the Company's patent applications, issued and allowed patents, and patents licensed to the Company and fairly summarizes the legal matters, documents and proceedings relating thereto;

(4) Such counsel has reviewed the Company's patent applications filed in the U.S. and outside the U.S. (the "Applications"), which Applications are described in the Intellectual Property Portion, and based upon such review, a review of the prior art references made known to counsel and discussions with Company scientific personnel, such counsel is aware of no valid United States or foreign patent that is or would be infringed by the activities of the Company in the manufacture, licensing, use or sale of any proposed product or process, as described in the Registration Statement or the Prospectus or made or used according to the Applications;

(5) The Applications have been property prepared and filed on behalf of the Company, and are being diligently pursued by the Company; the inventions described in the Applications are assigned or licensed to the Company; to such counsel's knowledge, except for patents where the Company has obtained a field of use license, no other entity or individual has any right or claim in any of the inventions, Applications or any patent to be issued therefrom, and in such counsel's opinion each of the Applications discloses patentable subject matter;

(6) Such counsel is aware of no pending or threatened judicial or governmental proceeding relating to patents to which the Company is a party or of which any property of the Company is subject and such counsel is not aware of any pending or threatened action, suit or claim by others that the Company is infringing or otherwise violating any patent rights of others, nor is such counsel aware of any rights of third parties to any of the Company's inventions described in the Applications, issued, approved or licensed patents which could reasonably be expected to materially affect the ability of the Company to conduct its business as described in the Registration Statement and the Prospectus; and

(7) Such counsel has no reason to believe that the information contained in the Intellectual Property Portion of the Registration Statement or the Prospectus at the time it became effective contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein not misleading or that, at the Closing Date, the information contained in the Intellectual Property Portion of the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading."

(iii) Such opinion or opinions of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel for the Underwriters dated the First Closing Date or the Second Closing Date, as the case may be, with respect to the incorporation of the Company, the sufficiency of all corporate proceedings and other legal matters relating to this Agreement, the validity of the Common Shares, the Registration Statement and the Prospectus and other related matters as you may reasonably require, and the Company shall have furnished to such counsel such

documents and shall have exhibited to them such papers and records as they may reasonably request for the purpose of enabling them to pass upon such matters. In connection with such opinions, such counsel may rely on representations or certificates of officers of the Company and governmental officials.

(iv) A certificate of the Company executed by the Chairman of the Board or President and the chief financial or accounting officer of the Company, dated the First Closing Date or the Second Closing Date, as the case may be, to the effect that:

(1) The representations and warranties of the Company set forth in Section 2 of this Agreement are true and correct as of the date of this Agreement and as of the First Closing Date or the Second Closing Date, as the case may be, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to such Closing Date;

(2) The Commission has not issued any order preventing or suspending the use of the Prospectus or any Preliminary Prospectus filed as a part of the Registration Statement or any amendment thereto; no stop order suspending the effectiveness of the Registration Statement has been issued; and to the best of the knowledge of the respective signers, no proceedings for that purpose have been instituted or are pending or contemplated under the Act;

(3) Each of the respective signers of the certificate has carefully examined the Registration Statement and the Prospectus; in his opinion and to the best of his knowledge, the Registration Statement and the Prospectus and any amendments or supplements thereto contain all statements required to be stated therein regarding the Company and its subsidiaries; and neither the Registration Statement nor the Prospectus nor any amendment or supplement thereto includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(4) Since the initial date on which the Registration Statement was filed, no agreement, written or oral, transaction or event has occurred which should have been set forth in an amendment to the Registration Statement or in a supplement to or amendment of any prospectus which has not been disclosed in such a supplement or amendment;

(5) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, and except as disclosed in or contemplated by the Prospectus, there has not been any material adverse change or a development involving a material adverse change in the condition (financial or otherwise), business, properties, results of operations, management or prospects of the Company and its subsidiaries; and no legal or governmental action, suit or proceeding is pending or threatened against the Company or any of its subsidiaries which is material to the Company and its subsidiaries, whether or not arising from transactions in the ordinary course of business, or which may adversely affect the transactions contemplated by this Agreement; since such dates and except as so disclosed, neither the Company nor any of its subsidiaries has entered into any verbal or written agreement or other transaction which is not in the ordinary course of business or which could result in a material reduction in the future earnings of the Company or incurred any material liability or obligation, direct, contingent or indirect, made

any change in its capital stock, made any material change in its short-term debt or funded debt or repurchased or otherwise acquired any of the Company's capital stock; and the Company has not declared or paid any dividend, or made any other distribution, upon its outstanding capital stock payable to stockholders of record on a date prior to the First Closing Date or Second Closing Date; and

(6) Since the respective dates as of which information is given in the Registration Statement and the Prospectus and except as disclosed in or contemplated by the Prospectus, the Company and its subsidiaries have not sustained a material loss or damage by strike, fire, flood, windstorm, accident or other calamity (whether or not insured).

(v) On the date before this Agreement is executed and also on the First Closing Date and the Second Closing Date letters addressed to you, as Representatives of the Underwriters, from Price Waterhouse LLP, independent accountants, the first ones to be dated the day before the date of this Agreement, the second ones to be dated the First Closing Date and the third ones (in the event of a Second Closing) to be dated the Second Closing Date, in form and substance satisfactory to you.

(vi) On or before the First Closing Date, letters from each holder of the Company's Common Stock and each director and officer of the Company, in form and substance satisfactory to you, confirming that for a period of 180 days after the first date that any of the Common Shares are released by you for sale to the public, such person will not directly or indirectly sell or offer to sell or otherwise dispose of any shares of Common Stock or any right to acquire such shares without the prior written consent of Montgomery Securities (which consent may be withheld at the sole discretion of Montgomery Securities).

All such opinions, certificates, letters and documents shall be in compliance with the provisions hereof only if they are satisfactory to you and to Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel for the Underwriters. The Company shall furnish you with such manually signed or conformed copies of such opinions, certificates, letters and documents as you request. Any certificate signed by any officer of the Company and delivered to the Representatives or to counsel for the Underwriters shall be deemed to be a representation and warranty by the Company to the Underwriters as to the statements made therein.

If any condition to the Underwriters' obligations hereunder to be satisfied prior to or at the First Closing Date is not so satisfied, this Agreement at your election will terminate upon notification by you as Representatives to the Company without liability on the part of any Underwriter or the Company except for the expenses to be paid or reimbursed by the Company pursuant to Sections 6 and 8 hereof and except to the extent provided in Section 10 hereof.

SECTION 8. Reimbursement of Underwriters' Expenses. Notwithstanding any other provisions hereof, if this Agreement shall be terminated by you pursuant to Section 7, or if the sale to the Underwriters of the Common Shares at the First Closing is not consummated because of any refusal, inability or failure on the part of the Company to perform any agreement herein or to comply with any provision hereof, the Company agrees to reimburse you and the other Underwriters upon demand for all out-of-pocket expenses that shall have been reasonably incurred

by you and them in connection with the proposed purchase and the sale of the Common Shares, including but not limited to fees and disbursements of counsel, printing expenses, travel expenses, postage, telegraph charges and telephone charges relating directly to the offering contemplated by the Prospectus. Any such termination shall be without liability of any party to any other party except that the provisions of this Section, Section 6 and Section 10 shall at all times be effective and shall apply.

SECTION 9. Effectiveness of Registration Statement. You and the Company will use your and its best efforts to cause the Registration Statement to become effective, to prevent the issuance of any stop order suspending the effectiveness of the Registration Statement and, if such stop order be issued, to obtain as soon as possible the lifting thereof.

SECTION 10. Indemnification. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act against any losses, claims, damages, liabilities or expenses, joint or several, to which such Underwriter or such controlling person may become subject, under the Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof as contemplated below) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state in any of them a material fact required to be stated therein or necessary to make the statements in any of them not misleading, or arise out of or are based in whole or in part on any inaccuracy in the representations and warranties of the Company contained herein or any failure of the Company to perform its obligations hereunder or under law; and will reimburse each Underwriter and each such controlling person for any legal and other expenses as such expenses are reasonably incurred by such Underwriter or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, liability or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto in reliance upon and in conformity with the information furnished to the Company pursuant to Section 3 hereof. In addition to its other obligations under this Section 10(a), the Company agrees that, as an interim measure during the pendency of any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, or any inaccuracy in the representations and warranties of the Company herein or failure to perform its obligations hereunder, all as described in this Section 10(a), it will reimburse each Underwriter on a quarterly basis for all reasonable legal or other expenses incurred in connection with investigating or defending any such claim, action, investigation, inquiry or other proceeding, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the Company's obligation to reimburse each Underwriter for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement payment is

so held to have been improper, each Underwriter shall promptly return it to the Company together with interest, compounded daily, determined on the basis of the prime rate (or other commercial lending rate for borrowers of the highest credit standing) announced from time to time by Bank of America NT&SA, San Francisco, California (the "Prime Rate"). Any such interim reimbursement payments that are not made to an Underwriter within 30 days of a request for reimbursement, shall bear interest at the Prime Rate from the date of such request. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Underwriter will severally indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Act, against any losses, claims, damages, liabilities or expenses to which the Company, or any such director, officer or controlling person may become subject, under the Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof as contemplated below) arise out of or are based upon any untrue or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto, in reliance upon and in conformity with the information furnished to the Company pursuant to Section 3 hereof; and will reimburse the Company, or any such director, officer or controlling person for any legal and other expense reasonably incurred by the Company, or any such director, officer or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. In addition to its other obligations under this Section 10(b), each Underwriter severally agrees that, as an interim measure during the pendency of any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in this Section 10(b) which relates to information furnished to the Company pursuant to Section 3 hereof, it will reimburse the Company (and, to the extent applicable, each officer, director, controlling person) on a quarterly basis for all reasonable legal or other expenses incurred in connection with investigating or defending any such claim, action, investigation, inquiry or other proceeding, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the Underwriters' obligation to reimburse the Company (and, to the extent applicable, each officer, director, controlling person) for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement payment is so held to have been improper, the Company (and, to the extent applicable, each officer, director, controlling person) shall promptly return it to the Underwriters together with interest, compounded daily, determined on the basis of the Prime Rate. Any such interim reimbursement payments which are not made to the Company within 30 days of a request for reimbursement, shall bear interest at the Prime Rate from the date of such request. This

indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise than under the indemnity agreement contained in this Section or to the extent it is not prejudiced as a proximate result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with all other indemnifying parties similarly notified, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be a conflict between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed such counsel in connection with the assumption of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel, approved by the Representatives in the case of paragraph 10(a), representing the indemnified parties who are parties to such action or (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party.

(d) If the indemnification provided for in this Section 10 is required by its terms but is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party under paragraphs 10(a), 10(b), or 10(c) in respect of any losses, claims, damages, liabilities or expenses referred to herein, then each applicable indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of any losses, claims, damages, liabilities or expenses referred to herein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Underwriters from the offering of the Common Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Underwriters in connection with the statements or omissions or inaccuracies in the representations and warranties herein that resulted in such losses,

claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The respective relative benefits received by the Company and the Underwriters shall be deemed to be in the same proportion, in the case of the Company as the total price paid to the Company for the Common Shares sold by it to the Underwriters (net of underwriting commissions but before deducting expenses), bears to the proposed price to the public set forth on cover of the Prospectus and in the case of the Underwriters as the underwriting commissions received by them bears to the proposed price to the public set forth on cover of the Prospectus. The relative fault of the Company and the Underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact or the inaccurate or the alleged inaccurate representation and/or warranty relates to information supplied by the Company or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in subparagraph 10(c) of this Section 10, any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in subparagraph 10(c) of this Section 10 with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this subparagraph 10(d); provided, however, that no additional notice shall be required with respect to any action for which notice has been given under subparagraph 10(c) for purposes of indemnification. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined solely by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 10, no Underwriter shall be required to contribute any amount in excess of the amount of the total underwriting commissions received by such Underwriter in connection with the Common Shares underwritten by it and distributed to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 10 are several in proportion to their respective underwriting commitments and not joint.

(e) It is agreed that any controversy arising out of the operation of the interim reimbursement arrangements set forth in Sections 10(a) and 10(b) hereof, including the amounts of any requested reimbursement payments and the method of determining such amounts, shall be settled by arbitration conducted under the provisions of the Constitution and Rules of the Board of Governors of the New York Stock Exchange, Inc. or pursuant to the Code of Arbitration Procedure of the NASD. Any such arbitration must be commenced by service of a written demand for arbitration or written notice of intention to arbitrate, therein electing the arbitration tribunal. In the event the party demanding arbitration does not make such designation of an arbitration tribunal in such demand or notice, then the party responding to said demand or notice is authorized to do so. Such an arbitration would be limited to the operation of the interim reimbursement provisions contained in Sections 10(a) and 10(b) hereof and would not resolve the ultimate propriety or enforceability of the obligation to reimburse expenses which is created by the provisions of such Sections 10(a) and 10(b) hereof.

(f) The Company will not, without the prior written consent of each of the Underwriters, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Underwriter or any person who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of such Underwriter and each such controlling person from all liability arising out of such claim, action, suit or proceeding.

SECTION 11. Default of Underwriters. It shall be a condition to this Agreement and the obligation of the Company to sell and deliver the Common Shares hereunder, and of each Underwriter to purchase the Common Shares in the manner as described herein, that, except as hereinafter in this paragraph provided, each of the Underwriters shall purchase and pay for all the Common Shares agreed to be purchased by such Underwriter hereunder upon Tender to the Representatives of all such shares in accordance with the terms hereof. If any Underwriter or Underwriters default in their obligations to purchase Common Shares hereunder on either the First or Second Closing Date and the aggregate number of Common Shares which such defaulting Underwriter or Underwriters agreed but failed to purchase on such Closing Date does not exceed 10% of the total number of Common Shares which the Underwriters are obligated to purchase on such Closing Date, the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Common Shares which such defaulting Underwriters agreed but failed to purchase on such Closing Date. If any Underwriter or Underwriters so default and the aggregate number of Common Shares with respect to which such default occurs is more than the above percentage and arrangements satisfactory to the Representatives and the Company for the purchase of such Common Shares by other persons are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company except for the expenses to be paid by the Company pursuant to Section 6 hereof and except to the extent provided in Section 10 hereof.

In the event that Common Shares to which a default relates are to be purchased by the non-defaulting Underwriters or by another party or parties, the Representatives or the Company shall have the right to postpone the First or Second Closing Date, as the case may be, for not more than three business days in order that the necessary changes in the Registration Statement, Prospectus and any other documents, as well as any other arrangements, may be effected. As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from liability for its default.

SECTION 12. Effective Date. This Agreement shall become effective immediately as to Sections 6, 8, 10, 13 and 14 and, as to all other provisions, (i) if at the time of execution of this Agreement the Registration Statement has not become effective, at 2:00 P.M., California time, on the first full business day following the effectiveness of the Registration Statement, or (ii) if at the time of execution of this Agreement the Registration Statement has been declared effective, at 2:00 P.M., California time, on the first full business day following the date of execution of this Agreement; but this Agreement shall nevertheless become effective at such earlier time after the Registration Statement becomes effective as you may determine on and by notice to the Company

or by release of any of the Common Shares for sale to the public. For the purposes of this Section 12, the Common Shares shall be deemed to have been so released upon the release for publication of any newspaper advertisement relating to the Common Shares or upon the release by you of telegrams (i) advising Underwriters that the Common Shares are released for public offering, or (ii) offering the Common Shares for sale to securities dealers, whichever may occur first.

SECTION 13. Termination. Without limiting the right to terminate this Agreement pursuant to any other provision hereof:

(a) This Agreement may be terminated by the Company by notice to you or by you by notice to the Company at any time prior to the time this Agreement shall become effective as to all its provisions, and any such termination shall be without liability on the part of the Company to any Underwriter (except for the expenses to be paid or reimbursed by the Company pursuant to Sections 6 and 8 hereof and except to the extent provided in Section 10 hereof) or of any Underwriter to the Company (except to the extent provided in Section 10 hereof).

(b) This Agreement may also be terminated by you prior to the First Closing Date by notice to the Company (i) if additional material governmental restrictions, not in force and effect on the date hereof, shall have been imposed upon trading in securities generally or minimum or maximum prices shall have been generally established on the New York Stock Exchange or on the American Stock Exchange or in the over the counter market by the NASD, or trading in securities generally shall have been suspended on either such Exchange or in the over the counter market by the NASD, or a general banking moratorium shall have been established by federal, New York or California authorities, (ii) if an outbreak of major hostilities or other national or international calamity or any substantial change in political, financial or economic conditions shall have occurred or shall have accelerated or escalated to such an extent, as, in the judgment of the Representatives, to affect adversely the marketability of the Common Shares, (iii) if any adverse event shall have occurred or shall exist which makes untrue or incorrect in any material respect any statement or information contained in the Registration Statement or Prospectus or which is not reflected in the Registration Statement or Prospectus but should be reflected therein in order to make the statements or information contained therein not misleading in any material respect, or (iv) if there shall be any action, suit or proceeding pending or threatened, or there shall have been any development or prospective development involving particularly the business or properties or securities of the Company or any of its subsidiaries or the transactions contemplated by this Agreement, which, in the reasonable judgment of the Representatives, may materially and adversely affect the Company's business or earnings and makes it impracticable or inadvisable to offer or sell the Common Shares. Any termination pursuant to this subsection 13(b) shall without liability on the part of any Underwriter to the Company or on the part of the Company to any Underwriter (except for expenses to be paid or reimbursed by the Company pursuant to Sections 6 and 8 hereof and except to the extent provided in Section 10 hereof).

(c) This Agreement shall also terminate at 5:00 P.M., California time, on the tenth full business day after the Registration Statement shall have become effective if the initial public offering price of the Common Shares shall not then as yet have been determined as provided

in Section 4 hereof. Any termination pursuant to this subsection 13(c) shall without liability on the part of any Underwriter to the Company or on the part of the Company to any Underwriter (except for expenses to be paid or reimbursed the Company pursuant to Sections 6 and 8 hereof and except to the extent provided in Section 10 hereof.)

SECTION 14. Representations and Indemnities to Survive Delivery. The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of its or their partners, officers or directors or any controlling person, as the case may be, and will survive delivery of and payment for the Common Shares sold hereunder and any termination of this Agreement.

SECTION 15. Notices. All communications hereunder shall be in writing and, if sent to the Representatives shall be mailed, delivered or faxed and confirmed to you at 600 Montgomery Street, San Francisco, California 94111, Attention: Clark L. Gerhardt, with a copy to Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, 600 Hansen Way, Second Floor, Palo Alto, California 94304, Attention: Brooks Stough; and if sent to the Company shall be mailed, delivered or faxed and confirmed to the Company at 8x8, Inc., 2445 Mission College Blvd., Santa Clara, California 95054, Attention: Joe Parkinson, with a copy to Wilson, Sonsini, Goodrich & Rosati, P.C., 650 Page Mill Road, Palo Alto, California 94304, Attention: Jeffrey D. Saper. The Company or you may change the address for receipt of communications hereunder by giving notice to the others.

SECTION 16. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto, including any substitute Underwriters pursuant to Section 11 hereof, and to the benefit of the officers and directors and controlling persons referred to in Section 10, and in each case their respective successors, personal representatives and assigns, and no other person will have any right or obligation hereunder. No such assignment shall relieve any party of its obligations hereunder. The term "successors" shall not include any purchaser of the Common Shares as such from any of the Underwriters merely by reason of such purchase.

SECTION 17. Representation of Underwriters. You will act as Representatives for the several Underwriters in connection with all dealings hereunder, and any action under or in respect of this Agreement taken by you jointly or by Montgomery Securities, as Representatives, will be binding upon all the Underwriters.

SECTION 18. Partial Unenforceability. The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

SECTION 19. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws (and not the laws pertaining to conflicts of laws) of the State of California.

SECTION 20. General. This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in several counterparts, each one of which shall be an original, and all of which shall constitute one and the same document.

In this Agreement, the masculine, feminine and neuter genders and the singular and the plural include one another. The section headings in this Agreement are for the convenience of the parties only and will not affect the construction or interpretation of this Agreement. This Agreement may be amended or modified, and the observance of any term of this Agreement may be waived, only by a writing signed by the Company and you.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to us the enclosed copies hereof, whereupon it will become a binding agreement between the Company and the several Underwriters including you, all in accordance with its terms.

Very truly yours,

8x8, Inc.

By: _____
Joe Parkinson, Chairman and CEO

The foregoing Underwriting Agreement is hereby confirmed and accepted by us in San Francisco, California as of the date first above written.

MONTGOMERY SECURITIES

DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION

Acting as Representatives of the several Underwriters named in the attached Schedule A.

By MONTGOMERY SECURITIES

By:_____
Managing Director

SCHEDULE A

Name of Underwriter	Number of Firm Common Shares to be Purchased
Montgomery Securities.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
TOTAL.....	2,500,000

EXHIBIT 3.1

CERTIFICATE OF INCORPORATION OF 8X8, INC.

ARTICLE I

The name of this corporation is 8x8, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The Corporation shall have perpetual existence. The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

This corporation is authorized to issue two classes of shares to be designated respectively Common Stock and Preferred Stock. Each share of Common Stock shall have $0.001 par value and each share of Preferred Stock shall have $0.001 per share. The total number of shares of Common Stock this corporation shall have authority to issue is 40,000,000, and the total number of shares of Preferred Stock this Corporation shall have authority to issue is 5,411,820. Of the Preferred Stock, 1,260,000 shares shall be designated Series A Preferred Stock ("Series A Preferred"), 1,100,000 shares shall be designated Series B Preferred Stock ("Series B Preferred"), 681,820 shares shall be designated Series C Preferred Stock ("Series C Preferred"), and 2,370,000 shares shall be designated Series D Preferred Stock ("Series D Preferred").

The Corporation shall from time to time in accordance with the laws of the State of Delaware increase the authorized amount of its Common Stock if at any time the number of shares of Common Stock remaining unissued and available for issuance shall not be sufficient to permit conversion of the Preferred Stock.

The relative rights, preferences, privileges and restrictions granted to or imposed on the respective classes of the shares of capital stock or the holders thereof are as follows:

1. Dividends.

(a) The holders of the Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available therefor, dividends at the rate of (i) $0.05 per share per annum on each outstanding share of Series A Preferred, (ii) $0.20 per share per annum on each outstanding share of Series B Preferred, (iii) $1.10 per annum on each outstanding share

of Series C Preferred and (iv) $0.55 per annum on each outstanding share of Series D Preferred, payable in preference and priority to any payment of any dividend on Common Stock for such year. The right to such dividends on the Preferred Stock shall not be cumulative. No dividend shall be paid on the Common Stock in any year, other than dividends payable solely in Common Stock, until all accrued dividends for such year have been declared and paid on the Preferred Stock. In the event that the Board of Directors shall have declared and paid, or set apart for payment, all dividends on the Preferred Stock at the rates specified in this section in any one fiscal year, and shall elect to declare additional dividends in that fiscal year out of funds legally available therefor, such additional dividends shall be declared and paid on each share of Preferred Stock at the same time as any dividends are declared and paid on the Common Stock, in an amount equal to the dividends paid on such number of shares of Common Stock into which such share of Preferred Stock, on the record date for such dividend payment, is convertible.

(b) Each holder of an outstanding share of Preferred Stock shall be deemed to have consented, for purposes of Sections 151 and 160 of the Delaware General Corporation Law, to distributions made by the Corporation in connection with the repurchase of shares of Common issued to or held by employees or consultants upon termination of their employment or services pursuant to agreements between the Corporation and such persons providing for the Corporation's right of said repurchase.

2. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the Corporation, either voluntary or involuntary, distributions to the shareholders of the Corporation shall be made in the following manner:

(a) The holders of the Preferred Stock shall be entitled to receive, prior and in preference to any distribution to the holders of the Common Stock by reason of their ownership of such stock, the amount of (i) $0.50 per share for each share of Series A Preferred then held by them, (ii) $2.00 per share for each share of Series B Preferred then held by them, (iii) $11.00 per share for each share of Series C Preferred then held by them and (iv) $5.50 per share for each share of Series D Preferred and, in addition, an amount equal to all declared but unpaid dividends on the Preferred Stock held by them. If the assets and funds thus distributed among the holders of the Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amount, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Preferred Stock in proportion to the aggregate preferential amount that the shares of Preferred Stock then held by them bears to the aggregate preferential amount of all shares of Preferred Stock outstanding as of the date of the distribution upon the occurrence of such event. After payment has been made to the holders of the Preferred Stock of the full amounts to which they shall be entitled as aforesaid, the holders of the Common Stock shall be entitled to share ratably in the remaining assets, based on the number of shares of Common Stock held.

(b) For purposes of this Section 2, a merger or consolidation of the Corporation with or into any other corporation or corporations, or the merger of any other corporation or corporations into the Corporation, or the sale of all or substantially all of the assets of the Corporation, or any other corporate reorganization, shall be treated as a liquidation, dissolution or winding up of the Corporation,

unless the shareholders of this Corporation hold more than 50% of the voting equity securities of the successor or surviving corporation immediately following such consolidation, merger, sale of assets or reorganization.

3. Voting Rights. Except as otherwise required by law or by Section 5 hereof, the holder of each share of Common Stock issued and outstanding shall have one vote and the holder of each share of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such share of Preferred Stock could be converted at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited, such votes to be counted together with all other shares of stock of the Company having general voting power and not separately as a class. Holders of Common Stock and Preferred Stock shall be entitled to notice of any shareholders' meeting in accordance with the Bylaws of the Corporation. Fractional votes by the holders of Preferred Stock shall not, however, be permitted and any fractional voting rights shall (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) be rounded to the nearest whole number.

4. Conversion. The holders of the Preferred Stock have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Corporation or any transfer agent for the Preferred Stock, into such number of fully paid and nonassessable shares of Common Stock as is determined (i) in the case of Series A Preferred by dividing $0.50 by the Series A Conversion Price, (ii) in the case of Series B Preferred by dividing $2.00 by the Series B Conversion Price, (iii) in the case of Series C Preferred by dividing $2.00 by the Series C Conversion Price, and (iv) in the case of Series D Preferred by dividing $2.00 by the Series D Conversion Price, determined as hereinafter provided, in effect at the time of the conversion. The respective prices at which shares of Common Stock shall be deliverable upon conversion shall initially be $0.50 with respect to shares of Series A Preferred (the "Series A Conversion Price"), $2.00 with respect to shares of Series B Preferred (the "Series B Conversion Price"), $2.00 with respect to shares of Series C Preferred (the "Series C Conversion Price") and $2.00 with respect to the shares of Series D Preferred (the "Series D Conversion Price"). The term Conversion Price as used herein shall refer to the Series A Conversion Price, the Series B Conversion Price, the Series C Conversion Price and the Series D Conversion Price. The initial Conversion Price of each series of Preferred Stock shall be subject to adjustment as hereinafter provided.

(b) Automatic Conversion. Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Price upon the closing of an underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Corporation to the public at an aggregate offering price to the public of not less than $5,000,000. In the event of the automatic conversion of the Preferred Stock upon a public offering as aforesaid, the person(s) entitled

to receive the Common Stock issuable upon such conversion of Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such sale of securities.

(c) Mechanics of Conversion. No fractional shares of Common Stock shall be issued upon conversion of Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Conversion Price. Before any holder of Preferred Stock shall be entitled to convert the same into full shares of Common Stock and to receive certificates therefor, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Preferred Stock, and shall give written notice to the Corporation at such office that he elects to convert the same; provided, however, that in the event of an automatic conversion pursuant to Section 4(b), the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent, and provided further that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such automatic conversion unless the certificates evidencing such shares of Preferred Stock are either delivered to the Corporation or its transfer agent as provided above, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. The Corporation shall, as soon as practicable after such delivery, or such agreement and indemnification in the case of a lost certificate, issue and deliver at such office to such holder of Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which he shall be entitled as aforesaid and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted, or in the case of automatic conversion on the date of closing of the offering, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(d) Adjustments for Diluting Issues.

(i) Special Definitions. For purposes of this Section 4(d), the following definitions shall apply:

(1) "Options" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Common Stock or Convertible Securities.

(2) "Original Issue Date" shall mean the date on which the first share of the series of preferred stock to which an adjustment is to be determined was first issued.

(3) "Convertible Securities" shall mean securities convertible into or exchangeable for Common Stock.

(4) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to Section 4(d)(iii), deemed to be issued) by the Corporation after the Original Issue Date, other than shares of Common Stock issued (or, pursuant to Section 4(d)(iii), deemed to be issued):

(A) upon the conversion of shares of Preferred Stock authorized herein;

(B) except as provided in Section 4(d)(iii)(1), at any time prior to the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, (the "Securities Act") to officers, directors, and employees of, or consultants to, the Corporation pursuant to a stock grant, option plan or other employee stock incentive program approved by the Board of Directors in an aggregate amount of not more than 6,000,000 shares, appropriately adjusted for any stock split, stock dividend or other recapitalization, provided that any shares repurchased by the Corporation from officers, directors, employees and consultants at cost pursuant to the terms of stock repurchase agreements approved by the Board of Directors shall not, unless reissued, be counted as issued for purposes of this calculation; and

(C) pursuant to any event for which adjustment is made pursuant to subparagraph (vi), (vii) or (viii) of this Section 4(d).

(ii) No Adjustment of Conversion Price. No adjustment in the Series B Conversion Price shall be made in respect of the issuance of Additional Shares of Common Stock unless such adjustment shall result in a new Series B Conversion Price which is less than the Series B Conversion Price in effect on the date of, and immediately prior to such issue, for such share of Series B Preferred. No adjustment in the Series C Conversion Price shall be made in respect of the issuance of Additional Shares of Common Stock unless such adjustment shall result in a new Series C Conversion Price which is less than the Series C Conversion Price in effect on the date of, and immediately prior to such issue, for such share of Series C Preferred. No adjustment in the Series D Conversion Price shall be made in respect of the issuance of Additional Shares of Common Stock unless such adjustment shall result in a new Series D Conversion Price which is less than the Series D Conversion Price in effect on the date of, and immediately prior to such issue, for such share of Series D Preferred.

(iii) Deemed Issue of Additional Shares of Common Stock.

(1) Options and Convertible Securities. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue, provided that in any such case in which such Additional Shares of Common Stock are deemed to be issued:

(A) except as provided in Section 4(d)(i)(4) hereof, no further adjustment in the Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as the case may be, shall be made upon the subsequent exercise of such Options or conversion or exchange of such Convertible Securities;

(B) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Corporation, or increase or decrease in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as the case may be, computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as the case may be, computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:

(I) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued were shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities, and the consideration received therefor was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, and

(II) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Corporation upon the issue of the Convertible Securities with respect to which such Options were actually exercised; and

(D) no readjustment pursuant to clause (B) or (C) above shall have the effect of increasing the Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as the case may be, to an amount which exceeds the Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as the case may be, on the original adjustment date.

(iv) Adjustment of Series B Conversion Price, Series C Conversion Price or Series D Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event this Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section 4(d)(iii)) without consideration or for a consideration per share less than the Series B Conversion Price for a share of Series B Preferred, the Series C Conversion Price for a share of Series C Preferred or the Series D Conversion Price for a share of Series D Preferred, as the case may be, in effect on the date of, and immediately prior to such issue, then and in such event, such Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as the case may be, shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying such Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as the case may be, by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares of Common Stock which the aggregate consideration received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as the case may be; and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; and provided further that, for the purposes of this Section 4(d)(iv), all shares of Common Stock issuable upon exercise of outstanding Options or conversion of outstanding Convertible Securities shall be deemed to be outstanding, and immediately after any Additional Shares of Common Stock are deemed issued pursuant to Section 4(d)(iii), such Additional Shares of Common Stock shall be deemed to be outstanding.

(v) Determination of Consideration. For purposes of this Section 4(d), the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(1) Cash and Property: Such consideration shall:

(A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation prior to amounts paid or payable for accrued interest or accrued dividends and prior to any commissions or expenses paid by the Corporation;

(B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board; and

(C) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (A) and (B) above, as determined in good faith by the Board.

(2) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 4(d)(iii)(1), relating to Options and Convertible Securities, shall be determined by dividing

(A) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained there in for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities by

(B) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(vi) Adjustments for Subdivisions, Combinations or Consolidation of Common Stock. In the event the outstanding shares of Common Stock shall be subdivided (by stock split, stock dividends or otherwise), into a greater number of shares of Common Stock after the date of the filing of this Certificate of Incorporation, the Conversion Price then in effect shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock after the date of the filing of this Certificate of Incorporation, the Conversion Price then in effect shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

(vii) Adjustments for Stock Dividends and Other Distributions. In the event the Corporation at any time or from time to time makes, or fixes a record date for the determination of holders of Common Stock entitled to receive any distribution (excluding any repurchases of securities by the Corporation not made on a pro rata basis from all holders of any class of the Corporation's securities) payable in property or in securities of the Corporation other than shares of Common Stock, and other than as otherwise adjusted in this Section 4 or as provided in Section 1(a), then and in each such event the holders of Preferred Stock shall receive at the time of such distribution, the amount of property or the number of securities of the Corporation that they would have received had their Preferred Stock been converted into Common Stock on the date of such event.

(viii) Adjustments for Reclassification, Exchange and Substitution. Except as provided in Section 2, upon any liquidation, dissolution or winding up of the Corporation, if the Common Stock issuable upon conversion of the Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), the Conversion Price

then in effect shall, concurrently with the effectiveness of such reorganization or reclassification, be proportionately adjusted such that the Preferred Stock shall be convertible into, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive, a number of shares of such other class or classes of stock equivalent to the number of shares of Common Stock that would have been subject to receipt by the holders upon conversion of the Preferred Stock immediately before that change.

(e) No Impairment. Except as provided in Section 5, the Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Preferred Stock against impairment.

(f) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of Preferred Stock.

(g) Notices of Record Date. In the event that this Corporation shall propose at any time:

(i) to declare any dividend or distribution upon its Common Stock, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;

(ii) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights;

(iii) to effect any reclassification or recapitalization of its Common Stock outstanding involving a change in the Common Stock; or

(iv) to merge or consolidate with or into any other corporation, or sell, lease or convey all or substantially all its property or business, or to liquidate, dissolve or wind up;

then, in connection with each such event, this Corporation shall send to the holders of the Preferred Stock:

(1) at least 20 days' prior written notice of the date on which a record shall be taken for such dividend, distribution or subscription rights (and specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (i) and (ii) above; and

(2) in the case of the matters referred to in (iii) and (iv) above, at least 20 days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon the occurrence of such event).

Each such written notice shall be delivered personally or given by first class mail, postage prepaid, addressed to the holders of the Preferred Stock at the address for each such holder as shown on the books of this Corporation.

5. Covenants.

(a) In addition to any other rights provided by law, so long as at least fifty percent (50%) of the Preferred Stock shall be outstanding, as the case may be, this Corporation shall not, without first obtaining the affirmative vote or written consent of the holders of not less than a majority of the outstanding shares of the Preferred Stock voting together as one class (except that for the purposes of Sections 5(a)(i) through 5(a)(iii), if one series of Preferred Stock is affected in a manner different than another, a majority vote of each series of Preferred Stock so disproportionately affected, voting as a series, shall be required):

(i) amend or repeal any provision of the Corporation's Certificate of Incorporation;

(ii) authorize or issue shares of any class or series of stock having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of such series of Preferred Stock;

(iii) reclassify any shares of Common Stock and any other shares of this Corporation other than the Preferred Stock into shares having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of such series of Preferred Stock;

(iv) merge with, or sell, lease, license, or otherwise dispose of all or substantially all of the Company's assets to, any other person or entity.

(b) For so long as 100% of the Series C Preferred sold to National Semiconductor Corporation is owned by National Semiconductor Corporation and none of such shares is converted to Common Stock, the holders of the Series C Preferred shall be entitled to elect one member of the Board of Directors. For so long as 100% of the Series D Preferred sold to Sanyo Semiconductor Corporation is owned by Sanyo Semiconductor Corporation and none of such shares is converted to Common Stock,

the holders of the Series D Preferred shall be entitled to elect one member of the Board of Directors. The holders of Series A Preferred, Series B Preferred and Common Stock, voting together as a class, shall be entitled to elect the remaining members to the Board of Directors; provided that if the holders of Series C Preferred are not then entitled to vote separately to elect one member of the Board of Directors, they shall vote together with such class to elect the remaining members to the Board of Directors; provided further that if the holders of Series D Preferred are not then entitled to vote separately to elect one member of the Board of Directors, they shall vote together with such class to elect the remaining members to the Board of Directors.

(c) In the case of any vacancy in the office of the director elected by the Series C Preferred pursuant to the first sentence of Section 5(b) hereof, the holders of Series C Preferred may, if 100% of the Series C Preferred sold to National Semiconductor Corporation is then owned by National Semiconductor Corporation and 100% of the Series C Preferred is then outstanding, elect a successor to hold the office for the unexpired term of the director whose place shall be vacant by the affirmative vote of the holders of a majority of the shares of Series C Preferred. In the case of any vacancy in the office of the director elected by the Series D Preferred pursuant to the second sentence of Section 5(b) hereof, the holders of Series D Preferred may, if 100% of the Series D Preferred sold to Sanyo Semiconductor Corporation is then owned by Sanyo Semiconductor Corporation and 100% of the Series D Preferred is then outstanding, elect a successor to hold the office for the unexpired term of the director whose place shall be vacant by the affirmative vote of the holders of a majority of the shares of Series D Preferred.

6. Status of Converted Stock. In case any shares of any series of Preferred Stock shall be repurchased or converted pursuant to Section 4 hereof, the shares so converted shall be canceled and shall not be issued by this Corporation and this Certificate shall be deemed appropriately amended to effect the corresponding reduction in this Corporation's authorized Preferred Stock.

ARTICLE V

The name and mailing address of the incorporator is as follows:

Brett D. Byers
c/o Wilson, Sonsini, Goodrich & Rosati, P.C.
650 Page Mill Road
Palo Alto, California 94304-1050

ARTICLE VI

Elections of directors need not be by written ballot unless a stockholder demands election by written ballot at the meeting and before voting begins or unless the Bylaws of the Corporation shall so provide.

ARTICLE VII

The number of directors which constitute the whole Board of Directors of the Corporation shall be fixed exclusively by one or more resolution adopted from time to time by the Board of Directors.

ARTICLE VIII

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the Corporation.

ARTICLE IX

(a) To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

(b) The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer, employee or agent of the Corporation or any predecessor of the Corporation or serves or served at any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor to the Corporation.

(c) Neither any amendment nor repeal of this Article IX, nor the adoption of any provision of this Corporation's Certificate of Incorporation inconsistent with this Article IX, shall eliminate or reduce the effect of this Article IX, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article IX, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE X

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. Upon and after the effectiveness of the Company's registration statement filed under the Securities Act of 1993, as amended, in relation to the Company's initial public offering no action may be taken by the stockholder of the Corporation without a meeting, and no consents in lieu of a meeting may be taken pursuant to Section 228 of the Delaware Law. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE XI

Vacancies created by newly created directorships, created in accordance with the Bylaws of this Corporation, may be filled by the vote of a majority, although less than a quorum, of the directors then in office, or by a sole remaining director.

ARTICLE XII

Advance notice of new business and stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the Bylaws of the Corporation.

ARTICLE XIII

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

I, THE UNDERSIGNED, being the incorporator hereinbefore named, for the purposes of forming a Corporation pursuant to the Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying, under penalties of perjury, that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand on October 24, 1996.

_____

Brett D. Byers

EXHIBIT 3.2

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF 8X8, INC. (A DELAWARE CORPORATION)

8x8, Inc., a corporation organized and existing under the laws of the State of Delaware, does hereby certify:

1. The name of the corporation is 8x8, Inc. (the "Corporation"). The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on October 24, 1996.

2. The amendment and restatement herein set forth has been duly approved by the Board of Directors of the Corporation and by the stockholders of the Corporation pursuant to Sections 141, 228 and 242 of the General Corporation Law of the State of Delaware ("Delaware Law"). Approval of this amendment and restatement was approved by a written consent signed by less than all of the stockholders of the Corporation pursuant to Section 228 of the Delaware Law, and notice has been given in accordance with Section 228(d) of the Delaware Law to those shareholders not signing such written consent.

3. The restatement herein set forth has been duly adopted pursuant to Section 245 of the Delaware Law. This Amended and Restated Certificate of Incorporation restates and integrates and amends the provisions of the Corporation's Certificate of Incorporation.

4. The text of the Certificate of Incorporation is hereby amended and restated to read in its entirety as follows:

"ARTICLE I

The name of this corporation is 8x8, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The Corporation shall have perpetual existence. The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

This corporation is authorized to issue two classes of shares to be designated respectively Common Stock and Preferred Stock. Each share of Common Stock shall have a par value of $0.001 and each share of Preferred Stock shall have a par value of $0.001. The total number of shares of Common Stock this corporation shall have authority to issue is 40,000,000, and the total number of shares of Preferred Stock this Corporation shall have authority to issue is 5,000,000.

The Preferred Stock initially shall be undesignated as to series. Any Preferred Stock not previously designated as to series may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors (authority to do so being hereby expressly vested in the Board), and such resolution or resolutions shall also set forth the voting powers, full or limited or none, of each such series of Preferred Stock and shall fix the designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions of each such series of Preferred Stock. The Board of Directors is authorized to alter the designation, rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series of Preferred Stock, to increase or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series.

Each share of Preferred Stock issued by the Corporation, if reacquired by the Corporation (whether by redemption, repurchase, conversion to Common Stock or other means), shall upon such reacquisition resume the status of authorized and unissued shares of Preferred Stock, undesignated as to series and available for designation and issuance by the Corporation in accordance with the immediately preceding paragraph.

The Corporation shall from time to time in accordance with the laws of the State of Delaware increase the authorized amount of its Common Stock if at any time the number of shares of Common Stock remaining unissued and available for issuance shall not be sufficient to permit conversion, if applicable, of the Preferred Stock.

ARTICLE V

Elections of directors need not be by written ballot unless a stockholder demands election by written ballot at the meeting and before voting begins or unless the Bylaws of the Corporation shall so provide.

ARTICLE VI

The number of directors which constitute the whole Board of Directors of the Corporation shall be fixed exclusively by one or more resolution adopted from time to time by the Board of Directors.

ARTICLE VII

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the Corporation.

ARTICLE VIII

(a) To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

(b) The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer, employee or agent of the Corporation or any predecessor of the Corporation or serves or served at any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor to the Corporation.

(c) Neither any amendment nor repeal of this Article VIII, nor the adoption of any provision of this Corporation's Certificate of Incorporation inconsistent with this Article VIII, shall eliminate or reduce the effect of this Article VIII, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VIII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE IX

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. No action may be taken by the stockholder of the Corporation without a meeting, and no consents in lieu of a meeting may be taken pursuant to Section 228 of the Delaware Law. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE X

Vacancies created by newly created directorships, created in accordance with the Bylaws of this Corporation, may be filled by the vote of a majority, although less than a quorum, of the directors then in office, or by a sole remaining director.

ARTICLE XI

Advance notice of new business and stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the Bylaws of the Corporation.

ARTICLE XII

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation."

IN WITNESS WHEREOF, 8x8, Inc. has caused this Certificate of Restated and Amended of Certificate of Incorporation to be signed by Joe Parkinson, its Chairman and Chief Executive Officer and attested to by Sandra L. Abbott, its Secretary, on December ___, 1996.

8x8, Inc.
A Delaware Corporation

By:_____
Joe Parkinson
Chairman and Chief
Executive Officer

ATTEST:

By: _____
Sandra L. Abbott
Secretary

EXHIBIT 3.3

BY-LAWS

OF

8x8, Inc.

(A Delaware Corporation)

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BY-LAWS

OF

8x8, Inc..

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such location is The Corporation Trust Company.

1.2 OTHER OFFICES

The Board of Directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board of Directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the corporation.

2.2 ANNUAL MEETING

(a) The annual meeting of stockholders shall be held each year on a date and at a time designated by the Board of Directors. At the meeting, directors shall be elected and any other proper business may be transacted.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a

stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, such stockholder's notice must be delivered to or mailed and received by the Secretary of the corporation not less than ninety (90) days prior to the meeting; provided, however, that in the event that less than one-hundred (100) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in such stockholder's capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (b). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (b), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

(c) Only persons who are nominated in accordance with the procedures set forth in this paragraph (c) shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the corporation entitled to vote in the election of Directors at the meeting who complies with the notice procedures set forth in this paragraph (c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation in accordance with the provisions of paragraph (b) of this Section 2.2. Such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or reelection as a Director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation which are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for elections of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a Director if elected); and (ii) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (b) of this

Section 2.2. At the request of the Board of Directors, any person nominated by a stockholder for election as a Director shall furnish to the Secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare at the meeting, and the defective nomination shall be disregarded.

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the Board of Directors, the Chairman of the Board or the President of the Corporation. No other person or persons are permitted to call a special meeting. No business may be conducted at a special meeting other than the business specified by the Board of Directors as specified in its notice of calling of the meeting delivered to the Corporation as provided below by Sections 2.4 and 2.5, the Chairman of the Board, or the President.

If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, the President, Chief Executive Officer, or the Secretary of the corporation. No business may be transacted at such special meeting except for such business as may properly be brought before the stockholders and that is specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5, that a meeting will be held at the time requested by the person or persons who called the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

Except as set forth in Section 2.3, all notices of meetings of stockholders shall be in writing and sent or otherwise given in accordance with Section 2.5 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the stockholders (but any proper matter may be presented at the

meeting for such action). The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, the board intends to present for election.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders shall be given either personally or by first-class mail or by facsimile, telegraphic or other written communication. Notices not personally delivered shall be sent charges prepaid and shall be addressed to the stockholder at the address of that stockholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that stockholder by mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a stockholder at the address of that stockholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the stockholder at that address, then all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available to the stockholder on written demand of the stockholder at the principal executive office of the corporation for a period of one (1) year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any stockholders' meeting, executed by the Secretary, Assistant Secretary or any transfer agent of the corporation giving the notice, shall be prima facie evidence of the giving of such notice.

2.6 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stock holders for the transaction of business except as otherwise provided by statute, by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the Chairman of the meeting or (ii) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these by-laws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 CONDUCT OF BUSINESS

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.12 of these by-laws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

2.10 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

2.11 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise provided in the certificate of incorporation, any action required by this chapter to be taken at any annual or special meeting of stockholders of a corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

2.12 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If the Board of Directors does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed.

(iii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.13 PROXIES

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by a written proxy, signed by the stockholder and filed with the Secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware.

2.14 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE III

DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the certificate of incorporation or these by-laws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

3.2 NUMBER OF DIRECTORS

The number of directors which constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted from time to time by the Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these by-laws, the certificate of incorporation, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these by-laws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Elections of directors need not be by written ballot.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon written notice to the attention of the Secretary of the corporation. Subject to the provisions of the certificate of incorporation, when one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Unless otherwise provided in the certificate of incorporation or these by-laws;

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these by-laws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten (10) percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The Board of Directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board, the President, any Vice President, the Secretary or any one director.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, it shall be

delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.8 QUORUM

At all meetings of the Board of Directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

3.10 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

3.11 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these by-laws, the Board of Directors shall have the authority to fix the compensation of directors.

3.12 APPROVAL OF LOANS TO OFFICERS

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.13 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, and except as otherwise provided by the certificate of incorporation or these by-laws, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that, so long as stockholders of the corporation are entitled to cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his or her removal would be sufficient to elect such director if then cumulatively voted at an election of the entire Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The Board of Directors may, by resolution passed by a majority of the whole board, designate one or more committees, with each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in

the resolution of the Board of Directors or in the by-laws of the corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend the bylaws of the corporation; and, unless the board resolution establishing the committee, the by-laws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these by-laws, Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting), with such changes in the context of those by-laws as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these by-laws.

ARTICLE V

OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the Board of Directors, a chairman of the board, one or more vice presidents, one or more assistant vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these by-laws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these by-laws, shall be appointed by the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS

The Board of Directors may appoint, or empower the Chief Executive Officer of the corporation to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these by-laws or as the Board of Directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board of Directors at any regular or special meeting of the board or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

5.6 CHAIRMAN OF THE BOARD

The Chairman of the Board, if such an officer be elected and unless otherwise designated by the Board of Directors, shall, if present, preside at meetings of the Board of Directors. In addition, such officer shall exercise and perform such other powers and duties as may from time to time be assigned to him by the Board of Directors or as may be prescribed by these by-laws. If so designated by the Board of Directors, then the Chairman of the Board shall also be the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in Section 5.7 of these by-laws.

5.7 PRESIDENT

Subject to such powers and duties, if any, as may be given by the Board of Directors to the Chairman of the Board or any vice chairman, if there be such an officer, the President shall be the Chief Executive Officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the corporation. The President shall preside at all meetings of the stockholders and, in the absence or nonexistence of a Chairman of the Board or if otherwise designated by the Board of Directors, at all meetings of the Board of Directors. The President shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these by-laws.

5.8 VICE PRESIDENTS

In the absence or disability of the Chairman of the Board, any vice chairman and the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these by-laws, the President or the Chairman of the Board.

5.9 SECRETARY

The Secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names

of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these by-laws. The Secretary shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these by-laws.

5.10 CHIEF FINANCIAL OFFICER

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. The Chief Financial Officer shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the Chief Executive Officer and directors, whenever they request it, an account of all his or her transactions as Chief Financial Officer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or these by-laws.

The Chief Financial Officer shall be the Treasurer of the corporation unless otherwise designated by the Board of Directors.

5.11 ASSISTANT SECRETARY

The Assistant Secretary, or, if there is more than one, the Assistant Secretaries in the order determined by the stockholders or Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the Secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as may be prescribed by the Board of Directors or these by-laws.

5.12 ASSISTANT TREASURER

The Assistant Treasurer, or, if there is more than one, the Assistant Treasurers, in the order determined by the stockholders or Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Chief Financial Officer or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Chief Financial

Officer and shall perform such other duties and have such other powers as may be prescribed by the Board of Directors or these by-laws.

5.13 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The Chairman of the Board, the President, any Vice President, the Chief Financial Officer, the Secretary or Assistant Secretary of this corporation, or any other person authorized by the Board of Directors or the President or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.14 AUTHORITY AND DUTIES OF OFFICERS

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the Board of Directors or the stockholders.

ARTICLE VI

INDEMNITY

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation that was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 INDEMNIFICATION OF OTHERS

The corporation shall have the power, to the extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorney's fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2,

an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of the General Corporation Law of Delaware.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall, either at its principal executive officer or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these by-laws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent so to act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business

hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

ARTICLE VIII

GENERAL MATTERS

8.1 CHECKS

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The Board of Directors, except as otherwise provided in these by-laws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of

an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the Board of Directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the Chairman or Vice-Chairman of the Board of Directors, or the President or Vice-President, and by the Chief Financial Officer or an assistant treasurer, or the Secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if the person were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these by-laws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 DIVIDENDS

The directors of the corporation, subject to any restrictions contained in (i) the General Corporation Law of Delaware or (ii) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.9 SEAL

The corporation may adopt a corporate seal, which shall be adopted and which may be altered by the Board of Directors, and may use the same by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

8.10 TRANSFER OF STOCK

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 REGISTERED STOCKHOLDERS

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX

AMENDMENTS

Subject to any voting requirements set forth in the corporation's certificate of incorporation, the by-laws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal by-laws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal by-laws.

CERTIFICATE OF ADOPTION OF BY-LAWS

OF

8x8, Inc.

CERTIFICATE BY INCORPORATOR OF ADOPTION

The undersigned hereby certifies that he is the incorporator of 8x8, Inc. and that the foregoing By-Laws, comprising of twenty-one (21) pages, were adopted as the By-Laws of the corporation by the undersigned incorporator in accordance with Sections 107 and 109 of the Delaware General Corporation Law effective as of October 25, 1996.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Adoption of By-laws on October 25, 1996.

By: _____
Brett D. Byers
Incorporator

EXHIBIT 5.1

December __, 1996

8x8, Inc.
2445 Mission College Boulevard
Santa Clara, CA 95054

RE: REGISTRATION STATEMENT ON FORM S-1

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-1 filed by you with the Securities and Exchange Commission on November 6, 1996 (Registration No. 333-_____), as amended (the "Registration Statement"), in connection with the registration under the Securities Act of 1933, as amended, of up to 2,500,000 shares of your Common Stock, par value $0.001 per share (the "Shares"). The Shares include an over-allotment option granted to the underwriters of the offering to purchase 375,000 shares. We understand that the Shares are to be sold to the underwriters of the offering for resale to the public as described in the Registration Statement. As your legal counsel, we have examined the proceedings taken, and are familiar with the proceedings proposed to be taken, by you in connection with the sale and issuance of the Shares.

It is our opinion that, upon completion of the proceedings being taken or contemplated by us, as your counsel, to be taken prior to the issuance of the Shares, including the proceedings being taken in order to permit such transaction to be carried out in accordance with applicable state securities laws, the Shares, when issued and sold in the manner described in the Registration Statement and in accordance with the resolutions adopted by the Board of Directors of the Company, will be legally and validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement and further consent to the use of our name wherever appearing in the Registration Statement, including the Prospectus constituting a part thereof, and any amendments thereto.

Very truly yours,

WILSON, SONSINI, GOODRICH & ROSATI
Professional Corporation

EXHIBIT 10.1

8X8, INC.

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT (the "Agreement") is made as of December __, 1996, by and between 8x8, Inc., a Delaware corporation (the "Company"), and __ ("Indemnitee").

RECITALS

A. The Company desires to attract and retain qualified directors, officers, employees and other agents, and to provide them with protection against liability and expenses incurred while acting in that capacity;

B. The Certificate of Incorporation and Bylaws of the Company contain provisions for indemnifying directors and officers of the Company, and the Bylaws and Delaware law contemplate that separate contracts may be entered into between the Company and its directors and officers, employees and other agents with respect to their indemnification by the Company, which contracts may provide greater protection than is afforded by the Certificate of Incorporation and Bylaws;

C. The Company understands that Indemnitee has reservations about serving or continuing to serve the Company without adequate protection against personal liability arising from such service, and that it is also of critical importance to Indemnitee that adequate provision be made for advancing costs and expenses of legal defense; and

D. The Board of Directors and the stockholders of the Company have approved as being in the best interests of the Company indemnity contracts substantially in the form of this Agreement for directors and officers of the Company and its subsidiaries and for certain other employees and agents of the Company designated by the Board of Directors.

NOW, THEREFORE, in order to induce Indemnitee to serve or to continue to serve as a director and/or officer of the Company, and in consideration of Indemnitee's service to the Company, the parties agree as follows:

1. Contractual Indemnity. In addition to the indemnification provisions of the Bylaws of the Company, the Company hereby agrees, subject to the limitations of Sections 2 and 5 hereof:

(a) To indemnify, defend and hold Indemnitee harmless to the greatest extent possible under applicable law from and against any and all judgments, fines, penalties, amounts paid in settlement and any other amounts reasonably incurred or suffered by Indemnitee (including attorneys' fees) in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Company, to which Indemnitee is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Indemnitee is, was or at any time becomes a director, officer, employee or agent of the Company or is or was serving or at any time serves at the request of the Company as a director, officer, employee or

agent of another corporation, partnership, joint venture, trust or other enterprise (collectively referred to hereafter as a "Claim"), whether or not arising prior to the date of this Agreement.

(b) To pay any and all expenses reasonably incurred by Indemnitee in defending any Claim or Claims (including reasonable attorneys' fees and other reasonable costs of investigation and defense), as the same are incurred and in advance of the final disposition of any such Claim or Claims, upon receipt of an undertaking by or on behalf of Indemnitee to reimburse such amounts if it shall be ultimately determined that Indemnitee (i) is not entitled to be indemnified by the Company under this Agreement, and (ii) is not entitled to be indemnified by the Company under the Certificate of Incorporation or the Bylaws of the Company.

The termination of any action or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that (i) Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in the best interests of the Company, or (ii) with respect to any criminal action or proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

2. Limitations on Contractual Indemnity. Indemnitee shall not be entitled to indemnification or advancement of expenses under Section 1:

(a) if a court of competent jurisdiction, by final judgment or decree, shall determine that (i) the Claim or Claims in respect of which indemnity is sought arise from Indemnitee's fraudulent, dishonest or willful misconduct, or (ii) such indemnity is not permitted under applicable law; or

(b) on account of any suit in which judgment is rendered for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company in violation of the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law; or

(c) for any acts or omissions or transactions from which a director may not be relieved of liability under the Delaware General Corporation Law; or

(d) with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to proceedings brought in good faith to establish or enforce a right to indemnification under this Agreement or any other statute or law, or (ii) at the Company's discretion, in specific cases if the Board of Directors of the Company has approved the initiation or bringing of such suit; or

(e) for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) which have been paid directly to Indemnitee by an insurance carrier under a policy of directors' and officers' liability insurance maintained by the Company; or

(f) on account of any suit brought against Indemnitee for misuse or misappropriation of non-public information, or otherwise involving Indemnitee's status as an "insider" of the Company, in connection with any purchase or sale by Indemnitee of securities of the Company.

3. Continuation of Contractual Indemnity. Subject to the termination provisions of Section 11, all agreements and obligations of the Company contained herein shall continue for so long as Indemnitee shall be subject to any possible action, suit, proceeding or other assertion of a Claim or Claims.

4. Expenses; Indemnification Procedure. The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or criminal action or proceeding referenced in Section 1 hereof (but not amounts actually paid in settlement of any such action or proceeding). Indemnitee hereby undertakes to repay such amounts advanced if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby. The advances to be made hereunder shall be paid by the Company to Indemnitee within twenty (20) days following delivery of a written request therefor by Indemnitee to the Company.

5. Notification and Defense of Claim. If any action, suit, proceeding or other Claim is brought against Indemnitee in respect of which indemnity may be sought under this Agreement:

(a) Indemnitee will promptly notify the Company in writing of the commencement thereof, and the Company and any other indemnifying party similarly notified will be entitled to participate therein at its own expense or to assume the defense thereof and to employ counsel reasonably satisfactory to Indemnitee. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). Notice shall be deemed received three (3) business days after the date postmarked if sent by domestic certified or registered mail, properly addressed; otherwise notice shall be deemed received when such notice shall actually be received by the Company. Indemnitee shall have the right to employ its own counsel in connection with any such Claim and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of Indemnitee unless (i) the Company shall not have assumed the defense of the Claim and employed counsel for such defense, or (ii) the named parties to any such action (including any impleaded parties) include both Indemnitee and the Company, and Indemnitee shall have reasonably concluded that joint representation is inappropriate under applicable standards of professional conduct due to a material conflict of interest between Indemnitee and the Company, in either of which events the reasonable fees and expenses of such counsel to the Indemnitee shall be borne by the Company upon delivery to the Company of the undertaking referred to in subparagraph (b) of Section 1. However, in no event will the Company be obligated to pay the fees or expenses of more than one firm of attorneys representing Indemnitee and any other agents of the Company in connection with any one Claim or separate but substantially similar or related Claims in the same jurisdiction arising out of the same general allegations or circumstances.

(b) The Company shall not be liable to indemnify Indemnitee for any amounts paid in settlement of any Claim effected without the Company's written consent, and the Company shall not settle any Claim in a manner which would impose any penalty or limitation on Indemnitee without Indemnitee's

written consent; provided, however, that neither the Company nor Indemnitee will unreasonably withhold its consent to any proposed settlement and, provided further, that if a claim is settled by the Indemnitee with the Company's written consent, or if there be a final judgment or decree for the plaintiff in connection with the Claim by a court of competent jurisdiction, the Company shall indemnify and hold harmless Indemnitee from and against any and all losses, costs, expenses and liabilities incurred by reason of such settlement or judgment.

(c) Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(d) Any indemnification provided for in Section 1 shall be made no later than forty-five (45) days after receipt of the written request of Indemnitee. If a Claim under this Agreement, under any statute, or under any provision of the Company's Certificate of Incorporation or Bylaws providing for indemnification, is not paid in full by the Company within forty-five (45) days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 13 of this Agreement, Indemnitee shall also be entitled to be reimbursed for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed but the burden of proving such defense shall be on the Company, and Indemnitee shall be entitled to receive interim payments of expenses pursuant to Subsection 4 unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

(e) If, at the time of the receipt of a notice of a Claim, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

6. Scope. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify the Indemnitee against any Claim to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the

Company's Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its board of directors, an officer or other corporate agent, such changes shall be, ipso facto, within the purview of Indemnitee's rights and Company's obligations, under this Agreement. In the event of any change in any applicable law, statute, or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors, an officer, or other corporate agent, such changes, to the extent not otherwise required by applicable law to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by him in the investigation, defense, appeal or settlement of any civil or criminal action or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

8. Public Policy. Both the Company and Indemnitee acknowledge that in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

9. Insurance. Although the Company may from time to time maintain insurance for the purpose of indemnifying Indemnitee and other agents of the Company against personal liability, including costs of legal defense, nothing in this Agreement shall obligate the Company to do so.

10. No Restrictions. The rights and remedies of Indemnitee under this Agreement shall not be deemed to exclude or impair any other rights or remedies to which Indemnitee may be entitled under the Certificate of Incorporation or Bylaws of the Company, or under any other agreement, provision of law or otherwise, nor shall anything contained herein restrict the right of the Company to indemnify Indemnitee in any proper case even though not specifically provided for in this Agreement, nor shall anything contained herein restrict Indemnitee's right to contribution as may be available under applicable law.

11. Termination. The Company may terminate this Agreement at any time upon 90 days written notice, but any such termination will not affect Claims relating to events occurring prior to the effective date of termination.

12. Severability. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof.

13. Attorneys' Fees. In the event of any litigation or other action or proceeding to enforce or interpret this Agreement, the prevailing party as determined by the court shall be entitled to an award of its reasonable attorneys' fees and other costs, in addition to such relief as may be awarded by a court or other tribunal.

14. Further Assurances. The parties will do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents and things as may be reasonably required for the purpose of giving effect to this Agreement and the transactions contemplated hereby.

15. Acknowledgment. The Company expressly acknowledges that it has entered into this Agreement and assumed the obligations imposed on the Company hereunder in order to induce Indemnitee to serve or to continue to serve as an agent of the Company, and acknowledges that Indemnitee is relying on this Agreement in serving or continuing to serve in such capacity.

16. Construction of Certain Phrases.

(a) "Company": For purposes of this Agreement, references to the "Company" shall also include, in addition to the resulting corporation in any consolidation or merger to which 8x8, Inc. is a party, any constituent corporation (including any constituent of a constituent) absorbed in consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) Benefit Plans: References to "fines" contained in this Agreement shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

18. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee, on the date of such receipt, or (ii) if mailed by domestic certified or registered mail with

postage prepaid, on the third business day after the date postmarked. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

19. Governing Law; Binding Effect; Amendment.

(a) This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware applicable to contracts entered into in Delaware.

(b) This Agreement shall be binding upon Indemnitee and the Company, their successors and assigns, and shall inure to the benefit of Indemnitee, his heirs, personal representatives and assigns and to the benefit of the Company, its successors and assigns.

(c) No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

"COMPANY"

8x8, Inc.
a Delaware corporation

2445 Mission College Blvd.
Santa Clara, California 95054

By: _____

Title: _____

"Indemnitee"

_____
(Signature of Indemnitee)

Address:

EXHIBIT 10.2

INTEGRATED INFORMATION TECHNOLOGY, INC.

1992 STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code, and the regulations promulgated thereunder.

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

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

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the Committee appointed by the Board of Directors in accordance with paragraph (a) of Section 4 of the Plan.

(e) "Common Stock" means the Common Stock of the Company.

(f) "Company" means Integrated Information Technology, Inc. a California corporation.

(g) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is compensated for such services, and any director of the Company whether compensated for such services or not; provided that if and in the event the Company registers any class of any equity security pursuant to the Exchange Act, the term Consultant shall thereafter not include directors who are not compensated for their services or are paid only a director's fee by the Company.

(h) "Continuous Status as an Employee" means the absence of any interruption or termination of the employment relationship by the Company or any Subsidiary. Continuous Status as an Employee shall not be considered interrupted in the case of: (i) sick

leave; (ii) military leave; (iii) any other leave of absence approved by the Board; provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) in the case of transfers between locations of the Company or between the Company, its Subsidiaries or its successor.

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

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

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

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

(ii) If the Common Stock is quoted on the NASDAQ System (but not on the National Market System thereof) or regularly quoted by a recognized securities dealer, but selling prices are not reported, its Fair Market Value shall be the mean between the high and low asked prices for the Common Stock or;

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

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

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

(n) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option. The Notice of Grant is part of the respective Option Agreement.

(o) "Option" means a stock option granted pursuant to the Plan.

(p) "Optioned Stock" means the Common Stock subject to an Option.

(q) "Optionee" means an Employee or Consultant who receives an Option.

(r) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(s) "Plan" means this 1992 Stock Option Plan.

(t) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.

(u) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be placed under option and sold under the Plan is 2,000,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable for any reason without having been exercised in full, the unpurchased Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Administration With Respect to Directors and Officers. With respect to grants of Options to Employees who are also officers or directors of the Company, the Plan shall be administered by (A) the Board if the Board may administer the Plan in compliance with Rule 16b-3 promulgated under the Exchange Act or any successor thereto ("Rule 16b-3") with respect to a plan intended to qualify thereunder as a discretionary plan, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted in such a manner as to permit the

Plan to comply with Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan.

(ii) Multiple Administrative Bodies. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to directors, non-director officers and Employees who are neither directors nor officers.

(iii) Administration With Respect to Consultants and Other Employees. With respect to grants of Options to Employees or Consultants who are neither directors nor officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the legal requirements relating to the administration of incentive stock option plans, if any, of California corporate and securities laws and of the Code (the "Applicable Laws"). Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws.

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

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

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

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

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

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

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option granted hereunder (including, but not limited to, the price per Share and any restriction or limitation, based in each case on such factors as the Administrator shall determine, in its sole discretion);

(vii) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(f) instead of Common Stock;

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

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

(x)to modify or amend each Option (subject to Section 14 of the Plan); and

(xi)to make all other determinations deemed necessary or advisable for administering the Plan.

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

5. Eligibility.

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

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

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

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

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company as described in Section 19 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 15 of the Plan.

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

8. Option Exercise Price and Consideration.

(a) The Administrator, in its discretion, may grant Options to eligible participants and shall determine whether such Options shall be Incentive Stock Options or Nonstatutory Stock Options. Each Option shall be evidenced by a Notice of Grant which shall expressly identify such Option as an Incentive Stock Option or as a Nonstatutory Stock Option, and be in such form and contain

such provisions as the Administrator shall from time to time deem appropriate. Without limiting the foregoing, the Administrator may, at any time, or from time to time, authorize the Company, with the consent of the respective recipients, to issue Options in exchange for the surrender and cancellation of any or all outstanding Options.

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

(i) In the case of an Incentive Stock Option

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

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

(ii) In the case of a Nonstatutory Stock Option

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

(B) granted to any person, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(c) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash, (2) check, (3) other Shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (4) authorization from the Company to retain from the total number of Shares as to which the

Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised, (5) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Board shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. Exercise of Option.

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

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

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

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

(b) Termination of Employment. In the event of termination of an Optionee's consulting relationship or Continuous Status as an Employee with the Company (as the case may be), such Optionee may, but only within thirty (30) days (or such other period of time as is determined by the Board, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option and not exceeding three (3) months) after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise his Option to the extent that Optionee was entitled to exercise it at the date of such termination. To the extent that Optionee was not entitled to exercise the Option at the date of such termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified, the Option shall terminate.

(c) Disability of Optionee. Notwithstanding the provisions of Section 9(b) above, in the event of termination of an Optionee's Consulting relationship or Continuous Status as an Employee as a result of his disability (as defined in the Code), Optionee may, but only within six (6) months from the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified, the Option shall terminate.

(d) Death of Optionee.

(i)If Optionee dies during the term of the Option and is at the time of his death an Employee or Consultant of the Company who shall have been in Continuous Status as an Employee or Consultant since the date of grant of the Option, then the Option may be exercised, at any time within one (1) year following the date of death (or such other period of time as is determined by the Board), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Optionee continued living and remained in Continuous Status as an Employee or Consultant three (3) months after the date of death (or such other period of time as is determined by the Board); or

(ii)If Optionee dies within thirty (30) days (or such other period of time not exceeding three (3) months as is determined by the Board) after the termination of Continuous Status as an Employee, then the Option may be exercised, at any time

within one (1) year following the date of death (or such other period of time as is determined by the Board), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

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

(f) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

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

11. Stock Withholding to Satisfy Withholding Tax Obligations. At the discretion of the Administrator, Optionees may satisfy withholding obligations as provided in this paragraph. When an Optionee incurs tax liability in connection with an Option, which tax liability is subject to tax withholding under applicable tax laws, and the Optionee is obligated to pay the Company an amount required to be withheld under applicable tax laws, the Optionee may satisfy the withholding tax obligation by electing to have the Company withhold from the Shares to be issued upon exercise of the Option, if any, that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

All elections by an Optionee to have Shares withheld for this purpose shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

(a) the election must be made on or prior to the applicable Tax Date;

(b) once made, the election shall be irrevocable as to the particular Shares of the Option as to which the election is made;

(c) all elections shall be subject to the consent or disapproval of the Administrator;

(d) if the Optionee is subject to Rule 16b-3, the election must comply with the applicable provisions of Rule 16b-3 and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

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

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

In the event of the proposed dissolution or liquidation of the Company, the Board shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it

has not been previously exercised, the Option will terminate immediately prior to the consummation of such proposed action. In the event of a merger of the Company with or into another corporation, the Option shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation. In the event of such merger, the Board shall notify the Optionee that the Option shall be exercisable for a period of fifteen (15) days from the date of such notice, and the Option will terminate upon the expiration of such period.

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

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made without his consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of the NASD or an established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

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

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

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

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

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

17. Agreements. Options shall be evidenced by written agreements in such form as the Board shall approve from time to time.

18. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law.

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

8X8, INC.
STOCK OPTION AGREEMENT

1. GRANT OF OPTION. 8x8, Inc., a California corporation (the "Company"), hereby grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase a total number of shares of Common Stock (the "Shares") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price") subject to the terms, definitions and provisions of the 1992 Stock Option Plan (the "Plan") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option.

If designated an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code.

2. EXERCISE OF OPTION. This Option shall be exercisable during its term in accordance with the Exercise Schedule set out in the Notice of Grant and with the provisions of Section 9 of the Plan as follows:

(i) Right to Exercise.

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

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

(c) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.

(ii) Method of Exercise. This Option shall be exercisable by written notice (in the form attached as Exhibit A) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt of the Company of such written notice accompanied by the Exercise Price.

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

3. OPTIONEE'S REPRESENTATIONS. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company Optionee's Investment Representation Statement (in the form attached as Exhibit B) and shall read the applicable rules of the Commissioner of Corporations attached to such Investment Representation Statement.

4. METHOD OF PAYMENT. Payment of the Exercise Price shall be by any of the following, or in combination thereof, at the election of the Optionee:

(i) cash;

(ii) check; or,

(iii) surrender of other shares of Common Stock of the Company which (a) either have been owned by the Optionee for more that six (6) months on the date of surrender or were not acquired, directly or indirectly, from the Company and (b) have a fair market value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised.

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

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

7. DISABILITY OF OPTIONEE. Notwithstanding the provisions of Section 6 above, in the event of termination of Optionee's Continuous Status as an Employee as a result of total and permanent disability (as defined in Section 22(e)(3) of the Code), Optionee may, but only within twelve (12) months from the date of termination of employment (but in no event later than the date of expiration of the term of this Option as set forth in Section 10 below), exercise the Option to the

extent otherwise so entitled at the date of such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

8. DEATH OF OPTIONEE. In the event of the death of Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in Section 10 below), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee could exercise the Option at the date of death.

9. NON-TRANSFERABILITY OF OPTION. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

10. TERM OF OPTION. This Option may be exercised only within the terms set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option. The limitations set out in Section 7 of the Plan regarding Options designated as Incentive Stock Options and Options granted to more than ten percent (10%) shareholders shall apply to this Option.

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

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

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

(iii) Disposition of Shares. In the case of an NSO, if Shares are held for at least one (1) year, any gain realized on disposition of there Shares will be treated as long-term capital gain for federal and California income tax purposes. In the case of an ISO, if

Shares transferred pursuant to the Option are held for at least one (1) year after exercise and are disposed of at least two (2) years after the Date of Grant, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal and California income tax purposes. If Shares purchased under an ISO are disposed of within such one (1) year period or within two (2) years after the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price.

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

8X8, INC.
a California corporation.

By: _____
Sandra L. Abbott
Secretary of the Corporation

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

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

_____ _____

Optionee (Print Name) Date

_____

Optionee (Signature)

_____

Address

_____

City, State, Zip Code

EXHIBIT 10.3

INTEGRATED INFORMATION TECHNOLOGY, INC.

KEY PERSONNEL STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code, and the regulations promulgated thereunder.

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

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

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the Committee appointed by the Board of Directors in accordance with paragraph (a) of Section 4 of the Plan.

(e) "Common Stock" means the Common Stock of the Company.

(f) "Company" means Integrated Information Technology, Inc. a California corporation.

(g) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is compensated for such services, and any director of the Company whether compensated for such services or not; provided that if and in the event the Company registers any class of any equity security pursuant to the Exchange Act, the term Consultant shall thereafter not include directors who are not compensated for their services or are paid only a director's fee by the Company.

(h) "Continuous Status as an Employee" means the absence of any interruption or termination of the employment relationship by the Company or any Subsidiary. Continuous Status as an Employee shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Board; provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) in the case of transfers between locations of the Company or between the Company, its Subsidiaries or its successor.

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

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

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

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

(ii) If the Common Stock is quoted on the NASDAQ System (but not on the National Market System thereof) or regularly quoted by a recognized securities dealer, but selling prices are not reported, its Fair Market Value shall be the mean between the high and low asked prices for the Common Stock or;

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

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

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

(n) "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option. The Notice of Grant is part of the respective Option Agreement.

(o) "Option" means a stock option granted pursuant to the Plan.

(p) "Optioned Stock" means the Common Stock subject to an Option.

(q) "Optionee" means an Employee or Consultant who receives an Option.

(r) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(s) "Plan" means this Key Personnel Stock Option Plan.

(t) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.

(u) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be placed under option and sold under the Plan is 2,199,925 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable for any reason without having been exercised in full, the unpurchased Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Administration With Respect to Directors and Officers. With respect to grants of Options to Employees who are also officers or directors of the Company, the Plan shall be administered by (A) the Board if the Board may administer the Plan in compliance with Rule 16b-3 promulgated under the Exchange Act or any successor thereto ("Rule 16b-3") with respect to a plan intended to qualify thereunder as a discretionary plan, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted in such a manner as to permit the Plan to comply with Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan.

(ii) Multiple Administrative Bodies. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to directors, non-director officers and Employees who are neither directors nor officers.

(iii) Administration With Respect to Consultants and Other Employees. With respect to grants of Options to Employees or Consultants who are neither directors nor officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the legal requirements relating to the administration of incentive stock option plans, if any, of California corporate and securities laws and of the Code (the "Applicable Laws"). Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time

the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws.

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

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

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

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

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

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

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option granted hereunder (including, but not limited to, the price per Share and any restriction or limitation, based in each case on such factors as the Administrator shall determine, in its sole discretion);

(vii) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(f) instead of Common Stock;

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

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

(x) to modify or amend each Option (subject to Section 14 of the Plan); and

(xi) to make all other determinations deemed necessary or advisable for administering the Plan.

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

5. Eligibility.

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

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

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

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

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company as described in Section 19 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 15 of the Plan.

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

8. Option Exercise Price and Consideration.

(a) The Administrator, in its discretion, may grant Options to eligible participants and shall determine whether such Options shall be Incentive Stock Options or Nonstatutory Stock Options. Each Option shall be evidenced by a Notice of Grant which shall expressly identify such Option as an Incentive Stock Option or as a Nonstatutory Stock Option, and be in such form and contain such provisions as the Administrator shall from time to time deem appropriate. Without limiting the foregoing, the Administrator may, at any time, or from time to time, authorize the Company, with the consent of the respective recipients, to issue Options in exchange for the surrender and cancellation of any or all outstanding Options.

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

(i) In the case of an Incentive Stock Option

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

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

(ii) In the case of a Nonstatutory Stock Option

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

(B) granted to any person, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(c) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash, (2) check, (3) other Shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (4) authorization from the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to

which the Option is exercised, (5) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Board shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. Exercise of Option.

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

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

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

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

(b) Termination of Employment. In the event of termination of an Optionee's consulting relationship or Continuous Status as an Employee with the Company (as the case may be), such Optionee may, but only within thirty (30) days (or such other period of time as is determined by the Board, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option and not exceeding three (3) months) after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise his Option to the extent that Optionee was entitled to exercise it at the date of such termination. To the extent that Optionee was not entitled to exercise the Option at the date of such termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified, the Option shall terminate.

(c) Disability of Optionee. Notwithstanding the provisions of Section 9(b) above, in the event of termination of an Optionee's Consulting relationship or Continuous Status as an Employee as a result of his disability (as defined in the Code), Optionee may, but only within six (6) months from the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified, the Option shall terminate.

(d) Death of Optionee.

(i) If Optionee dies during the term of the Option and is at the time of his death an Employee or Consultant of the Company who shall have been in Continuous Status as an Employee or Consultant since the date of grant of the Option, then the Option may be exercised, at any time within one (1) year following the date of death (or such other period of time as is determined by the Board), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Optionee continued living and remained in Continuous Status as an Employee or Consultant three (3) months after the date of death (or such other period of time as is determined by the Board); or

(ii) If Optionee dies within thirty (30) days (or such other period of time not exceeding three (3) months as is determined by the Board) after the termination of Continuous Status as an Employee, then the Option may be exercised, at any time within one (1) year following the date of death (or such other period of time as is determined by the Board), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

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

(f) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

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

11. Stock Withholding to Satisfy Withholding Tax Obligations. At the discretion of the Administrator, Optionees may satisfy withholding obligations as provided in this paragraph. When an Optionee incurs tax liability in connection with an Option, which tax liability is subject to tax

withholding under applicable tax laws, and the Optionee is obligated to pay the Company an amount required to be withheld under applicable tax laws, the Optionee may satisfy the withholding tax obligation by electing to have the Company withhold from the Shares to be issued upon exercise of the Option, if any, that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

All elections by an Optionee to have Shares withheld for this purpose shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

(a) the election must be made on or prior to the applicable Tax Date;

(b) once made, the election shall be irrevocable as to the particular Shares of the Option as to which the election is made;

(c) all elections shall be subject to the consent or disapproval of the Administrator;

(d) if the Optionee is subject to Rule 16b-3, the election must comply with the applicable provisions of Rule 16b-3 and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

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

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

In the event of the proposed dissolution or liquidation of the Company, the Board shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Option will terminate immediately prior to the consummation of such proposed action. In the event of a merger of the Company with or into another corporation, the Option shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation. In the event of such merger, the Board shall notify the Optionee that the Option shall be exercisable for a period of fifteen (15) days from the date of such notice, and the Option will terminate upon the expiration of such period.

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

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made without his consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of the NASD or an established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

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

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

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

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

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

17. Agreements. Options shall be evidenced by written agreements in such form as the Board shall approve from time to time.

18. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law.

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

KEY PERSONNEL PLAN

GRANT OF STOCK PURCHASE RIGHT

[Name of Key Personnel]
[Address]

You have been granted the right to purchase Common Stock of the Company, subject to the terms and conditions of the Company's Key Personnel Plan (the "Plan") and the Stock Purchase Agreement, as follows:

Grant Number	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
Price Per Share	$_____
Total Number of Shares Granted	_____
Total Purchase Price	$_____
Expiration Date of Stock Purchase Rights	_____

Vesting Schedule:

_____ percent (____%) of the Shares purchased pursuant to this Grant shall vest _____ months after the Vesting Commencement Date, and _____ (___%) of the Shares shall vest at the end of each twelve-month period thereafter. ____ years after the Vesting Commencement Date all of the Shares purchased under the Plan shall be vested, provided you shall continue to be designated Key Personnel of the Company.

Key Personnel Plan:

This Stock Purchase Right is subject in all respects to the terms and conditions of the Plan. All capitalized terms herein shall have the meanings defined in the Plan, except as the context herein suggests otherwise. In addition, your right to purchase shares pursuant to this Stock Purchase Right is subject to execution and delivery of a Stock Purchase Agreement in the form attached hereto and compliance with all Applicable Laws.

Expiration of Stock Purchase Right:

All rights granted hereby shall expire on _____, 199__.

8X8, INC.

STOCK PURCHASE AGREEMENT

THIS AGREEMENT is made as of June __, 1996 between 8x8, Inc. (formerly Integrated Information Technologies, Inc.), a California corporation (the "Company"), and _____ (the "Purchaser").

WHEREAS in order to give the Purchaser an opportunity to acquire an equity interest in the Company as an incentive for the Purchaser to participate in the affairs of the Company, the Company is willing to sell to the Purchaser and the Purchaser desires to purchase shares of Common Stock according to the terms and conditions contained in the Company's Key Personnel Plan (the "Plan") and herein.

THEREFORE, the parties agree as follows:

1. Sale of Stock. The Company hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase an aggregate of _____ shares of the Company's Common Stock (the "Shares"), at the price of $0.50 per share for an aggregate purchase price of $_____.

2. Payment of Purchase Price.

(a) The purchase price for the Shares may be paid by delivery to the Company at the time of execution of this Agreement of cash, check, duly executed promissory note in the form attached hereto as Exhibit A (the "Note"), or any combination thereof.

(b) With respect to the Note, the parties agree to the following:

(1) The Note shall become payable in full upon the earlier of (1) five (5) years from the date of the Note, (B) thirty (30) days following termination of Transferor's employment with or services to the Company as an employee, member of the board of directors or consultant except for death or disability, and (C) one (1) year following any such termination as a result of death or disability.

(2) The Purchaser shall deliver to an escrow holder designated by the Company (the "Escrow Holder") all certificates representing the Shares together with two executed blank stock assignments, in the form attached hereto as Exhibit B, for use in transferring all or a portion of said Shares to the Company as required under this Section 2(b) or under any other provision of this Agreement, including Section 3, and shall enter into a set of Joint Escrow Instructions in the form attached as Exhibit C.

(3) As security for the payment of the Note and any renewal, extension or modification thereof, the Purchaser hereby grants to the Company, pursuant to the Security Agreement attached hereto as Exhibit D, a security interest in and pledges with and delivers to the Company the certificate or certificates representing the Shares.

(4) In the event of any foreclosure of the security interest, the Escrow Holder shall deliver the certificates representing the Shares to the Company in accordance with the Joint Escrow Instructions, and the Company may sell the Shares at a private sale or may itself repurchase any or all of the Shares. The parties acknowledge that, prior to the establishment of a public market for the Shares of the Company, the securities laws applicable to the sale of the Shares make a public sale of the Shares commercially unreasonable. The parties agree that the repurchasing of said Shares by the Company, or by any person to whom the Company may have assigned its rights hereunder, is commercially reasonable if made at not less than the book value per Share as recorded on the Company's books at the end of the last fiscal quarter prior to the date of sale of the Shares upon foreclosure (whether or not such book value per share is unaudited and subject to adjustment), using the fully diluted total shares outstanding common stock or options, including shares issuable upon exercise of outstanding options and shares issuable upon the conversion of any preferred stock or other convertible securities as outstanding common shares for purposes of the calculation.

(5) In the event of default in payment when due of any indebtedness under the Note, the Company may elect then, or at any time thereafter, to exercise all rights available to a secured party under the California Commercial Code, including the right to sell the Shares at a private or public sale or repurchase the Shares as provided above. The proceeds of any sale shall be applied in the following order:

(i) To pay all reasonable expenses of the Company in enforcing this Agreement, including without limitation reasonable attorneys' fees and legal expenses incurred by the Company.

(ii) In satisfaction of the remaining indebtedness under the Note.

(iii) To the Purchaser, any remaining proceeds.

(6) Upon full payment by the Purchaser to the Company of all amounts due on the Note, the Escrow Holder shall deliver to the Purchaser the certificate or certificates representing the Shares in the Escrow Holder's possession belonging to the Purchaser, the blank stock assignment and the executed original Note marked "canceled" by the Company, and the Escrow Holder shall be discharged of all further obligations hereunder; provided, however, that the Escrow Holder shall nevertheless retain said certificate or certificates and stock assignment as escrow agent if so required pursuant to other restrictions imposed pursuant to this Agreement, including without limitation the provisions of Section 3.

3. Repurchase Option. In the event of any voluntary or involuntary termination of the Purchaser's employment by or services to the Company for any or no reason (including death or disability) before all of the Shares are released from the Company's repurchase option (see Section 4), the Company shall, upon the date of such termination (as reasonably fixed and determined by the Company) have an irrevocable, exclusive option for a period of 90 days from such date to repurchase all (but not less than all) of the Shares that shall constitute the Unreleased Shares (as defined in Section 4) at such time, at the original purchase price of $0.50 per share (the "Repurchase Price"). Such option shall be exercised by the Company by written notice to the Purchaser or the Purchaser's executor (with a copy to the Escrow Holder) and, at the Company's option, (i) by delivery to the Purchaser or the Purchaser's executor with such notice of a check in the amount of the purchase price for the Shares being repurchased, or (ii) by cancellation by the Company of an amount of the Purchaser's indebtedness to the Company equal to the purchase price for the Shares being repurchased, or (iii) by a combination of (i) and (ii) so that the combined payment and cancellation of indebtedness equals the aggregate Repurchase Price. Upon delivery of such notice and the payment of the purchase price in any of the ways described above, the Company shall become the legal and beneficial owner of the Shares being repurchased and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Shares being repurchased by the Company.

4. Release of Shares From Repurchase Option. The Shares shall be released from the repurchase option according to the schedule set forth in the Grant(s) of Stock Purchase Right dated June 24, 1996.

(a) The Shares shall be released from the Company's repurchase option according to the schedule set forth in the Grant(s) of Stock Purchase Right dated June 24, 1996. Notwithstanding the foregoing, all of the Shares shall be immediately released from the Company's repurchase option in the event of a "Change in Control" of the Company. For purposes hereof, a "Change in Control" shall be deemed to occur in the event that an individual or corporate entity and related parties cumulatively acquire stock greater than or equal to 35% of the Company's fully diluted stock.

(b) Any of the Shares which have not yet been released from the Company's repurchase option are referred to herein as "Unreleased Shares".

(c) The Shares which (i) have been released from the Company's repurchase option and (ii) have been paid for in full shall be delivered to the Purchaser at the Purchaser's request (see Section 6).

5. Restriction on Transfer. None of the Shares or any beneficial interest therein shall be transferred, encumbered or otherwise disposed of in any manner, except for the deposit of the Shares into escrow pursuant to Section 2 and 6 hereof or the release of the Shares to the Company pursuant to such provisions, until the release of such Shares from the Company's repurchase option in accordance with the provisions of this Agreement.

6. Escrow of Shares. The Shares issued under this Agreement shall be held by the Escrow Holder, along with a stock assignment executed by the Purchaser in blank in the form attached hereto as Exhibit B, pursuant to the terms of the Joint Escrow Instructions attached hereto as Exhibit C and the Security Agreement attached hereto as Exhibit D.

7. Investment Representations. In connection with the purchase of the Shares, the Purchaser represents to the Company the following:

(a) The Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the securities. The Purchaser is purchasing these securities for investment for the Purchaser's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) The Purchaser understands that the securities have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein. In this connection, the Purchaser understands that, in view of the Securities and Exchange Commission (the "Commission"), the statutory basis for such exemption may not be present if the Purchaser's representations meant that the Purchaser's present intention was to hold these securities for a minimum capital gains period under the tax statutes, for a deferred sale, for a market rise, for a sale if the market does not rise, or for a year or any other fixed period in the future.

(c) The Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Purchaser further acknowledges and understands that the Company is under no obligation to register the securities. The Purchaser understands that the certificate evidencing the securities will be imprinted with a legend which prohibits the transfer of the securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company.

8. Stock Certificate Legends. The share certificate evidencing the Shares issued hereunder shall be endorsed with the following legends:

(a) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

(b) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(c) Any legend required by any applicable state securities laws.

9. Market Stand-Off Agreement. The Purchaser hereby agrees, if so requested by the managing underwriters in such offering, that, without the prior written consent of such managing underwriters, the Purchaser will not offer, sell, contract to sell, grant any option to purchase, make any short sale or otherwise dispose of or make a distribution of any capital stock of the Company held by or on behalf of the Purchaser or beneficially owned by the Purchaser in accordance with the rules and regulations of the Securities and Exchange Commission for a period of up to 180 days after the date of the final prospectus relating to the Company's initial public offering.

10. Adjustment for Stock Split. All references to the number of Shares and the purchase price of the Shares in this Agreement shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the Shares which may be made by the Company after the date of this Agreement.

11. Tax Consequences. The Purchaser has reviewed with the Purchaser's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Purchaser is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Purchaser understands that the Purchaser (and not the Company) shall be responsible for the Purchaser's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. The Purchaser understands that Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income both (i) the difference between the fair market value of the Shares when the Company granted the Purchaser the right to purchase the Shares and the fair market value of the Shares on the date of this Agreement, and (ii) the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" includes the right of the Company to buy back the Shares pursuant to its repurchase option. In the event the Company has registered under the Exchange Act, "restriction" with respect to officers, directors and 10% shareholders also means the period after the purchase of the Shares during which such officers, directors and 10% shareholders could be subject to suit under Section 16(b) of the Exchange Act. The Purchaser understands that the Purchaser may elect to be taxed at the time the Shares are purchased rather than when and as the Company's repurchase option or the Section 16(b) period expires by filing an election under Section 83(b) of the Code in the form attached hereto as Exhibit E with the I.R.S. within 30 days from the date of purchase.

THE PURCHASER ACKNOWLEDGES THAT IT IS THE PURCHASER'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER

SECTION 83(b), EVEN IF THE PURCHASER REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PURCHASER'S BEHALF.

12. Key Personnel Plan. This Agreement and the Purchasers' rights hereunder and with respect to the Shares shall be governed in all respects by the provisions of the Company's Key Personnel Plan. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings defined in the Plan.

13. General Provisions.

(a) This Agreement shall be governed by the laws of the State of California as they apply to contracts entered into and wholly to be performed in such state. This Agreement represents the entire agreement between the parties with respect to the purchase of Common Stock by the Purchaser and may only be modified or amended in writing signed by both parties.

(b) Any notice, demand or request required or permitted to be given by either the Company or the Purchaser pursuant to the terms of this Agreement shall be in writing and shall be deemed given when delivered personally or deposited in the U.S. mail, First Class with postage prepaid, and addressed to the parties at the addresses of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing.

(c) The rights and benefits of the Company under this Agreement shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of the Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

(d) Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

(e) The Purchaser agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Agreement.

(f) PURCHASER ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO SECTION 4 HEREOF IS EARNED ONLY BY CONTINUING SERVICE AS AN EMPLOYEE OR CONSULTANT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED AT THIS DATE, AND NOT THROUGH PURCHASING SHARES HEREUNDER). PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT

CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH PURCHASER'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE PURCHASER'S EMPLOYMENT OR CONSULTING RELATIONSHIP AT ANY TIME, WITH OR WITHOUT CAUSE.

(g) Purchaser has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first set forth above.

8x8, Inc. a California corporation	PURCHASER:
By: _____	_____ (Signature)
Title: _____	_____ (Type or Print Name)
	_____ (Address)

CONSENT OF SPOUSE

I, _____, spouse of _____, have read and approved the foregoing Stock Purchase Agreement (the "Agreement"). In consideration of grant of the right to my spouse to purchase shares of 8x8, Inc., a California corporation (the "Company") as set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement or the Company's Key Personnel Plan (the "Plan") and agree to be bound by the provisions of the Agreement and the Plan insofar as I may have any rights in said Agreement or Plan or any shares issued pursuant thereto under the community property laws of the State of California or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: June ___, 1996

Signed: _____

EXHIBIT A

PROMISSORY NOTE

EXHIBIT B

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED I, _____, hereby sell, assign and transfer unto _____ (_____) shares of the Common Stock of 8x8, Inc. standing in my name of the books of said corporation represented by Certificate No. _____ herewith and do hereby irrevocably constitute and appoint _____, to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Stock Purchase Agreement between Key Personnel Plan and the undersigned dated June ___, 1996.

Dated: _____, _____

_____
(to be signed exactly as name is to appear on stock certificate)

INSTRUCTIONS: Please do not fill in the blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its "repurchase option," as set forth in the Agreement, without requiring additional signatures on the part of the Purchaser.

EXHIBIT C

JOINT ESCROW INSTRUCTIONS

June ___, 1996

Sandra Abbott
8x8, Inc.
2445 Mission College Blvd.
Santa Clara, CA 95054

Dear Corporate Secretary:

As Escrow Agent for both 8x8, Inc., a California corporation (the "Company"), and the undersigned purchaser of stock of the Company (the "Purchaser"), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of the Stock Purchase Agreement (the "Agreement") between the Company and the undersigned pursuant to the Company's Key Personnel Plan (the "Plan"), in accordance with the following instructions:

1. In the event the Company and/or any assignee of the Company (referred to collectively for convenience herein as the "Company") exercises the Company's repurchase option set forth in the Agreement, the Company shall give to Purchaser and you a written notice specifying the number of shares of stock to be purchased, the purchase price and the time for a closing hereunder at the principal office of the Company. Purchaser and the Company hereby irrevocably authorize and direct you to close the transaction contemplated by such notice in accordance with the terms of said notice.

2. At the closing, you are directed (a) to date the stock assignments necessary for the transfer in question, (b) to fill in the number of shares being transferred, and (c) to deliver same, together with the certificate evidencing the shares of stock to be transferred, to the Company or its assignee, against the simultaneous delivery to you of the purchase price (by cash, a check, cancellation of indebtedness or some combination thereof) for the number of shares of stock being purchased pursuant to the exercise of the Company's repurchase option.

3. Purchaser irrevocably authorizes the Company to deposit with you any certificates evidencing shares of stock to be held by you hereunder and any additions and substitutions to said shares as defined in the Agreement. Purchaser does hereby irrevocably constitute and appoint you as Purchaser's attorney-in-fact and agent for the term of this escrow to execute with respect to such securities all documents necessary or appropriate to make such securities negotiable and to complete any transaction herein contemplated, including but not limited to the filing with any applicable state blue sky authority of any required applications for consent to, or notice of transfer of, the securities. Subject to the provisions of this paragraph 3, Purchaser shall exercise all rights and privileges of a shareholder of the Company while the stock is held by you.

4. Upon written request of the Purchaser, but no more than once per calendar year, unless the Company's repurchase option has been exercised, you will deliver to Purchaser a certificate or certificates representing so many shares of stock as are not then subject to the Company's repurchase option, provided that such shares have been fully paid for and do not secure an unpaid promissory note or shares not fully paid for. Within 90 days after cessation of Purchaser's continuous employment by the Company or any parent or subsidiary of the Company except for death or disability and within one year after cessation for death or disability, you will deliver to Purchaser a certificate or certificates representing the aggregate number of shares held or issued pursuant to the Agreement and not purchased by the Company or its assignees pursuant to exercise of the Company's repurchase option.

5. If at the time of termination of this escrow you should have in your possession any documents, securities or other property belonging to Purchaser, you shall deliver all of the same to Purchaser and shall be discharged of all further obligations hereunder.

6. Your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

7. You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact for Purchaser while acting in good faith, and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

8. You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or corporation, excepting only orders or process of courts of law and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree, you shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

9. You shall not be liable in any respect on account of the identity, authorities or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

10. You shall not be liable for the outlawing of any rights under the Statute of Limitations with respect to these Joint Escrow Instructions or any documents deposited with you.

11. You shall be entitled to employ such legal counsel and other experts as you may deem necessary properly to advise you in connection with your obligations hereunder, may rely upon the advice of such counsel, and may pay such counsel reasonable compensation therefor.

12. Your responsibilities as Escrow Agent hereunder shall terminate if you shall cease to be an officer or agent of the Company or if you shall resign by written notice to each party. In the event of any such termination, the Company shall appoint a successor Escrow Agent.

13. If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

14. It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in your possession without liability to anyone all or any part of said securities until such disputes shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

15. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to each of the other parties thereunto entitled at the following addresses or at such other addresses as a party may designate by ten days' advance written notice to each of the other parties hereto.

COMPANY: Joe Parkinson
8x8, Inc.
2445 Mission College Blvd.
Santa Clara, CA 95054

PURCHASER: _____

_____

ESCROW AGENT: Sandra Abbott
8x8, Inc.
2445 Mission College Blvd.
Santa Clara, CA 95054

16. By signing these Joint Escrow Instructions, you become a party hereto only for the purpose of said Joint Escrow Instructions; you do not become a party to the Agreement.

17. This instrument shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and permitted assigns.

18. These Joint Escrow Instructions shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

19. You may be replaced by a person designated in writing by both the Company and the Purchaser.

Very truly yours,

8X8, INC.

By: _____

Title: _____

PURCHASER

_____
(Signature)

_____
(Print or type name)

ESCROW AGENT:

_____
Sandra Abbott

EXHIBIT D

SECURITY AGREEMENT

This Security Agreement is made as of June ___, 1996 between 8x8, Inc., a California corporation ("PLEDGEE"), _____ ("PLEDGOR"), and Sandra Abbott, Secretary of Pledgee, as the holder of the Securities pledged hereunder ("PLEDGEHOLDER").

Recitals

This Security Agreement is delivered pursuant to Pledgor's acquisition of Shares under a Stock Purchase Agreement dated June ___, 1996 (the "AGREEMENT") among Pledgor, Pledgee and Pledgor's delivery to Pledgee, under the terms of the Agreement, of Pledgor's promissory note (the "NOTE") in the amount of $_____ plus accrued interest. The Note and the obligations thereunder are as set forth in Exhibit A to the Agreement.

NOW, THEREFORE, it is agreed as follows:

1. Creation and Description of Security Interest. In consideration of the transfer to Pledgor of _____ shares of Common Stock of Pledgee (the ("SHARES") under the Agreement, Pledgor, pursuant to the California Commercial Code, hereby pledges all of such Shares (herein sometimes referred to as the "COLLATERAL") represented by certificate number _____, duly endorsed in blank or with an executed stock power or powers, and herewith delivers said certificate to Pledgeholder, who shall hold said certificate subject to the terms and conditions of this Security Agreement.

The pledged stock (together with an executed blank stock assignment or assignments for use in transferring all or a portion of the Shares to Pledgee if, as and when required pursuant to this Security Agreement) shall be held by Pledgeholder as security for the repayment of the Note, and any extensions or renewals thereof, to be executed by Pledgor pursuant to the terms of the Agreement, and Pledgeholder shall not encumber or dispose of such Shares except in accordance with the provisions of this Security Agreement.

2. Pledgor's Representations and Covenants. To induce Pledgee to enter into this Security Agreement, Pledgor represents and covenants to Pledgee, its successors and assigns, as follows:

a. Payment of Indebtedness. Pledgor will pay the principal sum of the Note secured hereby, and interest thereon, at the time and in the manner provided in the Note, to the extent required by the Note.

b. Encumbrances. The Shares are free of all other encumbrances, defenses and liens (other than restrictions on transfer imposed by applicable securities laws), except for (i) Pledgee's rights to repurchase Shares pursuant to Section 3 of the Agreement and (ii) the pledge of the Shares hereunder as security for payment of the Note, and Pledgor will not further encumber the Shares without the prior written consent of Pledgee.

c. Margin Regulations. In the event that Pledgee's Common Stock is now or later becomes margin-listed by the Federal Reserve Board and Pledgee is classified as a "lender" within the meaning of the regulations under Part 207 of Title 12 of the Code of Federal Regulations ("REGULATION G"), Pledgor agrees to cooperate with Pledgee in making any amendments to the Note or providing any additional collateral as may be necessary to comply with such regulations.

3. Voting Rights. During the term of this pledge and so long as all payments of principal and interest are made as they become due under the terms of the Note, Pledgor shall have the right to vote all of the Shares pledged hereunder.

4. Stock Adjustments. In the event that during the term of the pledge any stock dividend, reclassification, readjustment or other changes are declared or made in the capital structure of Pledgee, all new, substituted and additional shares or other securities issued by reason of any such change shall be delivered to and held by the Pledgee under the terms of this Security Agreement in the same manner as the Shares originally pledged hereunder. In the event of substitution of such securities, Pledgor, Pledgee and Pledgeholder shall cooperate and execute such documents as are reasonable so as to provide for the substitution of such Collateral and, upon such substitution, references to "SHARES" in this Security Agreement shall include the substituted shares of capital stock of Pledgor as a result thereof.

5. Options and Rights. In the event that, during the term of this pledge, subscription Options or other rights or options shall be issued in connection with the pledged Shares, such rights, Options and options shall be the property of Pledgor and, if exercised by Pledgor, all new stock or other securities so acquired by Pledgor as it relates to the pledged Shares then held by Pledgeholder shall be immediately delivered to Pledgeholder, to be held under the terms of this Security Agreement in the same manner as the Shares pledged.

6. Default. Pledgor shall be deemed to be in default of the Note and of this Security Agreement in the event:

a. Payment of principal or interest on the Note shall be delinquent for a period of 10 days or more; or

b. Pledgor fails to perform any of the covenants set forth in the Agreement or contained in this Security Agreement for a period of 10 days after written notice thereof from Pledgee.

In the case of an event of Default, as set forth above, Pledgee shall have the right to accelerate payment of the Note upon notice to Pledgor, and Pledgee shall thereafter be entitled to pursue its remedies under the California Commercial Code.

7. Release of Collateral. Subject to any applicable contrary rules under Regulation G, there shall be released from this pledge a portion of the pledged Shares held by Pledgeholder hereunder upon payments of the principal of the Note. The number of the pledged Shares which shall be released shall be that number of full Shares which bears the same proportion to the initial number of Shares pledged hereunder as the payment of principal bears to the initial full principal amount of

the Note. Notwithstanding the foregoing, upon any release of pledged Shares hereunder any such Shares which shall continue to constitute Unreleased Shares as defined in the Agreement shall continue to be held in escrow pursuant to Sections 3 and 6 of the Agreement.

8. Withdrawal or Substitution of Collateral. Pledgor shall not sell, withdraw, pledge, substitute or otherwise dispose of all or any part of the Collateral without the prior written consent of Pledgee.

9. Term. The within pledge of Shares shall continue until the payment of all indebtedness secured hereby, subject to the provisions for prior release of a portion of the Collateral as provided in paragraph 7 above.

10. Insolvency. Pledgor agrees that if a bankruptcy or insolvency proceeding is instituted by or against it, or if a receiver is appointed for the property of Pledgor, or if Pledgor makes an assignment for the benefit of creditors, the entire amount unpaid on the Note shall become immediately due and payable, and Pledgee may proceed as provided in the case of default.

11. Pledgeholder Liability.

a. Pledgeholder shall not be liable to any party for any of his acts, or omissions to act, as Pledgeholder unless Pledgeholder is proved to have acted in bad faith. Any act done or omitted pursuant to the advice of legal counsel, other than an act or omission involving gross or wilful negligence, shall be deemed to be done or omitted in good faith.

b. Pledgeholder shall be entitled to employ such legal counsel and other experts as Pledgeholder may deem necessary properly to advise Pledgeholder in connection with its obligations hereunder, and Pledgeholder may rely upon the advice of such counsel. Such counsel's reasonable fees and costs shall be borne 50% by Pledger and 50% by Pledgee.

c. It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by Pledgeholder hereunder, Pledgeholder is authorized and directed to retain in Pledgeholder's possession without liability to anyone all or any part of said securities until such disputes shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of the arbitrator provided for in Section 13 of the Agreement or of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but Pledgeholder shall be under no duty whatsoever to institute or defend any such proceedings.

d. By mutual agreement between Pledgor and Pledgee, the Pledgeholder can be replaced by a person mutually agreeable to the Pledgor and Pledgee.

In addition, upon any dispute Pledgeholder should be entitled to engage legal counsel, one-half of whose fees and expenses shall be borne by Pledgor and one-half by Pledgee.

12. Invalidity of Particular Provisions. Pledgor and Pledgee agree that the enforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

13. Successors or Assigns. Pledgor and Pledgee agree that all of the terms of this Security Agreement shall be binding on their respective successors and assigns, and that the term "PLEDGOR" and the term "PLEDGEE" as used herein shall be deemed to include, for all purposes, the respective designees, successors, assigns, heirs, executors and administrators.

14. Governing Law. This Security Agreement shall be interpreted and governed under the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

"PLEDGOR"

_____
(Signature)

_____
(Print or type name)

"PLEDGEE"

8X8, INC.
a California corporation

By: _____

Title: _____

"PLEDGEHOLDER"

By: _____
Secretary of Pledgee

EXHIBIT E

ELECTION UNDER SECTION 83(b)
OF THE INTERNAL REVENUE CODE OF 1986

The undersigned taxpayer hereby elects, pursuant to the above-referenced Federal Tax Code, to include in taxpayer's gross income for the current taxable year, the amount of any compensation taxable to taxpayer in connection with his receipt of the property described below:

1.The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

NAME: TAXPAYER: SPOUSE:

ADDRESS:

IDENTIFICATION NO.: TAXPAYER: SPOUSE:

TAXABLE YEAR:

2. The property with respect to which the election is made is described as follows: _____ shares (the "Shares") of the Common Stock of 8x8, Inc., a California corporation (the "Company").

3. The date on which the property was transferred is: _____

4. The property is subject to the following restrictions:

The Shares may be repurchased by the Company, or its assignee, on certain events. This right lapses with regard to a portion of the Shares over time.

5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is:

$_____

6. The amount (if any) paid for such property is:

$_____

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: _____
Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: _____
Spouse of Taxpayer

EXHIBIT 10.4

8X8, INC.

1996 STOCK PLAN

1. Purposes of the Plan. The purposes of this Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. Stock Purchase Rights may also be granted under the Plan.

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

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

(b) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code and the applicable laws of any foreign country or jurisdiction where Options or Stock Purchase Rights are, or will be, granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

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

(e) "Committee" means a Committee appointed by the Board of Directors in accordance with Section 4 of the Plan.

(f) "Common Stock" means the Common Stock of the Company.

(g) "Company" means 8x8, Inc., a California corporation.

(h) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is compensated for such services, and any Director of the Company whether compensated for such services or not.

(i) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent or Subsidiary is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract, including

Company policies. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(j) "Director" means a member of the Board of Directors of the Company.

(k) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

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

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination; or

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

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

(o) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(p) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(q) "Option" means a stock option granted pursuant to the Plan.

(r) "Optioned Stock" means the Common Stock subject to an Option or a Stock Purchase Right.

(s) "Optionee" means an Employee or Consultant who receives an Option or Stock Purchase Right.

(t) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(u) "Plan" means this 1996 Stock Plan.

(v) "Restricted Stock" means shares of Common Stock acquired pursuant to a grant of a Stock Purchase Right under Section 11 below.

(w) "Section 16(b)" means Section 16(b) of the Securities Exchange Act of 1934, as amended.

(x) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 below.

(y) "Stock Purchase Right" means a right to purchase Common Stock pursuant to Section 11 below.

(z) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be subject to option and sold under the Plan is 1,000,000 Shares, increased annually on the first day of each of the Company's fiscal years during the term of the Plan (commencing with November 1, 1997) in an amount equal to 5% of the Company's common stock issued and outstanding at the close of business on the last day of the immediately preceding fiscal year (the "Annual Replenishment"), with only the initial 1,000,000 shares and subsequent annual increases in an amount equal to the lesser of (i) 1,000,000 shares, or (ii) the number of shares subject to the Annual Replenishment to be available for issuance as "incentive stock options" qualified under Section 422 of the Internal Revenue Code. All of the shares issuable under the Plan may be authorized, but unissued, or reacquired Common Stock.

If an Option or Stock Purchase Right expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan, upon exercise of either an Option or Stock Purchase Right, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if Shares of Restricted Stock are repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the Plan.

4. Administration of the Plan.

(a) Initial Plan Procedure. Prior to the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered by the Board or a Committee appointed by the Board.

(b) Plan Procedure After the Date, if any, upon Which the Company becomes Subject to the Exchange Act.

(i) Multiple Administrative Bodies. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to Directors, Officers and Employees who are neither Directors nor Officers.

(ii) Administration With Respect to Directors and Officers. With respect to grants of Options and Stock Purchase Rights to Employees who are also Officers or Directors of the Company, the Plan shall be administered by (A) the Board if the Board may administer the Plan in compliance with the rules under Rule 16b-3 promulgated under the Exchange Act or any successor thereto ("Rule 16b-3") relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted to comply with the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made.

(iii) Administration With Respect to Other Employees and Consultants . With respect to grants of Options and Stock Purchase Rights to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which committee shall be constituted in such a manner as to satisfy Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws.

(c) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the

approval of any relevant authorities, including the approval, if required, of any stock exchange upon which the Common Stock is listed, the Administrator shall have the authority in its discretion:

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

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

(iii) to determine whether and to what extent Options and Stock Purchase Rights or any combination thereof are granted hereunder;

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

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

(vi) to determine the terms and conditions of any award granted hereunder;

(vii) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(f) instead of Common Stock;

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

(ix) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan.

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

5. Eligibility.

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

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock

Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) Neither the Plan nor any Option or Stock Purchase Right shall confer upon any Optionee any right with respect to continuation of his or her employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company, as described in Section 18 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 14 of the Plan.

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

8. Option Exercise Price and Consideration.

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

(i) In the case of an Incentive Stock Option

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

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

(ii) In the case of a Nonstatutory Stock Option

(A) granted to a person who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the

Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(B) granted to any other person, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). Such consideration may consist of (1) cash, (2) check, (3) promissory note, (4) other Shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (5) delivery of a properly executed exercise notice together with such other documentation as the Administrator and a broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan, but in no case at a rate of less than 20% per year over five (5) years from the date the Option is granted.

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

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) hereof. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote, receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 12 hereof.

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

(b) Termination of Employment or Consulting Relationship. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant (but not in the event of an Optionee's change of status from Employee to Consultant (in which case an Employee's Incentive Stock Option shall automatically convert to a Nonstatutory Stock Option on the date three (3) months and one day following such change of status) or from Consultant to Employee), such Optionee may, but only within such period of time as is determined by the Administrator, of at least thirty (30) days, with such determination in the case of an Incentive Stock Option not exceeding three (3) months after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent that the Optionee was entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, the Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. If such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant) by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee was entitled to exercise the Option on the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after the Optionee's death, the Optionee's estate or a person who acquires the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

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

(f) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

10. Non-Transferability of Options and Stock Purchase Rights. Options and Stock Purchase Rights may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, and the time within which such person must accept such offer, which shall in no event exceed [thirty (30)] days from the date upon which the Administrator makes the determination to grant the Stock Purchase Right. The offer shall be accepted by execution of a Restricted Stock purchase agreement in the form determined by the Administrator. Shares purchased pursuant to the grant of a Stock Purchase Right shall be referred to herein as "Restricted Stock."

(b) Repurchase Option. Unless the Administrator determines otherwise, the Restricted Stock purchase agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or disability). The purchase price for Shares repurchased pursuant to the Restricted Stock purchase agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine, but in no case at a rate of less than 20% per year over five years from the date of purchase.

(c) Other Provisions. The Restricted Stock purchase agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock purchase agreements need not be the same with respect to each purchaser.

(d) Rights as a Shareholder. Once the Stock Purchase Right is exercised, the purchaser shall have rights equivalent to those of a shareholder and shall be a shareholder when his or her purchase

is entered upon the records of the duly authorized transfer agent of the Company. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 12 of the Plan.

12. Adjustments Upon Changes in Capitalization or Merger.

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

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Option or Stock Purchase Right shall terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option and Stock Purchase Right shall be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Option or Stock Purchase Right, the Optionee shall fully vest in and have the right to exercise the Option or Stock Purchase Right as to all of the Optioned Stock, including Shares as to which it would not otherwise be vested or exercisable. If an Option or Stock Purchase Right becomes fully vested and exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee that the Option or Stock Purchase Right shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option or Stock Purchase Right shall terminate upon the expiration of such period.. For the purposes of this paragraph, the Option or Stock Purchase Right shall be considered assumed if, following the merger, the Option or Stock Purchase Right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option or Stock Purchase Right immediately prior to the merger, the consideration (whether stock, cash, or other securities or property) received in the merger by holders of

Common Stock for each Share held on the effective date of the transaction (and if the holders are offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the merger is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or Stock Purchase Right, for each Share of Optioned Stock subject to the Option or Stock Purchase Right, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger.

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

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of the NASD or an established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

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

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

As a condition to the exercise of an Option or Stock Purchase Right, the Company may require the person exercising such Option or Stock Purchase Right to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present

intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

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

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

17. Agreements. Options and Stock Purchase Rights shall be evidenced by written agreements in such form as the Administrator shall approve from time to time.

18. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under Applicable Laws and the rules of any stock exchange upon which the Common Stock is listed.

19. Information to Optionees and Purchasers. The Company shall provide to each Optionee and to each individual who acquires Shares pursuant to the Plan, not less frequently than annually during the period such Optionee or purchaser has one or more Options or Stock Purchase Rights outstanding, and, in the case of an individual who acquires Shares pursuant to the Plan, during the period such individual owns such Shares, copies of annual financial statements. The Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

EXHIBIT 10.4

8X8, INC.
STOCK OPTION AGREEMENT

1. GRANT OF OPTION. 8x8, Inc., a California corporation (the "Company"), hereby grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase a total number of shares of Common Stock (the "Shares") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price") subject to the terms, definitions and provisions of the 1996 Stock Option Plan (the "Plan") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option.

If designated an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code.

2. EXERCISE OF OPTION. This Option shall be exercisable during its term in accordance with the Exercise Schedule set out in the Notice of Grant and with the provisions of Section 9 of the Plan as follows:

(i) Right to Exercise.

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

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

(c) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.

(ii) Method of Exercise. This Option shall be exercisable by written notice (in the form attached as Exhibit A) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt of the Company of such written notice accompanied by the Exercise Price.

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

3. OPTIONEE'S REPRESENTATIONS. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company Optionee's Investment Representation Statement (in the form attached as Exhibit B) and shall read the applicable rules of the Commissioner of Corporations attached to such Investment Representation Statement.

4. METHOD OF PAYMENT. Payment of the Exercise Price shall be by any of the following, or in combination thereof, at the election of the Optionee:

(i) cash;

(ii) check; or,

(iii) surrender of other shares of Common Stock of the Company which (a) either have been owned by the Optionee for more that six (6) months on the date of surrender or were not acquired, directly or indirectly, from the Company and (b) have a fair market value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised.

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

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

7. DISABILITY OF OPTIONEE. Notwithstanding the provisions of Section 6 above, in the event of termination of Optionee's Continuous Status as an Employee as a result of total and permanent disability (as defined in Section 22(e)(3) of the Code), Optionee may, but only within twelve (12) months from the date of termination of employment (but in no event later than the date of expiration of the term of this Option as set forth in Section 10 below), exercise the Option to the

extent otherwise so entitled at the date of such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

8. DEATH OF OPTIONEE. In the event of the death of Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in Section 10 below), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee could exercise the Option at the date of death.

9. NON-TRANSFERABILITY OF OPTION. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

10. TERM OF OPTION. This Option may be exercised only within the terms set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option. The limitations set out in Section 7 of the Plan regarding Options designated as Incentive Stock Options and Options granted to more than ten percent (10%) shareholders shall apply to this Option.

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

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

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

(iii) Disposition of Shares. In the case of an NSO, if Shares are held for at least one (1) year, any gain realized on disposition of there Shares will be treated as long-term capital gain for federal and California income tax purposes. In the case of an ISO, if

Shares transferred pursuant to the Option are held for at least one (1) year after exercise and are disposed of at least two (2) years after the Date of Grant, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal and California income tax purposes. If Shares purchased under an ISO are disposed of within such one (1) year period or within two (2) years after the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price.

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

8X8, INC.
a California corporation.

By: _____
Sandra L. Abbott
Secretary of the Corporation

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

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

_____ _____

Optionee (Print Name) Date

_____

Optionee (Signature)

_____

Address

_____

City, State, Zip Code

EXHIBIT 10.5

8X8, INC.

1996 EMPLOYEE STOCK PURCHASE PLAN

The following constitute the provisions of the 1996 Employee Stock Purchase Plan of of 8x8, Inc.

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.

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

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

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

(d) "Company" shall mean of 8x8, Inc. and any Designated Subsidiary of the Company.

(e) "Compensation" shall mean all base straight time gross earnings and commissions, overtime, shift premiums, bonuses and other cash compensation but shall not include income recognized pursuant to stock options or Shares purchased hereunder or to imputed fringe benefit income.

(f) "Current Purchase Period" shall mean any Purchase Period which is scheduled to end in the current calendar year.

(g) "Designated Subsidiaries" shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(h) "Employee" shall mean any individual who is an Employee of the Company for tax purposes whose customary employment with the Company is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Where the period of leave exceeds ninety (90) days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the ninety-first (91)st day of such leave.

(i) "Enrollment Date" shall mean the first day of each Offering Period.

(j) "Exercise Date" shall mean the last day of each Purchase Period.

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

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable, or;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Common Stock on the date of such determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;

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

(iv) For the purposes of the Enrollment Date under the first Offering Period under the Plan, the Fair Market Value of the Common Stock shall be the price to public as set forth in the final prospectus included within the registration statement on Form S-1 or similar form filed with the Securities and Exchange Commission for the initial public offering of the Common Stock.

(l) "New Exercise Date" shall mean the new Exercise Date set for Purchase Periods in the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation in accordance with Section 18(c).

(m) "Offering Periods" shall mean the periods of approximately twenty-four (24) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after May 1 and November 1 of each year and terminating on the last Trading Day in the periods ending twenty-four months later; provided, however, that the first Offering Period under the Plan shall commence with the first Trading Day on or after the date on which the Company's registration statement on Form S-1 or similar form is declared effective by the Securities and Exchange Commission and shall end on the last Trading Day in the last full month of April or October, whichever is later, occurring in the period that is at least twenty months and not more than twenty-seven months later. The duration and timing of Offering Periods may be changed pursuant to Section 4 of this Plan. The duration and timing of Offering Periods may be changed pursuant to Section 4 of this Plan.

(n) "Plan" shall mean this Employee Stock Purchase Plan.

(o) "Purchase Price" shall mean an amount equal to eighty-five percent (85)% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower.

(p) "Purchase Period" shall mean the approximately six (6) month period commencing after one Exercise Date and ending with the next Exercise Date, except that the first Purchase Period of any Offering Period shall commence on the Enrollment Date and end with the next Exercise Date.

(q) "Reserves" shall mean the number of shares of Common Stock covered by each option under the Plan which have not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but not yet placed under option.

(r) "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than fifty percent (50)% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(s) "Trading Day" shall mean a day on which national stock exchanges and the Nasdaq System are open for trading.

3. Eligibility.

(a) Any Employee, who shall be employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries accrues at a rate which exceeds twenty-five thousand dollars ($25,000) worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods. The Plan shall be implemented by consecutive, overlapping Offering Periods. The Board shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without shareholder approval if such change is announced at least two (2) days prior to the scheduled beginning of the first Offering Period to be affected thereafter.

5. Participation.

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form of Exhibit A to this Plan and filing it with the Company's payroll office prior to the applicable Enrollment Date.

(b) Payroll deductions for a participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof.

6. Payroll Deductions.

(a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding ten percent (10%) of the Compensation which he or she receives on each pay day during the Offering Period.

(b) All payroll deductions made for a participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in Section 10 hereof, or may increase or decrease the rate of his or her payroll deductions during the Offering Period by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The Board may, in its discretion, limit the number of participation rate changes during any Offering Period. The change in rate shall be effective with the first full payroll period commencing after the Company's receipt of the new subscription agreement unless the Company elects to process a given change in participation more quickly. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, a participant's payroll deductions may be decreased to zero percent (0%) at such time during any Current Purchase Period that the aggregate of all payroll deductions which were previously used to purchase stock under the Plan in a prior Purchase Period which ended during that calendar year plus all payroll deductions accumulated with respect to the Current Purchase Period equal twenty-one thousand two hundred fifty dollars ($21,250) or at any time the limit set forth in Section 423(b)(8) of the Code is likely to be exceeded but for such decrease. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Purchase Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10 hereof.

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Employee.

7. Grant of Option. On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; provided that in no event shall an Employee be permitted to purchase during each Purchase Period more than a number of shares determined by dividing twenty-five thousand dollars ($25,000) by the Fair Market Value of a share of the Company's Common Stock on the Enrollment Date, and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof and in Code Section 423(b)(8). Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 10 hereof. The option shall expire on the last day of the Offering Period.

8. Exercise of Option. Unless a participant withdraws from the Plan as provided in Section 10 hereof, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of full shares subject to option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the participant as provided in Section 10 hereof. Any other monies left over in a participant's account after the Exercise Date shall be returned to the participant. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

9. Delivery. As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his or her option or shall cause an appropriate entry to be made in participant's brokerage account reflecting the shares purchased.

10. Withdrawal; Termination of Employment.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form of Exhibit B to this Plan. All of the participant's

payroll deductions credited to his or her account shall be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) Upon a participant's ceasing to be an Employee for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such participant's account during the Offering Period but not yet used to exercise the option shall be returned to such participant or, in the case of his or her death, to the person or persons entitled thereto under Section 14 hereof, and such participant's option shall be automatically terminated. The preceding sentence notwithstanding, a participant who receives payment in lieu of notice of termination of employment shall be treated as continuing to be an Employee for the participant's customary number of hours per week of employment during the period in which the participant is subject to such payment in lieu of notice.

(c) A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. Interest. No interest shall accrue on the payroll deductions of a participant in the Plan.

12. Stock.

(a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be five hundred thousand (500,000) shares, increased annually on the first day of each of the Company's fiscal years during the term of the Plan in an amount equal to (i) five hundred thousand (500,000) shares minus (ii) the number of shares available for issuance under the Plan as of such date, all of which share numbers are subject to adjustment upon changes in capitalization of the Company as provided in Section 18 hereof. If, on a given Exercise Date, the number of shares with respect to which options are to be exercised exceeds the number of shares then available under the Plan, the Company shall make a pro rata allocation of the shares remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable.

(b) The participant shall have no interest or voting right in shares covered by his option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan shall be registered in the name of the participant or in the name of the participant and his or her spouse.

13. Administration.

(a) Administrative Body. The Plan shall be administered by the Board or a committee of members of the Board appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties.

(b) Rule 16b-3 Limitations. Notwithstanding the provisions of Subsection (a) of this Section 13, in the event that Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision ("Rule 16b-3") provides specific requirements for the administrators of plans of this type, the Plan shall be administered only by such a body and in such a manner as shall comply with the applicable requirements of Rule 16b-3. Unless permitted by Rule 16b-3, no discretion concerning decisions regarding the Plan shall be afforded to any committee or person that is not "disinterested" as that term is used in Rule 16b-3.

14. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. Transferability. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 14 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

16. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

17. Reports. Individual accounts shall be maintained for each participant in the Plan. Statements of account shall be given to participating Employees at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

18. Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the Reserves, the amount of the annual Plan share replenishment, as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Periods shall terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, any Purchase Periods then in progress shall be shortened by setting a new Exercise Date and any Offering Periods then in progress shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company's proposed sale or merger. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

19. Amendment or Termination.

(a) The Board of Directors of the Company may at any time and for any reason terminate or amend the Plan. Except as provided in Section 18 hereof, no such termination can affect

options previously granted, provided that an Offering Period may be terminated by the Board of Directors on any Exercise Date if the Board determines that the termination of the Plan is in the best interests of the Company and its shareholders. Except as provided in Section 18 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Rule 16b-3 or under Section 423 of the Code (or any successor rule or provision or any other applicable law or regulation), the Company shall obtain shareholder approval in such a manner and to such a degree as required.

(b) Without shareholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

20. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

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

22. Term of Plan. The Plan shall become effective upon the date upon which the Company's registration statement on Form S-1 or similar form is declared effective by the Securities and Exchange Commission. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 19 hereof.

23. Automatic Transfer to Low Price Offering Period. To the extent permitted by Rule 16b-3 of the Exchange Act, if the Fair Market Value of the Common Stock on any Exercise Date in an Offering Period is lower than the Fair Market Value of the Common Stock on the Enrollment Date of such Offering Period, then all participants in such Offering Period shall be automatically withdrawn from such Offering Period immediately after the exercise of their option on such Exercise Date and automatically re-enrolled in the immediately following Offering Period as of the first day thereof.

EXHIBIT A

8X8, INC.

1996 EMPLOYEE STOCK PURCHASE PLAN

SUBSCRIPTION AGREEMENT

_____ Original Application Enrollment Date: _____
_____ Change in Payroll Deduction Rate
_____ Change of Beneficiary(ies)

1. _____ hereby elects to participate in the 1996 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") and subscribes to purchase shares of the Company's Common Stock in accordance with this Subscription Agreement and the Employee Stock Purchase Plan.

2. I hereby authorize payroll deductions from each paycheck in the amount of ____% of my Compensation on each payday (from 1 to 10%) during the Offering Period in accordance with the Employee Stock Purchase Plan. (Please note that no fractional percentages are permitted.)

3. I understand that said payroll deductions shall be accumulated for the purchase of shares of Common Stock at the applicable Purchase Price determined in accordance with the Employee Stock Purchase Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option.

4. I have received a copy of the complete Employee Stock Purchase Plan. I understand that my participation in the Employee Stock Purchase Plan is in all respects subject to the terms of the Plan.

5. Shares purchased for me under the Employee Stock Purchase Plan should be issued in the name(s) of (Employee or Employee and Spouse only): _____.

6. I understand that if I dispose of any shares received by me pursuant to the Plan within two (2) years after the Enrollment Date (the first day of the Offering Period during which I purchased such shares) or one (1) year after the Exercise Date, I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the shares at the time such shares were purchased by me over the price which I paid for the shares. I hereby agree to notify the

Company in writing within thirty (30) days after the date of any disposition of my shares and I will make adequate provision for Federal, state or other tax withholding obligations, if any, which arise upon the disposition of the Common Stock. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by me. If I dispose of such shares at any time after the expiration of the two (2) year and one (1) year holding periods, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (a) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares, or (b) 15% of the fair market value of the shares on the first day of the Offering Period. The remainder of the gain, if any, recognized on such disposition will be taxed as capital gain.

7. I hereby agree to be bound by the terms of the Employee Stock Purchase Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Employee Stock Purchase Plan.

8. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and shares due me under the Employee Stock Purchase Plan:

NAME: (Please print)_____
(First) (Middle) (Last)

_____ _____
Relationship

_____
(Address)

Employee's Social Security Number: _____

Employee's Address: _____

_____

_____

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated:_____ _____

Signature of Employee

_____

Spouse's Signature (If beneficiary other than spouse)

EXHIBIT B

8X8, INC.

1996 EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

The undersigned participant in the Offering Period of the 8x8, Inc.1996 Employee Stock Purchase Plan which began on _____, ____ (the "Enrollment Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as practicable all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned under stands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned shall be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name and Address of Participant:

_____

_____

_____

Signature:

_____

Date:_____

EXHIBIT 10.6

8X8, INC.

1996 DIRECTOR OPTION PLAN

1. Purposes of the Plan. The purposes of this 1996 Director Option Plan are to attract and retain the best available personnel for service as Outside Directors (as defined herein) of the Company, to provide additional incentive to the Outside Directors of the Company to serve as Directors, and to encourage their continued service on the Board.

All options granted hereunder shall be nonstatutory stock options.

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

(a) "Board" means the Board of Directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" means the Common Stock of the Company.

(d) "Company" means 8x8, Inc., a California corporation.

(e) "Director" means a member of the Board.

(f) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient in and of itself to constitute "employment" by the Company.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

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

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;

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

(i) "Inside Director" means a Director who is an Employee.

(j) "Option" means a stock option granted pursuant to the Plan.

(k) "Optioned Stock" means the Common Stock subject to an Option.

(l) "Optionee" means a Director who holds an Option.

(m) "Outside Director" means a Director who is not an Employee.

(n) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(o) "Plan" means this 1996 Director Option Plan.

(p) "Share" means a share of the Common Stock, as adjusted in accordance with Section 10 of the Plan.

(q) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Internal Revenue Code of 1986.

3. Stock Subject to the Plan. Subject to the provisions of Section 10 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 150,000 Shares of Common Stock (the "Pool"). The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan.

4. Administration and Grants of Options under the Plan.

(a) Procedure for Grants. The provisions set forth in this Section 4(a) shall not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder. All grants of Options to Outside Directors under this Plan shall be automatic and nondiscretionary and shall be made strictly in accordance with the following provisions:

(i) No person shall have any discretion to select which Outside Directors shall be granted Options or to determine the number of Shares to be covered by Options granted to Outside Directors.

(ii) Each Outside Director shall be automatically granted an Option to purchase 16,000 Shares (the "First Option") on the date on which the later of the following events occurs: (A) the effective date of this Plan, as determined in accordance with Section 6 hereof, or (B) the date on which such person first becomes an Outside Director, whether through election by the shareholders of the Company or appointment by the Board to fill a vacancy; provided, however, that an Inside Director who ceases to be an Inside Director but who remains a Director shall not receive a First Option.

(iii) Each Outside Director shall be automatically granted an Option to purchase 4,000 Shares (a "Subsequent Option") on the date such person is elected or reelected, as the case may be, to the Board by the shareholders at the Company's annual meeting of shareholders or otherwise, if on such date, he or she shall have served on the Board for at least six (6) months.

(iv) Notwithstanding the provisions of subsections (ii) and (iii) hereof, any exercise of an Option granted before the Company has obtained shareholder approval of the Plan in accordance with Section 16 hereof shall be conditioned upon obtaining such shareholder approval of the Plan in accordance with Section 16 hereof.

(v) The terms of a First Option granted hereunder shall be as follows:

(A) the term of the First Option shall be ten (10) years.

(B) the First Option shall be exercisable only while the Outside Director remains a Director of the Company, except as set forth in Sections 8 and 10 hereof.

(C) the exercise price per Share shall be equal to the Fair Market Value per Share on the date of grant of the First Option. In the event that the date of grant of the First Option is not a trading day, the exercise price per Share shall be the Fair Market Value on the next trading day immediately following the date of grant of the First Option.

(D) subject to Section 10 hereof, the First Option shall become exercisable as to twenty-five percent (25%) of the Shares subject to the First Option on each anniversary of its date of grant, provided that the Optionee continues to serve as a Director on such dates.

(vi) The terms of a Subsequent Option granted hereunder shall be as follows:

(A) the term of the Subsequent Option shall be ten (10) years.

(B) the Subsequent Option shall be exercisable only while the Outside Director remains a Director of the Company, except as set forth in Sections 8 and 10 hereof.

(C) the exercise price per Share shall be equal to the Fair Market Value per Share on the date of grant of the Subsequent Option. In the event that the date of grant of the Subsequent Option is not a trading day, the exercise price per Share shall be the Fair Market Value on the next trading day immediately following the date of grant of the Subsequent Option.

(D) subject to Section 10 hereof, the Subsequent Option shall become exercisable as to 1/48th of the Shares subject to the Subsequent Option on each one month anniversary of its date of grant for a four-year period, provided that the Optionee continues to serve as a Director on such dates.

(vii) In the event that any Option granted under the Plan would cause the number of Shares subject to outstanding Options plus the number of Shares previously purchased under Options to exceed the Pool, then the remaining Shares available for Option grant shall be granted under Options to the Outside Directors on a pro rata basis. No further grants shall be made until such time, if any, as additional Shares become available for grant under the Plan through action of the Board or the shareholders to increase the number of Shares which may be issued under the Plan or through cancellation or expiration of Options previously granted hereunder.

5. Eligibility. Options may be granted only to Outside Directors. All Options shall be automatically granted in accordance with the terms set forth in Section 4 hereof.

The Plan shall not confer upon any Optionee any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which the Director or the Company may have to terminate the Director's relationship with the Company at any time.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 16 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 11 of the Plan.

7. Form of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall consist of (i) cash, (ii) check, (iii) other shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (iv) delivery of a properly executed exercise notice together with such other documentation as the Company and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or (v) any combination of the foregoing methods of payment.

8. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times as are set forth in Section 4 hereof; provided, however, that no Options shall be exercisable until shareholder approval of the Plan in accordance with Section 16 hereof has been obtained.

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

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allowable under Section 7 of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. A share certificate for the number of Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 10 of the Plan.

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

(b) Rule 16b-3. Options granted to Outside Directors must comply with the applicable provisions of Rule 16b-3 promulgated under the Exchange Act or any successor thereto and shall contain such additional conditions or restrictions as may be required thereunder to qualify Plan transactions, and other transactions by Outside Directors that otherwise could be matched with Plan transactions, for the maximum exemption from Section 16 of the Exchange Act.

(c) Termination of Continuous Status as a Director. Subject to Section 10 hereof, in the event an Optionee's status as a Director terminates (other than upon the Optionee's death or total and permanent disability (as defined in Section 22(e)(3) of the Code)), the Optionee may exercise his or her Option, but only within three (3) months following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of such termination, and to the extent that the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(d) Disability of Optionee. In the event Optionee's status as a Director terminates as a result of total and permanent disability (as defined in Section 22(e)(3) of the Code), the Optionee may exercise his or her Option, but only within twelve (12) months following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but

in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of termination, or if he or she does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(e) Death of Optionee. In the event of an Optionee's death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance may exercise the Option, but only within twelve (12) months following the date of death, and only to the extent that the Optionee was entitled to exercise it on the date of death (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of death, and to the extent that the Optionee's estate or a person who acquired the right to exercise such Option does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

9. Non-Transferability of Options. The Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

10. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Option, the number of Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per Share covered by each such outstanding Option, and the number of Shares issuable pursuant to the automatic grant provisions of Section 4 hereof shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it shall terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation or the sale of substantially all of the assets of the Company, outstanding Options may be assumed or equivalent options may be substituted by the successor corporation or a Parent or Subsidiary thereof (the "Successor Corporation"). If an Option is assumed or substituted for, the Option or equivalent option shall continue to be exercisable as provided in Section 4 hereof for so long as the Optionee serves as a Director or a director of the Successor Corporation. Following such assumption

or substitution, if the Optionee's status as a Director or director of the Successor Corporation, as applicable, is terminated other than upon a voluntary resignation by the Optionee, the Option or option shall become fully exercisable, including as to Shares for which it would not otherwise be exercisable. Thereafter, the Option or option shall remain exercisable in accordance with Sections 8(c) through (e) above.

If the Successor Corporation does not assume an outstanding Option or substitute for it an equivalent option, the Option shall become fully vested and exercisable, including as to Shares for which it would not otherwise be exercisable. In such event the Board shall notify the Optionee that the Option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and upon the expiration of such period the Option shall terminate.

For the purposes of this Section 10(c), an Option shall be considered assumed if, following the merger or sale of assets, the Option confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the merger or sale of assets is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

11. Amendment and Termination of the Plan.

(a) Amendment and Termination. Except as set forth in Section 4, the Board may at any time amend, alter, suspend, or discontinue the Plan, but no amendment, alteration, suspension, or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act (or any other applicable law or regulation), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated.

12. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date determined in accordance with Section 4 hereof.

13. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act

of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

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

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

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

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

16. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company at or prior to the first annual meeting of shareholders held subsequent to the granting of an Option hereunder. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law.

8X8, INC.

DIRECTOR OPTION AGREEMENT

8x8, Inc. (the "Company"), has granted to _____ (the "Optionee"), an option to purchase a total of _____ (_____) shares of the Company's Common Stock (the "Optioned Stock"), at the price determined as provided herein, and in all respects subject to the terms, definitions and provisions of the Company's 1996 Director Option Plan (the "Plan") adopted by the Company which is incorporated herein by reference. The terms defined in the Plan shall have the same defined meanings herein.

1. Nature of the Option. This Option is a nonstatutory option and is not intended to qualify for any special tax benefits to the Optionee.

2. Exercise Price. The exercise price is $_____ for each share of Common Stock.

3. Exercise of Option. This Option shall be exercisable during its term in accordance with the provisions of Section 8 of the Plan as follows:

(i) Right to Exercise.

(a) This Option shall become exercisable in installments cumulatively with respect to _____ (___) of the Optioned Stock six months after the date of grant, and _____ (__) of the Optioned Stock at the end of each month thereafter, so that one hundred percent (100%) of the Optioned Stock shall be exercisable _____ years after the date of grant; provided, however, that in no event shall any Option be exercisable prior to the date the stockholders of the Company approve the Plan.

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

(c) In the event of Optionee's death, disability or other termination of service as a Director, the exercisability of the Option is governed by Section 8 of the Plan.

(ii) Method of Exercise. This Option shall be exercisable by written notice which shall state the election to exercise the Option and the number of Shares in respect of which the Option is being exercised. Such written notice, in the form attached hereto as Exhibit A, shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the exercise price.

4. Method of Payment. Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(i) cash;

(ii) check; or

(iii) surrender of other shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised; or

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

5. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulations, or if such issuance would not comply with the requirements of any stock exchange upon which the Shares may then be listed. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

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

7. Term of Option. This Option may not be exercised more than ten (10) years from the date of grant of this Option, and may be exercised during such period only in accordance with the Plan and the terms of this Option.

8. Taxation Upon Exercise of Option. Optionee understands that, upon exercise of this Option, he or she will recognize income for tax purposes in an amount equal to the excess of the then Fair Market Value of the Shares purchased over the exercise price paid for such Shares. Since the Optionee is subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, under certain limited circumstances the measurement and timing of such income (and the commencement of any capital gain holding period) may be deferred, and the Optionee is advised to contact a tax advisor concerning the application of Section 83 in general and the availability a Section 83(b) election in particular in connection with the exercise of the Option. Upon a resale of such Shares by the Optionee, any difference between the sale price and the Fair Market Value of the Shares on the date

of exercise of the Option, to the extent not included in income as described above, will be treated as capital gain or loss.

DATE OF GRANT: _____

8x8, Inc.

By: _____

Optionee acknowledges receipt of a copy of the Plan, a copy of which is attached hereto, and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under the Plan.

Dated: _____

_____
Optionee

EXHIBIT A

DIRECTOR OPTION EXERCISE NOTICE

8x8, Inc.
2445 Mission College Blvd.
Santa Clara, CA 95054
Attention: Sandra L. Abbott

1. Exercise of Option. The undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase _____ shares of the Common Stock (the "Shares") of 8x8, Inc. (the "Company") under and pursuant to the Company's 1996 Director Option Plan and the Director Option Agreement dated _____ (the "Agreement").

2. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understood the Agreement.

3. Federal Restrictions on Transfer. Optionee understands that the Shares must be held indefinitely unless they are registered under the Securities Act of 1933, as amended (the "1933 Act"), or unless an exemption from such registration is available, and that the certificate(s) representing the Shares may bear a legend to that effect. Optionee understands that the Company is under no obligation to register the Shares and that an exemption may not be available or may not permit Optionee to transfer Shares in the amounts or at the times proposed by Optionee.

4. Tax Consequences. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultant(s) Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

5. Delivery of Payment. Optionee herewith delivers to the Company the aggregate purchase price for the Shares that Optionee has elected to purchase and has made provision for the payment of any federal or state withholding taxes required to be paid or withheld by the Company.

6. Entire Agreement. The Agreement is incorporated herein by reference. This Exercise Notice and the Agreement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the

subject matter hereof. This Exercise Notice and the Agreement are governed by [state] law except for that body of law pertaining to conflict of laws.

Submitted by:	Accepted by:
OPTIONEE:	8x8, Inc.
_____	By: _____
	Its:_____
Address:	
Dated:_____	Dated:_____

EXHIBIT 10.7

AMENDED AND RESTATED
REGISTRATION RIGHTS AGREEMENT

THIS AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT, (this "Agreement") is made as of September 6, 1996 between 8x8, Inc., a California corporation (the "Company"), certain purchasers of shares of Series A Preferred Stock of the Company (the "Series A Purchasers") pursuant to the Series A Preferred Stock Purchase Agreement dated as of April 24, 1987 (the "Series A Agreement"), certain purchasers of shares of Series B Preferred Stock of the Company (the "Series B Purchasers") pursuant to the Series B Preferred Stock Purchase Agreement dated as of July 6, 1988 (the "Series B Agreement"), the purchasers of shares of Series C Preferred Stock of the Company (the "Series C Purchasers") pursuant to the Series C Preferred Stock Purchase Agreement of May 20, 1994 (the "Series C Agreement") the purchasers of shares of Series D Preferred Stock of the Company (the "Series D Purchasers") pursuant to the Series D Preferred Stock Purchase Agreement of September 3, 1996 (the "Series D Agreement").

RECITALS

A. Pursuant to that certain Amended and Restated Registration Rights Agreement dated as of May 20, 1994 (the "Registration Rights Agreement"), the Series A Purchasers, Series B Purchasers and Series C Purchasers were granted certain rights with respect to the registration of the Company's securities under the Securities Act of 1933, as amended (the "Securities Act"), as set forth in Section 1 of the Registration Rights Agreement.

B. The Company proposes to sell up to 2,370,000 shares of its Series D Preferred Stock (the "Series D Preferred") pursuant to the Series D Agreement or subsequent similar agreements.

C. The Company has requested, and the Series A Purchasers, Series B Purchasers and Series C Purchasers have agreed, that the Registration Rights Agreement be of no further force and effect, and that the rights granted to the Series A Purchasers, Series B Purchasers and Series C Purchasers herein supersede the rights granted in the Registration Rights Agreement.

D. Pursuant to Section 3.3 of the Registration Rights Agreement, the holders of a majority of the shares of the Company's Series A Preferred Stock, Series B Preferred Stock and Series C Purchasers subject to the Registration Rights Agreement may amend the provisions of the Registration Rights Agreement on behalf of all Series A Purchasers, Series B Purchasers and Series C Purchasers.

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1

RESTRICTIONS ON TRANSFERABILITY OF SECURITIES;
COMPLIANCE WITH SECURITIES ACT; REGISTRATION RIGHTS

1.1 CERTAIN DEFINITIONS. As used in this Agreement, the following terms shall have the following respective meanings:

"Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Conversion Stock" shall mean the Common Stock issued or issuable pursuant to conversion of the Series A Preferred, Series B Preferred, Series C Preferred and Series D Preferred.

"Holder" shall mean any Purchaser holding Registrable Securities (including Preferred) and any person holding Registrable Securities to whom the rights under this Section 1 have been transferred in accordance with Section 1.14 hereof.

"Initiating Holders" shall mean any Purchaser or transferees of any Purchaser under Section 1.14 hereof who in the aggregate are Holders of greater than 50% of the Registrable Securities.

"Preferred" shall mean the Series A Preferred purchased pursuant to the Series A Agreement, the Series B Preferred purchased pursuant to the Series B Agreement, the Series C Preferred purchased pursuant to the Series C Agreement and the Series D Preferred purchased pursuant to the Series D Agreement.

"Purchaser" means any Series A Purchaser, Series B Purchaser, Series C Purchaser or Series D Purchaser.

"Registrable Securities" shall mean (i) the Conversion Stock; and (ii) any Common Stock of the Company issued or issuable in respect of the Conversion Stock or other securities issued or issuable pursuant to the conversion of the Preferred, upon any stock split, stock dividend, recapitalization, or similar event, or any Common Stock otherwise issued or issuable with respect to the Preferred, provided, however, that shares of Common Stock or other securities shall no longer be treated as Registrable Securities after (A) they have been sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, whether in a registered offering, Rule 144 or otherwise, or (B) such securities are available for sale, in the opinion of counsel to the Company, in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act so that all transfer restrictions and restrictive legends with respect thereto are removed upon the consummation of such sale, and the Holder is not an affiliate of the Company.

The terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

"Registration Expenses" shall mean all expenses, except as otherwise stated below, incurred by the Company in complying with Sections 1.5, 1.6 and 1.7 hereof, including, without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company, blue sky fees and expenses, the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company) and the reasonable fees and expenses of one counsel for all Holders (in an amount not to exceed $15,000) in the event of the exercise of any demand registration provided for in Section 1.5 hereof and in the event of any Company registration pursuant to Section 1.6 hereof.

"Restricted Securities" shall mean the securities of the Company required to bear the legend set forth in Section 1.3 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Selling Expenses" shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the securities registered by the Holders and, except as set forth above, all reasonable fees and disbursements of counsel for any Holder.

1.2 RESTRICTIONS ON TRANSFERABILITY. The Preferred and the Conversion Stock shall not be sold, assigned, transferred or pledged except upon the conditions specified in this Section 1, which conditions are intended to ensure compliance with the provisions of the Securities Act. Each Purchaser will cause any proposed purchaser, assignee, transferee, or pledgee of the Preferred or Conversion Stock held by a Purchaser to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Section 1.

1.3 RESTRICTIVE LEGEND. Each certificate representing (i) the Preferred, (ii) the Conversion Stock and (iii) any other securities issued in respect of the Preferred or the Conversion Stock upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall (unless otherwise permitted by the provisions of Section 1.4 below) be stamped or otherwise imprinted with a legend in the following form (in addition to any legend required under applicable state securities laws):

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE COMPANY RECEIVES AT ITS REQUEST AN OPINION

OF COUNSEL REASONABLY ACCEPTABLE TO IT STATING THAT SUCH SALE OR TRANSFER IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT. COPIES OF THE AGREEMENT COVERING THE PURCHASE OF THESE SHARES AND RESTRICTING THEIR TRANSFER MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE CORPORATION AT THE PRINCIPAL EXECUTIVE OFFICES OF THE CORPORATION.

Each Purchaser and Holder consents to the Company making a notation on its records and giving instructions to any transfer agent of the Preferred or the Conversion Stock in order to implement the restrictions on transfer established in this Section 1.

1.4 NOTICE OF PROPOSED TRANSFERS. The holder of each certificate representing Restricted Securities by acceptance thereof agrees to comply in all respects with the provisions of this Section 1.4. Prior to any proposed sale, assignment, transfer or pledge of any Restricted Securities (other than (i) a transfer not involving a change in beneficial ownership or (ii) in transactions involving the distribution without consideration of Restricted Securities by any of the Purchasers to any of its partners, or retired partners, or to the estate of any of its partners or retired partners), unless there is in effect a registration statement under the Securities Act covering the proposed transfer, the holder thereof shall give written notice to the Company of such holder's intention to effect such transfer, sale, assignment or pledge. Each such notice shall describe the manner and circumstances of the proposed transfer, sale, assignment or pledge in sufficient detail, and, if requested by the Company, shall be accompanied, at such holder's expense, by either (i) an unqualified written opinion of legal counsel who shall be, and whose legal opinion shall be, reasonably satisfactory to the Company addressed to the Company, to the effect that the proposed transfer of the Restricted Securities may be effected without registration under the Securities Act, or (ii) a "no action" letter from the Commission to the effect that the transfer of such securities without registration will not result in a recommendation by the staff of the Commission that action be taken with respect thereto, whereupon the holder of such Restricted Securities shall be entitled to transfer such Restricted Securities in accordance with the terms of the notice delivered by the holder to the Company. It is agreed that the Company will not request an opinion of counsel for the Holder for transactions made in reliance on Rule 144 under the Securities Act except in unusual circumstances, the existence of which shall be determined in good faith by the Board of Directors of the Company. Each certificate evidencing the Restricted Securities transferred as above provided shall bear, except if such transfer is made pursuant to Rule 144, the appropriate restrictive legend set forth in Section 1.3 above, except that such certificate shall not bear such restrictive legend if in the opinion of counsel for such holder and the Company such legend is not required in order to establish compliance with any provision of the Securities Act.

1.5 REQUESTED REGISTRATION.

(a) Request for Registration. In case, after the earlier to occur of (x) September 1, 1997 or (y) the date six months after the closing of the Company's initial public offering, the Company shall receive from Initiating Holders a written request that the Company effect any registration, qualification or compliance with respect to Registrable Securities, the Company will:

(i) promptly give written notice of the proposed registration, qualification or compliance to all other Holders; and

(ii) as soon as practicable, use its best efforts to effect such registration, qualification or compliance (including, without limitation, appropriate qualification under applicable blue sky or other state securities laws and appropriate compliance with applicable regulations issued under the Securities Act and any other governmental requirements or regulations) as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any Holder or Holders joining in such request as are specified in a written request received by the Company within 20 days after receipt of such written notice from the Company;

Provided, however, that the Company shall not be obligated to take any action to effect any such registration, qualification or compliance pursuant to this Section 1.5:

(A) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(B) During the period starting with the date 60 days prior to the Company's estimated date of filing of, and ending on the date six months immediately following the effective date of, any registration statement pertaining to securities of the Company (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

(C) Unless the Registrable Securities sought to be registered by all Initiating Holders and Holders pursuant to this Section 1.5 comprises at least 25% of all their outstanding Registrable Securities, except that such 25% requirement shall not apply if the anticipated aggregate offering price, net of underwriting discounts and commissions, of all Registered Securities sought to be registered by all Initiating Holders and other Holders pursuant to this Section 1.5, would exceed $5,000,000;

(E) After the Company has effected two such registrations pursuant to this subparagraph 1.5(a), and such registrations have been declared or ordered effective;

(F) If the Company shall furnish to such Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors it would be seriously detrimental to the Company or its shareholders for a registration statement to be filed in the near future, then the Company's obligation to use its best efforts to register, qualify or comply under this Section 1.5 shall be deferred for a period not to exceed 120 days from the date of receipt of written request from the Initiating Holders; provided, however, that the Company shall not exercise the right to defer registration granted pursuant to this paragraph (E) more than one time in any twelve month period.

Subject to the foregoing clauses (A) through (E), the Company shall file a registration statement covering the Registrable Securities so requested to be registered as soon as practicable after receipt of the request or requests of the Initiating Holders, but in any event within 120 days of such request or requests.

(b) Underwriting. In the event that a registration pursuant to Section 1.5 is for a registered public offering involving an underwriting, the Company shall so advise the Holders as part of the notice given pursuant to Section 1.5(a)(i). In such event, the right of any Holder to registration pursuant to Section 1.5 shall be conditioned upon such Holder's participation in the underwriting arrangements required by this Section 1.5, and the inclusion of such Holder's Registrable Securities in the underwriting to the extent requested shall be limited to the extent provided herein.

The Company shall (together with all Holders proposing to distribute their securities through such underwriting) enter into an underwriting agreement in customary form with the managing underwriter selected for such underwriting by a majority in interest of the Initiating Holders, but subject to the Company's reasonable approval. Notwithstanding any other provision of this Section 1.5, if the managing underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Company shall so advise all Holders of Registrable Securities and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated among all Holders thereof in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by such Holders at the time of filing the registration statement. No Registrable Securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares.

If any Holder of Registrable Securities disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the managing underwriter and the Initiating Holders. Any securities excluded or withdrawn from such underwriting, in the event that such underwriting represents the initial underwritten public offering of the Company's securities, shall be withdrawn from such registration, and shall not be transferred in a public distribution prior to 120 days after the effective date of the registration statement relating thereto, or such other shorter period of time as the underwriters may require.

1.6 COMPANY REGISTRATION.

(a) Notice of Registration. If at any time or from time to time the Company shall determine to register any of its securities, either for its own account or the account of a security holder or holders, other than (i) a registration relating solely to employee benefit plans, or (ii) a registration relating solely to a Commission Rule 145 transaction, the Company will:

(i) promptly give to each Holder written notice thereof; and

(ii) include in such registration (and any related qualification under blue sky laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made within 20 days after receipt of such written notice from the Company, by any Holder.

(b) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 1.6(a)(i). In such event the right of any Holder to registration pursuant to Section 1.6 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company and the other holders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the managing underwriter selected for such underwriting by the Company. Notwithstanding any other provision of this Section 1.6, if the managing underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriter may limit the number of Registrable Securities to be included in such registration and underwriting or may exclude Registrable Securities entirely from such registration if the registration is the first registered offering for the sale of the Company's securities to the general public and thereafter may limit Registrable Securities to not less than 20% of the registration. In such event, the Company shall advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated among all Holders in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by such Holders. If any Holder disapproves of the terms of any such underwriting, he may elect to withdraw therefrom by written notice to the Company and the managing underwriter. Any securities excluded or withdrawn from such underwriting shall be withdrawn from such registration, and shall not be transferred in a public distribution prior to 120 days after the effective date of the registration statement relating thereto, or such other shorter period of time as the underwriters may require.

(c) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.6 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration.

1.7 REGISTRATION ON FORM S-3.

(a) Subject to the remainder of this Section 1, and unless Rule 144 is available for effecting the proposed transfer, in the event that the Company receives from the Holders a written request that the Company file a registration statement on Form S-3 (or any successor form to Form S-3) for a public offering of shares of the Registrable Securities the reasonably anticipated aggregate price to the public of which, would exceed $1,000,000 and the Company is a registrant entitled to use Form S-3 to register the Registrable Securities for such an offering, the Company shall: (i) promptly give written notice of the proposed registration to all other Holders of Registrable Securities and (ii) use its best efforts to cause, as soon as practicable, all Registrable Securities to be registered as may be so requested for the offering on such form and to cause such Registrable Securities to be qualified in such jurisdictions as the Holder or Holders may reasonably request; provided, however, that the Company shall not be required to effect more than three registrations pursuant to this Section 1.7. The substantive provisions of Section 1.5(b) shall be applicable to each registration initiated under this Section 1.7.

(b) Notwithstanding the foregoing, the Company shall not be obligated to take any action pursuant to this Section 1.7: (i) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act; or (ii) if the Company shall furnish to such Holder a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors it would be seriously detrimental to the Company or its shareholders for registration statements to be filed in the near future, then the Company's obligation to use its best efforts to file a registration statement shall be deferred for a period not to exceed 120 days from the receipt of the request to file such registration by such Holder, provided, however, that the Company shall not exercise the right to defer registration granted by this subparagraph (b)(ii) more than once in any twelve month period.

1.8 LIMITATIONS ON SUBSEQUENT REGISTRATION RIGHTS. From and after the Closing Date, the Company shall not enter into any agreement granting any holder or prospective holder of any securities of the Company registration rights with respect to such securities unless (i) such new registration rights, including standoff obligations, are on a pari passu basis with those rights of the Holders hereunder, or (ii) such new registration rights, including standoff obligations, are subordinate to the registration rights granted Holders hereunder.

1.9 EXPENSES OF REGISTRATION.

(a) All Registration Expenses incurred in connection with all registrations pursuant to Sections 1.5 and 1.6, shall be borne by the Company. Unless otherwise stated, all Selling Expenses relating to securities registered on behalf of the Holders and all other Registration Expenses shall be borne by the Holders of such securities pro rata on the basis of the number of shares so registered.

(b) All Registration Expenses and Selling Expenses incurred in connection with a registration pursuant to Section 1.7 shall be borne pro rata by the Holder or Holders requesting the registration on Form S-3 according to the number of Registrable Securities included in such registration.

1.10 REGISTRATION PROCEDURES. In the case of each registration, qualification or compliance effected by the Company pursuant to this Section 1, the Company will keep each Holder advised in writing as to the initiation of each registration, qualification and compliance and as to the completion thereof. At its expense the Company will with all deliberate speed:

(a) Prepare and file with the Commission a registration statement with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for at least 180 days or until the distribution described in the Registration Statement has been completed;

(b) Furnish to the Holders participating in such registration and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as such underwriters may reasonably request in order to facilitate the public offering of such securities;

(c) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statements as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions; and

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

1.11 INDEMNIFICATION.

(a) The Company will indemnify each Holder, each of its officers and directors and partners, and each person controlling such Holder within the meaning of Section 15 of the Securities Act, with respect to which registration, qualification or compliance has been effected pursuant to this Section 1, and each underwriter, if any, and each person who controls any underwriter within the meaning of Section 15 of the Securities Act, against all expenses, claims, losses, damages or liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document, or any amendment or supplement thereto, incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or any violation by the Company of the Securities Act or any rule or regulation promulgated under the Securities Act applicable to the Company in connection with any such registration, qualification or compliance, and the Company will reimburse each such Holder, each of its officers and directors, and each person controlling such Holder, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission or alleged untrue statement or omission, made in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Holder, controlling person or underwriter and stated to be specifically for use therein.

(b) Each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers, each underwriter, if any, of the Company's securities covered by such a registration statement, each person who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act, and each other such Holder, each of its officers, directors and partners and each person controlling such Holder within the meaning of Section 15 of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company, such Holders, such directors, officers, partners, persons, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Holder and stated to be specifically for use therein.

(c) Each party entitled to indemnification under this Section 1.11 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be

sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 1.11 unless the failure to give such notice is materially prejudicial to an Indemnifying Party's ability to defend such action and provided further, that the Indemnifying Party shall not assume the defense for matters as to which there is a conflict of interest or separate and different defenses. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. No Indemnifying Party shall be liable for indemnification hereunder with respect to any settlement or consent to judgment, in connection with any claim or litigation to which these indemnification provisions apply, that has been entered into without the prior consent of the Indemnifying Party (which consent will not be unreasonably withheld).

1.12 INFORMATION BY HOLDER. The Holder or Holders of Registrable Securities included in any registration shall furnish to the Company such information regarding such Holder or Holders, the Registrable Securities held by them and the distribution proposed by such Holder or Holders as the Company may request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Section 1.

1.13 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Restricted Securities to the public without registration, after such time as a public market exists for the Common Stock of the Company, the Company agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date that the Company becomes subject to the reporting requirements of the Securities Act or the Securities Exchange Act of 1934, as amended.

(b) File with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Securities Exchange Act of 1934, as amended (at any time after it has become subject to such reporting requirements);

(c) So long as a Purchaser owns any Restricted Securities to furnish to the Purchaser forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company for an offering of its securities to the general public), and of the Securities Act and the Securities Exchange Act of 1934 (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of the Company, and such other

reports and documents of the Company and other information in the possession of or reasonably obtainable by the Company as a Purchaser may reasonably request in availing itself of any rule or regulation of the Commission allowing a Purchaser to sell any such securities without registration.

1.14 TRANSFER OF REGISTRATION RIGHTS. The rights to cause the Company to register securities granted Purchasers under Sections 1.5, 1.6 and 1.7 may be assigned (i) in connection with transactions involving the distribution without consideration of Registrable Securities by any of the Purchasers to any of its partners or retired partners or the estate of any of its partners or retired partners, or (ii) to a transferee or assignee reasonably acceptable to the Company in connection with any transfer or assignment of Registrable Securities by a Purchaser, provided that (a) such transfer may otherwise be effected in accordance with applicable securities laws, (b) such assignee or transferee acquires at least 50,000 of the Registrable Securities and (c) the Company receives reasonably prompt written notice of such transfer or assignment.

1.15 STANDOFF AGREEMENT. Each Holder agrees in connection with the Company's initial public offering of the Company's securities that, upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Registrable Securities (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the underwriters; provided, that the officers and directors of the Company who own stock of the Company also agree to such restrictions with respect to all of their shares.

1.16 TERMINATION OF REGISTRATION RIGHTS. The registration rights granted pursuant to Section 1 shall terminate as to each Holder at such time as a public market for the Company's Common Stock exists and all Registrable Securities held by such Holder may, in the opinion of counsel to the Company (which opinion shall be concurred in by counsel for such Holder), be sold within a given three month period pursuant to Rule 144 or any other applicable exemption that allows for resale free of registration. The registration rights granted pursuant to Section 1 shall terminate as to all Holders on the fifth anniversary of the closing of the Company's initial public offering.

SECTION 2

WAIVER OF RIGHTS

In consideration of the rights granted herein, the registration rights granted to the Series A Purchasers, Series B Purchasers and Series C Purchasers pursuant to Section 1 of the Registration Rights Agreement are amended in full to read as set forth in this Agreement, and the Registration Rights Agreement is null and void and of no further force and effect.

SECTION 3

MISCELLANEOUS

3.1 GOVERNING LAW. This Agreement shall be governed in all respects by the internal laws of the State of California.

3.2 SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

3.3 ENTIRE AGREEMENT; AMENDMENT. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof. Neither this Agreement nor any term hereof may be amended, waived, discharged, or terminated other than by a written instrument signed by the Company and the holders of a majority of the Registrable Securities (as defined with respect to the section of the Agreement to be amended); provided that any amendment, waiver, discharge or termination that adversely affects one series of the Preferred in a manner in which each other series of Preferred is not equally affected, than such written instrument must be signed by the holder of a majority of such series of Preferred adversely affected. The parties hereto consent to the addition as parties of additional purchasers to this agreement of up to an aggregate of 2,370,000 shares of Series D Preferred that purchase such shares in accordance with the terms of the Series D Agreement; provided that such additional purchasers execute a counterpart signature page hereto.

3.4 NOTICES, ETC. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, or otherwise delivered by hand or by messenger, addressed (a) if to a Holder, to the address of such Holder as set forth on the records of the Company, or to such address as such Holder shall have furnished to the Company in writing, or, until any such Holder so furnishes an address to the Company, then to the address of the last holder of such Registrable Securities who has so furnished an address to the Company, or (b) if to the Company, one copy should be sent to 2445 Mission College Blvd., Santa Clara, California 95054 and addressed to the attention of the Corporate Secretary, or at such other address as the Company shall have furnished to the Holders.

3.5 DELAYS OR OMISSIONS. Except as expressly provided herein, no delay or omission to exercise any right, power, or remedy accruing to any Holder, upon any breach or default of the Company under this Agreement, shall impair any such right, power, or remedy of such Holder nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, as of or in any similar breach or default therein occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Holder of any breach or default under this Agreement, or any waiver on the part of any Holder of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any Holder, shall be cumulative and not alternative.

3.6 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which may be executed by less than all of the Holders, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

3.7 TITLES AND SUBTITLES. The titles and subtitles used in this Agreement are used for convenience only and are not considered in construing or interpreting this Agreement.

The foregoing agreement is hereby executed as of the date first above written.

8x8, INC.

By: _____
Joe Parkinson, President

SERIES A PURCHASERS

CHANG LEEKEE, INC.

By: _____

Title:_____

DEBY INVESTMENTS, LTD.

By: _____

Title:_____

LUZON INVESTMENTS, INC.

By: _____

Title:_____

SERIES B PURCHASERS

ASCII CORPORATION

By: _____

Title:_____

MITSUI COMTEK CORP.

By: _____

Title:_____

YAMAHA CORPORATION

By: _____

Title:_____

SERIES C PURCHASERS

NATIONAL SEMICONDUCTOR
CORPORATION

By: _____

Title:_____

SERIES D PURCHASERS

SANYO SEMICONDUCTOR
CORPORATION

By: _____

Title:_____

PRINT NAME:_____

By: _____

Title (if applicable):_____

EXHIBIT 10.8

1. PARTIES: THIS LEASE, is entered into on this _____ day of June, 1990, between SOBRATO INTERESTS, a California Limited Partnership, and INTEGRATED INFORMATION TECHNOLOGY, INC., a California Corporation, hereinafter called respectively Landlord and Tenant.

2. PREMISES: Landlord hereby leases to Tenant, and Tenant hires from Landlord those certain Premises with the appurtenances, situated in the City of Santa Clara, County of Santa Clara, State of California, and more particularly described as follows, to-wit:

> A part of that certain real property commonly known and designated 2441 Mission College Boulevard of 100,272 square feet ("Building") consisting of a part of the first floor totaling 42,450 square feet as outlined in red on Exhibit "A"; in a complex comprised of four buildings (including the Building) totaling 419,357 square feet ("Project").

3. USE: Tenant shall use the Premises only for the following purposes and shall not change the use of the Premises without the prior written consent of Landlord: Office, research, development, testing, light manufacturing, ancillary warehouse, and related legal uses.

4. TERM AND RENTAL: The term shall be for eighty-four (84) months, commencing, as adjusted pursuant to paragraph 7, on the first day of October, 1990 ("Commencement Date"), and ending as adjusted pursuant to Paragraph 7 on the thirtieth day of September 1997 at the effective rent of $0.94 per square foot for a total rent or sum of Three Million Three Hundred Fifty-one Thousand Eight Hundred Fifty-Two and No/100 Dollars ($3,351,852.00), payable, without deduction or offset, in monthly installments of:

10/1/90-9/30/91	$16,980.00 per month	$203,760.00	$0.40/sq.ft.
10/1/91-9/20/92	$35,233.50 per month	$422,802.00	$0.83/sq.ft.
10/1/92-9/30/93	$40,327.50 per month	$483,930.00	$0.95/sq.ft.
10/1/93-9/30/94	$42,874.50 per month	$514,494.00	$1.01/sq.ft.
10/1/94-9/30/95	$45,421.50 per month	$545,059.00	$1.07/sq.ft.
10/1/95-9/30/96	$47,968.40 per month	$575,622.00	$1.13/sq.ft.
10/1/96-9/30/97	$50,515.50 per month	$606,196.00	$1.19/sq.ft.

due on or before the full day of each calendar month during the term hereof. Said rental shall be paid in lawful money of the United States of America, without offset or deduction, and shall be paid to Landlord at such place or places as may be designated from time to time by Landlord. Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment.

Concurrently with Tenant's execution of this Lease, Tenant shall pay to Landlord the sum of Sixteen Thousand Nine Hundred Eighty and No/100 Dollars ($16,980.00) as prepaid rent for the first month of the term.

4.(a) Tenant shall be allowed to use the Premises prior to October 1, 1990, at the rate to cover the utility charges only.

5. SECURITY DEPOSIT: Concurrently with Tenant's execution of this Lease, Tenant his deposited with Landlord the sum of Thirty-Five Thousand Two Hundred Thirty-Three and 50/100 Dollars ($35,233.50) as a security deposit. If Tenant defaults with respect to any provisions of this lease, including but not limited to the provisions relating to payment of rent or other charges, Landlord may, to the extent reasonably necessary to remedy Tenant's default, use all or any part of said deposit for the payment of rent or other charges in default or the payment of any other payment of any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore said deposit to the full amount hereinabove stated and shall pay to Landlord such other sums as shall be necessary to reimburse Landlord for any sums paid by Landlord. Said deposit shall be returned to Tenant within thirty (30) days after the expiration of the term hereof less any amount deducted in accordance with this paragraph, together with Landlord's written notice itemizing the amounts and purposes for such retention. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said deposit to Landlord's successor in interest.

In addition to the cash security deposit provided above, Tenant shall provide Landlord a lease guarantee ("Lease Guarantee"), in the initial amount of Five Hundred Thousand and No/100 Dollars ($500,000.00). The Lease Guarantee shall be delivered to Landlord promptly after Lease execution.

Upon the occurrence of any default by Tenant as defined in paragraph 24 of this Lease, Landlord shall be entitled to draw upon the Lease Guarantee to the extent necessary to cure such default. The Lease Guarantee shall be irrevocable, and shall be conditioned solely upon Landlord's certifying to the issuer thereof that a default exists under this Lease. Such Lease Guarantee shall provide for a schedule of reduction in the following amounts:

10/1/91-9/30/92	$425,000.00
10/1/92-9/30/93	$350,000.00
10/1/93-9/30/94	$275,000.00
10/1/94-9/30/95	$200,000.00
10/1/95-9/30/96	$125,000.00
10/1/96-9/30/97	$ 50,000.00

6. LATE CHARGES: Tenant hereby acknowledges that late payment by Tenant to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, administrative, processing, accounting charges, and late charges, which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after such amount shall be due,

Tenant shall pay to Landlord a late charge equal to five (5%) percent of such overdue amount which shall be due and payable with the payment then delinquent. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of rent, then rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary.

IT IS FURTHER MUTUALLY AGREED BETWEEN THE PARTIES AS FOLLOWS:

7. CONSTRUCTION AND POSSESSION: The Tenant Improvements shall be constructed by independent contractors to be employed by and under the supervision of Landlord, as general contractor, in accordance with plans prepared by Dennis Kobza and Associates, to be attached as Exhibit "B" ("Working Drawings"). Landlord shall construct the Tenant Improvements in accordance with all existing applicable municipal, local, state and federal laws, statutes, rules, regulations and ordinances.

Landlord shall be responsible for and shall pay the cost of the Tenant Improvements up to the amount of Four Hundred Eighty-Eight Thousand Four Hundred Five and No/100 Dollars ($488,405.00) ("Tenant Improvement Allowance"). In the event the cost of Tenant Improvements is less than the Tenant Improvement Allowance, the monthly rental under the f case shall be reduced at the rate of Fifteen Dollars ($15.00) per month for each One Thousand Dollars ($1,000.00) of the Tenant Improvement Allowance not used. The cost of the Tenant Improvements including fit-up of special areas shall include a fee of eight and one half percent (8.5%) to cover all Landlord's Costs and Expenses including but riot limited to: a field superintendent temporary on-site facilities; home office administration, supervision, and coordination; financing fees, and construction interest Landlord hereby guarantees that, under no circumstance, will the expense for Tenant Improvements exceed the said allowance without Tenant's prior approval Tenant shall have the right to approve the budget of the Tenant Improvements prior to the Landlord's contracting for the improvements. If the cost of the Tenant improvements exceed the Tenant Improvement Allowance by virtue of Tenant's written approval, Tenant shall pay for such excess costs in cash within thirty (30) days after Landlord has provided Tenant with evidence that Landlord's progress payments to subcontractors has exceeded said Tenant Improvement budget. All costs for Tenant Improvements shall be fully documented to and verified by Tenant. Anything to the contrary in the foregoing notwithstanding, Landlord shall provide Tenant with a list of contractors to whom Landlord proposes to let the contract for the Tenant Improvements to be constructed by Landlord hereunder. Tenant shall promptly notify Landlord of any reasonable objections to the use of any such contractor and shall also provide Landlord with the name of any contractor Tenant desires to have an opportunity to bid on the contract to construct the Tenant Improvements. Landlord will consult with Tenant in the final selection of a contractor and the letting of any contract to construct the Tenant Improvements. Tenant shall not unreasonably object to the selection of a contractor chosen by Landlord or the terms of the contract for the construction of the Tenant Improvements agreed to by Landlord.

Tenant, at Tenants expense, to supply Landlord with preliminary improvement information ("Preliminary Information") including one line drawings of Tenants wall layout electrical and air conditioning requirements by July 7, 1990. Based on this information, Landlord shall prepare the final working drawings ("Working Drawings") which shall be approved by both Landlord and Tenant In the event (i) Tenant fails to provide the Preliminary Information by July 7, 1990 or, (ii) Tenant makes any changes to the Working Drawings which cause Landlord's construction schedule to be delayed, the Commencement Date shall occur one (1) day in advance of Substantial Completion as defined below for each day of delay. If the delay is not caused by Tenant and is to be more than three (3) months after the originally scheduled date, Landlord shall notify the Tenant not later than the original schedule date and the Tenant shall have the right to terminate this Lease at Tenants option. In all events, Landlord shall provide Tenant will a minimum of two (2) weeks prior written notice of the Commencement Date of the Lease.

If Landlord, for any reason whatsoever, cannot deliver possession of the said Premises to Tenant at the commencement of the said term, as hereinbefore specified,; and if Tenant has not terminated this Lease, Tenant shall be entitled to one(1) free day of rent for every day of delay. In that event the Commencement Date and termination date of the Lease and all other dates affected thereby in that event the Commencement Date and termination date of the Lease and all other dates affected thereby in that event the Commencement Date and termination date of the Lease and all other dates affected thereby shall be revised to conform to the date of Landlord's delivery of possession. The term of the Lease shall not commence until substantial completion of the Premises occurs. "Substantial Completion" shall mean that: (i) all necessary governmental approvals, permits, consents, and certificates have been obtained by or for Landlord for the lawful construction by Landlord, and occupancy by Tenant, or said Premises, excluding work attributable to any special fit-up requested or required by Tenant, (ii) all of the Premises interior fully meet all of the Working Drawings, excluding Tenant's special fit-up, (iii) all of the Premises exterior substantially meets the applicable Working Drawings, including paved parking areas, and (iv) said interior is in a "broom clean" finished condition. If necessary, Landlord reserves the right to post a bond for the uncompleted portion of the landscaping.

8. ACCEPTANCE OF PREMISES AND COVENANTS TO SURRENDER: By entry hereunder, Tenant accepts the Premises as being in good and sanitary order, condition and repair and accepts the Building and the other improvements in their present condition, except for a"punch list" delivered by Tenant to Landlord within five (5) business days after Tenant's entry onto the Premises. The Tenant agrees on the last day of the term hereof, or on the sooner termination of this Lease, to surrender the Premises unto Landlord in good condition and repair, reasonable wear and tear excepted. "Good condition" shall mean that the interior walls of all office and warehouse areas, the floors of all office and warehouse areas, all suspended ceilings and any carpeting will be cleaned to the same condition as existed at the commencement of the Lease, normal wear and tear excepted. Tenant shall ascertain from Landlord within thirty (30) days before the end of the term of this Lease whether Landlord desires to have the Premises or any part or parts thereof restored to their condition as of the commencement of this Lease or to cause Tenant to surrender all alterations, additions, and improvements in place to Landlord. If Landlord shall so desire, then Tenant shall remove such alterations, additions, and improvements as Landlord may require and shall repair and

restore said Premises or such part or parts thereof before the termination of this Lease at Tenants sole cost and expense. Tenant on or before the end of the term or sooner termination of this Lease, shall remove all his or its personal property and trade fixtures from the Premises, and all property not so removed shall be deemed to be abandoned by Tenant. If the Premises are not surrendered at the end of the term or sooner termination of this Lease, Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay.

9. USES PROHIBITED: Tenant shall not commit or suffer to be committed any waste upon the said Premises, or any nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the Buildings in which the Premises may be located or allow any sale by auction upon the Premises, or allow the Premises to be used for any unlawful or objectionable purpose, or place any loads upon the floor, walls, or ceiling which endanger the structure, or use any machinery or apparatus which will in any abnormal manner vibrate or shake the Premises or the Building of which it is a part, or place any harmful liquids, waste materials, or hazardous materials in the drainage system of, or upon or in the soils surrounding the Building. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature or any waste materials, refuse, scrap or debris shall be stored upon or permitted to remain on any portion of the Premises outside of the Building proper without Landlord's prior approval, which approval may be withheld in its sole discretion.

10. ALTERATIONS AND ADDITIONS: Tenant shall not make, or suffer to be made, any major alteration or addition to the said Premises, or any part thereof, without the written consent of Landlord first had and obtained, which consent will not be unreasonably withheld or delayed, based upon Tenants delivering to Landlord the proposed architectural and structural plans for all such alterations; any addition or alteration to the said Premises except movable furniture and trade fixtures, shall become at once a part of the realty and belong to Landlord unless otherwise agreed between Landlord and Tenant. Alterations and additions which are not to be deemed as trade fixtures shall include heating, lighting, electrical systems, air conditioning, partitioning, carpeting, or any other installation which has become an integral part of the Premises. After having obtained Landlord's consent, Tenant agrees that it will not proceed to make such alterations or additions, until three (3) days from the receipt of such consent, in order that Landlord may post appropriate notices to avoid any liability to contractors or material suppliers for payment for Tenant's improvements. Tenant will at all times permit such notices to be posted and to remain posted until the completion of work. Tenant acknowledges Landlord's right to and hereby consents to construction of additional Buildings and improvements in the Building, on the Land where the Building is situated, in the Project and on adjacent land owned by Landlord subject; always, to recalculation of Tenants Allocable share of Costs as set forth below. Anything to the contrary in the foregoing notwithstanding, Tenant shall have the right to make improvements or alterations to the Premises upon notice to Landlord if such alterations or improvements do not cause any major alteration to the appearance of the Building or any material alteration in the electrical, heating, air conditioning, ventilation or plumbing systems of the Building and, in any case, cost less than Twenty-Five Thousand and No/100 Dollars ($25,000.00).

11. LANDLORD'S AND TENANT'S OBLIGATIONS REGARDING COMMON AREA COSTS: Tenant agrees to reimburse Landlord for the reasonable expenses resulting from Landlords payment of Common Area Costs as defined in paragraph 1.1(a) incurred by Landlord because the cost is not directly allocable to or payable by a single tenant in the Building or the Project. Tenant agrees to pay Tenants Allocable Share as defined in paragraph 1.1.(b) of the Common Area Costs, as additional rental, within thirty (30) days of written invoice from Landlord.

11.(A) COMMON AREA COSTS: For purposes of calculating Tenants Allocable Share of Building and of Project Costs, the term "Common Area Costs" shall mean all costs and expenses of the nature hereinafter described which am incurred in connection with ownership and operation of the Building or the Project in which the Premises are located, as the case may be not directly allocable to or payable by a single tenant in the Building or the Project, together with such additional facilities as may be determined by Landlord to be reasonably desirable or necessary to the ownership and operation of the Building and/or Project. Common Area Costs shall not include any capital expenditures, except to the extent such expenditures benefit the occupants of the Project, Building, and Tenant during the term of the Lease and are amortized over the useful life of the property acquired or constructed as a result of such expenditure. All costs and expenses shall be determined in accordance with generally accepted accounting principles which shall be consistently applied (with accruals appropriate to Landlord's business), including but not limited to, the following:

(i) Common area utilities, including water and power, heating, lighting, air-conditioning, ventilating and Building utilities to the extent not separately metered and are not in an area separately rented out and are the located only in a common area;

(ii) All common area maintenance and service agreements for the Building or the Project and the equipment therein including, without limitation, common area janitorial services, alarm and security services, exterior window cleaning, and maintenance of the sidewalks, landscaping, waterscape, roof membrane, parking areas, driveways, service areas, mechanical rooms, elevators, and the building exterior,

(iii) All insurance premiums and costs, including without limitation, the premiums and cost of fire, casualty and liability coverage and rental abatement and earthquake (if commercially available) insurance applicable to the Building or Project;

(iv) Repairs, replacements and general maintenance (excluding repairs and general maintenance paid by proceeds of insurance or by Tenant or other third parties, and repairs or alterations attributable solely to tenants of the Building or Project other than Tenant). This also includes the repairs and maintenance for the area which is common to the Premises and the floor above the Premises such as roof membrane and exterior walls, sidewalks, etc.;

(v) All real estate taxes, special assessment service payments in lieu of taxes, excises, transit charges, housing fund assessment, levies, fees or charges and including any substitutes or additions thereto which may occur during the Term (and

Renewal Terms, if any) of this lease which are assessed, or imposed by any public authority upon the Building or Project, the act of entering this Lease, the occupancy by Tenant, the rent provided for in this Term and including real estate tax increases due to a sale or transfer of the Building or the Project, in which the Premises are located, as such taxes are levied or appear on the City and County tax bills and assessment rolls. Nothing in the foregoing shall be construed to require Tenant to pay any taxes or other fees of the sort usually denominated as general income taxes by any federal, state, county or city governmental unit.

(vi) At a sum equal to eight and one-half percent (8.5%) of all the above operating costs to reimburse Landlord for its supervisory, managerial, administration and collection services therewith.

This shall be a Net Lease and the Rental shall be paid to Landlord absolutely net of all costs and expenses. The provision for payment of Common Area Costs by mews of periodic payment of Tenants Allocable Share of Building and/or Project Costs are intended to pass on to Tenant and reimburse Landlord for all costs of operating and managing the Building and/or Project.

11.(B) TENANT'S ALLOCABLE SHARE: For purposes of prorating Common Area Costs which Tenant shall pay, Tenant's Allocable Share of Building Costs is computed by multiplying the total Common Area Costs for services shared by the Building by a fraction, the numerator of which is the rentable square footage of the Building (excluding common areas). Tenant's Allocable Share of Project Costs shall be computed on a shared service by service basis, by multiplying the total Common Area Costs for services shared by the Building and one or more buildings in the Project by a fraction, the numerator of which is the rentable square footage of the Buildings in the Project which share the services. It is understood and agreed by Landlord and Tenant that Tenant's Allocable Share of Building Costs is 42.33% and of Project Costs is 10.12%. For all tax-related expenses, tenant's allocable share shall be 17.19% of the Parcel cost.

It is understood and agreed that Tenant's obligation to share in Common Area Costs shall be adjusted to reflect the commencement and termination dates of the Lease Term and are subject to recalculation in the event of expansion of the Building or Project.

12. MAINTENANCE OF PREMISES: Except as provided in paragraph 11 Tenant shall at its sole cost, keep and maintain, repair and replace, said Premises and appurtenances and every part hereof. including but not limited to, exterior walls, roof, glazing, sidewalks, parking plumbing, electrical and HVAC systems excluding those areas that have been designated as Common Areas in Paragraph 11.(a); and all the Tenant Interior Improvements in good and sanitary order, condition, and repair, ordinary wear and tear excepted. Tenant shall provide Landlord with a copy of a service contract between Tenant and a licensed air-conditioning and heating contractor which contract shall provide for maintenance of all air conditioning and heating equipment with reasonable routine intervals at the Premises. Tenant shall pay the cost of all air-conditioning and heating equipment repairs or replacements which are either excluded from such service contract or any existing equipment warranties. Tenant shall be responsible for the preventive maintenance of the

membrane of the roof, which responsibility shall be deemed properly discharged if (i) Tenant contracts with a licensed roof contractor who is reasonably satisfactory to both Tenant and Landlord, at Tenant's sole cost, to inspect the roof membrane at least every six months, with the first inspection due the sixth (6th) month after the Commencement Date, and (ii) Tenant performs, at Tenant's sole cost, all preventive maintenance recommendations made by such contractor within a reasonable time after such recommendations are made. Such preventive maintenance might include acts such as clearing storm gutters and drains, removing debris from the roof membrane, trimming trees overhanging the roof membrane, applying coating materials to seal roof penetrations, repairing blisters and other routine measures. Tenant shall provide to Landlord a copy of such preventive maintenance contract and paid invoices for the recommended work. All vinyl wall surfaces and floor tile are to be maintained in an as good a condition as when Tenant took possession free of holes, gouges, or defacements. Tenant agrees to limit attachments to vinyl wall surfaces exclusively to V-joints. Landlord shall, at Landlords cost and expense, maintain and repair the exterior walls of the Building, the roof structure of the building, the structural components of the Building, except to the extent such repair and maintenance is the responsibility of Tenant under this Lease or some other provision of this Lease may excuse Landlord's performance form such duties on account of casualty or similar cause, and the Common Areas of the complex of which the Building is a part.

13. HAZARD INSURANCE: Tenant shall not use, or permit said Premises, or any part thereof, to be used for any purpose other than that for which the said Premises are hereby leased; and no use shall be made or permitted to be made of the said Premises, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering said Building, or any part thereof, nor shall Tenant sell or permit to be kept, used or sold, in or about said Premises, any article which may be prohibited by the standard form of fire insurance policies. Tenant shall, at its sole cost and expense, comply with any and all requirements, pertaining to said Premises, of any insurance organization or company, necessary for the maintenance of reasonable fire and public liability insurance, covering said Building and appurtenances. The Landlord agrees to purchase and keep in force fire, earthquake (if commercially available and/or required by Landlord's Lender), and extended coverage insurance covering the Premises in amounts not to exceed the actual insurable value of the Building, including the Premises, as determined by Landlord's insurance company's appraisers.

In addition, Tenant agrees to insure its personal property, additions, alterations, and improvements for their full replacement value (without depreciation) and to obtain workers compensation and public liability and property damage insurance for occurrences within the Premises of $5,000,000.00 combined single limit for bodily injury and property damage. Tenant shall name Landlord as an additional insured, shall deliver a copy of the policies and renewal certificates to Landlord. All such policies shall provide for thirty (30) days' prior written notice to Landlord of any cancellation or termination. Notwithstanding the above, Landlord retains the right to have Tenant provide other forms of insurance which may be reasonably required to cover future risks customarily insured against by reasonably prudent businesses in Tenant's industry located in the Santa Clara-San Jose area.

Landlord and Tenant hereby waive any rights each may have against the other on account of any loss or damage occasioned to the Landlord or the Tenant as the case may be, or to the Premises

or its contents, and which my arise from any risk covered by their respective insurance policies, as set forth above. The parties shall obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against the Landlord or the Tenant, as the case may be.

14. TAXES: Tenant shall be liable for all taxes levied against personal property and/or business fixtures, and agrees to pay, as additional rental, all real estate taxes and special assessment installments levied on the Premises, upon the occupancy of the Premises and including any substitute or additional charges which may be imposed during, or applicable to the Lease term including real estate tax increases due to a sale or other transfer of the Premises, as they appear on the City and County tax bills during the Lease term and as they become due. It is understood and agreed that Tenant's obligation under this paragraph will be prorated to reflect the commencement and termination dates of this Lease. If Tenant's Allocable Share of Taxes (based on square footage) is not consistent with the method used by the (county Tax Assessor, Landlord shall allocate based on the County's formula In any time during the term of this Lease a tax, excise on rents, business license tax, or any other tax, however described, is levied or assessed against Landlord, as a substitute or addition in whole or in part for taxes assessed or imposed on land or Buildings, Tenant shall pay and discharge his program share of such or excise on rents or other tax before it becomes delinquent, except that this provision is not intended to cover net income taxes, inheritance, gift or estate tax imposed upon the Landlord.

15. UTILITIES: Except as provided in paragraph 11, Tenant shall pay directly to the providing utility all water, gas, heat, light, power, telephone and other utilities supplied to the Premises.

16. WAIVER OF LIABILITY: Failure by Landlord to perform any defined services, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord, shall not render Landlord liable in any respect for damages to either person or property, nor be construed as an eviction of Tenant, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any of the equipment or machinery utilized in supplying the services listed herein break down, or for any cause cease to function property, upon receipt of written notice from Tenant of any deficiency or failure of any defined Services, Landlord shall use reasonable diligence to repair the same promptly, but Tenant shall have no right to terminate this Lease, and shall have no claim for rebate of rent or damages, on account of any interruptions in service occasioned thereby or resulting therefrom. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantabilty and Tenant's right to make repairs and deduct the cost of such repairs from the rent. Landlord shall not be liable for a loss of or injury to property, however occurring, through or in connection with or incidental to furnishing or its failure to furnish any of the foregoing except if such loss is due to Landlord's own intentional acts or omissions.

17. ABANDONMENT: Tenant shall not vacate or abandon the Premises at any time during the term without Landlords approval; and if Tenant shall abandon, vacate or surrender said

Premises or be dispossessed by process of law, or otherwise, any personal property belonging to Tenant and left on the Premises shall be deemed to be abandoned at the option of Landlord, except such property as may be mortgaged to Landlord.

18. FREE FROM LIENS: Tenant shall keep the Premises and the Building in which the Premises are situated, free from any liens arising out of any work performed, materials furnished, or obligations incurred by Tenant.

19. COMPLIANCE WITH GOVERNMENTAL REGULATIONS: Tenant shall, at its sole cost and expense, comply with all of the requirements of all Municipal, State and Federal authorities now in force, or which may hereafter be in force, pertaining to the said Premises, and shall faithfully observe in the use of the Promises all Municipal ordinances and State and Federal statutes now in force or which may hereafter be in force. The judgement of any court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such ordinance or statute in the use of the Premises, shall be conclusive of that fact as between Landlord and Tenant.

20. TOXIC WASTE AND ENVIRONMENTAL DAMAGE: Without the prior written consent of Landlord, Tenant shall not bring, allow, use or permit upon the Premises, or generate or create at or emit or dispose from the Premises any chemicals, toxic or hazardous gaseous, liquid or solid or waste, including without limitation, material or substance having characteristics of ignitability, corrosivity, reactivity, or extraction procedure toxicity or substances or materials which are listed on any of the Environmental Protection Agency's lists of hazardous wastes or which are identified in Sections 66680 through 66685 of Title 22 of the California Administrative Code as the same may be amended from time to time. Tenant shall comply, at its sole cost, with all laws pertaining to, and shall indemnify and hold Landlord harmless from any claims, liabilities, costs or expenses incurred or suffered by Landlord arising from such bringing, allowing, using, permitting, generating, creating, or emitting or disposing of any such material & Tenant's indemnification and hold harmless obligations include, without limitation, (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability, Act of 1980 ("RCRA") or any other Federal, State, County or Municipal law, ordinance or regulation, (ii) claims, liabilities, costs or expenses pertaining to the cleanup or containment of wastes, the identification of the pollutants in the waste, the identification of scope of any environmental contamination, the removal of pollutants from soils, riverbeds or aquifers, the provision of an alternative public drinking water source, or the long term monitoring of ground water and surface waters, and (iii) all costs of defending such claims. Landlord shall, however, be responsible for damages directly caused by its own intentional acts and omissions and all costs and expenses, including reasonable attorney's fees, incurred in defending claims based upon them. In order to obtain consent, Tenant shall deliver to Landlord its written proposal describing the toxic material to be brought onto the Premises, measures to be taken for storage and disposal thereof, safety measures to be employed to prevent pollution of the air, grand, surface and ground water. Landlord's approval may be withheld in its reasonable judgement. Tenant further agrees to properly close the facility with regard to hazardous materials and obtain a Closure

Certificate from the local administering agency. Landlord represents and warrants that it knows of no claim, and knows of no basis of any claim by any governmental agency or other person that the Premises, the Building or the land under them are put of any toxic waste site, nuisance or are otherwise environmentally harmful. Landlord represents and warrants that it has taken no action of its own and knows of no action or omission of anyone else or of any condition of the, Premises, the Building, or the land and complex of which the Premises and the Building are a part, that could lead to such a claim in the future.

21. INDEMNITY: As a material part of the consideration to be rendered to Landlord, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises, from any cause arising at any time, and Tenant will hold Landlord exempt and harmless from any damage or injury to any person, or to the goods, ware and merchandise and all other personal property of any person, arising form the use of the Premises by Tenant, or from the failure of Tenant to keep the Premises in good condition and repair, as herein provided. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant, Tenant will indemnify and hold Landlord harmless from any such claim or liability including Landlord's costs and expenses and reasonable attorney's fees incurred in defending such claims.

22. ADVERTISEMENTS AND SIGNS: Tenant will not place or permit to be placed, in, upon or about the said Premises any unusual or extraordinary sips, or any sips except temporary signs or small signs not approved by the city or other governing authority. The Tenant will not place, or permit to be placed. upon the Premises, any signs, advertisements or notices without the written consent of the Landlord as to type, size, design, lettering, coloring and location, and such consent will not be unreasonably withheld. Landlord grants the right to Tenant, subject to approval by the City of Santa Clara to install an electrically lighted sip on the panel at the southwest corner of the Building facing Mission College Boulevard. Any sign so placed on the Premises shall be so placed upon the understanding and agreement that Tenant will remove same at the termination of the tenancy herein created and repair any damage or injury to the Premises caused thereby, and if not so removed by Tenant then Landlord may have same so removed at Tenant's expense.

23. ATTORNEY'S FEES: In case suit should be brought for the possession of the Premises, for the recovery of any sum due hereunder, or because of the breach of any other covenant herein, the losing party shall pay to the prevailing party a reasonable attorney's fee as part of its costs which shall be deemed to have accrued on the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgement

24. TENANT'S DEFAULT: The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant: a) Any failure by Tenant to pay the rental or to make any other payment request to be made by Tenant hereunder, where such failure continues for ten (10) days after written notice thereof by Landlord to Tenant; b) The abandonment or vacation of the Premises by Tenant without Landlord's approval; c) A failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however,

that if the nature of such default is such that the same cannot reasonably be cured within such thirty (30) day period Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion; d) The making by Tenant of any general assignment for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed after the filing); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or the attachment execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days. The notice requirements set forth herein are in lieu of and not in addition to the notices required by California Code of Civil Procedure Section 1161.

24.(a) REMEDIES: In the event of any such default by Tenant then in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event that Landlord shall elect to so terminate this Lease then Landlord may recover from Tenant: a) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus b) the worth at the time of award of the amount by which the unpaid rent would have been earned after termination until the time of award exceeds the amount of such rental loss Tenant proves could have been reasonably avoided; plus c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform his obligation sunder this Lease or which In the ordinary course of things would be likely to result therefrom, and e) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law. The term "rent", as used herein, shall be deemed to be and to mean the minimum monthly installments of rent and all other sums required to be paid by Tenant pursuant to the terms of this Lease, all other such sums being deemed to be additional rental due hereunder. As used in (a) and (b) above, the "worth at the time of award" is computed by allowing interest at the rate of the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum. As used in (c) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent.

24.(b) RIGHT TO RE-ENTER: In the vent of any such default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant.

24.(c) ABANDONMENT: In the event of the vacation or abandonment of the Premises by Tenant or in the event that Landlord shall elect to re-enter as provided in paragraph 24.(b) above or shall take possession of the Premises pursuant to legal proceeding or pursuant to any notice

provided by law, then if Landlord does not elect to terminate this Lease as provided in paragraph 24.(a) above, then the provisions of California Civil Code Section 1951.4, as amended from time to time, shall apply and Landlord may from time to time, without terminating this Lease, either recover all rental as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable with the right to make alterations and repairs to the Premises. In the event that Landlord shall elect to so relet, then rentals received by Landlord form such reletting shall be applied: first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any cost of such reletting; third, to the payment of the cost of any alterations and repairs to the Premises; fourth, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder. Should that portion of such rentals received from such reletting during any month, which is applied by the payment of rent hereunder, be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

24(d) NO TERMINATION: No re-entry or taking possession of the Premises by Landlord pursuant to 24.(b) or 24.(c) of this Article 24 shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

25. SURRENDER OF LEASE: The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not automatically effect a merger of the Lease with Landlord's ownership of the Building and Premises. Instead, at the option of Landlord, Tenant's surrender may terminate all or any existing sublease or subtenancies, or may operate as an assignment to Landlord of any or all such subleases or subtenancies, thereby creating a direct Landlord-Tenant relationship between Landlord and any subtenants.

26. HABITUAL DEFAULT: Notwithstanding anything to the contrary contained in paragraph 24, 24 (a) (b) (c) and (d), the parties hereto agree that if the Tenant shall have defaulted in the performance of any (but not necessarily the same) material term or condition of this Lease for three or more times during any twelve month period during the term hereof, then such conduct shall at the election of the Landlord, represent a separate event of default which cannot be cured by the Tenant. Tenant acknowledges that the purpose of this provision is to prevent repetitive defaults by the Tenant under the Lease, which work a hardship upon the Landlord, and deprive the Landlord of the timely performance by the Tenant hereunder.

27. LANDLORD'S DEFAULT: In the event of Landlords failure to perform any of its covenants or agreements under this Term, Tenant shall give Landlord written notice of such failure and shall give Landlord the reasonable opportunity not more than thirty (30) days to cure such failure prior to any claim for breech or for damages resulting from such failure Tenant shall also have the right to deduct the cost to cure from the Rent in the event Landlord has not cured its default within the time period provided above.

28. NOTICES: All notices required to be given under this Lease shall be sent by U.S. mail return receipt requested, or by personal delivery addressed to the party to be notified at the address for such party specified in paragraph 1 of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days notice to the notifying party.

29. ENTRY BY LANDLORD: Tenant shall permit Landlord and his agents to enter into and upon said Premises at all reasonable times subject to the permission and any security regulations of Tenant for the purpose of inspecting the same or for the purpose of maintaining the Premises or the Building in which said Premises are situated, or for the purpose of making repairs, alterations or additions to any other portion of said Building or for the purpose of renting additional buildings) and improvements in the Building, on the land where the Building is situated, in the Project, or on adjacent land owned by Landlord, including the erection and maintenance of such scaffolding, canopies, fences and props as may be required and Tenant shall be entitled to a reasonable Rent abatement when said interruption occurs; and Tenant shall permit Landlord and his agents, at any time within ninety (90) days prior to the expiration of this Lease, to place upon said Premises any "For Sale" or "to lease" signs and exhibit the Premises to prospective tenants at reasonable hours.

30. DESTRUCTION OF PREMISES: In the event of a partial destruction of the Premises by an insured casualty during the said term from any cause, Landlord shall forthwith repair the same, provided such repairs can be made within one hundred eighty (180) days, including receipt of all necessary governmental approvals, under the laws and regulations of State, Federal, County or Municipal authorities, but such partial destruction shall in no way annul or void this Lease, except that Tenant shall be entitled to a proportionate reduction of rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall interfere with the business carried on by Tenant in the said Premises in the mmnable judgement of Landlord. If such repairs cannot be made in one hundred eighty (180) days, Tenant, or Landlord may, at their option, terminate this Lease. For purposes of this paragraph 'partial destruction" shall mean destruction to the extent of one-third (1/3) of the Replacement Cost of the Premises including the Replacement Cost of Tenant's Interior Improvements paid for by Landlord, or less. In the event the Premises are more than partially destroyed, Landlord may elect to terminate this Lease or may proceed with repairs, this Lease continuing in full force and the rent to be proportionately reduced as aforesaid provided, however, that if such repairs are to take more than one-hundred eighty (180) days, Tenant may elect to terminate the Lease. In respect to any partial destruction which Landlord is obligated to repair or may elect to repair under the terms of this paragraph, the provision of Section 1932, Subdivision 2, and of Section 1933, Subdivision 4, of the Civil Code of the State of California are waived by Tenant. When a partial destruction of the Premises by an uninsured casualty, Landlord agrees to repair the damage at its own cost up to Two Hundred Fifty Thousand and No/100

Dollars ($250,000.00) for Tenant's portion of the Building. If such damage can not be repaired within one hundred eighty (180) days and within the specified cost, the Landlord or Tenant may then terminate this Lease.

In the event that the Building in which the Premises may be situated be destroyed to the extent of not less than 33-1/3% of the replacement cost thereof, Landlord may elect to terminate this Lease, whether the Premises be inured or not. A total destruction of the Building in which the said Premises may be situated shall terminate this Lease at the option of Landlord or Tenant. In all events Landlord shall not be required to restore additions, alterations or improvements made by Tenant or replace Tenant's fixtures or personal property.

31. ASSIGNMENT OR SUBLEASE: In the event Tenant desires to assign this Lease or any interest including, without limitation, a pledge, mortgage or other hypothecation, or sublet the Premises or any part thereof, Tenant shall deliver to landlord executed counterparts of any such agreement and of all ancillary agreements with the proposed assignee or subtenant, financial statements, and any additional information as reasonably required to determine whether it will consent to the proposed assignment/subtenant, proposed use of the Premises, rental rate and current financial statement; and upon request to Tenant, Landlord shall be given additional information as reasonably required to determine whether it will consent to the proposed assignment or sublease. Landlord shall then have a period of ten (10) business days following receipt of such notice within which to notify Tenant in writing that Landlord elects (i) to terminate this Lease as to the space so affected as of the date so specified by Tenant in which event Tenant will be relieved of all further obligations hereunder as to such space, (ii) to permit Tenant to assign or sublet such space to the named assign subtenant on the terms and conditions set forth in the notice. If Landlord should fail to notify Tenant in writing of such election within said ten (10) business days period, Landlord shall be deemed to have elected option (ii) above. Any rent or other economic consideration realized by Tenant under any such sublease and assignment in excess of the Base Rental and Additional Rental payable hereunder (including an allocation of the purchase price attributable to Tenant's Leasehold interest in the event of a sale of the Tenant's business), after the net unamortized cost of the Tenant Extra Improvements for which Tenant has itself paid, and reasonable subletting and assignment costs, shall be delivered and paid fifty percent (50%) to Landlord and fifty percent (50%) to Tenant. Tenant's obligation to pay over Landlord's portion of the consideration shall constitute an obligation for additional rent hereunder. The above provisions relating to Landlord's right to terminate the lease and relating to the allocation of bonus rent are independently negotiated terms of the Lease, constitute a material inducement for the Landlord to enter into the Lease, and are agreed as between the parties to be commercially reasonable. No assignment or subletting by Tenant shall relive Tenant of any obligation under this Lease. Any assignment or subletting which conflicts with the provisions hereof shall be void.

If Landlord exercises its option to terminate this Lease in part in the event Tenant desires to sublet or assign part of the Premises, then (a) this Lease shall end and expire, with respect to such part of the Premises, on the date upon which the proposed sublease was to commence, and (b) from and after such date, the amount and Tenants allocable share of all other costs and charges shall be adjusted,

based upon the proportion that the rental area of the Premises remaining bears to the total rentable area of the Premises.

If Landlord does not exercise its option to terminate this Lease, Landlord's consent (which must be in writing and in form reasonably satisfactory to Landlord) to the proposed assignment or sublease shall not be unreasonably withheld or delayed, provided and upon condition that:

(a) In Landlord's reasonable judgement, the proposed assignee or subtenant is engaged in such a business, and the Premises, or the relevant part thereof, will be used in such a manner, that: (i) is limited to the use expressly permitted under this Lease; and (ii) will not violate any negative covenant as to use contained in any other lease of space in the Building;

(b) The proposed assignee or subtenant is a company with sufficient financial worth and management ability similar to that of the Tenant at the commencement of the Lease to undertake the responsibility involved, and Landlord has been furnished with reasonable proof thereof or the Tenant takes responsibility for the proposed assignee or subtenant in the case of default of the said subtenant or assignee;

(c) Neither (i) the proposed assignee or subtenant nor (ii) any person that, directly or indirectly, controls, is controlled by, or is under common control with, the proposed assignee or subtenant or any person who controls the proposed assignee or subtenant, is then an occupant of any part of the Building or Project of which the Premises are part;

(d) The proposed sublease shall be in form reasonably satisfactory to Landlord;

(e) There shall not be more than two (2) subtenants of the Premises at any one time;

(f) Tenant shall reimburse Landlord on demand for any costs that may be incurred by Landlord in connection with said assignment or sublease, including the costs of making investigations as to the acceptability of the proposed assignee or subtenant and legal costs incurred in connection with the granting of any requested consent in no case to be greater than One Thousand and No/100 Dollars ($1,000.00); and

(g) Tenant shall not have: (i) advertised or publicized in any way the availability of the Premises without prior notice to, and approval by, Landlord.

Any assignment or transfer shall be made only if and shall not be effective until the assignee shall execute, acknowledge and deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the assignee shall assume all of the obligations of this Lease on the part of Tenant to be performed or observed and shall be subject to all of the covenants, agreements, terms, provisions and conditions contained in this Lease. Notwithstanding any such sublease or assignment and the acceptance of rent or additional rent by Landlord from any subtenant or assignee, Tenant shall and will remain fully liable for the payment of the rent and additional rent due, and to become due

hereunder, for the performance of all of the covenants, agreements, terms, provisions and conditions contained in this Lease. Notwithstanding any such sublease or assignment and the acceptance of rent or additional rent by Landlord from any subtenant or assignee, Tenant shall and will remain fully liable for the payment of the rent and additional rent due, and to become due hereunder, for the performance of all of the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any license, subtenant, assignee or any other person claiming under or through any subtenant that shall be in violation of any of the obligations of this Lease, and any such violation shall be deemed to be a violation by Tenant. Tenant shall further indemnify, defend and hold Landlord harmless from and against any and all losses, liabilities, damages, costs and expenses (including reasonable attorney fees) resulting from any claims that may be made against Landlord by the proposed assignee or subtenant or by any real estate brokers or other persons claiming a commission or similar compensation in connection with the proposed assignment or sublease.

In the event of Tenant's default, Tenant hereby assigns all rents due from any assignment or subletting to Landlord as security for performance of its obligations under this Lease and Landlord may collect such rents as Tenants Attorney-in-Fact, except that Tenant may collect such rents unless a default occurs as described in Paragraph 24 above. The termination of this Lease due to Tenant's default shall not automatically terminate any assignment or sublease then in existence. At the election of Landlord, the assignee or subtenant shall attorney to Landlord and Landlord shall undertake the obligations of the Tenant under the sublease or assignment; provided the Landlord shall not be liable for prepaid rent security deposits or other defaults of the Tenant to the subtenant or assignee.

If Tenant is a corporation or partnership, all the above provisions shall apply to a transfer (by one or more transfers) of a majority of the stock of the corporation or the majority of ownership or control of the partnership, as if such transfer were an assignment of this Lease; but said provisions shall not apply to transactions with a corporation or partnership that controls, is controlled by, or is under common control with Tenant, provided that, in any of such events: (i) the successor to Tenant has a net worth, computed in accordance with generally accepted accounting principles, at least equal to the greater of (x) the net worth of Tenant immediately prior to such transfer or (y) the net worth of Tenant herein named on the date of this Lease; and (ii) proof satisfactory to Landlord of such net worth shall have been delivered to Landlord at least ten (10) days prior to the effective date of any such transaction.

32. CONDEMNATION: If any part of the Premises shall be taken for any public or quasi public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and a part thereof remains which is susceptible of occupation hereunder, this Lease shall as to the part so taken, terminate as of the date title shall vest in the condemn or purchaser, and the rent payable hereunder shall be adjusted so that the Tenant shall be required to pay for the remainder of the term only such portion of such rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking, but in such event Landlord or Tenant shall have the option to terminate this Lease as of the date when title to the part so taken vests in the condemnor or purchaser. If all of the premises, or such part of be taken so that there does not remain a portion susceptible for occupation hereunder, this Lease shall thereupon terminate. If a part or all of the

Premises be taken, all compensation awarded upon such taking shall go to the Landlord and the Tenant shall have no claim thereto but Landlord shall cooperate with Tenant to recover compensation for damage to or taking of any alterations, additions or improvements made by Tenant. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130.

33. EFFECTS OF CONVEYANCE: The term "Landlord" as used in this Lease, means only the owner for the time being of the land and Building, containing the Premises, so that, in the event of any sale of said land or Building, or in the event of a master Lease of the Building, the Landlord shall be and hereby is entirely freed and relieved of all covenants and obligations of the Landlord hereunder, and it shall be deemed and construed, without further agreement between the parties and the purchaser at any such sale, or the master tenant of the Building, that the purchaser or master tenant of the Building has assumed and agreed to carry out any and all covenants and obligations of the Landlord hereunder. Landlord shall transfer and deliver Tenant's security deposit, to the purchaser at any such sale or the master tenant of the Building, and thereupon the Landlord shall be discharged from any further liability in reference thereto.

34. SUBORDINATION: In the event Landlord notifies Tenant in writing, this Lease shall be subordinate to any ground Lease, deed of trust, or other hypothecation for security now or hereafter placed upon the real property of which the Premises are a part and to any and all advances made on the security thereof and to renewals, modifications, replacements and extensions thereof. Tenant agrees to promptly execute any documents which may be required to effectuate such subordination. Notwithstanding such subordination, Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease. At the request of any lender, Tenant agrees to execute and deliver any reasonable modifications of this Lease which do not materially adversely affect the leasehold or Tenant's rights hereunder.

35. WAIVER: The waiver by Landlord of any breach of any term, covenant or condition, herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlords knowledge of such preceding breach at the time of acceptance of such rent.

36. HOLDING OVER: Any holding over after the termination or expiration of the said term, shall be construed to be a hold over tenancy and Tenant shall pay rent to Landlord at a rate equal to the average of (i) one hundred thirty percent (130%) of the effective rent of the current term of the Lease, or (ii) the Fair Market Rental (as defined in paragraph 39). Any holding over shall otherwise be on the terms and conditions herein specified, except those provisions relating to the term and any options to extend or renew, which terms are expressly waived during any hold over. Furthermore, no holding over shall be deemed or construed to exercise any option to extend or renew this Lease in lieu of full and timely exercise of any such option as required hereunder.

37. SUCCESSORS AND ASSIGNS: The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

38. ESTOPPEL CERTIFICATES: Tenant shall at any time during the term of this Lease, upon not less than five (5) business days prior written notice from Landlord, execute and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification) and the date to which the rent and other charges are paid in advance, if any, and acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder or specifying such defaults if they are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon the Tenant that: (a) this Lease is in full force and effect, without modification except as may be represented by Landlord; (b) them are not uncured defaults in Landlord's performance. Tenant also agrees to provide when available up to three (3) years of audited financial statements within five (5) days of a request by Landlord for Landlord's use in financing the premises with commercial lenders. As a condition of Tenant providing such financial statements, Landlord shall secure the written agreement of any such commercial lender to use the financial statements only for the purpose of evaluating the applied for financing and not to disclose the financial statements to any other person without the prior written consent of Tenant.

39. OPTION TO EXTEND THE TERM: Landlord hereby grants to Tenant, upon and subject to the terms and conditions set forth in this paragraph, the option (the "Option") to extend the term of this Lease for an additional term (the "Option Term"), which Option Term shall be a period of sixty (60) months. The Option Term shall be exercised, if at all by written notice to Landlord on or before the date that is three (3) months prior to the expiration date of the initial term of the Lease. If Tenant exercises the Option. each of the terms, covenants and conditions of this Lease except this paragraph shall apply during the Option Term as though the expiration date of the Option Term was the date originally set forth herein as the expiration date of the initial term provided that the rent to be paid shall be the Fair Market Rental, as hereinafter defined, for the Premises for the Option Term. Anything contained herein to the contrary notwithstanding, if Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease either at the time Tenant exercises the Option or at any time thereafter prior to the commencement date of the Option Term, Landlord shall have, in addition to all of Landlords other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the expiration date of this Lease shall be and remain the expiration date of the initial term. As used herein, the term "Fair Market Rental" for the Premises shall mean the rental and all other monetary payments that Landlord could obtain during the Option Term from a third party desiring to lease the Premises for the Option Term taking into account the age of the Building, the quality of construction of the Building and the Premises, the services provided under the terms of this Lease, the rental and other monetary payments, and any escalations and adjustments thereto (including without limitation Consumer Price Indexing) then being obtained for new leases of space comparable to the Premises in the locality of the Building and all other factors that would be relevant to a third party desiring to lease the Premises

for the Option Term in determining the rental such party would be willing to pay therefor. The Lease Guarantee will no longer be required for the Option Term.

If Tenant exercises the Option, Landlord shall send to Tenant a notice setting forth the Fair Market Rental for the Premises for the Option Term, on or before the date that is one hundred fifty (150) days prior to the expiration date of the initial term. If Tenant disputes Landlord's determination of the Fair Market Rental for the Option Term, Tenant shall within thirty (30) days after the date of Landlords notice setting forth the Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either (x) elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the expiration date of the initial term in the manner provided herein, or (y) disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in paragraph 39(a) below. If Tenant does not send to Landlord a notice as provided in the previous sentence, Landlord's determination of the Fair Market Rental shall be the basis for determining the rent to be paid by Tenant hereunder during the Option Term. If Tenant elects to resolve the disagreements as provided in paragraph 39(a) below and such procedures shall not have bene concluded prior to the commencement date of the Option Term, Tenant shall pay rent to Landlord hereunder adjusted to reflect the Fair Market Rental as determined by Landlord In the manner provided above. If the amount of Fair Market Rental as finally determined pursuant to in paragraph 39(a) below is greater than Landlord's determination, Tenant shall pay to Landlord the difference between the amount paid by Tenant and the Fair Market Rental as so determined in paragraph 39(a) below within thirty (30) days after the determination. If the Fair Market Rental as finally determined in paragraph 39(a) below is less than Landlord's determination, the difference between the amount paid by Tenant and the Fair Market Rental as so determined in paragraph 39(a) below shall be credited against the next installments of rent due from Tenant to Landlord hereunder.

39(a) RESOLUTION OF A DISAGREEMENT OVER THE FAIR MARKET RENTAL: Any disagreement regarding the Fair Market Rental shall be resolved as follows:

(i) Within thirty (30) days after Tenant's response to Landlords notice to Tenant of the Fair Market Rental, Landlord and Tenant shall meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve any such disagreement.

(ii) If within the thirty (30) day period referred to in (i) above, Landlord and Tenant can not reach agreement as to the Fair Market Rental, they shall each select one appraiser to determine the Fair Market Rental. Each such appraiser shall arrive at a determination of the Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the thirty (30) day consultation period described in (i) above.

(iii) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the Fair Market Rental. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, the average of the two shall be the Fair Market Rental. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a

third appraiser who shall within thirty (30) days after his or her selection make a determination of the Fair Market Rental and submit such determination to Landlord and Tenant. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the Fair Market Rental.

(iv) All appraisers specified pursuant to this paragraph shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising commercial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other incurred in resolving the dispute pursuant to this paragraph.

40. OPTION AND RIGHT OF FIRST OFFERING TO LEASE:

40(a). OPTION TO LEASE: Subject to the rights of any existing tenants, Landlord hereby grants Tenant an option to lease the space comprising the balance of the Building of 58,601 square feet ("Expansion Space") upon the expiration of the existing lease on the Expansion Space. Tenant shall have the option, which may be exercised by written notice to Landlord at any time within forty-five (45) days after Tenant's receipt of Landlord's notice, to agree to lese the Expansion Space at Fair Market Rental determined pursuant to paragraph 39. The lease term for the Expansion Space shall be coterminous with the expiration of this Lease and shall provide for a five year option to extend at Fair Market Rental. Notwithstanding the foregoing, in the event Tenant fails to exercise this option within said forty-five (45) days, Landlord shall have one hundred eighty (180) days thereafter to lese the Expansion Space at Fair Market Rental. In the event Landlord fails to lease the Expansion Space within said one hundred eighty (180) day period, Landlord shall be required to resubmit such offer to Tenant in accordance with this paragraph 40(a).

40(b) RIGHT OF FIRST OFFERING TO LEASE: Subject to the rights of any existing tenants and if Tenant does not exercise its option provided in paragraph 40(a) above, Landlord hereby grants Tenant a right of first offering to lease the Expansion Space at such time as the Expansion Space again becomes available for lease. Prior to Landlord offering to lease the Expansion Space to a third party, Landlord shall first give Tenant prior written notice of such desire and the terms and other information under which Landlord intends to lease the Expansion Space. Tenant shall have the option, which may be exercised by written notice to Landlord at any time within ten (10) business days after Tenant's receipt of Landlord's notice, to agree to lese the Expansion Space at the rent and terms of lease specified in the notice. In the event Tenant agrees to lease the Expansion Space, Landlord shall lease the Expansion Space to Tenant in accordance with the notice. In the event Tenant fails to exercise Tenant's option within said ten (10) days, Landlord shall have ninety (90) days thereafter to lease the Expansion space at the same or higher rent and upon the same terms of lease as specified in the notice to Tenant. In the event Landlord fails to lease the Expansion Space to a third party within said ninety (90) day period or in the event Landlord proposes to lease the Expansion Space to a third party at a lower rent or on more favorable terms than that proposed to Tenant, Landlord shall be required to resubmit such offer to Tenant in accordance with this paragraph 40(b).

41. OPTIONS: All Options provided Tenant in this Lease are personal and granted to original Tenant and are not exercisable by any third party should Tenant assign or sublet all or a portion of its rights under this Lease, unless Landlord consents to permit exercise of any option by any assignee or subtenant, in Landlords sole discretion. In the event that Tenant hereunder has any multiple options to extend this Lease, a later option to extend the Lease cannot be exercised unless the prior option has been so exercised. Any purchaser of Tenant's assets, or successor to Tenant by way of merger or other corporate reorganization shall not be considered a third party if said successor's credit worthiness and the ability of its management is, in Landlord's reasonable opinion, equivalent to those of the original Tenant.

42. QUIET ENJOYMENT: Upon Tenant's faithful and timely performance of all the terms and covenants of the Lease, Tenant shall quietly have and hold the Premises for the term and any extensions thereof.

43. BROKERS: Tenant represents it has not utilized or contacted a real estate broker or finder with respect to this Lease other than Grubb & Ellis and Tenant agrees to indemnify and hold Landlord harmless against any claim, cost, liability or cause of action asserted by any broker or finder claiming through Landlord.

44. LANDLORD'S LIABILITY: If tenant should recover a money judgment against Landlord arising in connection with this Lease, the judgment shall be satisfied only out of Landlord's interest in the Premises including the improvements and real property and neither Landlord or any of its partners shall be liable personally for any deficiency. General partners of Landlord shall be liable personally for any deficiency if their own intentional acts or omissions are responsible for the claim upon which the judgment was obtained.

45. AUTHORITY OF PARTIES:

45(a) CORPORATE AUTHORITY: If Tenant is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the bylaws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms.

45(b) LIMITED PARTNERSHIPS: If the Landlord herein is a limited partnership, it is understood and agreed that any claim by Tenant on Landlord shall be limited to the assets of the limited partnership. And furthermore, Tenant expressly waives any and all rights to proceed against the individual partners or the officers, directors or shareholders of any corporate partner, except to the extent of their interest in said limited partnership.

46. TRANSPORTATION DEMAND MANAGEMENT REQUIREMENTS: Should a government agency or municipality require Landlord to institute TDM (Transportation Demand Management) facilities and/or program, Tenant hereby agrees that the cost of IDM imposed facilities required on the Premises, including but not limited w employee showers, lockers, cafeteria, or

lunchroom facilities, shall be included as Tenant Improvement Costs and any ongoing costs or expenses associated with a TDM program such as an on-site TDM coordinator, which are required for premises and not provided by Tenant shall be provided by Landlord with such costs being included as Additional Rent and reimbursed to Landlord by Tenant.

47. MISCELLANEOUS PROVISIONS: All rights and remedies hereunder are cumulative and not alternative to the extent permitted by law and are in addition to all other rights and remedies in law and in equity.

If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction. the remainder of the term shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

This Lease shall be governed by and construed in accordance with California law.

Tenant shall not permit or condone any nuisance or distance of any kind on the Premises which annoys or disturbs Landlord, or other occupants of the Building.

All sums due hereunder, including rent and additional rent, if not paid when due, shall bear interest at a reasonable rate under California law accruing from the date due until the date paid to Landlord.

Time is of the essence hereunder.

The headings or titles to the paragraphs of this Lease am not a part of this Lease and shall have no effect upon the construction or interpretation of any part thereof nor shall any phrases in capital letters have any increased emphasis. This instrument contains all of the ingredients and conditions made between the parties hereto and may not be modified orally or in any other manner than by an agreement in writing signed by all of the parties hereto or their respective successors in interest.

If Tenant fails to perform any obligation required under this Lease or by law or governmental regulation, Landlord in its sole discretion may with ten (10) business days notice perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance within ten (10) business days following Landlord's written notice for such payment. Any delinquent sum shall bear interest at a reasonable lawful contract rate to be charged under California law.

All monetary sums due from Tenant to Landlord under this Lease shall be deemed to be rent.

Tenant acknowledges that neither Landlord or its affiliates or agents have made any agreements, representations, warranties or promises with respect to the demised Premises or the Building of which they are a part, or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth, Tenant relied on no statement of Landlord or its agents for that purpose.

48. ARBITRATION: It is the express intention of the parties that any claim or controversy of any land arising out of or relating in any way to this Agreement shall be resolved only by submission to binding arbitration in accordance with the then prevailing American Arbitration rules with the following modifications:

(a) The Parties will attempt to agree upon one arbitrator: in the event that they cannot so agree, them shall be three (3) arbitrators, one appointed in writing by each of the parties within five (5) days after either party gives notice to the other of failure to agree on a single arbitrator, and a third arbitrator shall be chosen within ten (10) days by the two (2) arbitrators appointed by the parties. Should either party refuse or neglect to name the arbitrator to be appointed by it within said five (5) days, such party shall be conclusively presumed to have waived its right to appoint such arbitrator, the arbitrator named by the other party may appoint the third arbitrator, and such two arbitrators may proceed with determination of the dispute. Should the two (2) arbitrators to be appointed by the parties fail to choose a third arbitrator within said ten (10) days, the Arbitration Association shall name the third arbitrator on the request of either party.

(b) Arbitration shall take place in the County of Santa Clara, California.

(c) Notwithstanding any provision to the contrary in the applicable law or in the rules of the American Arbitration Association, the arbitrators shall have authority to award injunctive relief, specific performance, and damages for lost profits, as well as punitive and consequential damages of any nature, in addition to awarding actual damages, the cost of the arbitration and reasonable attorney's fees.

(d) Pursuant to California Code of Civil Procedure l283.1(b), the Parties agree that the provisions of 1283.05 are hereby incorporated into, made a part of and are applicable to this Agreement to arbitrate solely for the purpose of obtaining the production of documents.

(e) To the extent not covered by the arbitrator's award, the cost of the arbitration shall be shared equally by the parties.

(f) Any award rendered by the arbitrator may be entered for enforcement, if necessary, in any court of competent jurisdiction, the party against whom enforcement is sought bearing the costs and expenses, including

IN WITNESS WHEREOF, Landlord and Tenant have executed these presents, the day and year first above written.

LANDLORD:	TENANT:
SOBRATO INTEREST a California Limited Partnership	INTEGRATED INFORMATION TECHNOLOGY, INC. a California Corporation
BY: _____ ITS: Managing General Partner	BY: _____ ITS: President

LANDLORD'S CONSENT TO ALTERATIONS AND IMPROVEMENTS

Premises: 2445 Mission College Boulevard, Santa Clara, CA
Landlord: Sobrato Interests
Tenant: 8 x 8
Lease Agreement Dated: July 3, 1990

Pursuant to Paragraph 4 of the Lease Agreement between the Parties, by signature below, Landlord consents to the construction by Tenant of the alterations and improvements proposed in accordance with the following description:

Install a Fiber Optic cable for 8 x 8, Inc.: This will require Brooks Fiber Communications to place 45 feet of 4" conduit rising on the rear of building 2445 at the telephone/equipment room. The conduit win start from the outside at column D1 and penetrate into the telephone room. The 4" conduit will rise approximately 10 feet on the building exterior wall and terminate in a weatherproof NEMA enclosure and then enter the building.

This consent is expressly conditioned upon Tenant's acknowledgment of and timely and faithful performance as follows:

1. Landlord's consent to the plans and specifications is an accommodation to Tenant only, and Landlord shall have no liability or responsibility, either express or implied, for the completeness or suitability of the plans and specifications for their intended purpose.

2. Tenant shall construct the improved alterations and improvements in accordance with all existing applicable municipal, local, state and federal laws, statutes, rules, regulations and ordinances.

3. Tenant will not commence construction until it has obtained validly issued and fully paid permits for the contemplated work.

4. Tenant will obtain Landlord's prior written consent to substantial and material changes in the nature or scope of the work.

5. Tenant will indemnify and hold Landlord harmless from any loss, cost, damage or expense of any kind or nature resulting from the work, including, without limitation, any loss or damage as result of defective work from any cause; any damage or injury to persons or property, including any damage to the structure or adjacent improvements; claims of workmen, suppliers and/or professional consultants, including mechanics lien claims; and any cost or expense incurred by Landlord in defense of, repair of or payment of such claims, including its reasonable attorneys' fees. Upon written demand from Landlord, Tenant shall immediately pay to Landlord any such cost or

expense incurred by Landlord, and such obligation shall be a claim for "additional rent" due from Tenant under the terms of the Lease Agreement.

6. If applicable, Tenant covenants and agrees it will not interfere with the use or occupancy of the premises by other tenants, or their licensees or invitees, and will not disturb their quiet enjoyment of the premises and appurtenant amenities, including access to parking, etc.

7. Tenant agrees to post and insure continued posting of the statutory Notice of Non responsibility of Landlord prior to commencement of any of the work.

8. On or before the expiration of the term or sooner termination of the Lease, Tenant shall remove all of its personal property, trade fixtures and any alterations and improvements constructed hereunder from the premises unless the Landlord shall notify Tenant in writing of any exception to this obligation and all property not so removed shall be deemed abandoned by Tenant. Any damage or destruction caused by Tenant's removal of such items shall be repaired and paid for at Tenant's sole cost and expenses.

9. Tenant agrees to provide Lessor with half size (15" X 21") vellums of the as-built floor, electrical and mechanical plans describing the entire Premises within 2 weeks of completion of all alterations and improvements that properly reflect all of the demised premises in its revised state.

Landlord: Sobrato Interests

By: _____

Date: _____

Tenant: 8 x 8, Inc.

By: _____

Date: _____

LANDLORD'S CONSENT TO ALTERATIONS AND IMPROVEMENTS

PREMISES: 2445 Mission College Boulevard
LANDLORD: Sobrato Interests, a California Limited Partnership
TENANT: Integrated Information Technology, Inc.
LEASE AGREEMENT DATED: July 3, 1990

Pursuant to Paragraph 10 of the Lease Agreement between the Parties, by signature below, Landlord consents to the construction by Tenant of a wall mounted sign at 2445 Mission College Boulevard proposed in accordance with the specifications submitted to Landlord dated February 22, 1991:

This consent is expressly conditioned upon Tenant's acknowledgment of and timely and faithful performance as follows:

1. Landlord's consent to the plans and specifications is an accommodation to Tenant only, and Landlord shall have no liability or responsibility, either express or implied, for the completeness or suitability of the plans and specifications for their intended purpose.

2. Tenant shall construct the improved alterations and improvements in accordance with all existing applicable municipal, local, state and federal laws, statutes, rules, regulations and ordinances.

3. Tenant will not commence construction until it has obtained validly issued and fully paid permits for the contemplated work.

4. Tenant will obtain Landlord's prior written consent to substantial and material changes in the nature or scope of the work.

5. Tenant will indemnify and hold Landlord harmless from any loss, cost, damage or expense of any kind or nature resulting from the work, including, without limitation, any loss or damage as result of defective work from any cause; any damage or injury to persons or property, including any damage to the structure or adjacent improvements; claim of workmen, suppliers and/or professional consultants, including mechanics lien claims; and any cost or expense incurred by Landlord in defense of, repair of or payment of such claims, including its reasonable attorneys' fees. Upon written demand from Landlord, Tenant shall immediately pay to Landlord any such cost or expense incurred by Landlord, and such obligation shall be a claim for "additional rent" due from Tenant under the terms of the Lease Agreement.

6. If applicable, Tenant covenants and agrees it will not interfere with the use or occupancy of the premises by other tenants, or their licensees or invitees, and will not disturb their quiet enjoyment of the premises and appurtenant amenities, including access to parking, etc.

7. Tenant agrees to post and insure continued posting of the statutory Notice of Nonresponsibility of Landlord prior to commencement of any of the work.

8. On or before the expiration of the term or sooner termination of the Lease, Tenant shall remove all of its personal property, trade fixtures and any alterations and improvements consumed hereunder from the premises unless the Landlord shall notify Tenant in writing of any exception to this obligation and all property not so removed shall be deemed abandoned by Tenant. Any damage or destruction caused by Tenants removal of such items shall be repaired and paid for at Tenant's sole cost and expenses.

LANDLORD:
Sobrato Interests,
a California Limited Partnership

By: _____

Date: _____

TENANT:
Integrated Information Technology, Inc.

By: _____

Date: _____

FIRST AMENDMENT TO LEASE

This Amendment is made this 31st day of March 1991 by and between SOBRATO INTERESTS, a California Limited Partnership having an address at 10600 N. DeAnza Blvd., Suite 200, Cupertino, California 95014 ("Landlord") and INTEGRATED INFORMATION TECHNOLOGY, INC., a California corporation ("Tenant").

WITNESSETH

WHEREAS Landlord and Tenant entered into a lease ("Lease") dated July 3, 1990 for the premises ("Premises") located at 2441 Mission College Boulevard, Santa Clara, California; and

WHEREAS effective]December 15, 1990, Landlord and Tenant wish to modify the Lease to document the Commencement Date; and

WHEREAS Landlord and Tenant wish to modify the address of the Premises to 2445 Mission College Boulevard, Santa Clara, California; and

WHEREAS Landlord and Tenant wish to modify the square footage, adjust Tenant's Allocable Share of the Common Area Costs and adjust the rent schedule of the Premises to reflect the elimination of 63 square feet by the toilet room constructed for Stanford Telecommunications' cafeteria.

NOW, THEREFORE, in order to effect the intent of the parties as set forth above and for good and valuable consideration exchanged between the parties, the Lease is amended effective December 15, 1990 as follows:

1. The Lease Commencement Date shall be December 15, 1990 and the Lease shall expire on December 14, 1997.

2. The address of the Premises shall be changed to 2445 Mission College Boulevard and the square footage of the Premises shall be reduced to 42,387 square feet.

3. The revised rent schedule, total shall be $3,346,877.52, paid in monthly installments as follows:

12/15/90-12/14/91	$16,954.80	$203,457.60	$0.40/sq.ft.
12/15/91-12/14/92	$35,181.21	$422,174.52	$0.83/sq.ft.
12/15/92-12/14193	$40,267.65	$483,211.80	$0.95/sq.ft.
12/15/93-12/14/94	$42,810.87	$513,730.44	$1.01/sq.ft.
12/15/94-12/14/95	$45,354.09	$544,249.08	$1.07/sq.ft.
12/15/95-12/14/96	$47,897.31	$574,767.72	$1.13/sq.ft.
12/15/96-12/14/97	$50,440.53	$605,286.36	$1.19/sq.ft.

4. Tenant's Allocable Share of Building Costs shall be changed to 42.27%, Share of Project Costs to 10.11%, and for all tax-related expenses, to 17.89%.

5. Except as hereby amended, the Lease and all of the terms, covenants and conditions thereof are ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have set their hands to this Amendment as of the day and date first above written.

LANDLORD	TENANT
Sobrato Interests	Integrated Information Technology, Inc.,
a California limited partnership	a California corporation
By: _____	By: _____
Its: General Partner	Its: Vice President

SECOND AMENDMENT TO LEASE

This second amendment to lease ("Amendment") is made this 22nd day of March, 1994 by and between Sobrato Interests, a California Limited Partnership having an address at 10600 N. DeAnza Blvd., Suite 200, Cupertino, California 95014 ("Landlord") and Integrated Information Technology, Inc., a California Corporation having its principal place of business at 2445 Mission College Boulevard, Santa Clara, California ("Tenant").

WITNESSETH

WHEREAS Landlord and Tenant entered into a lease dated July 3, 1990 and a First Amendment to Lease dated March 31, 1991 (collectively the "Lease") for the premises ("Premises") located on the first floor of 2441-45 Mission College Boulevard, Santa Clara, California; and

WHEREAS effective July 6, 1993, Landlord and Tenant wish to modify the Lease to reflect the Tenant's lease of certain space within the Building totaling an additional 13,568 rentable square feet on the first and second floors ("Expansion Space") and the first floor cafeteria area ("Cafeteria") of 2,933 square feet as more particularly outlined in red on Exhibit "A-1 & A-2" attached hereto.

NOW, THEREFORE, in order to effect the intent of the parties as set forth above and for good and valuable consideration exchanged between the parties, the Lease is amended as follows:

1. Beginning on August 8, 1993 and continuing through the expiration of the Lease on December 14, 1997 the Premises shall be increased to include the Cafeteria resulting in a total square footage leased by tenant of 45,320 square feet and the monthly rent due from Tenant shall increase at that time by $3,000.00 to $43,267.65.

2. Beginning on April 1, 1994 or sixty (60) days following the termination of the existing lease with Xerox for the Expansion Space, whichever is later, and continuing through the expiration of the Lease on December 14, 1997 the Premises shall be increased to include Expansion Space resulting in a total square footage leased by Tenant of 58,888 square feet and the monthly rent shall increase by $11,125.76 at that time to $56,936.63.

3. The rent schedule specified in the First Amendment to Lease shall be modified as follows:

04/01/94-12/14/94	$56,936.63 per month
12/15/94-12/14/95	$59,479.85 per month
12/15/95-12/14/96	$62,023.07 per month
12/15/96-12/14/97	$64,566.29 per month

4. Within five (5) days of the date of this Amendment Tenant shall deposit $15,766.50 as an additional security deposit to provide a total security deposit of $51,000.00.

5. Tenant's Allocable Share of Building Costs for costs allocable to the entire Building shall be equal to 58.73%, Share of Building Costs for costs allocable to the second floor only shall be equal to 24.56%, Share of Project Costs shall be equal to 14.04% and Share of tax related costs (shared with 2451 Mission) shall be equal to 24.85%. Tenant shall not be responsible for its pro-rata share of utilities until Tenant occupies any portion of the Expansion Space.

6. No tenant improvement allowance shall be provided by Landlord for the Cafeteria or the Expansion Space.

7. Tenant agrees to allow access to the Cafeteria to SynOptics Communication and Xerox ("SynOptics") on the same basis as it is provided to Tenant's employees through December 31, 1993. In the event, SynOptics or Xerox utilizes the Cafeteria, the rent paid by Tenant for the Cafeteria during such period of shared use shall be reduced to an amount equal to $3,000 times a fraction, the numerator of which is the headcount of Tenant, the denominator of which is the headcount of Tenant plus the headcount of SynOptics and Xerox within the Project.

8. Article 7 (Construction) and Article 40 (Option and Right of First Offering) are deleted.

9. Landlord shall install, at its expense, one door in the northwest corner of the Expansion Space and shall reconfigure the first floor loading area as shown on Exhibit "A-1 & A-2".

10. Tenant shall have the right to utilize the freight elevator within the SynOptics' or Xerox space one or two times monthly with prior written notice to, and accompaniment by, SynOptics or Xerox. In addition Tenant shall have the right to utilize the passenger elevator at the Xerox lobby as necessary to accommodate handicapped persons pursuant to ADA and other applicable regulations.

11. This Amendment shall replace that certain Second Amendment to Lease executed by the parties dated September 23,1993.

12. All defined terms shall have the same meanings as in the Lease, except as otherwise stated in this Amendment.

13. Except as hereby amended, the Lease and all of the terms, covenants and conditions thereof shall remain unmodified and in full force and effect. In the event of any conflict or inconsistency between the terms and provisions of this Amendment and the terms and provisions of the Lease, the terms and provisions of this Amendment shall prevail.

IN WITNESS WHEREOF, the parties hereto have set their hands to this Amendment as of the day and date first above written.

LANDLORD	TENANT
Sobrato Interests, a California Limited Partnership	Integrated Information Technology, Inc., a California Corporation
By: _____ Its: General Partner	By: _____ Its: Chief Operating Officer

BUILDING FOOTAGE ANALYSIS (SQ. FT.)

		ITT		XEROX SYNOPTICS		COMMON		
FIRST FLOOR		45,115		1,053		192		
		795		1,018				
	TOTALS	45,910	+	2,071		192	=	48,173
PRORATED		182		8		0		
TOTAL		46,094		2,079		0	=	48,173
SECOND FLOOR		11,716		36,578		3,615	=	52,099
		190						
	TOTALS	11,906	+	36,578	+	3,615	=	52,099
PRORATED		888		2,727		0		
TOTAL		12,794	+	39,305		0	=	52,099
	TOTALS	58,888	+	41,384	+	0	=	100,272

[XEROX/SYNOPTICS SQUARE FOOTAGE MAP]

[XEROX/SYNOPTICS SQUARE FOOTAGE MAP]

THIRD AMENDMENT TO LEASE

This third amendment to lease ("Amendment") is made this 18th day of December, 1995 by and between Sobrato Interests, a California Limited partnership having an address at 10600 N. DeAnza Blvd., Suite 200, Cupertino, California 95014 ("Landlord") and Integrated Information Technology, Inc., a California corporation having its principal place of business at 2445 Mission College Boulevard, Santa Clara, California ("Tenant").

WITNESSETH

WHEREAS Landlord and Tenant entered into a lease dated July 3, 1990 a First Amendment to Lease dated March 31, 1991 and a Second Amendment to Lease dated March 22, 1994 (collectively the "Lease") for the premises ("Premises") located on the first and second floors of 2441-2445 Mission College Boulevard, Santa Clara, California; and

WHEREAS effective October 25, 1995, Landlord and Tenant wish to clarify the language in the Lease regarding the payment of common area expenses for the second floor space leased to Tenant ("Expansion Space");

NOW, THEREFORE, in order to effect the intent of the parties as set forth above and for good and valuable consideration exchanged between the parties, the Lease is amended as follows:

1. Beginning on May 14, 1994, the date the Expansion Space was added to the Premises, Tenant agrees to reimburse Landlord for common area operating expenses related to Tenants occupancy of the Expansion Space, on a monthly basis as provided herein. Tenants allocable share of such costs shall be twenty-four percent (24%). The foregoing electric allocable shares shall be subject to further adjustment in the event (i) the meter configuration is modified so the meters no longer service just the second floor or (ii) if either tenant on the second floor disproportionately utilizes the utility services.

2. The parties estimate that Tenants allocable share of costs for common area operating expenses associated with the Expansion Space for 1994 and 1995 will be equal to the following:

Electric, Water - $12,000 x 24%	$2,880.00
HVAC Monthly Maint. (11,906 sf x $.007 psf)	$83.00
Janitorial Common Area	$72.00
HVAC Common Area (3,615 sf x $.007 x 24%)	$6.00
Total	$3,041.00

In addition, 24% of all costs and expenses for repairs to the Common Areas and building systems (which are not included in the above costs and cannot be determined at this time) shall be paid by Tenant to Landlord promptly when due.

Within thirty (30) days following the end of each calendar year, Landlord shall provide Tenant an accounting reconciling the amount paid by Tenant against the amount owed by Tenant based on the actual costs for the year. Any amount due from one party to the other shall be paid within ten (10) days of such determination.

3. All defined terms shall have the same meanings as in the Lease, except as otherwise stated in this Amendment.

4. Except as hereby amended, the Lease and all of the terms, covenants and conditions thereof shall remain unmodified and in full force and effect. In the event of any conflict or inconsistency between the terms and provisions of this Amendment and the terms and provisions of the Lease, the terms and provisions of this Amendment shall prevail.

IN WITNESS WHEREOF, the parties hereto have set their hands to this Amendment as of the day and date first above written.

LANDLORD	TENANT
Sobrato Interests, a California Limited Partnership	Integrated Information Technology, Inc., a California Corporation
By: _____	By: _____
Its: General Partner	Its: Vice President, Finance

I.I.T. XEROX CHGS

I.I.T.

TENANT: 442TR 2445 MISSION COLLEGE

DATE	XEROX CHARGES		MARK-UP 8.5%		AMOUNT
5/15/94-8/31/94	$10,822.63	+	$919.92	=	$11,742.55
9/1/94-11/30/94	$9,123.00	+	$775.46	=	$9,898.46
12/1/94-4/30/94	$15,205.00		$1,292.43	=	$16,497.43
TOTALS	$35,150.63		$2,987.80		$38,138.43

EXHIBIT "A"
PREMISES

[FLOOR PLAN]

FEATURES

- - Prestigious location adjacent to Marriott Hotel, two blocks from City of Santa Clara's Convention Center, Techmart, and Light Rail Terminus.

- - Dock high loading facilities.

- - Surrounded by lush landscaping and waterscape

- - 296 Parking spaces [3.6/1000 SF]

- - 225 Tons of HVAC, 4000 Amps at 277/480v

- - All Ground Floor Space

- - Use of full service cafeteria - No Rental to be Paid.

- - Cafeteria to be relocated at landlord's expense to the northeast corner of the building and Exhibit to be revised accordingly

EXHIBIT "B"
WORKING DRAWINGS

EXHIBIT 10.9

LICENSE AGREEMENT
CONFIDENTIAL

This Agreement is made between KYUSHU MATSUSHITA ELECTRIC CO., LTD. (herein called KME); and 8x8, INC. (herein called 8x8), effective the 7th day of May, 1996.

WHEREAS, 8x8 a developer and a supplier of integrated circuit products has the right to license certain software and related materials useful in connection with the use of such integrated circuits which software and related materials contain valuable proprietary information of 8x8; and

WHEREAS, KME is in the business of developing and marketing hardware products; and

WHEREAS, KME desires to obtain certain rights from 8x8 with respect to that software and related materials from 8x8.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained hereinafter, 8x8 and KME agree as follows:

1. LICENSE. 8x8 will immediately deliver to KME all of the source code version and/or object code version of the H.324 code and related software and document, as well as the DVC7 board schematics (herein called H.324 Technology) by the 15th day of May, 1996, and hereby grants to KME a nonexclusive, nonassignable world-wide license to make, have made, use or sell products with such H.324 Technology and any 8x8 patents or copyrights relevant thereto (including after acquired rights), all to the extent 8x8 is legally entitled to grant rights thereto to KME hereunder. In consideration therefore, KME will pay 8x8 immediately [*] (to be received by wire transfer on or before [*] after execution of this Agreement) and another [*] on [*] (total [*] for the immediate delivery of what 8x8 has in the way of H.324 Technology). If 8x8 fails to deliver the H.324 Technology to KME within 30 days to the reasonable satisfaction of KME, KME shall have the right to request on or before 30 days from the effective date of this agreement that 8x8 refund the amount paid (in which case this Agreement is void, other than the provision on confidentiality, and KME will return all materials to 8x8 and not use the proprietary technology furnished by 8x8). These payments are not contingent on 8x8 doing anything further, or upon the results of KME's developments or use of such H.324 Technology. Except for the above, 8x8 makes no warranties expressed or implied as to the condition of such technology, other than 8x8 hereby represents that it has not knowingly misused or stolen technology of others; provided 8x8 makes no warranties with respect to the ITU standard itself, such as DSP Group's claims with respect to G.723 as 8x8 explained to KME. KME hereby grants to 8x8 a nonexclusive, nonassignable world-wide license to make, have made, use or sell products covered by patents KME has now or later acquires, to the extent KME is legally entitled to do so, but limited to H.324 Technology.

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[*] Confidental treatment requested.

2. LICENSING OF ENHANCEMENTS. The parties agree, at no charge, to license to the other party any enhancements of H.324 Technology which will be performed on LVP or VCP chip (or enhancements to the LVP/VCP chip if KME elects to manufacture as provided below) made by either party, delivered at least monthly, until such time as KME decides to discontinue licensing enhancements by notice to 8x8 (but enhancements up to the date of such notice shall be shared).

3. ADDITIONAL CONSIDERATION. If KME succeeds in achieving its objective of initiation of shipment of volume manufacturing by [*] of a [*] in FOB Japan price of [*] US dollars or less, as defined according to its specifications in good faith, then KME will pay to 8x8 additional consideration for the license in paragraph 1 of [*] on or before [*]. In the event that KME fails to achieve such objective for any reason (regardless of cause by 8x8 or KME), KME will not be obligated to pay to 8x8 such additional consideration.

4. MANUFACTURING OF LVP/VCP CHIP. KME has the right to obtain from 8x8 the technology 8x8 has for manufacturing the LVP and/or VCP chip upon payment to 8x8 of [*] (provided credit is given for the payment to the extent made by KME to 8x8 under paragraph 3 above). In the event that KME paid the additional [*] consideration to 8x8 under paragraph 3 above, payment of [*] under this paragraph 4 shall be reduced to [*]. 8x8 shall then provide to KME all technical information, including without limitation the schematics and process flows (hereinafter called LVP/VCP Technology), which is necessary for KME to manufacture the LVP and/or VCP. KME may have made the LVP and/or VCP by its subcontractors. KME is limited to using the LVP and/or VCP chips it manufactures to internal use only (but internal includes any affiliate of KME, such as any entity controlled directly or indirectly by Matsushita Electric Industrial Co., Ltd.) on systems assembled by KME or its affiliates. Under no circumstances is KME or its subcontractors allowed to sell or make available such LVP and/or VCP chips to unaffiliated entities. Further, KME will pay to 8x8 a royalty of [*] of the value (material costs plus reasonable manufacturing costs of the LVP and/or VCP chip or shipping price to KME from its subcontractors) of the LVP and/or VCP chip (or any unit wherein KME uses any part of the LVP and/or VCP chip technology) or [*], whichever is greater.

5. ENGINEERING SUPPORT. 8x8 will provide engineering support to KME to enable KME [*] to implement the DVC7 for demonstration purposes in [*] and to enable KME to achieve its objectives of volume manufacturing by the end of [*], to the extent possible. The parties shall bear any of their own costs and expenses incurred by each party for performance of engineering support. 8x8 will provide reasonable technical support, [*] to KME with respect to H.324 Technology after initiation of volume manufacturing. If KME at any time request 8x8 engineers or others to travel to Japan, KME will pay the reasonable cost agreed upon by both parties associated therewith, including 8x8's labor cost for such 8x8 personnel as well as travel (business class on the airplane), meals and lodging.

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[*] Confidential treatment requested.

6. LVP/VCP PRICING. Once KME places noncancellable orders for [*] units of LVP and/or VCP in any single quarter, 8x8 will assure KME that the pricing for such units [*]; and further, 8x8 will do its best to selectively sort the units to identify the units that will best work in KME's system. The parties recognize that the price target is [*] or less under this paragraph.

7. WARRANTIES. 8x8 represents and warrants that as of the Effective date of this agreement it has received no notice that H.324 Technology and Technical Information infringes any patent, copyright, trade secret or other intellectual property right (collectively Intellectual Property Rights) of any third party. 8x8 will immediately advise KME of any such notice received by 8x8 in the future as it applies to H.324 Technology (or LVP/VCP Technology if KME elects to manufacture it), whether current versions of H.324 Technology or later enhanced versions, and whether the enhancement was done by 8x8 or KME; likewise KME will notify 8x8 of any notice KME receives where there is a claim that applies to H.324 Technology (or LVP/VCP if KME elect to manufacture it), whether current versions of H.324 Technology or later enhanced versions, and whether the enhancement was done by 8x8 or KME. Each party bears the risk that some party claims or sues it with respect to alleged infringement of Intellectual Property Rights of others; provided that the other party will cooperate in such litigation to the extent it can be helpful in defending against such claims of other third parties. EITHER PARTY MAKES NO WARRANTIES EXPRESSED OR IMPLIED AS TO THE QUALITY, PATENTS OR COPYRIGHTS OF ANYTHING DELIVERED HEREUNDER AND ENHANCEMENT, EXCEPT AS SPECIFIED IN THIS AGREEMENT. EITHER PARTY MAKES NO INDEMNITY IN THE EVENT THAT THE OTHER PARTY IS SUED FOR ANYTHING RELATED TO THE H.324 TECHNOLOGY OR LVP/VCP TECHNOLOGY OR ENHANCEMENT HEREUNDER EXCEPT AS SPECIFIED IN THIS AGREEMENT, BUT EITHER PARTY WILL COOPERATE IN THE EVENT OF SUCH LITIGATION TO ASSIST THE OTHER PARTY TO DEFEND SUCH LITIGATION.

8. CONFIDENTIAL INFORMATION. The parties will keep confidential any information provided to it by the other party that is proprietary to the other party and marked confidential; provided such information shall not be considered proprietary once it is in the public domain by no fault of the other party. Such confidentiality will be maintained by the other party with the same care that such party would use for its own confidential information, but in any event with reasonable care.

9. TERMINATION. This Agreement may be terminated by KME at any time after paying the [*] required under paragraph 1. A party may terminate this Agreement if the other party (a) becomes involved in any voluntary or involuntary bankruptcy or other insolvency proceeding not terminated within 30 days, or (b) ceases to be actively engaged in business or financially capable of fulfilling its obligations under this Agreement. Even though 8x8 becomes involved in any voluntary or involuntary bankruptcy or succession or assignment or other insolvency proceedings, or ceases to be actively in business, KME shall have its rights under this Agreement provided KME is making the financial payments required by KME hereunder. A party may terminate this Agreement on thirty (30)

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[*] Confidential treatment requested

days written notice for breach by the other party unless it is corrected and notice thereof given to the party not in breach within the same thirty (30) days. A license shall end on termination of this Agreement. Termination of this Agreement shall not relieve either party of any obligation hereunder for transactions completed or for which commitments have been made in the normal course prior to such termination, nor the obligations concerning nondisclosure of information contained here. KME will return the object code version and the source code version of the H.324 Technology, all other confidential information, and all copies thereof to 8x8 promptly upon termination of the Agreement, and KME then covenants not to use the 8x8 proprietary technology contained in the H.324 Technology (or LVP/VCP Technology, to the extent KME obtains it).

10. COMPLETE AGREEMENT. This is a complete agreement binding upon the parties, their heirs, successors and assigns. It may only be modified in writing signed by officers of both parties. It is governed by the laws of California. KME is entitled to withhold taxes not exceeding 10% due the government of Japan on any payment due 8x8 hereunder, provided KME furnishes 8x8 with proof of such payment of taxes.

IN WITNESS WHEREOF, the parties have executed this Agreement.

KYUSHU MATSUSHITA ELECTRIC CO., LTD.	8x8, INC.
By: _____	By: _____

- --------
[*] Confidential treatment requested

EXHIBIT 10.10

LOGO 8x8, INC. EXHIBIT A

PROMISSORY NOTE

$500,000 Santa Clara, California

June 29, 1996

FOR VALUE RECEIVED, /s/ Joe Parkinson promises to pay to 8x8, Inc., a California corporation (the "Company"), or order, the principal sum of Five hundred thousand ($500,000), together with interest on the unpaid principal hereof from the date hereof at the rate of six and four tenths percent (6.4%) per annum, compounded semiannually and paid when the principal is due.

Principal and any accrued but unpaid interest shall be due and payable five (5) years from the date of this Note. Should the undersigned fail to make full payment of principal or interest for a period of 10 days or more after the due date thereof, the whole unpaid balance on this Note of principal and interest shall become immediately due at the option of the holder of this Note. Payments of principal and interest shall be made in lawful money of the United States of America. Payments shall be applied first to interest, then to principal.

The undersigned may at any time prepay all or any portion of the principal or interest owing hereunder.

This note is subject to the terms of the Stock Purchase Agreement dated as of this same date. This Note is secured by a pledge of the Company's Common Stock under the terms of a Security Agreement of even date herewith and is subject to all the provisions thereof.

The holder of this Note shall have full recourse against the undersigned to the extent of one tenth (1/10) of the face amount of the Note plus any accrued but unpaid interest, and shall be required to proceed against the collateral securing this Note in the event of default before proceeding against the undersigned. Thus one-tenth of the principal is personal recourse and all interest is personal recourse.

In the event that undersigned shall cease to be an employee, director or consultant of the Company for any reason, this Note shall at the option of the Company, be accelerated, and the whole unpaid balance on this Note of principal and accrued interest shall be immediately due and payable thirty days after ceasing to be an employee, director or consultant or one year if termination is due to death or disability. In any event, this note is due and payable before the undersigned transfers the stock; provided that as a proportionate amount of the principal is paid, a proportionate amount of the stock securing this Note will be released from the pledge and then be free of any lien related to this note.

This Note is governed by the laws of California.

/s/ Joseph L. Parkinson

Joseph L. Parkinson

Residing:
123 W. Highland View Drive
Boise, ID 83702

EXHIBIT 10.11

LOGO 8x8, INC.

EXHIBIT A

PROMISSORY NOTE

$146,200 Santa Clara, California

June 29, 1996

FOR VALUE RECEIVED, /s/ Y.W. Sing promises to pay to 8x8, Inc., a California corporation (the "Company"), or order, the principal sum of One hundred forty-six thousand two hundred ($146,200), together with interest on the unpaid principal hereof from the date hereof at the rate of six and four tenths percent (6.4%) per annum, compounded semiannually and paid when the principal is due.

Principal and any accrued but unpaid interest shall be due and payable five (5) years from the date of this Note. Should the undersigned fail to make full payment of principal or interest for a period of 10 days or more after the due date thereof, the whole unpaid balance on this Note of principal and interest shall become immediately due at the option of the holder of this Note. Payments of principal and interest shall be made in lawful money of the United States of America. Payments shall be applied first to interest, then to principal.

The undersigned may at any time prepay all or any portion of the principal or interest owing hereunder.

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The holder of this Note shall have full recourse against the undersigned to the extent of one tenth (1/10) of the face amount of the Note plus any accrued but unpaid interest, and shall be required to proceed against the collateral securing this Note in the event of default before proceeding against the undersigned. Thus one-tenth of the principal is personal recourse and all interest is personal recourse.

In the event that undersigned shall cease to be an employee, director or consultant of the Company for any reason, this Note shall at the option of the Company, be accelerated, and the whole unpaid balance on this Note of principal and accrued interest shall be immediately due and payable thirty days after ceasing to be an employee, director or consultant or one year if termination is due to death or disability. In any event, this note is due and payable before the undersigned transfers the stock; provided that as a proportionate amount of the principal is paid, a proportionate amount of the stock securing this Note will be released from the pledge and then be free of any lien related to this note.

This Note is governed by the laws of California.

/s/ Y.W. Sing

Y.W. Sing

EXHIBIT 10.12

LOGO 8x8, INC.

EXHIBIT A

PROMISSORY NOTE

$61,200 Santa Clara, California

June 29, 1996

FOR VALUE RECEIVED, /s/ Sandra Abbott promises to pay to 8x8, Inc., a California corporation (the "Company"), or order, the principal sum of Sixty-one thousand two hundred ($61,200), together with interest on the unpaid principal hereof from the date hereof at the rate of six and four tenths percent (6.4%) per annum, compounded semiannually and paid when the principal is due.

Principal and any accrued but unpaid interest shall be due and payable five (5) years from the date of this Note. Should the undersigned fail to make full payment of principal or interest for a period of 10 days or more after the due date thereof, the whole unpaid balance on this Note of principal and interest shall become immediately due at the option of the holder of this Note. Payments of principal and interest shall be made in lawful money of the United States of America. Payments shall be applied first to interest, then to principal.

The undersigned may at any time prepay all or any portion of the principal or interest owing hereunder.

This note is subject to the terms of the Stock Purchase Agreement dated as of this same date. This Note is secured by a pledge of the Company's Common Stock under the terms of a Security Agreement of even date herewith and is subject to all the provisions thereof.

The holder of this Note shall have full recourse against the undersigned to the extent of one tenth (1/10) of the face amount of the Note plus any accrued but unpaid interest, and shall be required to proceed against the collateral securing this Note in the event of default before proceeding against the undersigned. Thus one-tenth of the principal is personal recourse and all interest is personal recourse.

In the event that undersigned shall cease to be an employee, director or consultant of the Company for any reason, this Note shall at the option of the Company, be accelerated, and the whole unpaid balance on this Note of principal and accrued interest shall be immediately due and payable thirty days after ceasing to be an employee, director or consultant or one year if termination is due to death or disability. In any event, this note is due and payable before the undersigned transfers the stock; provided that as a proportionate amount of the principal is paid, a proportionate amount of the stock securing this Note will be released from the pledge and then be free of any lien related to this note.

This Note is governed by the laws of California.

/s/ Sandra Abbott

Sandra Abbott

EXHIBIT 10.13

LOGO 8x8, INC.

EXHIBIT A

PROMISSORY NOTE

$61,200 Santa Clara, California

June 29, 1996

FOR VALUE RECEIVED, /s/ David M. Harper promises to pay to 8x8, Inc., a California corporation (the "Company"), or order, the principal sum of Sixty-one thousand two hundred ($61,200), together with interest on the unpaid principal hereof from the date hereof at the rate of six and four tenths percent (6.4%) per annum, compounded semiannually and paid when the principal is due.

Principal and any accrued but unpaid interest shall be due and payable five (5) years from the date of this Note. Should the undersigned fail to make full payment of principal or interest for a period of 10 days or more after the due date thereof, the whole unpaid balance on this Note of principal and interest shall become immediately due at the option of the holder of this Note. Payments of principal and interest shall be made in lawful money of the United States of America. Payments shall be applied first to interest, then to principal.

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In the event that undersigned shall cease to be an employee, director or consultant of the Company for any reason, this Note shall at the option of the Company, be accelerated, and the whole unpaid balance on this Note of principal and accrued interest shall be immediately due and payable thirty days after ceasing to be an employee, director or consultant or one year if termination is due to death or disability. In any event, this note is due and payable before the undersigned transfers the stock; provided that as a proportionate amount of the principal is paid, a proportionate amount of the stock securing this Note will be released from the pledge and then be free of any lien related to this note.

This Note is governed by the laws of California.

/s/ David M. Harper

David M. Harper

EXHIBIT 10.14

LOGO 8x8, INC.

EXHIBIT A

PROMISSORY NOTE

$80,200 Santa Clara, California

June 29, 1996

FOR VALUE RECEIVED, /s/ Bryan R. Martin promises to pay to 8x8, Inc., a California corporation (the "Company"), or order, the principal sum of Eighty thousand two hundred ($80,200), together with interest on the unpaid principal hereof from the date hereof at the rate of six and four tenths percent (6.4%) per annum, compounded semiannually and paid when the principal is due.

Principal and any accrued but unpaid interest shall be due and payable five (5) years from the date of this Note. Should the undersigned fail to make full payment of principal or interest for a period of 10 days or more after the due date thereof, the whole unpaid balance on this Note of principal and interest shall become immediately due at the option of the holder of this Note. Payments of principal and interest shall be made in lawful money of the United States of America. Payments shall be applied first to interest, then to principal.

The undersigned may at any time prepay all or any portion of the principal or interest owing hereunder.

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The holder of this Note shall have full recourse against the undersigned to the extent of one tenth (1/10) of the face amount of the Note plus any accrued but unpaid interest, and shall be required to proceed against the collateral securing this Note in the event of default before proceeding against the undersigned. Thus one-tenth of the principal is personal recourse and all interest is personal recourse.

In the event that undersigned shall cease to be an employee, director or consultant of the Company for any reason, this Note shall at the option of the Company, be accelerated, and the whole unpaid balance on this Note of principal and accrued interest shall be immediately due and payable thirty days after ceasing to be an employee, director or consultant or one year if termination is due to death or disability. In any event, this note is due and payable before the undersigned transfers the stock; provided that as a proportionate amount of the principal is paid, a proportionate amount of the stock securing this Note will be released from the pledge and then be free of any lien related to this note.

This Note is governed by the laws of California.

/s/ Bryan R. Martin

Bryan R. Martin

EXHIBIT 10.15

LOGO 8x8, INC.

EXHIBIT A

PROMISSORY NOTE

$88,200 Santa Clara, California

June 29, 1996

FOR VALUE RECEIVED, /s/ Chris McNiffe promises to pay to 8x8, Inc., a California corporation (the "Company"), or order, the principal sum of Eighty-eight thousand two hundred ($88,200), together with interest on the unpaid principal hereof from the date hereof at the rate of six and four tenths percent (6.4%) per annum, compounded semiannually and paid when the principal is due.

Principal and any accrued but unpaid interest shall be due and payable five (5) years from the date of this Note. Should the undersigned fail to make full payment of principal or interest for a period of 10 days or more after the due date thereof, the whole unpaid balance on this Note of principal and interest shall become immediately due at the option of the holder of this Note. Payments of principal and interest shall be made in lawful money of the United States of America. Payments shall be applied first to interest, then to principal.

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In the event that undersigned shall cease to be an employee, director or consultant of the Company for any reason, this Note shall at the option of the Company, be accelerated, and the whole unpaid balance on this Note of principal and accrued interest shall be immediately due and payable thirty days after ceasing to be an employee, director or consultant or one year if termination is due to death or disability. In any event, this note is due and payable before the undersigned transfers the stock; provided that as a proportionate amount of the principal is paid, a proportionate amount of the stock securing this Note will be released from the pledge and then be free of any lien related to this note.

This Note is governed by the laws of California.

/s/ Chris McNiffe

Chris McNiffe

EXHIBIT 10.16

LOGO 8x8, INC.

EXHIBIT A

PROMISSORY NOTE

$62,700 Santa Clara, California

June 29, 1996

FOR VALUE RECEIVED, /s/ Mike Noonen promises to pay to 8x8, Inc., a California corporation (the "Company"), or order, the principal sum of Sixty two thousand seven hundred ($62,700), together with interest on the unpaid principal hereof from the date hereof at the rate of six and four tenths percent (6.4%) per annum, compounded semiannually and paid when the principal is due.

Principal and any accrued but unpaid interest shall be due and payable five (5) years from the date of this Note. Should the undersigned fail to make full payment of principal or interest for a period of 10 days or more after the due date thereof, the whole unpaid balance on this Note of principal and interest shall become immediately due at the option of the holder of this Note. Payments of principal and interest shall be made in lawful money of the United States of America. Payments shall be applied first to interest, then to principal.

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This Note is governed by the laws of California.

/s/ Michael E. Noonen

Michael E. Noonen

EXHIBIT 10.17

LOGO 8x8, INC.

EXHIBIT A

PROMISSORY NOTE

$78,700 Santa Clara, California

June 29, 1996

FOR VALUE RECEIVED, /s/ Samuel T. Wang promises to pay to 8x8, Inc., a California corporation (the "Company"), or order, the principal sum of Seventy eight thousand seven hundred ($78,700), together with interest on the unpaid principal hereof from the date hereof at the rate of six and four tenths percent (6.4%) per annum, compounded semiannually and paid when the principal is due.

Principal and any accrued but unpaid interest shall be due and payable five (5) years from the date of this Note. Should the undersigned fail to make full payment of principal or interest for a period of 10 days or more after the due date thereof, the whole unpaid balance on this Note of principal and interest shall become immediately due at the option of the holder of this Note. Payments of principal and interest shall be made in lawful money of the United States of America. Payments shall be applied first to interest, then to principal.

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This Note is governed by the laws of California.

/s/ Samuel T. Wang

Samuel T. Wang

EXHIBIT 11.1

8x8, Inc.

STATEMENTS OF COMPUTATION OF NET INCOME (LOSS) PER SHARE
(in thousands, except per share data)

	Year Ended March 31,	Six Months Ended September 30,	
	1996	1995	1996
Net loss	$(3,217)	$(3,701)	$(5,913)
Reconciliation of weighted average number of shares outstanding to amount used in proforma loss per share computation:			
Weighted average number of shares outstanding	7,679	7,610	7,825
Additional shares included in accordance with requirements of the Securities and Exchange Commission under Staff Accounting Bulletin 83	3,975	3,975	3,975
Weighted average number of shares outstanding as adjusted	11,654	11,585	11,800
Proforma net loss per share	$ (.28)	$ (.32)	$ (.50)

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT

Subsidiary	Jurisdiction of Formation
8x8, Ltd.	United Kingdom
Vidus, Inc.	California
Integration Information Technology FSC	Barbados

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our report dated November 1, 1996, except as to the reincorporation described in Note 10 which is as of _____ __, 1996, relating to the consolidated financial statements of 8x8, Inc., which appears in such Prospectus. We also consent to the application of such report to the Financial Statement Schedule for the three years ended March 31, 1996 and the six months ended September 30, 1996 listed under Item 16(b) of this Registration Statement when such schedule is read in conjunction with the consolidated financial statements referred to in our report. The audits referred to in such report also included this schedule. We also consent to the reference to us under the heading "Experts" in such prospectus.

PRICE WATERHOUSE LLP
San Jose, California
November 5, 1996

5
1,000

YEAR		6-MOS	
	MAR-31-1996		MAR-31-1997
	APR-01-1995		APR-01-1996
	MAR-31-1996		SEP-30-1996
	4,652		7,373
	5,241		89
	4,099		2,248
	520		446
	7,270		1,211
	21,026		10,763
	7,048		7,211
	5,522		5,632
	23,067		12,856
	11,693		5,035
	0		0
	0		0
	3		4
	5		7
	11,366		7,740
23,067		12,856	
	28,774		10,975
	28,774		10,075
	16,668		9,207
	16,255		6,762
	(952)		(127)
	313		0
	0		0
	(3,197)		(5,767)
	20		146
	(3,217)		(5,913)
	0		0
	0		0
	0		0
	(3,217)		(5,913)
	0		0
	(0.28)		(0.50)

Proforma net loss per share is computed using the weighted average number of common and common equivalent shares outstanding during the period assuming the conversion of all shares of the Company's Convertible Preferred Stock into Common Stock which will occur upon the consummation of the offering. Pursuant to the requirements of the SEC, common equivalent shares relating to preferred stock (using the if-converted method) and stock options (using the treasury stock method when assuming an initial public offering price of $9 per share) issued subsequent to September 30, 1995, have been included in the computation for all periods presented.