

CISCO SYSTEMS INC  
Form DEF 14A  
September 23, 2009  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement  
☐ **Confidential, for use of the commission only (as permitted by Rule 14a-6(e)(2))**  
☒ Definitive Proxy Statement  
☐ Definitive Additional Materials  
☐ Soliciting Material Pursuant to § 240.14a-12

CISCO SYSTEMS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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# **CISCO SYSTEMS, INC.**

September 17, 2009

DEAR CISCO SHAREHOLDER:

You are cordially invited to attend the Annual Meeting of Shareholders of Cisco Systems, Inc., which will be held at the Santa Clara Convention Center in Elizabeth A. Hanks Theater, located at 5001 Great America Parkway, Santa Clara, California on Thursday, November 12, 2009, at 10:00 a.m. Pacific Time. You will find a map with directions to the annual meeting on the final page of the Proxy Statement.

Details of the business to be conducted at the annual meeting are given in the Notice of Annual Meeting of Shareholders and the Proxy Statement.

This year, we are again using the Internet as our primary means of furnishing proxy materials to shareholders. Consequently, most shareholders will not receive paper copies of our proxy materials. We will instead send these shareholders a notice with instructions for accessing the proxy materials and voting via the Internet. The notice also provides information on how shareholders may obtain paper copies of our proxy materials if they so choose. This makes the proxy distribution process more efficient and less costly, and helps conserve natural resources.

Whether or not you plan to attend the annual meeting, please vote as soon as possible. As an alternative to voting in person at the annual meeting, you may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing the completed proxy card. Voting by any of these methods will ensure your representation at the annual meeting.

We look forward to seeing you at the annual meeting.

John T. Chambers

*Chairman and Chief Executive Officer*

San Jose, California

## **YOUR VOTE IS IMPORTANT**

In order to ensure your representation at the annual meeting, you may submit your proxy and voting instructions via the Internet or by telephone, or, if you receive a paper proxy card and voting instructions by mail, you may vote your shares by completing, signing and dating the proxy card as promptly as possible and returning it in the enclosed envelope (to which no postage need be affixed if mailed in the United States). Please refer to the section entitled "Voting via the Internet, by Telephone or by Mail" on page 2 of the Proxy Statement for a description of these voting methods.

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**CISCO SYSTEMS, INC.**

**170 West Tasman Drive**

**San Jose, California 95134-1706**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held November 12, 2009**

The Annual Meeting of Shareholders of Cisco Systems, Inc. will be held at the Santa Clara Convention Center in Elizabeth A. Hanks Theater, located at 5001 Great America Parkway, Santa Clara, California on Thursday, November 12, 2009, at 10:00 a.m. Pacific Time for the following purposes:

1. To elect thirteen members of Cisco's Board of Directors;
2. To approve the amendment and restatement of the 2005 Stock Incentive Plan;
3. To approve the amendment and restatement of the Employee Stock Purchase Plan;
4. To ratify the appointment of PricewaterhouseCoopers LLP as Cisco's independent registered public accounting firm for the fiscal year ending July 31, 2010;
5. To vote upon three proposals submitted by shareholders, if properly presented at the annual meeting; and
6. To act upon such other matters as may properly come before the annual meeting or any adjournments or postponements thereof.

The foregoing items of business are more fully described in the Proxy Statement. The record date for determining those shareholders who will be entitled to notice of, and to vote at, the annual meeting and at any adjournments or postponements thereof is September 14, 2009. The stock transfer books will not be closed between the record date and the date of the annual meeting. A list of shareholders entitled to vote at the annual meeting will be available for inspection at Cisco's principal executive offices at the address listed above.

Whether or not you plan to attend the annual meeting, please vote as soon as possible. As an alternative to voting in person at the annual meeting, you may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing a completed proxy card. For detailed information regarding voting instructions, please refer to the section entitled "Voting via the Internet, by Telephone or by Mail" on page 2 of the Proxy Statement. You may revoke a previously delivered proxy at any time prior to the annual meeting. If you decide to attend the annual meeting and wish to change your proxy vote, you may do so automatically by voting in person at the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Mark Chandler

*Secretary*

San Jose, California

September 17, 2009

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**INTERNET AVAILABILITY OF PROXY MATERIALS**

In accordance with Securities and Exchange Commission rules, we are using the Internet as our primary means of furnishing proxy materials to shareholders. Consequently, most shareholders will not receive paper copies of our proxy materials. We will instead send these shareholders a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials, including our proxy statement and annual report, and voting via the Internet. The Notice of Internet Availability of Proxy Materials also provides information on how shareholders may obtain paper copies of our proxy materials if they so choose. This makes the proxy distribution process more efficient and less costly and helps conserve natural resources. If you previously elected to receive our proxy materials electronically, these materials will continue to be sent via email unless you change your election.

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# **CISCO SYSTEMS, INC.**

**170 West Tasman Drive**

**San Jose, California 95134-1706**

## **PROXY STATEMENT**

### **FOR**

### **ANNUAL MEETING OF SHAREHOLDERS**

These proxy materials are provided in connection with the solicitation of proxies by the Board of Directors of Cisco Systems, Inc., a California corporation, for the Annual Meeting of Shareholders to be held at 10:00 a.m. Pacific Time on Thursday, November 12, 2009, at the Santa Clara Convention Center in Elizabeth A. Hanks Theater, located at 5001 Great America Parkway, Santa Clara, California, and at any adjournments or postponements of the annual meeting. These proxy materials were first sent on or about September 23, 2009 to shareholders entitled to vote at the annual meeting.

### **PURPOSE OF MEETING**

The specific proposals to be considered and acted upon at the annual meeting are summarized in the accompanying Notice of Annual Meeting of Shareholders. Each proposal is described in more detail in this Proxy Statement.

### **VOTING**

#### **Voting Rights**

Only shareholders of record of Cisco common stock on September 14, 2009, the record date, will be entitled to vote at the annual meeting. Each holder of record will be entitled to one vote on each matter for each share of common stock held on the record date. On the record date, there were 5,792,675,097 shares of common stock outstanding. A majority of the outstanding shares of common stock must be present or represented by proxy at the annual meeting in order to have a quorum. Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the annual meeting. A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner submits a proxy for the annual meeting but does not vote on a particular proposal because that holder does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner.

In the election of directors, a nominee will be elected if the votes cast for the nominee constitute a majority of the shares of common stock present or represented by proxy and voting at the meeting and also constitute at least a majority of the required quorum. Shareholders may not cumulate votes in the election of directors. The other proposals also require the approval of the affirmative vote of a majority of the shares of common stock present or represented by proxy and voting at the annual meeting, together with the affirmative vote of a majority of the required quorum. Abstentions and broker non-votes have no effect on the determination of whether a nominee or any of the proposals has received the vote of a majority of the shares of common stock present or represented by proxy and voting at the meeting. However, with respect to the election of directors and each of the other proposals, abstentions and broker non-votes could prevent the election of a director or the approval of a proposal where the number of affirmative votes, though a majority of the votes represented and cast, does not constitute a majority of the required quorum.

If the persons present or represented by proxy at the annual meeting constitute the holders of less than a majority of the outstanding shares of common stock as of the record date, the annual meeting may be adjourned

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to a subsequent date for the purpose of obtaining a quorum. The inspector of elections appointed for the annual meeting will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

### **Recommendations of the Board of Directors**

Cisco's Board of Directors recommends that you vote **FOR** each of the nominees of the Board of Directors (Proposal No. 1), **FOR** the amendment and restatement of the 2005 Stock Incentive Plan (Proposal No. 2), **FOR** the amendment and restatement of the Employee Stock Purchase Plan (Proposal No. 3), **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as Cisco's independent registered public accounting firm for the fiscal year ending July 31, 2010 (Proposal No. 4), and **AGAINST** each of the three proposals submitted by shareholders (Proposal Nos. 5, 6, and 7).

### **Voting via the Internet, by Telephone or by Mail**

For shareholders whose shares are registered in their own names, as an alternative to voting in person at the annual meeting, you may vote via the Internet, by telephone or, for those shareholders who receive a paper proxy card in the mail, by mailing a completed proxy card. For those shareholders who receive a Notice of Internet Availability of Proxy Materials (described under "Internet Availability of Proxy Materials" above), the Notice of Internet Availability of Proxy Materials provides information on how to access your proxy card, which contains instructions on how to vote via the Internet or by telephone. For those shareholders who receive a paper proxy card, instructions for voting via the Internet or by telephone are set forth on the proxy card. Those shareholders who receive a paper proxy card and voting instructions by mail, and who elect to vote by mail, should sign and return the mailed proxy card in the prepaid and addressed envelope that was enclosed with the proxy materials, and your shares will be voted at the annual meeting in the manner you direct. In the event that you return a signed proxy card on which no directions are specified, your shares will be voted **FOR** each of the nominees of the Board of Directors (Proposal No. 1), **FOR** the amendment and restatement of the 2005 Stock Incentive Plan (Proposal No. 2), **FOR** the amendment and restatement of the Employee Stock Purchase Plan (Proposal No. 3), **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as Cisco's independent registered public accounting firm for the fiscal year ending July 31, 2010 (Proposal No. 4), **AGAINST** each of the three proposals submitted by shareholders (Proposal Nos. 5, 6, and 7), and in the discretion of the proxy holders as to any other matters that may properly come before the annual meeting or any postponement or adjournment of the annual meeting.

If your shares are registered in the name of a bank or brokerage firm (your record holder), you will receive instructions from your record holder that must be followed in order for your record holder to vote your shares per your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions via the Internet or over the telephone. If Internet or telephone voting is unavailable from your bank or brokerage firm, please complete and return the enclosed voting instruction card in the addressed, postage paid envelope provided. If you hold shares through a bank or brokerage firm and wish to be able to vote in person at the annual meeting, you must obtain a legal proxy from your brokerage firm, bank or other holder of record and present it to the inspector of elections with your ballot at the annual meeting. Shareholders who have elected to receive the 2009 Proxy Statement and Annual Report to Shareholders electronically will be receiving an email on or about September 29, 2009 with information on how to access shareholder information and instructions for voting.

You may revoke or change a previously delivered proxy at any time before the annual meeting by delivering another proxy with a later date, by voting again via the Internet or by telephone, or by delivering written notice of revocation of your proxy to Cisco's Secretary at Cisco's principal executive offices before the beginning of the annual meeting. You may also revoke your proxy by attending the annual meeting and voting in person, although attendance at the annual meeting will not, in and of itself, revoke a valid proxy that was previously delivered. If you hold shares through a bank or brokerage firm, you must contact that bank or brokerage firm to revoke any prior voting instructions. You also may revoke any prior voting instructions by voting in person at the annual meeting if you obtain a legal proxy as described in the preceding paragraph.

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**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

**General**

The names of persons who are nominees for director and their current positions and offices with Cisco are set forth in the table below. The proxy holders intend to vote all proxies received by them for the nominees listed below unless otherwise instructed. The authorized number of directors is thirteen.

Each of the current directors has been nominated for election by the Board of Directors upon recommendation by the Nomination and Governance Committee and has decided to stand for re-election.

The Board of Directors appointed Arun Sarin to the Board of Directors in September 2009 upon the recommendation of the Nomination and Governance Committee. Mr. Sarin was known to the Board of Directors from his prior service as a member of the Board of Directors from 1998 to 2003. In 2003, Mr. Sarin became Chief Executive Officer of Vodafone Group Plc, and he served in that role until 2008. After his departure from that full-time role, Mr. Sarin came to the attention of the Nomination and Governance Committee as a potential candidate during open discussion among directors at a meeting of the Board of Directors.

Cisco's bylaws and Corporate Governance Policies provide for a majority voting standard in uncontested elections of directors. As such, in an election where the Board of Directors has determined that the number of nominees for director does not exceed the number of directors to be elected, a nominee for director will be elected to the Board of Directors to serve until the next annual meeting of shareholders, and until his or her successor has been duly elected and qualified, if the number of shares voted for the nominee exceeds the number of shares voted against the nominee and also represents the affirmative vote of a majority of the required quorum. The required quorum for a meeting of Cisco shareholders is a majority of the outstanding shares of common stock. The majority voting standard would not apply, however, if the Board of Directors determines that the number of nominees for director exceeds the number of directors to be elected. In that case, the nominees receiving the highest number of affirmative votes of the shares entitled to vote at the meeting would be elected.

The majority voting standard will apply to the election taking place at the meeting. Consequently, in order to be elected, a nominee must receive more votes for than against and the number of votes for must be at least a majority of the required quorum. Proxies may not be voted for more than thirteen directors, and shareholders may not cumulate votes in the election of directors. In the event any nominee is unable or declines to serve as a director at the time of the meeting, the proxies will be voted for any nominee, if any, who may be designated by the Board of Directors to fill the vacancy. As of the date of this Proxy Statement, the Board of Directors is not aware that any nominee is unable or will decline to serve as a director.

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Should any of the nominees fail to receive the vote required to be elected in accordance with Cisco's bylaws, the term of his or her service as a director will end on the date that is the earlier of 90 days after the date on which the voting results are determined pursuant to California law or the date on which the Board of Directors selects a person to fill the office held by that director, unless he or she has earlier resigned.

<b>Nominees</b>	<b>Positions and Offices Held with Cisco</b>
Carol A. Bartz	Lead Independent Director
M. Michele Burns	Director
Michael D. Capellas	Director
Larry R. Carter	Director and former Senior Vice President, Office of the Chairman and CEO
John T. Chambers	Chairman and Chief Executive Officer
Brian L. Halla	Director
Dr. John L. Hennessy	Director
Richard M. Kovacevich	Director
Roderick C. McGearry	Director
Michael K. Powell	Director
Arun Sarin	Director
Steven M. West	Director
Jerry Yang	Director

**Business Experience of Nominees**

Ms. Bartz, 61, has been a member of the Board of Directors since November 1996 and has served as Lead Independent Director since November 2005. She has served as Chief Executive Officer and as a member of the board of directors of Yahoo! Inc. since January 2009 and as President of Yahoo! since April 2009. From May 2006 to February 2009, she was Executive Chairman of the Board of Autodesk, Inc. From April 1992 to April 2006, she served as Chairman of the Board and Chief Executive Officer of Autodesk. Prior to that, she was employed by Sun Microsystems, Inc. from 1983 to April 1992.

Ms. Burns, 51, has been a member of the Board of Directors since November 2003. She is the Chairman and Chief Executive Officer of Mercer LLC. She began her career in 1981 at Arthur Andersen, LLP and became a partner in 1989. In 1999, Ms. Burns joined Delta Air Lines, Inc. assuming the role of Executive Vice President and Chief Financial Officer in 2000 and holding that position through April 2004. Delta filed for protection under Chapter 11 of the United States Bankruptcy Code in September 2005. From May 2004 to January 2006, Ms. Burns served as Executive Vice President, Chief Financial Officer and Chief Restructuring Officer of Mirant Corporation, taking on the company's bankruptcy restructuring. Upon successful restructuring and emergence of the company from bankruptcy, Ms. Burns joined Marsh & McLennan Companies, Inc. as Chief Financial Officer in March 2006. She assumed the role of Chairman and Chief Executive Officer of Mercer six months later. Ms. Burns also serves on the board of directors of Wal-Mart Stores, Inc.

Mr. Capellas, 55, has been a member of the Board of Directors since January 2006. He has served as the Chairman and Chief Executive Officer of First Data Corporation since September 2007. From October 2006 to July 2007, Mr. Capellas served as a Senior Advisor at Silver Lake Partners. From November 2002 to January 2006, he served as Chief Executive Officer of MCI, Inc., which was known as WorldCom, Inc. prior to its emergence from bankruptcy in April 2004, and from March 2004 to January 2006 he also served as that company's President. From November 2002 to March 2004, he was also Chairman of the Board of WorldCom. Mr. Capellas left MCI as planned in early January 2006 upon its acquisition by Verizon Communications Inc. Previously, Mr. Capellas was President of Hewlett-Packard Company from May 2002 to November 2002. Before the merger of Hewlett-Packard and Compaq Computer Corporation in May 2002, Mr. Capellas was President and Chief Executive Officer of Compaq, a position he had held since July 1999, and Chairman of the Board of Compaq, a position he had held since September 2000. Mr. Capellas held earlier positions as Chief Information Officer and Chief Operating Officer of Compaq.

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Mr. Carter, 66, has been a member of the Board of Directors since July 2000. He joined Cisco in January 1995 as Vice President of Finance and Administration, Chief Financial Officer and Secretary. In July 1997, he was promoted to Senior Vice President of Finance and Administration, Chief Financial Officer and Secretary. In May 2003, upon his retirement as Chief Financial Officer and Secretary, he was appointed Senior Vice President, Office of the Chairman and CEO. He retired from that position and from his employment with Cisco upon his reelection to the Board of Directors in November 2008. Before joining Cisco, he was employed by Advanced Micro Devices, Inc. as Vice President and Corporate Controller.

Mr. Chambers, 60, has served as a member of the Board of Directors since November 1993 and as Chairman of the Board since November 2006. He joined Cisco as Senior Vice President in January 1991, was promoted to Executive Vice President in June 1994 and to Chief Executive Officer as of January 31, 1995. He also served as President from January 31, 1995 until November 2006. Before joining Cisco, he was employed by Wang Laboratories, Inc. for eight years, where, in his last role, he was the Senior Vice President of U.S. Operations.

Mr. Halla, 63, has been a member of the Board of Directors since January 2007. He has served as Chairman of the Board and Chief Executive Officer of National Semiconductor Corporation since May 1996. Additionally, he served as President of National Semiconductor Corporation from May 1996 to May 2005. Prior to May 1996, Mr. Halla served in several executive capacities at LSI Logic Corporation, where, in his last role, he was the Executive Vice President of LSI Logic Products. Prior to that, he held a variety of management positions at Intel Corporation.

Dr. Hennessy, 56, has been a member of the Board of Directors since January 2002. He has been President of Stanford University since September 2000. He served as Provost of Stanford from June 1999 to August 2000, Dean of the Stanford University School of Engineering from June 1996 to June 1999, and Chair of the Stanford University Department of Computer Science from September 1994 to March 1996. Dr. Hennessy also currently is the Chairman of the Board of Atheros Communications, Inc. and serves on the board of directors of Google Inc.

Mr. Kovacevich, 65, has been a member of the Board of Directors since January 2005. He currently serves as Chairman of the Board of Wells Fargo & Company, which position he has held since April 2001. He also served as Chief Executive Officer of Wells Fargo & Company from November 1998 to June 2007, and as President from November 1998 to July 2005. From January 1993 to November 1998, he served as Chief Executive Officer of Norwest Corporation, which merged with Wells Fargo & Company in November 1998. He also served as President of Norwest Corporation from January 1993 through January 1997 and as Chairman of the Board of Norwest Corporation from May 1995 to November 1998. He became a member of the board of directors of Norwest Corporation in 1986. Mr. Kovacevich also currently serves on the board of directors of Target Corporation.

Mr. McGeary, 59, has been a member of the Board of Directors since July 2003. He has served as Chairman of the Board of BearingPoint, Inc. since November 2004. From November 2004 to March 2005, he also served as interim Chief Executive Officer of BearingPoint, Inc. BearingPoint filed for protection under Chapter 11 of the United States Bankruptcy Code in February 2009. Mr. McGeary served as Chief Executive Officer of Brienze, Inc. from July 2000 to July 2002. From April 2000 to June 2000, he served as a Managing Director of KPMG Consulting LLC, a wholly owned subsidiary of BearingPoint, Inc. (formerly KPMG Consulting, Inc.). From August 1999 to April 2000, he served as Co-President and Co-Chief Executive Officer of BearingPoint, Inc. From January 1997 to August 1999, he was employed by KPMG LLP as its Co-Vice Chairman of Consulting. Prior to 1997 he served in several capacities with KPMG LLP, including audit partner for technology clients. Mr. McGeary is a Certified Public Accountant and holds a B.S. degree in Accounting from Lehigh University. Mr. McGeary also currently serves on the board of directors of Dionex Corporation.

Mr. Powell, 46, has been a member of the Board of Directors since March 2007. He currently serves as Senior Advisor to Providence Equity Partners, a private equity investment firm, and as Chairman of the MK Powell Group, a consulting firm. Mr. Powell was Chairman of the Federal Communications Commission from

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January 2001 to March 2005, having served as a Commissioner since November 1997. Mr. Powell previously served as the Chief of Staff of the Antitrust Division of the Department of Justice.

Mr. Sarin, 54, has been a member of the Board of Directors since September 2009 and previously served on the Board of Directors from September 1998 to July 2003. In April 2003, he became CEO designate of Vodafone Group Plc and served as its Chief Executive Officer from July 2003 until July 2008. From July 2001 to January 2003 he was Chief Executive Officer of Accel-KKR Telecom. He was the Chief Executive Officer of InfoSpace, Inc., and a member of its Board of Directors from April 2000 to January 2001. He was the Chief Executive Officer of the USA/Asia Pacific Region for Vodafone AirTouch Plc from July 1999 to April 2000. From February 1997 to July 1999 he was the President of AirTouch Communications, Inc. Prior to that, he served as President and Chief Executive Officer of AirTouch International from April 1994 to February 1997. Mr. Sarin joined AirTouch Communications, Inc. in 1994 as Senior Vice President Corporate Strategy and Development upon its demerger from Pacific Telesis Group which he joined in 1984. Mr. Sarin currently serves on the Board of Directors of Safeway Inc.

Mr. West, 54, has been a member of the Board of Directors since April 1996. He is a founder and partner of Emerging Company Partners LLC, which was formed in January 2004 and provides executive management advisory and consulting services for early to mid-stage technology companies. He served as Chief Operating Officer of nCUBE Corporation, a provider of on-demand media systems, from December 2001 to July 2003. Prior to joining nCUBE, he was the President and Chief Executive Officer of Entera, Inc. from September 1999 until it was acquired by Blue Coat Systems, Inc. (formerly CacheFlow Inc.) in January 2001. From June 1996 to September 1999, he was President and Chief Executive Officer of Hitachi Data Systems, a joint venture computer hardware services company owned by Hitachi, Ltd. and Electronic Data Systems Corporation. Prior to that, Mr. West was at Electronic Data Systems Corporation from November 1984 to June 1996. Mr. West also currently serves on the board of directors of Autodesk, Inc.

Mr. Yang, 40, has been a member of the Board of Directors since July 2000. He is a co-founder and Chief Yahoo! of Yahoo! Inc. and has served as a member of the board of directors and an officer of Yahoo! since March 1995. He served as Chief Executive Officer of Yahoo! from June 2007 to January 2009.

## **Corporate Governance**

Cisco maintains a corporate governance page on its website which includes key information about its corporate governance initiatives, including Cisco's Corporate Governance Policies, Cisco's Code of Business Conduct, and charters for each of the committees of the Board of Directors. The corporate governance page can be found by clicking on Corporate Governance in the Investor Relations section of our website at [investor.cisco.com](http://investor.cisco.com).

Cisco has policies and practices that promote good corporate governance, many of which are designed to ensure compliance with the listing requirements of NASDAQ and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

The Board of Directors has adopted clear corporate governance policies;

The Board of Directors has adopted majority voting for uncontested elections of directors;

A majority of the board members are independent of Cisco and its management;

All members of the key board committees—the Audit Committee, the Compensation and Management Development Committee, and the Nomination and Governance Committee—are independent;

The independent members of the Board of Directors meet regularly without the presence of management;

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Cisco has a clear code of business conduct that is monitored by its ethics office and is annually affirmed by its employees;

The charters of the board committees clearly establish their respective roles and responsibilities;

Cisco has an ethics office with a hotline available to all employees, and Cisco's Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal accounting controls, or auditing matters;

Cisco has adopted a code of ethics that applies to its principal executive officer and all members of its finance department, including the principal financial officer and principal accounting officer;

Cisco has adopted a compensation recoupment policy that applies to its executive officers;

Cisco's internal audit control function maintains critical oversight over the key areas of its business and financial processes and controls, and reports directly to Cisco's Audit Committee; and

Cisco has stock ownership guidelines for its non-employee directors and executive officers.

### **Independent Directors**

Upon recommendation of the Nomination and Governance Committee, the Board of Directors has affirmatively determined that each member of the Board of Directors other than Mr. Carter and Mr. Chambers is independent under the criteria established by NASDAQ for director independence. The NASDAQ criteria include various objective standards and a subjective test. A member of the Board of Directors is not considered independent under the objective standards if, for example, he or she is, or at any time during the past three years was, employed by Cisco. Mr. Chambers is not independent because he is a Cisco employee, and Mr. Carter is not independent because he was a Cisco employee until his retirement in November 2008. The subjective test requires that each independent director not have a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

All members of each of Cisco's Audit, Compensation and Management Development, and Nomination and Governance committees are independent directors. In addition, upon recommendation of the Nomination and Governance Committee, the Board of Directors has determined that the members of the Audit Committee meet the additional independence criteria required for audit committee membership under applicable NASDAQ listing standards. As Lead Independent Director, Ms. Bartz presides over regular meetings of the independent directors.

The subjective evaluation of director independence by the Board of Directors was made in the context of the objective standards. In making its independence determinations, the Board of Directors generally considers commercial, financial services, charitable, and other transactions and other relationships between Cisco and each director and his or her family members and affiliated entities. For example, the Nomination and Governance Committee reviewed, for each non-employee director, the amount of all transactions between the Company and other organizations where such directors serve as executive officers or directors, none of which exceeded 1% of the recipient's annual revenues during the relevant periods. For each of the directors, other than Mr. Carter and Mr. Chambers, the Board of Directors determined based on the recommendation of the Nomination and Governance Committee that none of the transactions or other relationships exceeded NASDAQ objective standards and none would otherwise interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making this determination, the Board of Directors considered two relationships that did not exceed NASDAQ objective standards but were identified by the Nomination and Governance Committee for further consideration by the Board of Directors under the subjective standard. The Board of Directors determined that neither of these relationships would interfere with the exercise of independent judgment by the director in carrying out his responsibilities as a director. The following is a description of these relationships:

Mr. Kovacevich is the Chairman of the Board of Directors of Wells Fargo & Company (Wells Fargo), an affiliate of two of the lenders under a Credit Agreement with Cisco dated August 17, 2007,





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as amended, with respect to which the Wells Fargo affiliates have committed to lend \$290 million, or approximately 10% of the total credit facility. As of September 14, 2009 no funds had been drawn under the facility. This commitment amount represents approximately 0.8% of Cisco's cash, cash equivalents and investments as of the end of fiscal 2009 and represents less than 0.04% of Wells Fargo's total loans outstanding as of the end of its second quarter of fiscal 2009. In addition, a subsidiary of Wells Fargo was an underwriter (one of the six joint book-running managers) of Cisco's senior debt offering in February 2009. Cisco also has ordinary course commercial and financial services relationships with Wells Fargo and/or its affiliates. The amounts of payments made between Cisco and Wells Fargo in each of the past three fiscal years represented less than 0.1% of the recipient company's annual revenues.

Dr. Hennessy is the President of Stanford University. Cisco has various business and charitable dealings with Stanford University, including: research grants, charitable donations by Cisco senior executives and board members, matching donations by the Cisco Foundation, licensing agreements, and ordinary course commercial relationships. The amounts of payments made between Cisco and Stanford University in each of the past three fiscal years represented less than 0.1% of the recipient entity's annual revenues. In addition, a Cisco board member serves on the Stanford Board of Trustees.

## **Board Committees and Meetings**

During Cisco's fiscal year ended July 25, 2009, the Board of Directors held six meetings. During this period, all of the incumbent directors attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all committees of the Board of Directors on which each such director served, during the period for which each such director served. Cisco's directors are strongly encouraged to attend the annual meeting of shareholders. All twelve of Cisco's directors who were then serving on the Board of Directors attended last year's annual meeting.

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Cisco has five standing committees: the Audit Committee, the Compensation and Management Development Committee, the Nomination and Governance Committee, the Acquisition Committee, and the Finance Committee. Each of these committees has a written charter approved by the Board of Directors. A copy of each charter can be found by clicking on [Corporate Governance](#) in the Investor Relations section of our website at [investor.cisco.com](http://investor.cisco.com). The members of the committees, as of the date of this Proxy Statement, are identified in the following table.

<b>Director</b>	<b>Audit Committee</b>	<b>Compensation and Management Development Committee</b>	<b>Nomination and Governance Committee</b>	<b>Acquisition Committee</b>	<b>Finance Committee</b>
Carol A. Bartz		X			
M. Michele Burns	X			X	X
Michael D. Capellas			X	Chair	Chair
Larry R. Carter					X
John T. Chambers				X	
Brian L. Halla		X			
Dr. John L. Hennessy			X	X	
Richard M. Kovacevich			Chair		X
Roderick C. McGeary	X	Chair			
Michael K. Powell				X	
Arun Sarin					
Steven M. West	Chair				X
Jerry Yang			X	X	
<i>Audit Committee</i>					

The Audit Committee is responsible for reviewing the financial information which will be provided to shareholders and others, reviewing the system of internal controls which management and the Board of Directors have established, appointing, retaining and overseeing the performance of the independent registered public accounting firm, overseeing Cisco's accounting and financial reporting processes and the audits of Cisco's financial statements, and pre-approving audit and permissible non-audit services provided by the independent registered public accounting firm. This committee held 14 meetings during fiscal 2009. The Board of Directors has determined that each of Ms. Burns and Mr. McGeary is an audit committee financial expert as defined in Item 407(d) of Regulation S-K. Each member of this committee is an independent director and meets each of the other requirements for audit committee members under applicable NASDAQ listing standards.

*Compensation and Management Development Committee*

The Compensation and Management Development Committee's (the Compensation Committee) basic responsibility is to review the performance and development of Cisco's management in achieving corporate goals and objectives and to assure that Cisco's executive officers are compensated effectively in a manner consistent with Cisco's strategy, competitive practice, sound corporate governance principles and shareholder interests. Toward that end, this committee oversees, reviews and administers all of Cisco's compensation, equity and employee benefit plans and programs.

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This committee held 10 meetings during fiscal 2009. Each member of this committee is an independent director under applicable NASDAQ listing standards, an outside director as defined in Section 162(m) of the Internal Revenue Code and a non-employee director as defined in Rule 16b-3 under the Securities Exchange Act of 1934.

The Compensation Committee has the exclusive authority and responsibility to determine all aspects of executive compensation packages for executive officers and makes recommendations to the Board of Directors regarding the compensation of non-employee directors. The Compensation Committee has engaged Frederic W. Cook & Co., Inc. ( FWC ) as its independent compensation consultant to help the Compensation Committee establish and implement its compensation philosophy, to evaluate compensation proposals recommended by management, and to provide advice and recommendations on competitive market practices and specific compensation decisions for executive officers and directors. The Compensation Committee retains and does not delegate any of its exclusive power to determine all matters of executive compensation and benefits, although the Chief Executive Officer and the Human Resources Department present compensation and benefit proposals to the Compensation Committee. FWC works directly with the Compensation Committee (and not on behalf of management) to assist the Compensation Committee in satisfying its responsibilities and will undertake no projects for management except at the request of the Compensation Committee chair and in the capacity of the Compensation Committee's agent. To date, FWC has not undertaken any projects for management. For additional description of the Compensation Committee's processes and procedure for consideration and determination of executive officer compensation, see the Compensation Discussion and Analysis section of this Proxy Statement.

The Compensation Committee determines and makes recommendations to the Board of Directors regarding compensation for non-employee directors using a process similar to the one used for determining compensation for Cisco's executive officers, which is discussed in detail in the Compensation Discussion and Analysis section of this Proxy Statement. Generally, the Compensation Committee annually reviews the market practice for non-employee directors for companies in Cisco's peer group in consultation with FWC.

### *Nomination and Governance Committee*

The Nomination and Governance Committee is responsible for overseeing, reviewing and making periodic recommendations concerning Cisco's corporate governance policies, and for recommending to the full Board of Directors candidates for election to the Board of Directors. This committee held 6 meetings during fiscal 2009. Each member of this committee is an independent director under applicable NASDAQ listing standards.

Nominees for the Board of Directors should be committed to enhancing long-term shareholder value and must possess a high level of personal and professional ethics, sound business judgment and integrity. The Board of Directors' policy is to encourage selection of directors who will contribute to Cisco's overall corporate goals: responsibility to its shareholders, technology leadership, effective execution, high customer satisfaction and superior employee working environment. The Nomination and Governance Committee may from time to time review the appropriate skills and characteristics required of board members, including such factors as business experience, diversity, and personal skills in technology, finance, marketing, international business, financial reporting and other areas that are expected to contribute to an effective Board of Directors. In evaluating potential candidates for the Board of Directors, the Nomination and Governance Committee considers these factors in the light of the specific needs of the Board of Directors at that time.

In recommending candidates for election to the Board of Directors, the Nomination and Governance Committee considers nominees recommended by directors, officers, employees, shareholders and others, using the same criteria to evaluate all candidates. The Nomination and Governance Committee reviews each candidate's qualifications, including whether a candidate possesses any of the specific qualities and skills desirable in certain members of the Board of Directors. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. Upon selection

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of a qualified candidate, the Nomination and Governance Committee would recommend the candidate for consideration by the full Board of Directors. The Nomination and Governance Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees. To recommend a prospective nominee for the Nomination and Governance Committee's consideration, submit the candidate's name and qualifications to Cisco's Secretary in writing to the following address: Cisco Systems, Inc., Attn: Secretary, 170 West Tasman Drive, San Jose, California 95134, with a copy to Cisco Systems, Inc., Attn: General Counsel at the same address. When submitting candidates for nomination to be elected at Cisco's annual meeting of shareholders, shareholders must also follow the notice procedures and provide the information required by Cisco's bylaws.

In particular, for the Nomination and Governance Committee to consider a candidate recommended by a shareholder for nomination at the 2010 Annual Meeting of Shareholders, the recommendation must be delivered or mailed to and received by Cisco's Secretary between June 25, 2010 and July 25, 2010 (or, if the 2010 annual meeting is not held within 30 calendar days of the anniversary of the date of the 2009 annual meeting, within 10 calendar days after Cisco's public announcement of the date of the 2010 annual meeting). The recommendation must include the same information as is specified in Cisco's bylaws for shareholder nominees to be considered at an annual meeting, including the following:

The shareholder's name and address and the beneficial owner, if any, on whose behalf the nomination is proposed;

The shareholder's reason for making the nomination at the annual meeting, and the signed consent of the nominee to serve if elected;

The number of shares owned by, and any material interest of, the record owner and the beneficial owner, if any, on whose behalf the record owner is proposing the nominee;

A description of any arrangements or understandings between the shareholder, the nominee and any other person regarding the nomination; and

Information regarding the nominee that would be required to be included in Cisco's proxy statement by the rules of the Securities and Exchange Commission, including the nominee's age, business experience for the past five years and any other directorships held by the nominee.

### *Acquisition Committee*

The Acquisition Committee reviews acquisition strategies and opportunities with management, approves certain acquisitions and investment transactions and also makes recommendations to the Board of Directors. This committee held one meeting during fiscal 2009. In addition, the duties of the Acquisition Committee and the Finance Committee were undertaken by a combined committee for a portion of fiscal 2009, and the combined committee held 1 meeting.

### *Finance Committee*

The Finance Committee, previously titled the Investment/Finance Committee, reviews and approves Cisco's global investment policy, reviews minority investments, fixed income assets, insurance risk management policies and programs and tax programs, oversees Cisco's stock repurchase programs, and also reviews Cisco's currency, interest rate and equity risk management policies and programs. This committee is also authorized to approve the issuance of debt securities, certain real estate acquisitions and leases, and charitable contributions made on behalf of Cisco. This committee held 3 meetings during fiscal 2009, in addition to the combined committee meeting described above.

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### **Director Compensation**

This section provides information regarding the compensation policies for non-employee directors and amounts paid and securities awarded to these directors in fiscal 2009.

During fiscal 2009, as in fiscal 2008, cash fees earned by non-employee directors were as follows:

Annual retainer of \$75,000 for each non-employee director re-elected at the 2008 annual meeting of shareholders for the year of board service beginning upon election at the 2008 annual meeting of shareholders, except that five non-employee directors elected to receive fully vested shares of Cisco common stock in lieu of all or a portion of their respective regular annual cash retainer, and three non-employee directors elected to receive fully vested deferred stock units that will be settled in shares after the respective non-employee director leaves the board in lieu of all or a portion of their regular annual cash retainer, each as described below;

Additional annual retainer fee of \$30,000 for Ms. Bartz for serving as Lead Independent Director;

Additional annual retainer fee of \$25,000 for Mr. West for serving as chair of the Audit Committee;

Additional annual retainer fee of \$10,000 for Mr. McGeary for serving as chair of the Compensation Committee; and

Additional fee of \$2,000 to each committee member for each standing committee meeting attended.

The 2005 Stock Incentive Plan does not provide for automatic equity grants to non-employee directors, but instead provides for discretionary awards to non-employee directors which may not exceed 50,000 shares for any non-employee director in any fiscal year.

As previously disclosed, the Board of Directors' policy regarding initial equity grants for new non-employee directors and annual equity grants for re-elected non-employee directors provides that each non-employee director who is initially appointed or elected to the board receives an initial restricted stock unit award covering 16,666 shares, which shares will vest in two equal annual installments upon the completion of each year of board service. Also, each non-employee director elected at an annual meeting of shareholders who has served as a non-employee member of the Board of Directors for at least six months prior to the election date receives an annual restricted stock unit award covering 10,000 shares, which shares will fully vest upon the completion of one year of board service. Non-employee directors may elect to defer receipt of the initial and annual restricted stock units such that, to the extent the restricted stock units are vested, the units would be settled in shares after the non-employee director left the board. The shares subject to the restricted stock units also will vest immediately in full upon certain changes in control or ownership of Cisco or upon the recipient's death or disability while a member of the Board of Directors.

On November 13, 2008, at the last annual meeting of shareholders, each of the non-employee directors then serving was re-elected to the Board of Directors. Pursuant to the policy described above, each director who had served as a non-employee member of the Board of Directors for at least six months prior to that election date (being each non-employee director other than Mr. Carter, who retired as an executive officer and an employee of Cisco upon his reelection to the Board of Directors that day) received a restricted stock unit award covering 10,000 shares. In addition, on that date Mr. Carter received a restricted stock unit covering 10,000 shares, as recommended by the Compensation Committee to the Board of Directors. In each case, the shares subject to these restricted stock unit awards vest in full upon the completion of one year of board service. The shares subject to the restricted stock units also will vest immediately in full upon certain changes in control or ownership of Cisco or upon the recipient's death or disability while a member of the Board of Directors.

Non-employee directors typically do not receive other forms of remuneration, perquisites or benefits, but are reimbursed for their expenses in attending meetings. However, during fiscal 2009 each non-employee director other than Mr. Sarin was provided with a Linksys by Cisco Media Hub.

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In July 2008, the Board of Directors approved new stock ownership guidelines for non-employee directors. These guidelines call for each non-employee director to own shares of Cisco's common stock having a value equal to at least five times the non-employee director's regular annual cash retainer, with a five-year period to attain that ownership level. To facilitate share ownership, non-employee directors may elect to receive, in lieu of all or a specified portion of their regular annual cash retainer, either fully vested shares of Cisco common stock or deferred stock units that would be settled in shares after the non-employee director left the board, based on the fair market value of the shares on the date any regular annual cash retainer would otherwise be paid. Any shares (or shares subject to deferred stock units) received in lieu of any portion of a regular annual cash retainer do not count against the limit on the total number of shares that may be granted to a non-employee director during any fiscal year. The shares issued are granted under the 2005 Stock Incentive Plan. For information on non-employee director elections to receive fully vested shares (or shares subject to deferred stock units) in lieu of cash with respect to the fiscal 2009 annual cash retainer, please see the table entitled "Director Compensation" and the accompanying footnotes below.

The following table provides information as to compensation for services of the non-employee directors during fiscal 2009.

**Director Compensation**

Name	Fees earned or paid in cash (\$)	Stock Awards (\$)(5)	Option Awards (\$)(6)	Total (\$)
Carol A. Bartz	\$121,000(2)	\$164,713	\$80,823	\$366,536
M. Michele Burns	\$105,000(3)	\$164,713	\$80,823	\$350,536
Michael D. Capellas	\$97,000(2)	\$164,713	\$145,581	\$407,294
Larry R. Carter	\$83,000(4)	\$134,031(4)	\$112,986(4)	\$330,017(4)
Brian L. Halla	\$93,000(2)	\$164,713	\$169,300	\$427,013
Dr. John L. Hennessy	\$91,000(3)	\$164,713	\$80,823	\$336,536
Richard M. Kovacevich	\$85,000	\$164,713	\$89,806	\$339,519
Roderick C. McGearry	\$133,000	\$164,713	\$80,823	\$378,536
Michael K. Powell	\$81,000(3)	\$164,713	\$163,800	\$409,513
Arun Sarin (1)				
Steven M. West	\$136,000(2)	\$164,713	\$80,823	\$381,536
Jerry Yang	\$87,000(2)	\$164,713	\$80,823	\$332,536

- (1) Mr. Sarin was appointed to the Board of Directors after the completion of fiscal 2009 and did not receive any compensation for fiscal 2009.
- (2) Includes the value of fully vested shares of Cisco common stock received in lieu of the non-employee director's regular annual cash retainer based on the fair market value of the shares on November 13, 2008, the date the regular annual cash retainer would otherwise have been paid. Based on the prior election by each director, Ms. Bartz, Mr. Capellas, Mr. Halla and Mr. Yang each received 4,345 shares with a value of \$74,995, and Mr. West received 1,086 shares with a value of \$18,744.
- (3) Includes the value of fully vested deferred stock units received in lieu of all or a specified portion of the non-employee director's regular annual cash retainer based on the fair market value of the underlying shares on November 13, 2008, the date the regular annual cash retainer would otherwise have been paid. Based on the prior election by each director, Ms. Burns received 4,345 deferred stock units with a value of \$74,995, Dr. Hennessy received 2,172 deferred stock units with a value of \$37,489, and Mr. Powell received 1,086 deferred stock units with a value of \$18,744.
- (4) Mr. Carter retired as an executive officer and an employee of Cisco upon his reelection to the Board of Directors on November 13, 2008, and has served as a non-employee director since that date. Mr. Carter's compensation disclosed in this table represents the compensation attributable to service as a director,



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including, under Stock Awards and Option Awards, the dollar amount recognized for financial statement reporting purposes (as further described in footnotes 5 and 6) for the period from November 13, 2008 through the end of fiscal 2009.

- (5) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended July 25, 2009, in accordance with Financial Accounting Standards Board Statement 123(R) ( FAS 123(R) ), of restricted stock unit awards issued pursuant to the 2005 Stock Incentive Plan. For restricted stock unit awards, fair value is calculated using the closing price on the grant date as if these awards were vested and issued on the grant date. The amounts shown disregard estimated forfeitures related to service-based vesting conditions. No stock awards were forfeited by any of the non-employee directors during fiscal 2009. The grant date fair value of the restricted stock unit award granted on November 13, 2008 to each non-employee director re-elected on that date was \$172,600. These amounts reflect Cisco's accounting expense for these awards, and do not correspond to the actual value that may be recognized by the non-employee directors. For information regarding the number of unvested restricted stock units held by each non-employee director as of July 25, 2009, see the column Unvested Restricted Stock Units Outstanding in the table below.
- (6) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended July 25, 2009, in accordance with FAS 123(R), of stock option awards issued pursuant to the 2005 Stock Incentive Plan and predecessor stock option plans and thus include amounts from outstanding stock option awards granted during and prior to fiscal 2009. For information on the valuation assumptions with respect to stock option grants, refer to the note on Employee Benefit Plans in the notes to consolidated financial statements contained in Cisco's Annual Report on Form 10-K for the fiscal year in which the stock option was granted. The amounts shown disregard estimated forfeitures related to service-based vesting conditions. No stock options were forfeited by any of the non-employee directors during fiscal 2009. These amounts reflect Cisco's accounting expense for these awards, and do not correspond to the actual value that may be recognized by the non-employee directors. For information regarding the number of stock options held by each non-employee director as of July 25, 2009, see the column Stock Options Outstanding in the table below.

The non-employee directors held the following numbers of stock options and unvested restricted stock units as of July 25, 2009.

Non-Employee Director	Stock Options Outstanding	Unvested Restricted Stock Units Outstanding
Ms. Bartz	135,000	10,000
Ms. Burns	120,000	10,000
Mr. Capellas	80,000	10,000
Mr. Carter	2,114,000	12,475
Mr. Halla	65,000	10,000
Dr. Hennessy	105,000	10,000
Mr. Kovacevich	100,000	10,000
Mr. McGeary	100,000	10,000
Mr. Powell	65,000	10,000
Mr. Sarin		
Mr. West	85,000	10,000
Mr. Yang	150,000	10,000



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### **Shareholder Communications with the Board of Directors**

Shareholders may communicate with Cisco's Board of Directors through Cisco's Secretary by sending an email to [bod@cisco.com](mailto:bod@cisco.com), or by writing to the following address: Board of Directors, c/o Secretary, Cisco Systems, Inc., 170 West Tasman Drive, San Jose, California 95134. Shareholders also may communicate with Cisco's Compensation and Management Development Committee through Cisco's Secretary by sending an email to [compensationcommittee@cisco.com](mailto:compensationcommittee@cisco.com), or by writing to the following address: Compensation and Management Development Committee, c/o Secretary, Cisco Systems, Inc., 170 West Tasman Drive, San Jose, California 95134. Cisco's Secretary will forward all correspondence to the Board of Directors or the Compensation and Management Development Committee, except for spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material. Cisco's Secretary may forward certain correspondence, such as product-related inquiries, elsewhere within Cisco for review and possible response.

### **Recommendation of the Board of Directors**

The Board of Directors recommends that the shareholders vote **FOR** the election of each of the nominees listed herein.

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**PROPOSAL NO. 2**

**APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 2005 STOCK INCENTIVE PLAN**

Cisco is requesting that shareholders approve the amendment and restatement of the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Stock Incentive Plan"), which amendment and restatement was approved by the Board of Directors, subject to shareholder approval. If the amendment and restatement is not approved by shareholders at the 2009 Annual Meeting, awards shall continue to be granted under the Stock Incentive Plan as approved by shareholders at the 2007 Annual Meeting. A summary of the Stock Incentive Plan follows.

**General**

In 2005, shareholders originally approved the adoption of the Stock Incentive Plan (which was a two year plan) and a share reserve of 350 million shares. In 2007, shareholders approved the amendment and restatement of the Stock Incentive Plan (which was extended by five years) and the addition of 209 million shares. The Stock Incentive Plan will expire at the 2012 Annual Meeting. In order to give Cisco the flexibility to responsibly address its future equity compensation needs, Cisco is requesting that shareholders approve this amendment and restatement of the Stock Incentive Plan with the following material features:

Provide that each one share issued as a stock grant (or pursuant to the vesting of a stock unit) will count as the issuance of 1.5 shares reserved under the Stock Incentive Plan for the purpose of computing shares remaining eligible for issuance under the Stock Incentive Plan

Make available for reuse under the Stock Incentive Plan shares underlying awards under the Cisco Systems, Inc. 1996 Stock Incentive Plan (the "1996 Plan"), the SA Acquisition Long-Term Incentive Plan (the "SA Acquisition Plan") and the WebEx Acquisition Long-Term Incentive Plan (the "WebEx Acquisition Plan") that expire unexercised

Provide that the maximum term for stock options and stock appreciation rights may not exceed ten years from the date of grant. For the purpose of computing shares remaining eligible for issuance under the Stock Incentive Plan, each one share issued as a stock grant (or pursuant to the vesting of a stock unit) will count as the issuance of 1.5 shares reserved under the Stock Incentive Plan. Currently (prior to the amendment and restatement), the Stock Incentive Plan uses a conversion rate for stock grants and stock units of 2.5. The new conversion rate will result in the use of fewer shares from the share reserve as Cisco is starting to grant more stock units than stock options.

In addition, the Stock Incentive Plan provides that shares underlying awards outstanding under the 1996 Plan, the SA Acquisition Plan and the WebEx Acquisition Plan (collectively, the "Previous Plans") that are forfeited or terminated for any other reason (including, but not limited to, shares that expire or are cancelled) before being exercised or settled will be available for grant as awards under the Stock Incentive Plan. As of September 14, 2009, awards covering 744,144,413 shares were outstanding under these plans. Notwithstanding the Stock Incentive Plan provision permitting the use of shares underlying awards that are forfeited or terminated for any other reason, Cisco did not previously make shares underlying awards that expired unexercised available for reuse under the Stock Incentive Plan to the extent the underlying award was previously granted under the Previous Plans. Effective with the approval by shareholders of this amendment and restatement, Cisco will begin to make all shares underlying awards that are forfeited or terminated for any other reason (including shares underlying awards that expire unexercised), including awards previously granted under the Previous Plans, available for reuse under the Stock Incentive Plan. This amendment and restatement also clarifies that the number of shares underlying awards issued pursuant to the Stock Incentive Plan that are later forfeited or terminated for any other reason shall be available for reuse under the Stock Incentive Plan, which includes the number of additional shares, if any, that counted against the shares available for issuance under the Stock Incentive Plan pursuant to the applicable conversion rate used at the time of grant.

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The Stock Incentive Plan currently provides that unless the Stock Incentive Plan administrator provides for earlier expiration, the maximum term for stock options and stock appreciation rights may not exceed nine years from the date of grant. Effective with the approval by shareholders of this amendment and restatement, the maximum term for stock options and stock appreciation rights may not exceed ten years from the date of grant. Currently, the Stock Incentive Plan administrator has determined that, effective as of the beginning of Cisco's fiscal 2009, stock options granted shall expire seven years after the date of grant.

Cisco has reduced its budget for long-term equity grants from 200 million shares in fiscal 2007 to approximately 185 million and 182 million shares for fiscal 2008 and fiscal 2009, respectively, with a budget of 135 million shares for fiscal 2010. If this amendment and restatement is approved, Cisco expects that it will not need to seek approval by shareholders of additional shares under the Stock Incentive Plan until 2011, and thereafter possibly on an annual basis.

The Stock Incentive Plan will continue to contain the following important features:

Repricing of stock options and stock appreciation rights is prohibited unless shareholder approval is obtained.

Stock options and stock appreciation rights must be granted with an exercise price that is not less than 100% of the fair market value on the date of grant.

The ability to automatically receive replacement stock options when a stock option is exercised with previously acquired shares of Cisco common stock or so-called "stock option reloading" is not permitted.

As of September 14, 2009, the fair market value of a share of Cisco common stock was \$22.79.

**Share Reserve**

Shares originally authorized under the Stock Incentive Plan on November 15, 2005	350 million
Additional shares under the amendment and extension of the Stock Incentive Plan in 2007	209 million
Shares granted (less available cancellations) from November 15, 2005 through September 14, 2009 from the Stock Incentive Plan and the Previous Plans	(294 million)
Total shares available for grant under the amended and restated Stock Incentive Plan as of September 14, 2009	265 million

Note: As of September 14, 2009, Cisco had 972,783,212 options outstanding with a weighted average exercise price of \$24.10 and a weighted average life of 4.03 years and 54,196,336 shares subject to restricted stock awards and restricted stock units.

Approval of the amendment and restatement of the Stock Incentive Plan will not increase the number of shares of Cisco common stock available for issuance under the Stock Incentive Plan, but such approval would have the effect of reducing the impact of each share issued as a stock grant (or pursuant to the vesting of a stock unit) on the share reserve and, beginning as of the date of such approval, will also add back to the share reserve those shares underlying outstanding awards under the Previous Plans that expire unexercised. As of September 14, 2009, awards covering approximately 744 million shares were outstanding under the Previous Plans. Awards covering approximately 82 million shares expire in November 2009 and such shares will return to the share reserve if the amendment and restatement of the Stock Incentive Plan is approved.

No participant in the Stock Incentive Plan may be granted awards during any fiscal year in excess of any of the following limits: options covering in excess of 5,000,000 shares; stock appreciation rights covering in excess of 5,000,000 shares; or stock grants or stock units in the aggregate covering in excess of 5,000,000 shares. In



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addition, non-employee directors may only be granted awards under the Stock Incentive Plan covering 50,000 or fewer shares per fiscal year. Non-employee directors may also elect to receive all or a specified portion of their regular annual cash retainer in fully vested shares of Cisco common stock (or deferred stock units) based on the fair market value of the shares on the date any regular annual cash retainer would otherwise be paid. Any shares or stock units received in lieu of any portion of a regular annual cash retainer will not count against the limit on the total number of shares that may be granted to a non-employee director during any fiscal year.

In the event of a subdivision of the outstanding shares of Cisco common stock, a declaration of a dividend payable in shares, a declaration of a dividend payable in a form other than shares in an amount that has a material effect on the price of shares, a combination or consolidation of the outstanding shares (by reclassification or otherwise) into a lesser number of shares, a recapitalization, a spin-off or a similar occurrence, the Stock Incentive Plan administrator will make appropriate adjustments to the number of shares and kind of shares or securities issuable under the Stock Incentive Plan (on both an aggregate and per-participant basis) and under each outstanding award, to the award limits set forth in the preceding paragraph, and to the exercise price of outstanding options and stock appreciation rights.

## **Administration**

The Compensation Committee administers the Stock Incentive Plan. The Stock Incentive Plan administrator has complete discretion, subject to the provisions of the Stock Incentive Plan, to authorize the award of stock options, stock grants, stock units and stock appreciation rights awards under the Stock Incentive Plan. Notwithstanding the foregoing, only the full Board of Directors may grant and administer awards under the Stock Incentive Plan to non-employee directors.

## **Eligibility and Types of Awards under the Stock Incentive Plan**

The Stock Incentive Plan permits the granting of stock options, stock grants, stock units and stock appreciation rights by the Stock Incentive Plan administrator. Stock appreciation rights may be awarded in combination with stock options or stock grants and such awards will provide that the stock appreciation rights will not be exercisable unless the related stock options or stock grants are forfeited. Stock grants may be awarded in combination with nonstatutory stock options, and such awards may provide that the stock grants will be forfeited in the event that the related nonstatutory stock options are exercised.

Employees (including employee directors and executive officers) and consultants of Cisco and its subsidiaries and affiliates and non-employee directors of Cisco are eligible to participate in the Stock Incentive Plan. Accordingly, each non-employee member of the Board of Directors, each executive officer and each person who previously served as an executive officer during fiscal 2009 and remains employed by Cisco has an interest in Proposal No. 2. As of July 25, 2009, approximately 65,550 employees (including executive officers) are eligible to participate in the Stock Incentive Plan. All non-employee directors (12 persons) are eligible to participate in the Stock Incentive Plan.

## **Options**

The Stock Incentive Plan administrator may grant nonstatutory stock options or incentive stock options under the Stock Incentive Plan. However, the Stock Incentive Plan administrator does not have the authority to grant stock options that automatically provide for the grant of new stock options upon their exercise. The number of shares covered by each stock option granted to a participant will be determined by the Stock Incentive Plan administrator.

The Stock Incentive Plan administrator may provide for time-based vesting or vesting upon satisfaction of performance goals, or both, and/or other conditions. Unless otherwise provided by the Stock Incentive Plan

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administrator, stock options become exercisable with respect to 20% of the shares covered by the option on the first anniversary of the date of grant and monthly thereafter in 48 equal installments, provided that the recipient's service has not terminated. Currently, effective as of Cisco's fiscal 2009, the Stock Incentive Plan administrator has determined that in general stock options shall become exercisable with respect to 25% of the shares covered by the option on the first anniversary of the date of grant and monthly thereafter in 36 equal installments, provided that the recipient's service has not terminated. The stock option exercise price is established by the Stock Incentive Plan administrator and must be at least 100% of the per share fair market value (110% for incentive stock option grants to 10% shareholders) of Cisco common stock on the date of grant. Repricing of stock options is prohibited unless shareholder approval is obtained. Unless the Stock Incentive Plan administrator provides for earlier expiration, the maximum term for stock options may not exceed ten years from the date of grant. Currently, the Stock Incentive Plan administrator has determined that, effective as of the beginning of Cisco's fiscal 2009, stock options granted shall expire seven years after the date of grant.

Unless otherwise provided by the Stock Incentive Plan administrator, unvested stock options will expire upon termination of the optionee's service with Cisco and vested stock options will expire three months following a termination for any reason other than death, disability, or cause; eighteen months following a termination for death or disability; and immediately following a termination for cause.

Under the Stock Incentive Plan, the stock option exercise price must be paid at the time the shares are purchased. Consistent with applicable laws, regulations and rules, payment of the exercise price of a stock option may be made in cash, (including by check, wire transfer or similar means), by cashless exercise, by surrendering or attesting to previously acquired shares of Cisco common stock, or by any other legal consideration.

### **Stock Grants**

The Stock Incentive Plan administrator may award stock grants under the Stock Incentive Plan. At the time of the stock grant, participants may be required to pay cash or other legal consideration approved by the Stock Incentive Plan administrator, but the Stock Incentive Plan does not establish a minimum purchase price for shares awarded as stock grants. Stock grants are comprised of shares of Cisco common stock. The number of shares associated with each stock grant will be determined by the Stock Incentive Plan administrator. The Stock Incentive Plan administrator may provide for time-based vesting or vesting upon satisfaction of performance goals, or both, and/or other conditions. When the stock grant award conditions are satisfied, then the participant is vested in the shares and has complete ownership of the shares. Unless otherwise provided by the Stock Incentive Plan administrator, stock grants vest with respect to 20% of the shares covered by the grant on each of the first through fifth anniversaries of the date of grant, provided that the recipient's service has not terminated. Currently, effective as of Cisco's fiscal 2009, the Stock Incentive Plan administrator has determined that in general stock grants shall vest with respect to 25% of the shares covered by the grant on each of the first through fourth anniversaries of the date of grant, provided that the recipient's service has not terminated.

### **Stock Units**

The Stock Incentive Plan administrator may award stock units under the Stock Incentive Plan. Participants are not required to pay any consideration to Cisco at the time of grant of a stock unit. The number of shares covered by each stock unit award will be determined by the Stock Incentive Plan administrator. The Stock Incentive Plan administrator may provide for time-based vesting or vesting upon satisfaction of performance goals, or both, and/or other conditions. Unless a deferral election is made, when the participant satisfies the vesting conditions of the stock unit award, Cisco will pay the participant cash or shares of Cisco common stock or any combination of both to settle the vested stock units. Conversion of the stock units into cash may be based on the average of the fair market value of a share of Cisco common stock over a series of trading days or on other methods. Unless otherwise provided by the Stock Incentive Plan administrator, stock units vest with respect to 20% of the shares covered by the grant on each of the first through fifth anniversaries of the date of grant,

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provided that the recipient's service has not terminated. Currently, effective as of Cisco's fiscal 2009, the Stock Incentive Plan administrator has determined that in general stock units shall vest with respect to 25% of the shares covered by the grant on each of the first through fourth anniversaries of the date of grant, provided that the recipient's service has not terminated.

### **Stock Appreciation Rights**

The Stock Incentive Plan administrator may grant stock appreciation rights under the Stock Incentive Plan. However, the Stock Incentive Plan administrator does not have the authority to grant stock appreciation rights that automatically provide for the grant of new stock appreciation rights upon their exercise. The number of shares covered by each stock appreciation right will be determined by the Stock Incentive Plan administrator.

The Stock Incentive Plan administrator may provide for time-based vesting or vesting upon satisfaction of performance goals and/or other conditions. Unless otherwise provided by the Stock Incentive Plan administrator, stock appreciation rights become exercisable with respect to 20% of the shares subject to the stock appreciation right on the first anniversary of the date of grant and monthly thereafter in 48 equal installments, provided that the participant's service has not terminated. The stock appreciation right exercise price is established by the Stock Incentive Plan administrator and must be at least 100% of the per share fair market value of Cisco common stock on the date of grant. Repricing of stock appreciation rights is prohibited unless shareholder approval is obtained. Unless the Stock Incentive Plan administrator provides for earlier expiration, the maximum term for stock appreciation rights may not exceed ten years from the date of grant. Unless otherwise provided by the Stock Incentive Plan administrator, unvested stock appreciation rights expire upon termination of the participant's service with Cisco and vested stock appreciation rights expire three months following a termination for any reason other than death, disability, or cause; eighteen months following a termination for death or disability; and immediately following a termination for cause.

Upon exercise of a stock appreciation right, the participant receives payment from Cisco in an amount determined by multiplying (a) the difference between (i) the fair market value of a share on the date of exercise and (ii) the exercise price times (b) the number of shares with respect to which the stock appreciation right is exercised. Stock appreciation rights may be paid in cash, shares of Cisco common stock or any combination of both, as determined by the Stock Incentive Plan administrator.

### **Performance Goals**

Awards under the Stock Incentive Plan may be made subject to performance conditions as well as time-vesting conditions. Such performance conditions may be established and administered in accordance with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), for awards intended to qualify as performance-based compensation thereunder. To the extent that performance conditions under the Stock Incentive Plan are applied to awards intended to qualify as performance-based compensation under Code Section 162(m), such performance conditions shall be based on an objective formula or standard utilizing one or more of the following factors and any objectively verifiable adjustment(s) thereto permitted and pre-established by the Compensation Committee in accordance with Code Section 162(m): (i) operating income; (ii) earnings before interest, taxes, depreciation and amortization; (iii) earnings; (iv) cash flow; (v) market share; (vi) sales; (vii) revenue; (viii) profits before interest and taxes; (ix) expenses; (x) cost of goods sold; (xi) profit/loss or profit margin; (xii) working capital; (xiii) return on capital, equity or assets; (xiv) earnings per share; (xv) economic value added; (xvi) stock price; (xvii) price/earnings ratio; (xviii) debt or debt-to-equity; (xix) accounts receivable; (xx) write-offs; (xxi) cash; (xxii) assets; (xxiii) liquidity; (xxiv) operations; (xxv) intellectual property (e.g., patents); (xxvi) product development; (xxvii) regulatory activity; (xxviii) manufacturing, production or inventory; (xxix) mergers and acquisitions or divestitures; (xxx) financings; and/or (xxxi) customer satisfaction, each with respect to Cisco and/or one or more of its affiliates or operating units.

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### **Vesting Acceleration**

For awards that are subject to vesting provisions, the Stock Incentive Plan administrator may provide, at the time of grant of such awards or any time thereafter, that such awards will vest and become immediately exercisable in full in the event that Cisco is acquired by merger or asset sale or in the event there is a hostile takeover of Cisco, whether through a tender or exchange offer for more than 35% of Cisco's outstanding voting securities which the Board of Directors does not recommend the shareholders accept, or a change in the majority of the members of the Board of Directors as a result of one or more contested elections for board membership. Unless otherwise provided in the applicable award agreement, outstanding stock options, stock appreciation rights, and stock units will vest and become immediately exercisable in full in the event that Cisco is acquired by merger or asset sale, unless such awards are assumed, substituted or replaced by the acquiring entity (or in the case of outstanding stock grants, the related stock grant agreements are assumed). In addition, the applicable award agreement may provide for accelerated vesting in the event of the participant's death, disability or other events.

### **Amendment and Termination**

The Board of Directors may amend the Stock Incentive Plan at any time and for any reason, provided that any such amendment will be subject to shareholder approval to the extent shareholder approval is required by applicable laws, regulations, or rules. The Board of Directors may terminate the Stock Incentive Plan at any time and for any reason, and the Stock Incentive Plan is currently set to terminate at the 2012 Annual Meeting of Shareholders unless re-adopted or extended by the shareholders prior to or on such date. The termination or amendment of the Stock Incentive Plan will not impair the rights or obligations of any participant under any award previously made under the Stock Incentive Plan without the participant's consent, unless such modification is necessary or desirable to comply with any applicable law, regulation or rule.

The summary of the Stock Incentive Plan provided above is a summary of the principal features of the Stock Incentive Plan. This summary, however, does not purport to be a complete description of all of the provisions of the Stock Incentive Plan. It is qualified in its entirety by references to the full text of the Stock Incentive Plan. A copy of the Stock Incentive Plan has been filed with the Securities and Exchange Commission with this Proxy Statement, and any shareholder who wishes to obtain a copy of the Stock Incentive Plan may do so by written request to Cisco's Secretary at Cisco's principal executive offices in San Jose, California.



**Table of Contents****Plan Benefits**

The table below shows, as to each of Cisco's executive officers named in the Summary Compensation Table of the Executive Compensation and Related Information section of this Proxy Statement and the various indicated groups, the aggregate number of shares of common stock subject to option grants, stock grants and restricted stock unit grants under the Stock Incentive Plan since the plan's inception through July 25, 2009.

Name and Principal Position	Number of Options Granted	Number of Restricted Shares and Restricted Stock Units Granted
John T. Chambers	2,200,000	251,000
Chairman and Chief Executive Officer		
Frank A. Calderoni	340,000	200,933
Executive Vice President, Chief Financial Officer		
Wim Elfrink	570,000	263,466
Executive Vice President, Cisco Services and Chief Globalisation Officer		
Randy Pond	480,000	236,866
Executive Vice President, Operations, Processes and Systems		
Robert W. Lloyd	390,000	580,933
Executive Vice President, Worldwide Operations		
Richard J. Justice	570,000	248,466
Former Executive Vice President, Worldwide Operations and Business Development		
All current executive officers as a group (7 persons)	4,652,000	1,911,310
All current non-employee directors as a group (12 persons)	274,000	259,092(1)
Non-executive officer employee group	223,139,444	61,434,086

(1) Includes 42,639 fully vested shares and 13,360 fully vested deferred stock units received in lieu of all or a specified portion of the non-employee director's regular annual cash retainer.

**New Plan Benefits**

All awards to directors, executive officers, employees and consultants are made at the discretion of the Stock Incentive Plan administrator. Therefore, the benefits and amounts that will be received or allocated under the Stock Incentive Plan as amended and restated are not determinable at this time.

**Federal Income Tax Consequences**

The following is a brief summary of the federal income tax consequences applicable to awards granted under the Stock Incentive Plan based on federal income tax laws in effect on the date of this Proxy Statement.

This summary is not intended to be exhaustive and does not address all matters which may be relevant to a particular participant based on his or her specific circumstances. The summary expressly does not discuss the income tax laws of any state, municipality, or non-U.S. taxing jurisdiction, or the gift, estate, excise (including the rules applicable to deferred compensation under Code Section 409A), or other tax laws other

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than federal income tax law. The following is not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. Because individual circumstances may vary, Cisco advises all participants to consult their own tax advisors concerning the tax implications of awards granted under the Stock Incentive Plan.

A recipient of a stock option or stock appreciation right will not have taxable income upon the grant of the stock option or stock appreciation right. For nonstatutory stock options and stock appreciation rights, the

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participant will recognize ordinary income upon exercise in an amount equal to the difference between the fair market value of the shares and the exercise price on the date of exercise. Any gain or loss recognized upon any later disposition of the shares generally will be a capital gain or loss.

The acquisition of shares upon exercise of an incentive stock option will not result in any taxable income to the participant, except, possibly, for purposes of the alternative minimum tax. The gain or loss recognized by the participant on a later sale or other disposition of such shares will either be long-term capital gain or loss or ordinary income, depending upon whether the participant holds the shares for the legally-required period (currently two years from the date of grant and one year from the date of exercise). If the shares are not held for the legally-required period, the participant will recognize ordinary income equal to the lesser of (i) the difference between the fair market value of the shares on the date of exercise and the exercise price, or (ii) the difference between the sales price and the exercise price.

For stock grant awards, unless vested or the participant elects to be taxed at the time of grant, the participant will not have taxable income upon the grant, but upon vesting will recognize ordinary income equal to the fair market value of the shares at the time of vesting less the amount paid for such shares (if any). Any gain or loss recognized upon any later disposition of the shares generally will be a capital gain or loss.

A participant is not deemed to receive any taxable income at the time an award of stock units is granted. When vested stock units (and dividend equivalents, if any) are settled and distributed, the participant will recognize ordinary income equal to the amount of cash and/or the fair market value of shares received less the amount paid for such stock units (if any).

At the discretion of the Stock Incentive Plan administrator, the Stock Incentive Plan allows a participant to satisfy his or her tax withholding requirements under federal and state tax laws in connection with the exercise or receipt of an award by electing to have shares withheld, and/or by delivering or attesting to Cisco already-owned shares of Cisco common stock.

If the participant is an employee or former employee, the amount the participant recognizes as ordinary income in connection with an award is subject to withholding taxes (generally not applicable to incentive stock options) and Cisco is allowed a tax deduction equal to the amount of ordinary income recognized by the participant, provided that, Code Section 162(m) contains special rules regarding the federal income tax deductibility of compensation paid to Cisco's chief executive officer and to the other covered employees under Code Section 162(m). The general rule is that annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed \$1,000,000. However, Cisco can preserve the deductibility of certain compensation in excess of \$1,000,000 if such compensation qualifies as performance-based compensation by complying with certain conditions imposed by the Code Section 162(m) rules (including the establishment of a maximum number of shares with respect to which awards may be granted to any one employee during one fiscal year) and if the material terms of such compensation are disclosed to and approved by the shareholders (e.g., see Performance Goals above). Because of the fact-based nature of the performance-based compensation exception under Code Section 162(m) and the limited availability of binding guidance thereunder, Cisco cannot guarantee that the awards under the Stock Incentive Plan will qualify for exemption under Code Section 162(m). However, the Stock Incentive Plan is structured with the intention that the Compensation Committee will have the discretion to make awards under the Stock Incentive Plan that would qualify as performance-based compensation and be fully deductible. Accordingly, Cisco is seeking shareholder approval of the amendment and restatement of the Stock Incentive Plan to comply with Code Section 162(m).

## **Equity Compensation Plan Information**

The following table provides information as of July 25, 2009 with respect to the shares of Cisco common stock that may be issued under existing equity compensation plans. The category "Equity compensation plans approved by security holders" in the table below consists of the Stock Incentive Plan, the 1996 Plan, and the

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Employee Stock Purchase Plan and its sub-plan, the International Employee Stock Purchase Plan. The category Equity compensation plans not approved by security holders in the table below consists of the 1997 Supplemental Stock Incentive Plan (the Supplemental Plan), the SA Acquisition Plan and the WebEx Acquisition Plan that were adopted in connection with Cisco's acquisitions of Scientific-Atlanta, Inc. and WebEx Communications, Inc., respectively, in accordance with applicable NASDAQ listing standards, and options to purchase shares of Cisco common stock that were issued to replace cancelled options in connection with Cisco's acquisition of Latitude Communications, Inc. The table does not include information with respect to shares subject to outstanding awards granted under other equity compensation arrangements assumed by Cisco in connection with mergers and acquisitions of the companies that originally granted those awards. The table also does not include information with respect to shares we are proposing to add to the Employee Stock Purchase Plan in Proposal No. 3.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) (a)	Weighted average exercise price of outstanding options, warrants and rights (2) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
<b>Equity compensation plans approved by security holders</b>	1,018,783,052(3)	\$24.53	286,852,706(4)
<b>Equity compensation plans not approved by security holders</b>	17,248,138(5)(6)	\$24.14	
<b>Total</b>	1,036,031,190(7)	\$24.52	286,852,706(8)

- (1) Excludes purchase rights currently accruing under the Employee Stock Purchase Plan including its sub-plan, the International Employee Stock Purchase Plan.
- (2) The weighted average exercise price does not take into account the shares subject to outstanding restricted stock units, which have no exercise price.
- (3) Includes 57,172,504 shares subject to restricted stock units outstanding as of July 25, 2009. No performance-based rights to receive future grants of restricted stock units were included since no restricted stock units were granted in September 2009 based on the achievement of financial performance goals for fiscal 2009, as discussed in the Executive Compensation and Related Information portion of this Proxy Statement.
- (4) Includes shares available for future issuance under the Employee Stock Purchase Plan including its sub-plan, the International Employee Stock Purchase Plan. As of July 25, 2009, as reported in Cisco's 2009 Annual Report on Form 10-K, an aggregate of 33,414,671 shares of common stock were available for future issuance under this purchase plan, including shares subject to purchase during the current purchase period. Under the Stock Incentive Plan, each share issued as a stock grant (or pursuant to the vesting of a stock unit) will reduce the shares reserved by 2.5 shares (which will change to 1.5 shares if this Proposal is approved by shareholders). Under the Stock Incentive Plan, non-employee directors may also elect to receive fully vested shares of common stock (or restricted stock units that would be settled in shares after the non-employee director left the board) in lieu of all or a specified portion of their regular annual cash retainer based on the fair market value of the shares on the date any regular annual cash retainer would otherwise be paid.
- (5) Represents outstanding options to purchase 2,013,870 shares of common stock under the Supplemental Plan, outstanding options to purchase 7,292,109 shares of common stock under the SA Acquisition Plan, outstanding options and stock appreciation rights with respect to 6,780,414 shares of common stock under the WebEx Acquisition Plan, and outstanding options to purchase 145,555 shares of common stock that were issued to replace cancelled options in connection with Cisco's acquisition of Latitude Communications, Inc. Also includes

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1,016,190 shares subject to restricted stock units outstanding as of July 25, 2009.

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- (6) Excludes options, warrants and other equity rights assumed by Cisco in connection with mergers and acquisitions, other than assumed under the SA Acquisition Plan and the WebEx Acquisition Plan. As of July 25, 2009, a total of 27,304,308 shares of common stock were issuable upon exercise of outstanding options and 2,094,803 shares were issuable upon the vesting of restricted stock units under those other assumed arrangements. The weighted average exercise price of those outstanding options is \$15.81 per share. No additional awards may be granted under those assumed arrangements.
- (7) As of July 25, 2009, the aggregate number of shares issuable upon exercise of outstanding options as reported in Cisco's 2009 Annual Report on Form 10-K were 1,004,493,234 shares, which included the 27,304,308 shares issuable upon exercise of outstanding options under the assumed arrangements described in footnote (6) above.
- (8) As of July 25, 2009, 253,438,035 shares and 33,414,671 shares were available for future issuance under the 2005 Stock Incentive Plan and the Employee Stock Purchase Plan, respectively, as reported in Cisco's 2009 Annual Report on Form 10-K.

### *The 1997 Supplemental Stock Incentive Plan*

The Supplemental Plan expired on December 31, 2007 and Cisco can no longer make equity awards under the Supplemental Plan. Officers and members of Cisco's Board of Directors were not eligible to participate in the Supplemental Plan. Nine million shares were reserved for issuance under the Supplemental Plan.

### *Acquisition Plans*

In connection with Cisco's acquisitions of Scientific-Atlanta, Inc. and WebEx Communications, Inc., the Company adopted the SA Acquisition Plan and the WebEx Acquisition Plan, respectively, each effective upon completion of the applicable acquisition. These plans constitute assumptions, amendments, restatements, and renamings of the 2003 Long-Term Incentive Plan of Scientific-Atlanta and the WebEx Communications, Inc. Amended and Restated 2000 Stock Incentive Plan, respectively. The plans permitted the grant of stock options, stock, stock units, and stock appreciation rights to certain employees of Cisco and its subsidiaries and affiliates who had been employed by Scientific-Atlanta or its subsidiaries or WebEx or its subsidiaries, as applicable. As a result of the shareholder approval on November 15, 2007 of an amendment and extension of the 2005 Stock Incentive Plan, since that date, Cisco no longer makes stock option grants or direct share issuances under either the SA Acquisition Plan or the WebEx Acquisition Plan.

### *Replacement Latitude Options*

On January 12, 2004, Cisco acquired Latitude Communications, Inc. ( Latitude ). As part of this transaction, options to purchase Latitude common stock held by employees who continued to be employed by Cisco or Latitude following the transaction were cancelled and replaced with an aggregate of 492,985 options to purchase shares of Cisco common stock. The shares subject to the Latitude replacement options vest on the same vesting schedule as the shares subject to the cancelled options, and have a maximum term of nine (9) years. Each Latitude replacement option has accelerated with respect to 50% of the then-unvested shares if the related employee was terminated under certain circumstances within two years of the effective date of the transaction.

## **Shareholder Approval**

The affirmative vote of a majority of the shares of Cisco common stock present or represented by proxy and voting at the annual meeting, together with the affirmative vote of a majority of the required quorum, is required for approval of this Proposal. If you own shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record, how to vote in order for your vote to be counted on this proposal. Should such shareholder approval not be obtained, then the reduced conversion rate for stock grants

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and stock units will not be implemented, shares underlying awards issued pursuant to the Previous Plans that expire unexercised will not be available for reuse under the Stock Incentive Plan, and the maximum term for stock options and stock appreciation rights will not be extended. However, awards shall continue to be granted under the Stock Incentive Plan as approved by shareholders at the 2007 Annual Meeting.

**Recommendation of the Board of Directors**

The Board of Directors recommends that the shareholders vote **FOR** the approval of the amendment and restatement of the Cisco Systems, Inc. 2005 Stock Incentive Plan.

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**PROPOSAL NO. 3**

**APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE EMPLOYEE STOCK PURCHASE PLAN**

**Introduction**

Cisco is requesting that shareholders approve the amendment and restatement of the Cisco Systems, Inc. Employee Stock Purchase Plan (the Purchase Plan ) which would otherwise expire on January 3, 2010. The amendment and restatement was approved by the Board of Directors, subject to shareholder approval. The approval of this amendment and restatement of the Purchase Plan will:

Increase the maximum number of shares of common stock authorized for issuance over the term of the Purchase Plan by 150,000,000 shares

Extend the term of the Purchase Plan from January 3, 2010 to January 3, 2020

Give Cisco greater flexibility to establish rules, procedures, or sub-plans to the International Employee Stock Purchase Plan (the IESPP ), a sub-plan of the Purchase Plan, that allows eligible employees of Cisco's foreign subsidiaries to participate in the Purchase Plan in a manner that may or may not comply with the requirements of Section 423 of the Internal Revenue Code of 1986, as amended (the Code )

The Purchase Plan offers eligible employees the opportunity to acquire a stock ownership interest in Cisco through periodic payroll deductions that will be applied towards the purchase of Cisco common stock at a discount from the then current market price. The primary purpose of the amendment and restatement is to extend the life of the Purchase Plan and ensure that Cisco will have a sufficient reserve of common stock available under the Purchase Plan to provide eligible employees of Cisco and its participating affiliates with the continuing opportunity to acquire a proprietary interest in Cisco through participation in a payroll deduction-based employee stock purchase plan.

The following is a summary of the principal features of the Purchase Plan, as amended and restated. This summary, however, does not purport to be a complete description of all the provisions of the Purchase Plan. Any shareholder who wishes to obtain a copy of the Purchase Plan may do so by written request to Cisco's Secretary at Cisco's principal executive offices in San Jose, California.

**Administration**

The Purchase Plan is currently administered by the Compensation Committee of the Board of Directors. Such committee, acting as Plan Administrator, has full authority to adopt administrative rules and procedures and to interpret the provisions of the Purchase Plan. All costs and expenses incurred in plan administration are paid by Cisco without charge to participants.

**Securities Subject to the Employee Stock Purchase Plan**

Without giving effect to the 150,000,000 share increase for which shareho