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Cisco CEO Slowly Building Stake

By **RUTH MANTELL**

A STRING OF SMALL STOCK ACQUISITIONS by [Cisco Systems](#)' chief executive may highlight his confidence in the networking company's stock.

Since last August, John Chambers has increased his position in the company's shares by more than 50 percent, according to filings with the Securities and Exchange Commission.

The executive adopted a trading plan last summer enabling him to exercise options within one year of their expiration date, and ultimately sell up to 17.6 million shares by April 2008, according to a company spokeswoman.

On each sale date, however, the plan also stipulates that Chambers will retain a portion of the underlying shares.

"Insiders as a group are reducing their rate of sales, and overall there appears to be a bullish decline in selling since the second half of March," says David Coleman, editor of Vickers Weekly Insider.

Yet Coleman points out that the insider trading at Cisco is a "mixed bag," as some of Chambers' sales have been during the stock's downturn. Also, other insiders have been exercising options and selling shares, while a family trust of Richard Kovacevich, a Cisco director and Wells Fargo's chairman and CEO, bought 5,000 Cisco shares in June.

The recent acquisitions have boosted Cisco's insider trading trend to a relatively positive position, according to data provided by MPTonline.com, the Web site of investment researcher Market Profile Theorems.

"Historically, it's normal for this company to be on the sell side," says Michael Painchaud, MPT's managing director of research. Painchaud, who personally owns no Cisco shares, adds that MPT raised Cisco's rating to Hold from Sell because of the recent insider buys.

Robyn Jenkins-Blum, a Cisco spokeswoman, says Chambers adopted the trading plan as part of a long-term strategy to diversify. She adds that the chief executive retains shares after exercising options to "underscore his confidence" in Cisco's long-term position.

Trading at 17.69, Cisco shares are about 14% lower than their 52-week high. The company, which provides computer-networking equipment, has matured in recent years and investors' expectations may be slowing, says Samuel Wilson, an analyst with JMP Securities.

Last month Wilson downgraded Cisco stock to Market Perform from Market Outperform. Earlier this month Cisco officials offered disappointing financial forecasts.

"With the subdued guidance they gave it will be hard for the stock to significantly outperform the market," Wilson says.

Wilson says he owns no Cisco shares, though JMP may solicit business from the technology company.