

Posted on Wed, Mar. 29, 2006

## Netopia, CEO, ex-CFO settle SEC accounting charges

Associated Press

**WASHINGTON** - Two former Netopia Inc. sales executives were charged Wednesday by the Securities and Exchange Commission with arranging secret side deals to fraudulently boost the broadband and software company's revenue.

The SEC also filed and simultaneously settled charges against Netopia Chief Executive Alan Lefkof, and former chief financial officer William Baker, alleging they failed to take timely "corrective action" after later learning of the deals that allowed a Netopia customer to pay for software only if they resold it.

Accounting rules preclude recording revenue for contingent sales, but the SEC said Netopia's finance department wasn't told of the deals, whose terms were "whited out" of the customer's purchase order in 2002 and set forth in a separate side letter in 2003, when Netopia reported its first quarterly profit in three years.

Baker, of Fremont, Calif., learned of the deal in 2004 and hid it from the company's audit committee, according to the SEC. It said Baker and Lefkof, a Tiburon, Calif., resident, approved a misleading mid-2004 press release that treated the orders as uncollected bad debt, when the company shouldn't have recorded the revenue in the first place.

Netopia, based in Emeryville, Calif., settled related administrative proceedings filed Wednesday and agreed to cease and desist from future violations. Its CEO and former CFO also settled and each agreed to pay a \$35,000 penalty.

Former CFO Baker agreed to five-year bans on serving as a public company officer or director and from doing public company accounting. All three parties settled without admitting or denying the SEC's claims.