



Ex-CFO Settles Re: Revenue Recognition SEC charges seven other former executives of bankrupt StarMedia Network.

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The Securities and Exchange Commission has filed securities law charges against eight former executives of StarMedia Network, a defunct Internet portal directed at Spanish- and Portuguese-speaking communities, stemming from revenue recognition violations.

The SEC alleged that in 2000 and the first two quarters of 2001, StarMedia used three types of transactions to inflate its revenue by more than \$18 million to meet revenue forecasts. The commission elaborated that the company improperly recognized revenue from barter transactions, round-trip transactions, and transactions subject to undisclosed contingencies and side agreements.

The complaint further alleged that in May 2001, StarMedia used that inflated revenue to persuade corporate investors to provide additional financing through the company's sale of \$35 million in convertible preferred shares. In addition, the commission charged that as a result of the improper transactions, StarMedia made materially false disclosures and financial statements in its 2000 annual report and for the first two quarters of 2001, and that StarMedia officers made false statements to investors and auditors.

The SEC alleged that the defendants, all senior executives, either planned the fraud, played important roles in its implementation, or both.

Former chief financial officer Steven Heller is the only individual to settle with the SEC to date. Without admitting or denying the allegations, Heller agreed to a permanent injunction against future violations of the antifraud, corporate reporting, books-and-records, and lying-to-auditors provisions of the federal securities laws; to pay a civil penalty of \$100,000; and to be barred from serving as an officer or director of a public company for five years.

The SEC complaint also named seven other former StarMedia executives: chairman and chief executive officer Fernando Espuelas; president Jack C. Chen; senior vice president for strategic development Betsy Scolnik; senior vice president of global sales and president of StarMedia de Mexico Adriana Kampfner; Walther Miller, president of StarMedia subsidiary AdNet; senior vice president of global sales strategy and partnerships Peter Blacker; controller and vice president of finance Peter Morales.

The SEC wants all of the defendants, except Miller, to pay civil penalties, and to bar Espuelas, Chen, Heller, Scolnik, and Kampfner from acting as an officer or director of any public company.

StarMedia filed for bankruptcy protection in December 2003.

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