

SEC charges former Gemstar executives with fraud

By **GARY GENTILE** June 21, 2003

LOS ANGELES -- Gemstar-TV Guide International Inc. founder Henry Yuen built his company on a vision of interactive television, where his technology controls how viewers choose programs and, eventually, buy products using their remote. Thursday, federal regulators said Yuen's vision also included defrauding his company by manipulating revenues, then reaping a fortune in salaries and bonuses.

Yuen, 55, and Gemstar's former chief financial officer, Elsie Leung, 57, were charged in a civil lawsuit filed Thursday by the Securities Exchange Commission with securities fraud, lying to their auditors and falsifying Gemstar's books. The two were fired by Gemstar's board in March.

Gemstar licenses technology to cable television companies and makers of TV sets and set-top boxes for interactive program guides. It also publishes TV Guide magazine.

The SEC claims Yuen and Leung overstated Gemstar's revenue by \$223 million from March 2000 through September 2002 in order to meet aggressive revenue projections and boost the company's stock.

The SEC said as a result, Yuen received salary and bonuses of \$18.8 million from 2000 through 2002. Yuen also exercised stock options for a profit of \$14.6 million and made more than \$63.6 million from selling Gemstar stock during the period, the SEC said.

Leung received more than \$5.3 million in salary and bonuses and exercised stock options for a profit of \$4.9 million during those years, the SEC said.

Both executives are also seeking lucrative termination fees that the SEC has sued to block.

A lawyer representing Yuen and Leung denied the charges. "There's no fraud here," attorney Stanley Arkin said Thursday. "Everything which was done here was out in the open and subject to the supervision of a national auditing firm."

Arkin said that while disputes with the SEC exist over the company's restatement of earnings, Yuen and Leung acted properly. "It's a very defensible case," Arkin said. "The temper and fervor of the times as opposed to the facts and the law informed the SEC."

Last October, Yuen and Leung were forced out by News Corp., which has a 42 percent stake in Gemstar, after questions over accounting irregularities caused the stock to plunge.

Gemstar's new management said Thursday it is cooperating with the SEC investigation.

"The company believes that it has resolved its past accounting issues, and has taken significant steps toward the resolution of associated regulatory issues," Gemstar said in a statement.