United States Department of Justice

For Immediate Release
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Central District of California

Ex-CEO of Homestore.com Sentenced to 54 Months in Federal Prison for Overseeing Fraudulent 'Round-Trip' Scheme That Illegally Inflated Company's Revenue

LOS ANGELES—The former chief executive officer and chairman of the board of Homestore.com was sentenced this afternoon to 4½ years in federal prison for presiding over a scheme to commit securities fraud by artificially inflating the publicly traded company's advertising revenue to appear to be more profitable to Wall Street analysts.

Stuart Wolff, 46, of Westlake Village, was sentenced by United States District Judge Gary A. Feess, who ordered Wolff to begin serving his sentence by June 21.

"The conduct caused widespread injury to untold numbers of people in the stock market," Judge Feess said, referring to the Homestore scheme, which he called a "calculated deception of the public."

Wolff pleaded guilty in January to one count of conspiracy to commit securities fraud through fraudulent, "round-trip" transactions that were designed to artificially inflate Homestore's revenue in 2001. In the round-trip deals, Homestore paid millions of dollars to vendors for products and services that Homestore did not need or never used. The sole reason for paying the vendors was to start a circular flow of funds that would improperly return to Homestore as revenue. When he pleaded guilty, Wolff admitted that he entered into an agreement with other senior Homestore executives to record advertising revenue from those deals in order to make false statements to investors and federal regulators about Homestore's true financial condition. Homestore improperly recorded more than $60 million in phony revenue from fraudulent transactions during the first three quarters of 2001. As a result of the financial scandal that erupted when the round-trip scheme was revealed, Homestore's stock price dropped sharply, and more than $1 billion in shareholder equity disappeared. The company was forced to eliminate more than 1,000 jobs to cut costs and stay out of bankruptcy. While the company still operates under the name Move, Inc., its stock still trades at a price far below what it once did in 2001.

"Wolff was a hands-on, brilliant executive who participated in all major (and many minor) corporate decisions for Homestore," prosecutors wrote in a sentencing brief that noted Wolff participated in the scheme by approving huge cash transfers for the deals, assisting in the collection of fraudulent revenue from business partners, and publicizing Homestore's fabricated financial results to investors. "Along the way, Wolff profited personally by selling millions of dollars of stock at inflated prices when he knew Homestore was deceiving the market about its financial results," according to the sentencing memo, which argued Wolff realized profits of more than $8.6 million when he sold his stock in 2001.

In 2006, Wolff was convicted at trial of more than a dozen criminal charges and was sentenced to 15 years in federal prison. However, the U.S. 9th Circuit Court of Appeals reversed the conviction in January 2008, finding that the trial judge should have been recused from the trial. The case was returned to the District Court and was reassigned to Judge Feess.

Wolff is the 12th individual convicted of federal charges and sentenced in relation to the Homestore scheme. The other 11 defendants convicted in this case previously received sentences ranging from probation to 27 months in custody.

The investigation into the securities fraud violations by individuals at Homestore.com was conducted by the Federal Bureau of Investigation. Move, Inc. fully cooperated in the investigation.