

AdForce Co-Founder Claims Ex-Partner Cheated Him

■ **Courts:** O.C. entrepreneur Chad Steelberg sues, saying he was taken advantage of in dispute over millions in stock.

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An Orange County entrepreneur is suing an Internet advertising company he helped launch, claiming one of his co-founders is trying to cheat him out of \$2.5 million in stock.

Chad Steelberg, the 28-year-old co-founder of Cupertino-based AdForce Inc., said he is the victim of fraud, negligence and breach of contract, according to the complaint filed this week in Orange County Superior Court. Steelberg resigned last November as president of AdForce.

The suit—which comes just two months after AdForce raised nearly \$68 million in an initial public offering—also names AdForce

Chairman Charles Berger and board director Dirk Wray, a former business partner of Steelberg.

AdForce specializes in technology that allows Web sites to target their advertising to different Internet users.

Steelberg's suit is in response to a suit filed in April by Wray, who alleges that Steelberg broke a 1996 promise to give him 120,000 shares of stock. Based on Tuesday's close of \$21 a share, the disputed stock holdings would be worth about \$2.5 million.

Steelberg, who founded the company in Costa Mesa in March 1995, joined forces with Wray later that year after Wray agreed to invest \$1 million in the fledgling company. But as the start-up company matured, the two men began to disagree about what direction to take

the company, court papers allege.

Steelberg's attorney said Wray took advantage of Steelberg's lack of business experience and pressured him into pledging the stock by threatening to bankrupt the company in late 1996.

"Chad is a young, energetic entrepreneur, but he was taken advantage of by business types who sought to steal his brilliance," said Ron Rus, partner at Irvine-based Rus, Millband & Smith.

Wray claims Steelberg agreed to give him 120,000 split-adjusted shares in return for Wray's approval of a 1996 financing deal that Steelberg wanted to pursue. Wray also claims Steelberg promised to give him a one-third stake in Steelberg's new venture, Costa Mesa-based **2Cap Media**, an ad company that sells space for Web publications.

"No one gave Steelberg a nickel until Mr. Wray, on a handshake,

gave Steelberg \$1 million," said Keith Fink, attorney for Wray and a partner at Los Angeles-based Fink & Feldman. "Now Steelberg wants to bite the hand that fed him by not honoring his written agreement."

Steelberg also is suing AdForce, claiming the company misled him into believing that Wray's rights to collect the 120,000 shares would be released by a November 1998 settlement agreement, under which Steelberg left the company.

AdForce officials said they did not believe the 1998 settlement agreement was relevant to the dispute between Wray and Steelberg.

"Our view is that this is a personal matter between the two men," said Rex Jackson, general counsel at AdForce.

Steelberg, who grew up in Corona del Mar, still holds a 6% stake in AdForce, valued Tuesday at about \$24 million.