

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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IN RE STARMEDIA NETWORK, INC. : No. 01 Civ 10556 (DC)  
SECURITIES LITIGATION :  
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**NOTICE OF PENDENCY OF CLASS ACTION,  
HEARING ON PROPOSED SETTLEMENT AND ATTORNEYS' FEE PETITION  
AND RIGHT TO SHARE IN SETTLEMENT FUND**

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF STARMEDIA NETWORK, INC. ("STARMEDIA") BETWEEN APRIL 11, 2000 AND FEBRUARY 1, 2002, INCLUSIVE.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY PROCEEDINGS IN THIS ACTION. IF YOU ARE A CLASS MEMBER, YOU ULTIMATELY MAY BE ENTITLED TO RECEIVE BENEFITS PURSUANT TO THE PROPOSED SETTLEMENT DESCRIBED HEREIN.

CLAIMS DEADLINE: CLAIMANTS MUST SUBMIT PROOFS OF CLAIM, ON THE FORM ACCOMPANYING THIS NOTICE, POSTMARKED ON OR BEFORE OCTOBER 29, 2002.

EXCLUSION DEADLINE: REQUESTS FOR EXCLUSION MUST BE SUBMITTED POSTMARKED ON OR BEFORE SEPTEMBER 9, 2002.

SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS ON PAGE 7 HEREIN.

**SUMMARY OF SETTLEMENT AND RELATED MATTERS**

I. Purpose of this Notice

1. This Notice is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the Court dated July 16, 2002. The purpose of this Notice is to inform you that this Action, and the proposed Settlement, will affect all Class Members' rights. This Notice describes rights you may have under the proposed Settlement and what steps you may take in relation to this Action. This Notice is not an expression of any opinion by the Court as to the merits of any claims or any defenses asserted by any party in this Action, or the fairness or adequacy of the proposed Settlement.

II. Statement of Plaintiff Recovery

2. Pursuant to the Settlement described herein, a Settlement Fund consisting of Three Million One Hundred Fifty Thousand Dollars (\$3,150,000) in cash, plus interest, has been established. Plaintiffs estimate that there were approximately 50.9 million shares of StarMedia common stock traded during the Class Period which may have been damaged as a result of the alleged wrongdoing described at paragraphs 13 to 17 below. Plaintiffs estimate that the average recovery per damaged share of StarMedia common stock under the Settlement is \$0.062 per damaged share before deduction of Court-awarded attorneys' fees and expenses. Depending on the number of claims submitted, when during the Class Period a Class Member purchased his or her shares of StarMedia common stock, and whether those shares were held at the end of the Class Period or sold during the Class Period, and if sold, when they were sold, an individual Class Member may receive more or less than this average amount.

3. Under the relevant securities laws, a claimant's recoverable damages are limited to the losses attributable to the alleged fraud. Losses which resulted from factors other than the alleged fraud are not recoverable from the Settlement Fund. For purposes of the Settlement herein, a Class Member's distribution from the Net Settlement Fund will be governed by the proposed Plan of Allocation described below at paragraphs 32 - 38, or such other Plan of Allocation as may be approved by the Court.

III. Statement of Potential Outcome of Case

4. The parties disagreed on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include (a) the appropriate economic model for determining the amount by which StarMedia common stock was allegedly artificially inflated (if at all) during the Class Period; (b) the amount by which StarMedia common stock was allegedly artificially inflated (if at all) during the Class Period; (c) the effect of various market forces influencing the trading price of StarMedia common stock at various times during the Class Period; (d) the extent to which external factors, such as general market and industry conditions, influenced the trading price of StarMedia common stock at various times during the Class Period; (e) the extent to which the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of StarMedia common stock at various times during the Class Period; (f) the extent to which the various allegedly adverse material facts that Plaintiffs alleged were omitted influenced (if at all) the trading price of StarMedia common stock at various times during the Class Period; and (g) whether the statements made or facts allegedly omitted were material or otherwise actionable under the federal securities laws.

5. Plaintiffs' Lead Counsel consider that there was a substantial risk that Plaintiffs and the Class might not have prevailed on all their claims and that there were risks that the decline in the price of StarMedia common stock could be attributed, in whole or in part, to other factors. Therefore, Plaintiffs could have recovered nothing or substantially less than the amount of the Settlement.

6. For example, at the time the agreement in principle to settle the Action was reached, the company was facing a financial crisis as it has never had a profitable quarter, its cash reserves are dwindling and its prospects for raising additional capital through securities offerings are dim, if not impossible, given that its common stock has been de-listed from the NASDAQ. As such, Plaintiffs face the very real risk that continued litigation, even if it ultimately produced a substantial judgment, might not lead to any higher recovery than is being obtained now through this settlement.

7. The Defendants deny that they are liable to the Plaintiffs or the Class and deny that Plaintiffs or the Class have suffered any damages.

#### IV. Statement of Attorneys' Fees and Costs Sought

8. Plaintiffs' Counsel intend to apply for fees of up to one-third (33-1/3%) of the Gross Settlement Fund, and for reimbursement of expenses incurred in connection with the prosecution of this Action in the approximate amount of \$75,000. The requested fees and expenses would amount to an average of \$0.022 per damaged share in total for fees and expenses. Plaintiffs' Lead Counsel have expended considerable time and effort in pursuit of this litigation on a contingent fee basis, and have advanced the expenses of the litigation, in the expectation that if they were successful in obtaining a recovery for the Class they would be paid from such recovery. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovery as their attorneys' fees.

#### V. Further Information

9. Further information regarding the Action and this Notice may be obtained by contacting Plaintiffs' Lead Counsel: Samuel H. Rudman, Esq., Milberg Weiss Bershad Hynes & Lerach LLP, One Pennsylvania Plaza, New York, New York 10119-0165, Telephone (212) 594-5300.

#### VI. Reasons for the Settlement

10. The principal reason for the Settlement is the benefit to be provided to the Class now. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future.

### **NOTICE OF SETTLEMENT FAIRNESS HEARING**

11. NOTICE IS HEREBY GIVEN, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of New York (the "Court") dated July 16, 2002, that a hearing will be held before the Honorable Denny Chin in the United States Courthouse, 500 Pearl Street, New York, New York 10007, at 9:30 a.m., on September 30, 2002 (the "Settlement Fairness Hearing") to determine whether a proposed settlement (the "Settlement") of the above-captioned action (the "Action") as set forth in the Stipulation of Settlement dated as of June 25, 2002 (the "Stipulation"), is fair, reasonable and adequate and to consider the proposed Plan of Allocation for the Settlement proceeds and the application of Plaintiffs' Counsel for attorneys' fees and reimbursement of expenses.

12. The Court, by Order for Notice and Hearing, dated July 16, 2002, has certified a Plaintiff Class for purposes of this Settlement consisting of: "all persons who purchased or otherwise acquired the common stock of StarMedia Network, Inc. ("StarMedia") between April 11, 2000 and February 1, 2002, inclusive." Excluded from the Class are StarMedia, the Individual Defendants, members of the immediate families of each of the Individual Defendants, any current or former parent, subsidiary, affiliate, partner, officer, or director of StarMedia; any entity in which any such excluded Person has a controlling interest; and the legal representatives, heirs, successors and assigns of any such excluded Person.

### **BACKGROUND OF THE LITIGATION**

13. Throughout the Class Period, StarMedia was an Internet media company engaged in the business of owning and maintaining Internet portals worldwide catering to Spanish and Portuguese speaking markets and offering numerous Internet services, including market-specific content, shopping, community, e-mail, and chat-room services. On April 11, 2000, the start of the Class Period, StarMedia issued a press release announcing its financial results for the quarter ended March 31, 2000. On November 19, 2001, StarMedia issued a press release announcing that it would be restating the financial statements that it had previously filed for the fiscal year ended December 31, 2000 and the quarters ended March 31, 2001 and June 30, 2001 because of "accounting issues with respect to revenue recognition by two of the company's Mexican subsidiaries, AdNet S.A. de C.V. and StarMedia Mexico, S.A. de C.V." According to the press release, a special committee of StarMedia's board of directors had, based on the "preliminary" results of an investigation by outside counsel, concluded that, "revenues aggregating approximately \$10 million were improperly recognized by those subsidiaries during the period from October 1, 2000 through June 30, 2001. At the present time, the financial statements for those periods should not be relied upon." The press release also announced the resignation of defendant Steven J. Heller. Immediately following the announcement, trading in StarMedia shares was halted by the NASDAQ Stock Market. On February 1, 2002, StarMedia announced that its common stock had been delisted from the NASDAQ stock market and would trade in the over-the-counter market.

14. The Consolidated Amended Complaint filed in the Action on May 31, 2002 (the "Amended Complaint") generally alleges, among other things, that StarMedia issued press releases, filed quarterly and annual reports with the SEC and made other public statements during the Class Period from April 11, 2000 to February 1, 2002 that misstated the Company's financial results.

15. The Amended Complaint also alleges that Fernando J. Espuelas, Jack C. Chen and Steven J. Heller (the "Individual Defendants"), in their capacity as officers and/or directors of StarMedia, directed the misstatement of StarMedia's financial statements during the Class Period from April 11, 2000 to February 1, 2002.

16. The Amended Complaint further alleges that the Lead Plaintiffs Michael Mangan and Willard Skolnick and other Class Members purchased or otherwise acquired the securities of StarMedia during the Class Period at prices artificially inflated as a result of StarMedia's allegedly false and misleading financial statements. The Amended Complaint asserts a claim under Section 10(b) of the Securities Exchange

Act of 1934 (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, against all Defendants and a claim under Section 20(a) of the Exchange Act against the Individual Defendants;

17. A principal part of Defendants' alleged scheme included the overstatement of income, revenues, and earnings during the Class Period. It was alleged that accurately reporting such financial information would have, among other things, harmed StarMedia's ability to meet securities analysts' consensus revenue and earnings expectations. Plaintiffs alleged that Defendants materially misled the investing public by publicly issuing materially false and misleading statements and by concealing and/or failing to disclose material facts necessary to correct such statements, including, inter alia, that: (a) StarMedia's reported revenues and earnings for the fiscal year ended December 31, 2000 and for the quarters ended March 31, 2001 and June 30, 2001 had been materially overstated and that Defendants were required to restate downward the income for those periods; (b) these overstatements primarily resulted from several violations of generally accepted accounting principles ("GAAP") involving improper recognition of revenues, income, and earnings by two of StarMedia's primary subsidiaries, AdNet S.A. de C.V. and StarMedia Mexico, S.A. de C.V.; (c) StarMedia's financial statements for the relevant periods in 2000 and 2001 were not prepared in accordance with GAAP and in accordance with the federal securities laws and SEC regulations concerning fair reporting due to these improper accounting practices; (d) StarMedia lacked sufficient internal controls necessary to ensure that it had accurate and timely financial information for the management of its business; and (e) StarMedia's apparent growth was the result of improper accounting entries.

### **BACKGROUND TO THE SETTLEMENT**

18. The Defendants (as defined below) have denied all averments of wrongdoing or liability in the Action and all other accusations of wrongdoing or violations of law. The Individual Defendants are no longer employed at the Company. The Stipulation is not and shall not be construed or be deemed to be evidence or an admission or a concession on the part of any of the Defendants of any fault or liability or damages whatsoever, and Defendants do not concede any infirmity in the defenses which they have asserted or intended to assert in the Action.

19. Prior to entering into the Stipulation, Plaintiffs' Counsel conducted an investigation relating to the events and transactions underlying Plaintiffs' claims and conducted pretrial discovery on the merits, including, inter alia, analysis of tens of thousands of pages of documents produced by StarMedia. In addition Plaintiffs' Counsel interviewed StarMedia management personnel. Plaintiffs' Counsel's recommendation to enter into this Settlement was made with knowledge of the facts and circumstances underlying Plaintiffs' claims and the strengths and weaknesses of those claims. In determining to settle the Action, they have evaluated the pre-trial investigation and discovery taken in the Action and taken into account the substantial expense and length of time necessary to prosecute the Action through trial, post-trial motions, and likely appeals, taking into consideration the significant uncertainties in predicting the outcome of this complex litigation. Counsel for Plaintiffs believe that the Settlement described herein confers very substantial benefits upon the Class. Based upon their consideration of all of these factors, Plaintiffs and their counsel have concluded that it is in the best interest of Plaintiffs and the Class to settle the Action on the terms described herein.

20. Plaintiffs recognized the uncertainty and the risk of the outcome of any litigation, especially complex litigation such as this, and the difficulties and risks inherent in the trial of such an action. Plaintiffs desired to settle the claims of the Class against Defendants on the terms and conditions described herein which provide substantial benefits to the Class. Plaintiffs' Counsel deem such settlement to be fair, reasonable and adequate, and in the best interests of the members of the Class.

21. The Defendants, while continuing to deny all allegations of wrongdoing or liability whatsoever, desired to settle and terminate all existing or potential claims against them, without in any way acknowledging any fault or liability.

22. The amount of damages, if any, that Plaintiffs could prove was also a matter of serious dispute, and the Settlement's use of a Recognized Claim formula for distributing the Settlement proceeds does not constitute a finding, admission or concession that provable damages could be measured by the Recognized Claim formula. No determination has been made by the Court as to liability or the amount, if any, of damages suffered by the Class, nor on the proper measure of any such damages. The determination of damages, like the determination of liability, is a complicated and uncertain process, typically involving conflicting expert opinions. During the course of the Action, Defendants, in addition to denying any liability, disputed that Plaintiffs and the Class were damaged by any wrongful conduct on the part of Defendants. The Settlement herein provides an immediate and substantial cash benefit and avoids the risks that liability or damages might not have been proven at trial.

23. The Court has not determined the merits of the Plaintiffs' claims or the defenses thereto. This Notice does not imply that there has been or would be any finding of violation of the law or that recovery could be had in any amount if the Action were not settled.

### **TERMS OF THE SETTLEMENT**

24. In full and complete settlement of the claims which have or could have been asserted in this Action, and subject to the terms and conditions of the Stipulation, Defendants have paid into escrow on behalf of Plaintiffs and the Class Three Million One Hundred Fifty Thousand Dollars (\$3,150,000) (the "Cash Settlement Amount").

25. Pursuant to the Settlement, and on the Effective Date, Plaintiffs and other members of the Class on behalf of themselves, their heirs, executors, administrators, successors and assigns shall release and forever discharge, and shall forever be enjoined from pursuing, the Released Defendant Parties (defined below) with respect to each and every Settled Claim (defined below).

26. The "Defendants" include the following, each of whom will be released from all Settled Claims: StarMedia Network, Inc.; Fernando J. Espuelas (former Chief Executive Officer of StarMedia); Jack C. Chen (former President of StarMedia); and Steven J. Heller (former Chief Financial Officer of StarMedia). In addition, the Settlement will release all Class Members' Settled Claims against StarMedia, its present or

former assigns, affiliates, administrators, executors, successors, subsidiaries, corporate parents, or related companies, or any of its or their present or former officers, directors, shareholders, employees, agents, representatives, attorneys, accountants, auditors, experts, and/or insurers, including, but not limited to, Fernando J. Espuelas, Jack C. Chen and Steven J. Heller, or any of their present or former heirs, assigns, executors, successors, representatives, attorneys, accountants, auditors, agents, or insurers (collectively, the "Released Defendant Parties.") Released Defendant Parties does not mean or include any of the underwriters of the Initial Public Offering of StarMedia common stock on or about May 25, 1999, or the secondary public offering of StarMedia common stock on or about October 14, 1999.

27. "Settled Claims" means any and all claims, rights, demands, obligations, controversies, debts, damages, losses, causes of action or liabilities of any kind or nature whatsoever in law or in equity, including both known and Unknown Claims (as defined below), suspected or unsuspected, held at any point from the beginning of time to the date of the execution of the Stipulation, arising out of the purchase or sale of any StarMedia securities between April 11, 2000 and February 1, 2002, which have been or could have been asserted by Lead Plaintiffs or any Class Member in the Action against the Released Defendant Parties, provided, however, that "Settled Claims" shall not include, encompass or otherwise bar any of the claims that have been asserted in In re StarMedia Network, Inc. Initial Public Offering Securities Litigation, No. 01 Civ. 6846 (S.D.N.Y.) (SAS).

28. "Unknown Claims" means any and all Settled Claims which any Plaintiff or Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Defendant Parties, and any Settled Defendants' Claims which any Defendant does not know or suspect to exist in his, her or its favor, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Settled Claims and Settled Defendants' Claims, the parties stipulate and agree that upon the Effective Date, the Plaintiffs and the Defendants shall expressly, and each Class Member shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Plaintiffs and Defendants acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Settled Claims and Settled Defendants' Claims was separately bargained for and was a key element of the Settlement.

29. If the Settlement is approved by the Court, all claims which have or could have been asserted in the Action will be dismissed on the merits and with prejudice as to all Class Members and all Class Members shall be forever barred from prosecuting a class action or any other action raising any Settled Claims against any of the Released Defendant Parties.

30. The Stipulation provides that the Defendants may withdraw from and terminate the Settlement in the event that putative Class Members who purchased more than a certain number of shares of StarMedia common stock during the Class Period elect to exclude themselves from the Class.

31. The Settlement will become effective at such time as an Order entered by the Court approving the Settlement shall become final and not subject to appeal (the "Effective Date").

#### **PLAN OF ALLOCATION OF SETTLEMENT PROCEEDS AMONG CLASS MEMBERS**

32. The Three Million One Hundred Fifty Thousand Dollar (\$3,150,000) Cash Settlement Amount and the interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund, less all taxes, approved costs, fees and expenses (the "Net Settlement Fund") shall be distributed to members of the Class who submit acceptable Proofs of Claim ("Authorized Claimants").

33. The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Claim." The Recognized Claim formula is not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

34. The following proposed Plan of Allocation reflects the proposition that the price of StarMedia common stock was inflated artificially at the beginning of the Class Period by approximately \$0.75 per share and that the decreases in the price of StarMedia common stock, approximately \$0.17 per share occurring upon May 11, 2001, and approximately \$0.22 per share occurring on June 1, 2001, reflected the partial elimination of some of the alleged artificial inflation, and that the approximately \$0.36 per share final drop from November 19, 2001 when the company announced an accounting investigation and trading was halted, to the resumption of trading on February 1, 2002 eliminated any remaining alleged artificial inflation. The total of these drops, \$0.75 per share, is the maximum loss that will be Recognized for purposes of the Settlement.

35. "Recognized Claims" will be calculated for purposes of the Settlement as follows:

A. For shares of StarMedia common stock purchased during the period April 11, 2000 and May 10, 2001, inclusive, and

(1) Sold on or before May 10, 2001 an Authorized Claimant shall have no "Recognized Claim."

(2) Sold during the period May 11, 2001 through and including May 31, 2001 an Authorized Claimant's "Recognized Claim" shall mean the *lesser* of: (a) \$0.17 per share (\$0.75 per share inflation paid on purchase less \$0.58 per share inflation received on sale), or (b) the purchase price (including commissions, etc.) less the sales proceeds received (net of commissions, etc.); plus

(3) Sold during the period June 1, 2001 through and including November 19, 2001 an Authorized Claimant's "Recognized Claim" shall mean the *lesser* of: (a) \$0.39 per share (\$0.75 per share inflation paid on purchase less \$0.36 per share inflation received on sale), or (b) the purchase price (including commissions, etc.) less the sales proceeds received (net of commissions, etc.); plus

(4) Held after the close of trading on November 19, 2001 an Authorized Claimant's "Recognized Claim" shall mean the *lesser* of: (a) \$0.75 per share, or (b) if the shares were sold before February 2, 2002, the purchase price (including commissions, etc.) less the sales proceeds received (net of commissions, etc.).

B. For shares of StarMedia common stock purchased during the period May 11, 2001, through and including May 31, 2001, and

(1) Sold on or before May 31, 2001 an Authorized Claimant shall have no "Recognized Claim."

(2) Sold during the period June 1, 2001 through and including November 19, 2001 an Authorized Claimant's "Recognized Claim" shall mean the *lesser* of: (a) \$0.22 per share (\$0.58 per share inflation paid on purchase less \$0.36 per share inflation received on sale), or (b) the purchase price (including commissions, etc.) less the sales proceeds received (net of commissions, etc.); plus

(3) Held after the close of trading on November 19, 2001 an Authorized Claimant's "Recognized Claim" shall mean the *lesser* of: (a) \$0.58 per share, or (b) if the shares were sold before February 2, 2002, the purchase price (including commissions, etc.) less the sales proceeds received (net of commissions, etc.).

C. For shares of StarMedia common stock purchased during the period June 1, 2001, through and including November 19, 2001, and

(1) Sold on or before November 19, 2001 an Authorized Claimant shall have no "Recognized Claim."

(2) Held after the close of trading on November 19, 2001 an Authorized Claimant's "Recognized Claim" shall mean the *lesser* of: (a) \$0.36 per share, or (b) if the shares were sold before February 2, 2002, the purchase price (including commissions, etc.) less the sales proceeds received (net of commissions, etc.).

36. Each Authorized Claimant shall be allocated a pro rata share of the Net Settlement Fund based on his, her or its Recognized Claim compared to the Total Recognized Claims of all accepted claimants.

37. Class Members who do not submit acceptable Proofs of Claim will not share in the settlement proceeds. Class Members who do not either submit a request for exclusion or submit an acceptable Proof of Claim will nevertheless be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Action.

38. Checks will be distributed to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. If any funds remain in the Net Settlement Fund by reason of uncashed checks or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distribution checks, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed to Class Members who have cashed their checks and who would receive at least \$10.00 from such re-distribution. If after six months after such re-distribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Plaintiffs' Lead Counsel.

### **THE RIGHTS OF CLASS MEMBERS**

39. For purposes of this Settlement only, the Court has certified this Action to proceed as a class action. If you purchased or otherwise acquired StarMedia common stock between April 11, 2000 and February 1, 2002, inclusive and you are not excluded by the definition of the Class and do not elect to exclude yourself, then you are a Class Member. Class Members have the following options pursuant to Rule 23 (c) (2) of the Federal Rules of Civil Procedure:

(a) If you wish to remain a member of the Class, you may share in the proceeds of the Settlement, provided that you submit an acceptable Proof of Claim. Class Members will be represented by the Lead Plaintiffs and their counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file an appearance on your behalf on or before September 9, 2002, and must serve copies of such appearance on the attorneys listed in paragraph 47 below.

(b) If you do not wish to remain a member of the Class, you may exclude yourself from the Class by following the instructions in paragraph 45 below. Persons who exclude themselves from the Class will **NOT** receive any share of the Settlement proceeds and will not be bound by the Settlement.

(c) If you object to the Settlement or any of its terms, or to Plaintiffs' Counsel's application for fees and expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in paragraph 47 below.

### **SUBMISSION AND PROCESSING OF PROOFS OF CLAIM**

40. In order to be eligible to receive any distribution from the Settlement Fund, you must complete and sign the accompanying Proof of Claim and Release form and send it by first class mail postmarked on or before October 29, 2002, addressed as follows:

In re StarMedia Network Securities Litigation  
c/o Gilardi & Co. LLC  
Claims Administrator  
Post Office Box 990  
Corte Madera, CA 94976-0990

41. If you do not submit a proper Proof of Claim form, you will not be entitled to any share of the Settlement Fund.

42. If you are a Class Member and you do not properly exclude yourself from the Class, you will be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Action, even if you do not submit a Proof of Claim. If you exclude yourself from the Class, you will not be bound by the judgment but you will not be entitled to any share of the Settlement Fund.

43. All Proofs of Claim must be submitted by the date specified in this Notice unless such period is extended by Order of the Court.

44. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Southern District of New York with respect to his, her or its Proof of Claim.

**EXCLUSION FROM THE CLASS**

45. Each Class Member shall be bound by all determinations and judgments in this Action concerning the Settlement, whether favorable or unfavorable, unless such person shall mail, by first class mail, a written request for exclusion from the Class, postmarked no later than September 9, 2002, addressed to StarMedia Network, Inc. Securities Litigation Exclusions, c/o Gilardi & Co. LLC, P.O. Box 990, Corte Madera, CA 94976-0990. No person may exclude himself, herself or itself from the Class after that date. In order to be valid, each such request for exclusion must set forth the name and address of the person or entity requesting exclusion, must state that such person or entity "requests exclusion from the Class in the StarMedia Network, Inc. Securities Litigation, No. 01 Civ 10556 (DC)" and must be signed by such person or entity. Persons and entities requesting exclusion are requested to also provide the following information: their telephone number, the date(s), price(s), and number(s) of shares of all purchases and sales of StarMedia common stock during the Class Period. The request for exclusion shall not be effective unless the request for exclusion provides the required information and is made within the time stated above, or the exclusion is otherwise accepted by the Court.

**SETTLEMENT FAIRNESS HEARING**

46. At the Settlement Fairness Hearing, the Court will determine whether to finally approve the Settlement and dismiss the Action and the claims of the Class Members. The Court will also determine whether the Plan of Allocation for the Settlement proceeds is fair and reasonable. The Settlement Fairness Hearing may be adjourned from time to time by the Court without further written notice to the Class. If you intend to attend the Settlement Fairness Hearing, you should confirm the date and time with Plaintiffs' Lead Counsel. If the Settlement is approved, the Court will also consider the application of Plaintiffs' Counsel for attorneys' fees.

47. At the Settlement Fairness Hearing, any Class Member who has not properly submitted a request for exclusion from the Class may appear in person or by counsel and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness and adequacy of the Settlement, the Plan of Allocation, or the application for an award of attorneys' fees and reimbursement of expenses, provided, however, that in no event shall any person be heard in opposition to the Settlement, the Plan of Allocation, or Plaintiffs' Counsel's application for attorneys' fees and expenses and in no event shall any paper or brief submitted by any such person be accepted or considered by the Court, unless, on or before September 9, 2002, such person (a) files with the Clerk of the Court notice of such person's intention to appear, showing proof of such person's membership in the Class, and providing a statement that indicates the basis for such opposition, along with any documentation in support of such objection, and (b) simultaneously serves copies of such notice, proof, statement and documentation, together with copies of any other papers or briefs such person files with the Court, in person or by mail upon Plaintiffs' Lead Counsel:

Samuel H. Rudman, Esq.  
MILBERG WEISS BERSHAD HYNES & LERACH LLP  
One Pennsylvania Plaza  
New York, NY 10119-0165  
(212) 594-5300

and upon Defendants' Counsel:

Peter J. Beshar, Esq.  
GIBSON, DUNN & CRUTCHER LLP  
200 Park Avenue, 47th Floor  
New York, NY 10166-0193  
(212) 351-4000

Andrew N. Vollmer, Esq.  
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WOMBLE, CARLYLE, SANDRIDGE  
& RIDGE  
One Wachovia Center, Suite 300  
301 South College Street  
Charlotte, NC 28202-6025  
(704) 331-4900

**ATTORNEYS' FEES AND DISBURSEMENTS**

48. At the Settlement Fairness Hearing or at such other time as the Court may direct, Plaintiffs' Lead Counsel intend to apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not greater than one-third (33-1/3%) of the Gross Settlement Fund and for reimbursement of their expenses up to a maximum amount of \$75,000, plus interest at the same rate as earned by the Settlement Fund. Plaintiffs' Lead Counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the Settlement proceeds to the members of the Class.

**FURTHER INFORMATION**

49. For a more detailed statement of the matters involved in this Action, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of New York, United States Courthouse, 500 Pearl Street, New York, New York 10007, during regular business hours.

50. ALL INQUIRIES CONCERNING THIS NOTICE OR THE PROOF OF CLAIM FORM BY CLASS MEMBERS SHOULD BE MADE TO THE CLAIMS ADMINISTRATOR IN WRITING AT THE ADDRESS INDICATED BELOW.

**SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

51. If you purchased or otherwise acquired StarMedia common stock between April 11, 2000 and February 1, 2002, inclusive for the beneficial interest of a person or organization other than yourself, the Court has directed that, within seven (7) days of your receipt of this Notice, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased such stock during such time period or (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days mail the Notice and Proof of Claim form directly to the beneficial owners of the securities referred to herein. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

In re StarMedia Network Securities Litigation  
c/o Gilardi & Co. LLC  
Claims Administrator  
P.O. Box 990  
Corte Madera, CA 94976-0990  
(800) 447-7657

Dated: New York, New York  
July 29, 2002

By Order of the Court  
CLERK OF THE COURT