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CLERK OF DISTRICT COURT

UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA

SECURITIES & EXCHANGE COMMISSION

Plaintiff,

v.

JOSEPH P. WEBSTER

Defendant.

CASE NUMBER 1:00CV02246

JUDGE: Thomas Penfield Jackson

DECK TYPE: Civil General

DATE STAMP: 09/20/2000

COMPLAINT FOR PERMANENT INJUNCTION
AND OTHER EQUITABLE RELIEF

Plaintiff, Securities and Exchange Commission ("Commission"), alleges for its Complaint, upon information and belief the following:

I. SUMMARY OF ALLEGATIONS

1. Defendant Joseph P. Webster ("Webster") traded in the common stock of United International Holdings, Inc. ("United") while in possession of material nonpublic information concerning a public announcement on January 25, 1999 that United Pan-European Communications ("UPC"), United's wholly-owned subsidiary, and Microsoft Corporation ("Microsoft") established a technical services agreement and that Microsoft would invest \$300 million in UPC's upcoming initial public offering ("IPO"). Webster breached his fiduciary duty to

United and its shareholders by purchasing 1,441 shares of United common stock on January 25, 1999 and selling 1,442 shares of United common stock on January 27, 1999 for illegal trading profits of \$15,358.

2. Defendant Webster has engaged and, unless restrained and enjoined by this Court, will engage in acts, practices, and courses of business that violate Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

3. The Commission brings this action pursuant to authority conferred upon it by Sections 21(d), 21(e) and 21A(a) of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(3) and 78u-1(a)] to: (a) permanently restrain and enjoin defendant Webster from violating Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder; (b) obtain ancillary equitable relief from defendant Webster in the form of an order of disgorgement of trading profits; and (c) obtain civil penalties from defendant Webster.

II. JURISDICTION AND VENUE

4. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), 21A(a) and 27 of the Exchange Act [15 U.S.C. §§ 78U(d), 78u(e), 78u-1(a), and 78aa]. Venue lies in this Court pursuant to Section 27 of the Exchange Act.

5. Defendant Webster, directly and indirectly, made use of the means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, and practices and courses of business alleged herein.

6. Defendant Webster is represented by counsel within this judicial district.

III. DEFENDANT

7. Defendant Webster, age 37, was chief executive officer of Priority Telecom, N.V., a wholly-owned subsidiary of UPC located in The Netherlands, from December 1997 until October 1999. Webster currently resides in North Carolina.

IV. OTHER ENTITIES

8. United International Holdings, Inc., a Delaware corporation headquartered in Denver, Colorado, provides video, voice, data, and programming services outside the United States, with operations in 20 countries throughout the world. United is a registered and reporting company pursuant to Section 12(g) of the Securities Act of 1933 ("Securities Act") and Section 13 of the Exchange Act. Its common stock trades on NASDAQ's National Market under the ticker UCOMA.

9. United Pan-European Communications, N.V., until February 1999 was a wholly-owned subsidiary of United and located in The Netherlands. UPC owns and operates cable-based communications networks in ten countries in Europe and Israel. On February 11, 1999, UPC conducted an IPO of its common stock. UPC is a registered and reporting company pursuant to Section 12(g) of the Securities Act and Section 13 of the Exchange Act. Its common stock trades on NASDAQ's National Market and the Amsterdam stock exchange under the ticker UPCOY.

V. FACTS

10. Defendant Webster was hired as the managing director for telephony services and chief executive officer for Priority Telecom, a wholly-owned subsidiary of UPC in February 1998. As managing director, Webster was responsible for overseeing Priority Telecom's competitive

local exchange carrier service division which offered a full range of telephony services for residential and business customers.

11. At 5:30 p.m. (ET) on January 25, 1999, United and UPC announced that UPC and Microsoft signed a letter of intent to establish a technical services relationship and that Microsoft would invest \$300 million in UPC's upcoming IPO. On January 26, the first trading day after the announcement, the price of United stock increased \$9.36, or approximately 25 percent, from \$37.63 per share on January 25 to \$47 per share on January 26. Further, trading volume increased from 1,888,000 shares on January 25 to 4,402,171 shares on January 26.

12. On January 25 at 9:57 a.m. (ET), before the Microsoft announcement, Webster purchased 1,441 shares of United common stock for \$37.50 per share. On January 27 at 9:32 a.m. (ET), Webster sold 1,442 shares of United common stock at \$48.125 per share for illegal trading profits of \$15,358.

13. Webster's senior level position in the company afforded him with the opportunity to be aware of UPC's discussions with Microsoft. Webster reported directly to the lead UPC negotiator in the Microsoft discussions.

14. Webster had documents available to him that referenced the Microsoft deal prior to his trading in United securities. Webster was responsible for reviewing and editing portions of the registration statement. As of January 23, the amendment to the registration statement filed on January 25, included a description of the Microsoft agreement. Pages containing information about Webster's division, and subject to his review, included references to Microsoft. Webster's name appeared on the working list used by the underwriters and distribution lists created by the financial printer to distribute copies of the registration statement and amendments to United and

UPC employees. Webster also attended drafting sessions of the registration statement in concert with assisting the underwriters in writing and revising pertinent parts of the registration statement.

15. Webster received drafts of road show materials referencing the Microsoft deal prior to his trading. Webster reviewed the road show materials because he was originally scheduled to speak at the road show. From mid-to-late January, the underwriters created PowerPoint® slides that referenced Microsoft's \$300 million investment in UPC's IPO as well as information about the technical services agreement.

16. Webster informed at least two of his employees about the Microsoft deal prior to the announcement.

17. Webster's trading confirms he knew about the Microsoft deal before the announcement. Webster purchased on January 25, the day the Microsoft agreement was announced, and he sold his position shortly thereafter on January 27. Moreover, Webster purchased the stock in violation of a UPC blackout period. During the fall of 1998, UPC issued a memorandum to all employees prohibiting the purchase or sale of United securities until the registration of the IPO shares became effective.

VI. COUNT I:

**Violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
and Rule 10b-5 Promulgated Thereunder [17 C.F.R. § 240.10B-5]**

18. Plaintiff incorporates and realleges Paragraphs 1 through 17 above.

19. From on or about January 25, 1999, through on or about January 27, 1999, defendant Webster directly and indirectly, by use of the means and instrumentalities of interstate commerce, of the mails or of the facilities of a national securities exchange, in connection with the purchase and sale of securities in the form of common stock: (1) employed devices, schemes, or

artifices to defraud; (2) made untrue statements of material facts, or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made not misleading; and (3) engaged in acts, practices or courses of business which operated as a fraud or deceit upon purchasers or sellers of United securities. Defendant Webster acted with scienter. By reason of the foregoing acts, practices and course of business, defendant Webster violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

VII. PRAYER FOR RELIEF

Wherefore, the Commission respectfully requests that this Court:

A. Issue a final judgment of permanent injunction restraining and enjoining defendant Webster, his affiliates, nominees, agents, officers, directors, employees, servants, successors, attorneys, assigns, corporations, and other persons or entities under his control, and those persons in active concert or participation with him, and each of them, from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder;

B. Issue an Order directing defendant Webster to disgorge the amount of his profits of \$15,358, plus prejudgment interest thereon;

C. Issue an Order directing defendant Webster to pay a civil penalty pursuant to Section 21A(a)(1)(A) and Section 21A(a)(2) of the Exchange Act [15 U.S.C. §§ 78u-1(a)(1)(A) and 78u-1(a)(2)]; and

D. Grant such other relief as this Court may deem just and appropriate.

Dated: September 20, 2000.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "I. Karpel", written over a horizontal line.

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