

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

JAMES HABER,

Plaintiff,

vs.

NTL, INC., GEORGE S. BLUMENTHAL, J.
BARCLAY KNAPP, STEVEN CARTER and
JOHN F. GREGG,

Defendants.

x

:: Civil Action No.

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**COMPLAINT FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS**

Jury Trial Demanded

Plaintiff has alleged the following based upon the investigation of plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by NTL, Inc. ("NTL" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities class action on behalf of all purchasers of the publicly traded securities of NTL between August 9, 2000, and November 29, 2001 (the "Class Period"), against NTL and certain of its officers and directors for violations of the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

2. Jurisdiction is conferred by §27 of the Exchange Act. The claims asserted herein arise under §§10(b) and 20(a) of the Exchange Act and Rule 10b-5.

3. Venue is proper in this District pursuant to §27 of the Exchange Act. Many of the false and misleading statements were made in or issued from this District. The Company's principal executive offices are in New York, N.Y., where the day-to-day operations of the Company are directed and managed.

THE PARTIES

4. Plaintiff James Haber purchased the securities of NTL, as set forth in the certification attached hereto and incorporated herein by reference, and was damaged thereby.

5. Defendant NTL is a Delaware corporation with its chief executive offices located at 110 East 59th Street, New York, NY 10022. Throughout the Class Period, NTL described itself as one of the leading broadband communications and broadband services companies in the United Kingdom and the Republic of Ireland. In addition, the Company also claimed to provide telecommunications services in Switzerland, France and Australia and had made strategic investments in broadband cable operations in Germany and Sweden.

6. (a) Defendant George S. Blumenthal ("Blumenthal") is, and throughout the Class Period was, Chairman and Treasurer of NTL.

(b) Defendant J. Barclay Knapp ("Knapp") is, and throughout the Class Period was, President and Chief Executive Officer ("CEO") of the NTL.

(c) Defendant John F. Gregg ("Gregg") is, and throughout the Class Period was, Chief Financial Officer ("CFO") of NTL.

(d) Defendant Steven Carter ("Carter") is, and since September of 2000 was, Chief Operating Officer ("COO") of NTL.

7. The individuals named as defendants in ¶ 6(a)-(d) are referred to herein as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the content of NTL's quarterly reports, press releases and presentations to securities' analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected.

8. Because of their positions and access to material non-public information available to them, but not to the public, each of the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

SCIENTER

9. As alleged herein, each Individual Defendant had knowledge of NTL's problems and was motivated to conceal such problems. Significantly, defendant Knapp, as President and Chief Executive Officer, and defendant Blumenthal, as Chairman of the Board of Directors of NTL, reviewed or were responsible for the preparation of many of the internal reports showing NTL's forecasted and actual growth and thus defendants Knapp and Blumenthal, as well as the other defendants, including defendant Gregg who served as the Company's CFO and defendant Carter who served as its COO, were aware of the significant downturn in NTL's forecasted results, its asset and goodwill impairment and its inability to meet its debt obligations, prior to this disclosure to the Company's public shareholders. Defendants, as directors and/or officers of NTL, were responsible for the financial results and press releases issued by the Company. Each Individual Defendant sought to demonstrate that they could lead the Company successfully and generate the growth expected by the market.

10. Defendants knew or recklessly disregarded that the misleading statements and omissions complained of herein would adversely affect the integrity of the market for the Company's securities and would cause the prices of the Company's publicly traded securities to become artificially inflated. Defendants acted knowingly or in such a reckless manner as to constitute a fraud and deceit upon plaintiff and other members of the Class. Defendants were further motivated to conceal the true financial and operational condition of the Company, because they owned millions of options to purchase shares of Company stock and sought to artificially inflate the price of NTL shares for a long enough time as to allow them to capitalize on the exercise and sale of such options and stock. In addition, defendants were also motivated to conceal the true condition of the Company because it was imperative to their business plan that NTL continue to issue billions of dollars of debt, convertible into shares of NTL.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

11. Each defendant is liable for: (i) making false statements; (ii) failing to disclose adverse facts known to him about NTL; and/or (iii) selling over one billion dollars of notes and debt, much of which was convertible into shares of the Company, at the time defendants concealed the true financial and operational condition of NTL such that investors could not adequately evaluate whether these convertible bonds represented a sound investment at the time of such offering.

12. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of NTL publicly traded securities was a success, as it (i) deceived the investing public regarding NTL's prospects and business; (ii) artificially inflated the prices of NTL's publicly traded securities; and (iii) caused plaintiff and other members of the Class to purchase NTL publicly traded securities at inflated prices.

BACKGROUND FACTS

13. Throughout the Class Period, NTL described itself as one of the leading broadband communications and broadband services companies in the United Kingdom and the Republic of Ireland, which also provided telecommunications services in Switzerland, France and Australia and had made strategic investments in broadband cable operations in Germany and Sweden. Despite the fact that the overwhelming majority of NTL's business is conducted in Europe, the Company is a Delaware corporation which maintains its chief executive offices in New York City.

14. At the beginning of the Class Period, NTL reported annualized revenues that exceeded US\$3.25 billion, a year-over-year increase of over 93%, based on service provided to 4.5 million residential cable telephony customers, 1.3 million Internet users and 450,000 off-net telephony customers. During the Class Period, NTL's common stock traded in an efficient market on the Nasdaq National Market Exchange ("Nasdaq"), until October 27, 2000, at which time shares of the Company were moved to the New York Stock Exchange ("NYSE"), and ceased trading on the Nasdaq.

15. Prior to and throughout the Class Period, the driving force behind the Company's sudden and massive growth had been the implementation of the Company's growth-through-acquisition strategy. According to NTL's FY 2000 year end report, filed with the SEC pursuant to Form 10-K, during the

period between 1999 and year end 2000, the Company engaged in at least 7 acquisitions valued at over \$17 billion – the majority of which was paid for using debt convertible into shares of the Company's common stock or short-term financing which the Company intended to refinance later with convertible debt.

From 1999 to the beginning of the Class Period, NTL made the following acquisitions:

Diamond Cable Com.	\$ 984.6 million	March 1999
Australian National Transmission Network	\$ 220.6 million	April 1999
Cablelink Limited	\$ 700.5 million	July 1999
1G Networks	\$ 60 million	Aug. & Dec. 1999
Workplace Tech plc	\$ 175 million	September 1999
Cablecom Group	\$ 3.5 billion	March 2000
ConsumerCo	\$ 10 billion	May 2000

16. As indicated above, in the six months prior to the beginning of the Class Period the Company completed the acquisition of two companies, Cablecom and ConsumerCo, at a total combined cost of over \$13.5 billion, plus the assumption of almost \$5 billion in debt. In March 2000, the Company completed the acquisition of Cablecom for approximately \$3.5 billion. This transaction was financed using bank loan facilities and the issuance of \$1.85 billion of 5% cumulative preferred stock to France Telecom and a group of commercial banks. In addition, the Company also issued \$750 million of Convertible Notes due 2009 to other qualified investors, which would be used, in part, to finance the Cablecom acquisition.

17. On May 30, 2000, the Company also announced the \$13 billion acquisition of the ConsumerCo division of Cable & Wireless Communications Limited ("Cable & Wireless"), comprised of \$10 billion in cash and securities and \$3 billion in the assumption of debt. As part of the transaction, France Telecom, the Company's largest shareholder, also agreed to invest a total of \$5.5 billion in NTL, including an initial investment of \$1 billion and an additional \$2.75 billion in NTL common stock issued at \$92.50 per share and \$.75 billion in convertible preferred stock with a 5% dividend and a conversion price of \$125 per share. This transaction increased France Telecom's ownership of NTL to 24% of the Company. The money received from France Telecom was also used to finance the Cable & Wireless transaction.

18. The ConsumerCo acquisition was also financed through the sale of \$721 million (700 million euros) of senior notes due 2006 and 2009, and deferred coupon notes due 2009. This sale was *the largest euro-denominated high-yield bond offering ever*, and was increased from an initial planned offering of 400 million euros. Moreover, based on defendants' false but positive representations regarding the Company's financial and operational condition, following the announcement of the Cable & Wireless acquisition, Standard & Poor's placed the Company on "Credit Watch with Positive Implications," further increasing NTL's ability to raise debt and service its massive debt obligations. The positive S&P rating, as well as the trading price of the Company's stock above \$108 per share, also allowed the Company to issue \$1.2 billion of 5.75% Convertible Subordinated Notes Due 2009, with a conversion price of \$135.23 per share.

19. Since defendants financed these acquisitions, in substantial part, using debt which was later convertible into shares of the Company, it was critical for defendants to maintain the price of NTL shares. If the share price of the Company fell precipitously, it would be very difficult, if not impossible, to continue defendants' acquisition strategy without either substantially diluting the current shareholders of NTL by issuing additional stock to make such acquisitions, or by having to use cash generated through operations to finance these acquisitions – which was and has always been impossible for NTL. In addition, a lower stock price also meant that insiders of the Company would not be able to exercise millions of stock options at prices above their exercise prices, and to profit from the artificial inflation in the price of NTL stock which their false and misleading statements had caused.

20. Shortly before the beginning of the Class Period, due to a general decline in the market for telecommunications stocks, shares of NTL traded from a high of \$107 per share in mid-March 2000, to a low of \$41 per share on August 2, 2000. The decline in the price of NTL stock jeopardized both (i) defendants' growth-through-acquisition model of earnings and revenue growth; as well as (ii) impacting the personal fortunes of Company insiders who held, in the aggregate, over \$1.5 billion worth of NTL stock and options to purchase NTL stock.

21. Thus, in order to create the impression that the Company was capable of sustained growth by way of its adopted growth-through-acquisition strategy outlined above, it was also critical for defendants

to lead investors to believe that the Company would be able to generate revenues from acquired operations sufficient to cover the massive debt used to finance the transactions. Therefore, when asked in July 1999 whether the Company could possibly make money from the Cable & Wireless acquisition – where NTL paid more than £5,000 (or approximately US\$7,250) per subscriber – defendant Knapp responded as follows:

"One shouldn't make assumptions based upon other transactions because the U.K. is such a unique environment. We're buying an advanced, state of the art network, one that is equipped today for high-speed, two-way interactive, for digital television and for telephony. So unlike networks in the United States, the U.K. networks are some three to five years ahead, so that's number one. Number two, even though the networks are advanced, the actual state of development of the business is not, so we believe that we're going to be able to increase penetration rates, increase average revenues, increase all aspects of the business. So when you model all of that out we think that we're getting a terrific price." [Emphasis added.]

22. In addition to rationalizing the extremely high cost of its acquisitions, defendants also conditioned investors to believe that NTL could provide its services and products to customers, including bundled broadband cable and telecommunications services, such that the Company could lower churn rates and increase revenues per customer. To this end, in March 2000, NTL also announced plans to offer free Internet services to its customers. When asked how it was possible for the Company to earn money by providing free Internet services, defendant Knapp stated the following:

"It's possible because we've spent the last seven years and several billion pounds investing in a network throughout the United Kingdom and we've been in the Internet space for quite some time. Because we own our own network and because we have our own backbone we can provide this service very cost efficiently. So it's evolutionary for us, not revolutionary. Fortunately it's revolutionary for the customer."

"Everybody needs a telephone line to get on line anyway, so that's not a big stretch for the customer, and we make money on the telephone service. In the future we hope to upgrade the customer to higher speed access service. We'll be rolling out cable modems, digital television, etc. So everybody has a need for speed and that's where we think the Internet's going in the future." [Emphasis added.]

23. Defendants' statements during the Class Period were each materially false and misleading because they failed to disclose the following material adverse facts which were known to defendants or recklessly disregarded by them:

(a) that the Company was unable to effectively integrate its acquisitions and, as a result was experiencing substantial difficulties in operating its business;

(b) that the Company was not fully funded until 2003, and as a result of its massive debt burden, by the end of 2001 and the beginning of 2002, the Company was already out of cash and unable to meet its debt obligations;

(c) that the Company was not meeting the needs of its customers by providing bundled broadband services on a consistent basis, and both prior to and throughout the Class Period, as a result of defendants inability to manage its growth and integrate its acquired properties and their inability to integrate its diverse services, NTL was plagued with technical and customer service problems which were causing higher than reported rates of customer churn and dissatisfaction;

(d) that the Company was not reducing churn rates by providing superior products and services, as represented by defendants throughout the Class Period, but was rather keeping churn rates artificially low by failing to report terminations and by continuing to bill customers for accounts which they had terminated, thereby creating the false impression that the Company was retaining customers longer and that migrations were decreasing;

(e) in addition to under-reporting churn rates, the Company had also materially misled investors into believing that the Company was retaining customers by providing superior quality services, when, in fact, as soon as NTL stopped offering free Internet services, which the Company could not afford and which would never generate revenues sufficient to justify providing such services, the number of defections skyrocketed; and

(f) that the Company was improperly delaying the writedown of billions of dollars of impaired assets, thereby artificially inflating the Company's operating results. Indeed, after the end of the Class Period, NTL announced that it would write off over \$11 billion of goodwill and other asset impairments prior to reporting fourth quarter financial results, which would result in an astounding loss per share for the fourth quarter 2001 of \$46.46 per share.

MATERIALLY FALSE AND MISLEADING

STATEMENTS ISSUED DURING THE CLASS PERIOD

24. The Class Period begins on August 9, 2000. On that date, NTL issued a release published on *PR Newswire* which announced results for the second quarter 2000, the period ended June 30, 2000, which stated, in part, the following:

	Q2 - 2000	Q2 - 1999	Change over 1999
Revenue	UK£ 434.2m	UK£ 224.1m	+ 93.8%
EBITDA	UK£ 59.2m	UK£ 23.0 m	+156.9%

* * *

Commenting on the Company's performance, [defendant] Knapp said: *"We have experienced a tremendous amount of growth in the first half of 2000, both organically and as a result of acquisitions.* Cablecom and CWC ConsumerCo, the two largest transactions in the Company's history, have added significantly to our revenues, EBITDA and customer base. Overall, our annualized revenues have surpassed \$3.25 billion and we now serve nearly 4.5 million residential cable telephony customers, over 1.3 million Internet users and 450,000 off-net telephony customers, in total subscribing to over 8 million services. *For the 18th consecutive quarter we increased consumer penetration in the "Original NTL" franchisees to reach 50% and push the Comcast, ComTel and Diamond franchises over 40% penetration.* Our 74,200 net additions this quarter were the most in any quarter in our history.

* * *

The organic Core UK group (UK Residential On-Net, Business/Carrier, Radcomms/Satellite and Broadcast) has grown revenues 25% and operating EBITDA 33% year over year, exhibiting a 51.2% incremental EBITDA margin before shared costs. Shared costs have fallen from 19.8% to 17.4% of revenues year over year. *As we add scale to the business, we are able to leverage the network to yield significant flow through.* In total, including acquisitions, NTL revenues have grown 93.8% year to year with EBITDA growing 156.9% "

Two key products were launched during the quarter in our NTL consumer division: 'ntlworld', our free Internet service, and digital cable television. Both are exhibiting very strong initial results. We received over 622,000 requests for our ntlworld service since its unveiling in March, and including ConsumerCo we have approximately 230,000 customers subscribing to digital television.... Interactive services and open web access will be rolled out across all of ConsumerCo and NTL digital platforms beginning in September and October, respectively. We also recently began our aggressive rollout of cable modems which will gather steam in the remainder of the year. *True video-on-demand is just around the corner – launching early 2001.*

"Digital cable with full web interactivity, cable modems, ntlworld and VOD form a quartet of unique services that will drive our consumer business for many quarters to come. These services are made possible by networks which are now approximately 80% digital in NTL and 70% digital in ConsumerCo. Both percentages will rise to 90% by year-end.

* * *

Our views of how quickly we can integrate ConsumerCo and BT Cable are shaped by our success at both the "Original NTL" franchise and franchises we acquired from Comcast, ComTel and Diamond. In the past we have been able to increase penetration at approximately 5% per year, and would expect that trend to continue or accelerate. [O]ur five-year target for penetration is now above 60% for the Company as a whole.

* * *

... ***The Company expects its consumer base to continue to increase*** which will drive further revenue growth as the Company completes the construction of its broadband network past the remaining homes in its franchise areas.

... ***The Company expects its business telecommunications and Internet services customer base to continue to increase*** which will drive further revenue growth... Revenue growth in carrier services is primarily dependent upon the Company's ability to continue to attract new customers and expand services to existing customers.

... The Company expects its digital broadcasting services to increase in the future. [Emphasis added.]

25. In addition to the statements made in the second quarter 2000 release, on August 10, 2000, *Bloomberg* news service reported the following:

"NTL simply infused renewed confidence in their ability to manage the integration of Cable & Wireless Consumer assets and the growth of new services in its investor meeting today," said Aryeh Bourkoff, a high-yield bond analyst at UBS Warburg in Stamford, Connecticut.

* * *

"We have in the last two months gotten our hands on (the Cable & Wireless unit), and the news is good," [defendant] Knapp said in an interview. "There are no surprises on the downside. The kinds of issues that they face are ones the we faced in other companies we acquired."

* * *

"We're fully financed," [Knapp] said. [Emphasis added.]

26. Later on August 10, 2000, *Bloomberg* also reported an interview with defendant Knapp, during which he stated, in pertinent part, the following:

On European expansion strategy:

"We've accomplished our three or four main objectives in a short amount of time. About 18 months ago we started out to go into Europe and we said we wanted to establish a major presence and we have.... We wanted to leverage our capabilities and we are in a management or leading role in all of those situations." [Emphasis added.]

On profit outlook:

"Companies like ours are valued on growth in revenues and growth in ebitda and we are growing both of those quite smartly. The net earnings picture doesn't really turn around until we stop all of the building and associated non-cash depreciation and that probably won't occur until the 2003-2004 time frame, including Europe. ***But ebitda should increase steadily this year and then probably start ramping up more significantly coming out of 2001.***" [Emphasis added.]

On financing needs:

"Part of the presentation today is that we are fully financed in terms of all of our operations in the U.K., we have Switzerland and Germany fully financed, there is virtually no debt on

our France operations so we believe we can acquire the necessary capital there. ***So all in all, except for some de minimis investments that we might make going forward – smaller transactions – we're fully financed.*** [Emphasis added.]

27. The market immediately reacted to defendants' false statements, and shares of NTL rallied from a low of \$42.56 per share, the trading price of Company shares on August 9, 2000, immediately prior to the release of second quarter results, to a high of \$48.38 per share on August 18, 2000, after investors were able to fully digest the impact of defendants release. In fact, following the conference call hosted by defendants on August 10, 2000, in which they reiterated the Company's results and provided further guidance going forward, shares of NTL stock rose as much as 8.6%.

28. On September 28, 2000, the Company announced that it had priced an additional \$500 million of senior notes, at least half of the proceeds of which would be used to pay down its Cable & Wireless acquisition credit facility. These notes, priced at 97.872% par, pay 11.875% interest and mature in 2010. These notes were not registered and were sold to qualified institutional investors pursuant to a Rule 144A offering.

29. On October 24, 2000, the Company published a release on *PR Newswire*, announcing operating statistics for the third quarter of 2000, as follows:

HEADLINE: NTL Announces Operating Statistics for Third Quarter 2000; 19th Consecutive Quarter of Market Share Increase; Over 8,000,000 Customers; On Track to Achieve Goal of 500,000 Digital Subs by Year End; Monthly Churn Declines to 1.0%

Commenting on the Company's progress [defendant] Knapp, said:

"We are extremely proud of this quarter's operating performance, having passed a number of operating milestones and obtaining solid initial operating results from ConsumerCo. The third quarter was extremely successful in terms of subscriber additions....

The integration of Cable & Wireless' ConsumerCo commenced last quarter and we have already witnessed some solid results. Prior to our acquisition of ConsumerCo, Cable & Wireless' cable telephony business had been losing customers on a quarterly basis. Under its first full quarter of NTL ownership, ConsumerCo began to report positive subscriber growth.... In addition, ***we have already materially reduced monthly churn.***

While integration efforts continue at ConsumerCo, we are pleased with these initial results and remain confident that we will continue to be able to use the lessons the we learned in our prior acquisitions to make the integration of ConsumerCo proceed smoothly. [Emphasis added.]

30. As part of the Company's "significant" cost savings efforts, on November 2, 2000, the Company announced that it was cutting as many as 1,300 jobs in the U.K. According to a *Bloomberg* report published on November 2, 2000, NTL stated that it expected "significant" savings by the second half of 2001. According to NTL, the Company was "taking the inevitable duplications out of the system" and "shaping the business so that [NTL] can have faster growth, faster marketing position going forward." *Bloomberg* also reported that, when asked about when NTL would provide more detail on the cost savings purportedly provided by these cuts, NTL's spokesperson stated, "not in the short term."

31. On November 9, 2000, defendants issued a release published on *PR Newswire* which announced results for the third quarter 2000, the period ended September 30, 2000, which stated, in part, the following:

	Q3 - 2000	Q3 - 1999	Change over 1999
Revenue	UK£ 559.6m	UK£ 259.6m	+ 116%
EBITDA	UK£ 62.2m	UK£ 40.5m	+ 54%

* * *

Commenting on the Company's performance [defendant] Knapp said:

"We are very proud of this quarter's financial results in light of our tremendous integration efforts. Overall our annual run rate revenues have improved to [US\$ 3.3 billion], and although our EBITDA reflected significant integration related expenses and costs associated with new product introductions, consolidated quarterly EBITDA rose to a historic high...

"Our quarterly organic customer growth of 73,900 customers was extremely strong. This resulted in *increased customer penetration in the "Original NTL" franchises for the 19th consecutive quarter and increased penetration in the "1998 Acquisitions" franchises of 1.1% this quarter, resulting in a 5.4% increase in the last twelve months to 41.3%.*

* * *

"This quarter represented our first full reporting period following the acquisition of ConsumerCo. During the quarter *we focused on integrating ConsumerCo while improving the quality of the ConsumerCo customer experience. These efforts have already proven effective. In only four months since our acquisition of ConsumerCo, we have reversed the trend of quarterly customer decline and reported net quarterly customer growth at ConsumerCo for the first time in 2000.* In addition, we have reduced monthly churn from 2.5% at the time of the acquisition to 1.9% at the end of the third quarter."

The acquisition of ConsumerCo has allowed us to review the way we conduct our business, including how we transact with our key suppliers... In addition, *we have recently concluded a comprehensive cost analysis that will result in significant annual cost savings starting in the second half of 2001 as a result of*

organizational changes relating to the integration of the eleven acquisitions that we have closed during the last 18 months.

* * *

Our views of how quickly we can integrate ConsumerCo and BT Cable are shaped by our success at both the "Original NTL" franchise and franchises we acquired from Comcast, ComTel and Diamond. In the past we have been able to increase penetration at approximately 5% per year, and would expect that trend to continue or accelerate. [O]ur five-year target for penetration is now above 60% for the Company as a whole.

* * *

Integration of ConsumerCo

We have made significant progress towards the integration of ConsumerCo during our first full quarter of ownership. We successfully stemmed the tide of consumer losses in the former ConsumerCo franchises in the third quarter by dramatically reducing churn....

* * *

On November 2, 2000, the Company announced the completion of a consolidation review. Based on a comprehensive review of the combined company following the acquisition of ConsumerCo and the integration of several other acquired businesses over the last 18 months, ***the Company identified significant efficiency improvements and cost savings. These include the elimination of duplicate technologies and processes, consolidation of support functions and reductions in levels of management. Approximately 1,300 roles will become redundant over the next 15 months as part of the cost savings. The Company expects to realize the cost savings beginning in the latter half of 2001....*** [Emphasis added.]

32. The same day, November 9, 2000, *Bloomberg* also reported that, during the post-release conference call, defendant Knapp stated that the Company then had approximately \$12.5 billion in net debt, and had an interest expense of \$280.9 million – or about one-third its revenue for the quarter, only about half of which was paid in cash, while the remainder of the interest payment would be paid when the bonds are redeemed.

33. On January 9, 2001, *Bloomberg* reported that NTL shares gained over 12% after the Company announced that it would "meet or exceed" its full-year earnings forecasts for 2000 and for the first half of 2001. Based on the reiteration of defendants' forecasts, shares of NTL rose as high as \$4.00 per share in intra-day trading, to close trading at \$29.22 per share.

34. On January 12, 2001, the Company published a release on *PR Newswire*, announcing operating statistics for the fourth quarter and full year 2000, as follows:

HEADLINE: NTL Announces Consumer Operating Statistics for 2000; 20th *Consecutive Quarte of Market Share Increase; Record Quarterly Customer Additions*; ConsumerCo Achieves 20,000 Net Additions; Over 2,000,000 Internet Subscribers Now Online

Commenting on the Company's progress [defendant] Knapp, said:

"2000 was another exciting year for the company and the fourth quarter was our Consumer Services Division's most impressive quarter to date. We are extremely proud of this quarter's operating performance, having passed a number of operating milestones while significantly improving the operating results at ConsumerCo. The fourth quarter was the most successful quarter in our history in terms of organic subscriber additions...

The integration of ConsumerCo continued to gain momentum this quarter and operating results have improved measurably. ConsumerCo has witnessed a dramatic turnaround from a declining customer base prior to our acquisition... As we improved the quality of ConsumerCo customers' experience, the rate of churn has steadily declined from 2.5% per month prior to our acquisition to 1.9% per month at the end of the third quarter and to 1.7% per month at the end of the fourth quarter. We continue to use the experience we gained in our prior acquisitions to make the integration of ConsumerCo proceed smoothly. [Emphasis added.]

35. On January 13, 2001, the Company announced that it had sold an additional US\$187 million of high yield bonds, through its subsidiary NTL Communications, to refinance debt and fund investment.¹ According to *Bloomberg*, the Company sold the seven-year senior notes at par with a yield of 12.375%. *Bloomberg* also reported that these notes were rated "B2" by Moody's Investor's Service, or five notches below investment grade, and that as a result of this offering, Moody's had cut the Company's credit outlook to "negative" from "stable" in part to reflect the Company's high debt leverage. Moody's stated that, NTL's debt levels "have not decreased in line with Moody's expectations," at the time of the Company's upgrade in July of 2000.

36. On January 25, 2001, *Bloomberg* reported that NTL had provided guidance on the Company's funding and capital requirements going forward, as follows:

[NTL] said it expects to raise [US\$ 1.31 billion] in the first six months of this year and reduce costs and capital expenditure so that it *won't need to borrow any more money.*

* * *

"We don't need to raise excess capital and in today's environment that's a very important message," [defendant] Knapp said...

¹On February 5, 2001, this offering was increased by 33%, to approximately US\$248 million.

* * *

"Most of the short-term targets are very realistic and I would not be surprised if they beat their own forecasts," said Avnish Mehra, a high-yield debt analyst at CIBC World Markets in London.

He said he would be "very surprised" if Moody's Investors Services, which has a "negative outlook" on NTL bonds, decides to lower its credit rating on the bonds.

Knapp said he expects NTL will be able to be "free cash flow positive" – or generate enough cash flow to cover its capital expenditure – by the end of 2003.

* * *

"Things have never looked better from a financial prospective," [defendant] Gregg said. [Emphasis added.]

Bloomberg also reported that NTL provided further near-term revenue guidance, with revenue expected to reach UK£2.6 billion in 2001 and UK£3.3 billion in 2002.

37. On March 8, 2001, defendants issued a release published on *PR Newswire* which announced results for the fourth quarter and year-end 2000, the period ended December 31, 2000, which stated, in part, the following:

	YE - 2000	YE - 1999	4Q-2000	4Q-1999
Revenue	£ 1,886m	£ 979m	£ 586m	£ 560m
EBITDA	£ 229m	£ 130m	£ 65m	£ 62m

* * *

Commenting on these results, [defendant] Knapp said:

"2000 was a remarkable year for NTL. We completed the acquisition of CWC ConsumerCo in the UK and Cablecom in Switzerland, the two largest transactions in our company's history. We have launched new products in all our major markets and we have been carrying out an extensive business review to reduce our cost base and ensure we're fully exploiting the assets we have. Without doubt, the CWC ConsumerCo acquisition has presented us with the greatest management challenges due to the size of the transaction. However, **just after a few months, we've been able to reduce churn significantly from 2.5% to 1.7% per month and add new customers by following the roadmap we created for past acquisitions.**

* * *

Our record growth has been made possible by the \$11 billion investment we've made in our national, regional and most importantly local broadband networks throughout the UK... **The strength of our bundled packages has helped us achieve our industry-leading penetration and churn results. I am confident that no other company in the UK has the assets in place to compete with NTL to provide television, telephony and broadband Internet services to consumers at value-for-money prices.**

* * *

The integration of ConsumerCo remains on track. We have reversed the outflow of subscribers... Our efforts to combat churn have been critical to the rapid turnaround, and we have successfully lowered monthly churn from 2.5% at the time of acquisition to 1.7% just two quarters later. [Emphasis added.]

38. On April 23, 2001, shares of NTL fell almost 11 percent after it was reported that Cable & Wireless plc sold over 5.3 million of the NTL shares it acquired in the ConsumerCo sale, at a 10% discount to the market, or at \$27 per share, and indicated that it would be able to sell its remaining 31.3 million shares after the end of May 2001. The news of these below-market stock sales, which were made to Goldman Sachs & Co., sent shares of the Company down over \$3.75 per share, to close trading at \$26.22 per share.

39. The purportedly phenomenal growth in the size of the Company as a result of the CableCom and ConsumerCo acquisitions, which increased NTL's debt to well over \$12 billion, had a substantial effect on the compensation of the Individual Defendants. As *Bloomberg* reported on April 25, 2001, ***the day that the Company completed its acquisition of Cable & Wireless, on May 30, 2000, defendants Blumenthal and Knapp each received options to purchase 7.25 million shares of NTL common stock.*** According to *Bloomberg*, these options were ***valued by the Company at up to \$735.3 million***, assuming a 10% share price appreciation over the life of the options. *Bloomberg* also reported that Knapp and Blumenthal each received \$510,846 of salary, bonus and other benefits during 2000, down 7.4% from \$551,833 received the prior year.

40. On May 30, 2001, the Company filed its yearly Proxy Statement with the SEC which provided additional detail about the substantial compensation provided to NTL's officers and directors, especially in light of the Cable & Wireless acquisition, as follows:

Stock options are designed to align the interests of executives with those of stockholders. The options generally are granted at an exercise price equal to the market price of the Common Stock on the date of grant and vest over a period of five years. Accordingly, the executives are provided additional incentive to create stockholder value over the long term since the full benefit of the options cannot be realized unless stock price appreciation occurs over a number of years.

In determining individual option grants, the Compensation Committee takes into consideration the number of options previously granted to that individual, the amount of time and effort dedicated to the Company during the preceding year and expected commitment to the Company on a forward-looking basis. The Compensation Committee also strives to provide each option recipient with an appropriate incentive to increase stockholder value, taking into consideration their cash compensation levels.

In 1996, 1997 and 1999, Mr. Knapp did not receive any option grant. In 1995, Mr. Knapp received an option to purchase 416,668 shares of Common Stock with an exercise price of \$14.64. In 1998, Mr. Knapp received an option to purchase 1,484,375 shares of Common Stock with an exercise price of \$23.36. In 2000, Mr. Knapp received an option to purchase 7,250,000 shares of Common Stock with an exercise price of \$63.63. Mr. Knapp now owns 368,948 shares of Common Stock and holds options to purchase an additional 11,276,270 shares. The Compensation Committee believes that the equity interests in the Company held by the named executive officers, including Mr. Knapp, represent a significant incentive to increase overall stockholder value.

41. Despite the Company's rhetoric concerning the fact that the "full benefit of the options cannot be realized unless stock price appreciation," the Proxy disclosed how the Company can simply reprice its options when the prices are set above what the Company's executives could sell their shares for, after stewarding NTL to much lower share prices, as follows:

In September 2000, the Board of Directors approved modifications to certain stock options granted to employees from November 1999 through May 2000. These modifications resulted in a reduction to \$44.50 in the exercise price of options to purchase an aggregate of approximately 16.5 million shares of Common Stock with a weighted average exercise price of \$64.39. In addition, the vesting schedule for these options were delayed or lengthened...

The following table sets forth certain information regarding these modifications as applied to the named executive officers.

10 YEAR OPTION / SAR REPRICINGS

Name	Date	No. Securities Underlying Options	Exercise Price At Time of Repricing	New Exercise Price
Leigh Wood	9/14/00	750,000	\$ 63.63	\$ 44.50
Richard Lubasch	9/14/00	500,000	\$ 63.63	\$ 44.50
John Gregg	9/14/00	1,000,000	\$ 63.63	\$ 44.50
Steven Wagner	9/14/00	200,000	\$ 63.63	\$ 44.50

42. On May 10, 2001, defendants issued a release published on *Business Wire* which announced results for the first quarter of 2001, the period ended March 31, 2001, which stated, in part, the following:

	<u>Q1 - 2001</u>	<u>4Q-2000</u>	<u>1Q-2000</u>
Revenue	£ 622m	£ 586m	£ 306m
EBITDA	£ 86m	£ 65m	£ 43m

* * *

Commenting on these results, [defendant] Knapp said:

"We are very pleased with our strong performance this quarter and believe that we have made an excellent start to achieve our goals for the year."

"We are improving customer service and choice, enhancing revenue, cutting costs and increasing liquidity faster than anticipated."

* * *

"During the last several months, we substantially enhanced the Company's liquidity, completing approximately [US\$1.4 billion] of financing and securing over [US\$993 million] of additional financing commitments that are in the process of closing. Net of reductions in our existing credit lines, we now have excess funding through 2002 assuming we achieve the financial targets outlined at the beginning of this year."

"Our success during the first quarter provides us with an increased level of confidence in our ability to meet or exceed our 2001 financial targets for revenue and EBITDA.... We have set the company on the path to a successful future and are confident in our ability to achieve our goals."

* * *

Improving customer service across the board, with a particular emphasis on London, remains one of our top priorities and we are making good progress. Specifically, installation timeliness, network faults, and call center performance have all improved. We now have a dedicated management team handling customer care in London and we are continuing to see improvements. The average monthly churn across all of our UK properties during the first quarter was approximately 1.5%.

* * *

Financing

The Company anticipates that its financing over the remainder of 2001 and 2002 will consist mainly of cash on hand and available bank lines in the UK, Switzerland and Australia. In 2002, we have already raised or received commitments for over [US\$ 2.5 billion] of additional capital. Whilst a portion of these funds has been used to reduce commitments to our working capital facility, the following sources of capital have already contributed approximately **£680m** of total incremental liquidity, thereby financing NTL into 2003, based on our financial outlook:

2001 Announced Financings	Gross Proceeds	Incremental Liquidity
E300 million offering	£ 190m	£ 95m
Bank Financing (Australia)	£ 135m	£ 135m
GE Capital (committed)	£ 270m	£ 135m
Convertible Notes	£ 700m	£ 315m
Total	£1,295m	£ 680m

[Emphasis added.]

43. On May 15, 2001, the Company published a release on *Business Wire* which announced that NTL had closed the sale of \$1 billion of Convertible Senior Notes Due 2008, as well as an additional

\$150 million over-subscription allotment, at a conversion price of \$32.728 per share. Again these notes were not registered and were sold to qualified institutional investors pursuant to a Rule 144A offering.

44. On June 11, 2001, Cable & Wireless plc, as well as several other large Company shareholders, participated in the sale of 5.25 million shares of NTL stock, which was sold by Goldman Sachs & Co. at \$17.50 per share, an approximate 10% discount to the then prevailing market price of NTL stock. This sale caused NTL shares to again retreat, closing the day at \$18.05 per share, the lowest close for NTL since January 1998.

45. Between early-May 2001 and the beginning of July 2001, shares of NTL stock declined substantially as investors worried that telecommunications companies generally were experiencing a very difficult market environment. In fact, between May 7, 2001 and July 18, 2001, shares of NTL declined from over \$31.00 per share to \$4.75 per share. Thus, in an effort to further reassure investors that the Company was on track to meet or exceed earnings and revenue forecasts, on July 13, 2001, defendants published a release on *Business Wire*, which contained the headline, "***NTL Continues to Reaffirm that it is on Track to Meet or Exceed its Quarterly and Yearly Guidance***," and stated the following:

In response to recent volatility in the Company's share price and trading volume, NTL reaffirms that it will meet or exceed our targets for the second quarter and full year," stated [defendant] Knapp. "We expect to reaffirm or revise guidance upwards for the remainder of 2001 at our second quarter results meeting."
[Emphasis added.]

46. Later, on July 18, 2001, defendants again reaffirmed that the Company was performing according to forecasts provided by defendants and also raised 2001 EBITDA guidance by £100m to £485m, and 2002 EBITDA guidance of £825m upward, as follows:

NTL today announced record EBITDA of £115m during the second quarter and that results for 2001 are expected to be £100m higher than previously announced.

The EBITDA margin improvement during 2001 will translate into an upward revision of our prior 2002 EBITDA guidance of £825m and an improvement over consensus analyst EBITDA estimates for 2003.

* * *

[Defendant] Knapp commented, "***Our current operating results are very strong and we have always had great confidence in the future. In our upcoming presentation we will be describing how our increasingly strong performance will make our current funding sufficient for us to reach free cash flow positive by the end of 2003.***" [Emphasis added.]

47. Shares of NTL surged following defendants upward revision of NTL's EBITDA figures. Following this announcement, on July 19, 2001 shares of the Company traded to \$7.50 per share, an increase of 41% in the single trading day. As reported by *Bloomberg*, David Brundish, an analyst at J.P. Morgan Securities in London, stated, the Company's upward revision was a "***very timely reminder that the company's going great guns.... In an environment of profit warnings, upward revisions differentiate it from the crowd.***"

48. On July 26, 2001, defendants issued a release published on *Business Wire* which announced results for the second quarter of 2001, the period ended June 30, 2001, which stated, in part, the following:

	<u>Q2 - 2001</u>	<u>Q1-2001</u>	<u>Q2-2000</u>
Revenue	£ 634m	£ 614m	£ 434m
EBITDA	£ 115m	£ 86m	£ 59m

* * *

Commenting on these results, [defendant] Knapp said:

"We are extremely pleased to be one of the very few companies able to announce both strong current results together with an increasingly positive outlook for the future. We have achieved many of our 2001 annual goals in the first six months, and we are now reaping the benefits.

We have improved service levels and lowered churn in the acquired companies and we now run them as integrated units within NTL....

* * *

Taken together we can now project these improvements further and with more confidence into the future, resulting in substantial increases to Revenue, EBITDA, and net funds flow through 2003.

Congratulations to the team on yet another quarter of flawless execution." [Emphasis added.]

49. On November 7, 2001, with shares of NTL now trading below \$5.00 per share, defendants issued a release published on *Business Wire* which announced results for the third quarter of 2001, the period ended September 30, 2001, which stated, in part, the following:

	<u>Q3 - 2001</u>	<u>Q2-2001</u>	<u>Q3-2000</u>
Revenue	£ 645m	£ 634m	£ 560m
EBITDA	£ 132m	£ 115m	£ 62m

Commenting on these results, [defendant] Knapp said:

"We are pleased with our progress this quarter, especially since the third quarter is traditionally challenging in our industry. We are continuing to concentrate on our 2001 objectives: improving service levels, realizing better revenue potential in our products, reducing costs and increasing asset utilization.

* * *

Once again, the team executed beautifully and demonstrated the real economic power of our business."

* * *

Churn increased slightly in the quarter to approximately 1.7% per month, but was in line with historical trends for the third quarter.

* * *

Financing

The Company anticipates that its financing over the remainder of 2001 and 2002 will consist mainly of cash on hand and available bank lines in the UK, Switzerland and Australia. During 2001, we have raised approximately £1.5 billion of additional capital...

* * *

We believe that, ***based on our financial outlook, we are funded up to the point where the Company becomes cash flow positive at the end of 2003.*** The Company will cover net cash interest by the middle of 2002 and turn cash flow positive by the end of 2003. [Emphasis added.]

50. The statements referred to above in ¶¶ 24-26, 29-31, 34, 36, 37, 40, 42, 45, 46, 48 and 49 were each materially false and misleading because they failed to disclose the following adverse facts which were known by defendants or recklessly disregarded, among others:

(a) that the Company was unable to integrate the Company's huge acquisitions and problems surrounding the Company's products and service offerings were escalating;

(b) that it was materially false and misleading for defendants to claim that the Company was experiencing "organic" growth or that it "was fully funded" without also disclosing the serious problems affecting the Company at that time;

(c) that the Company was improperly delaying the writedown of tens of billions of dollars of impaired assets;

(d) *that the Company was not meeting the needs of its customers in providing bundled broadband services on a consistent basis. As a result of defendants inability to manage the Company's growth and integrate its acquired properties and their inability to integrate its diverse services, NTL was plagued with technical and customer service problems which were causing higher than reported rates of customer churn and dissatisfaction;

(e) that the Company was not reducing churn rates by providing superior products and services but was rather keeping churn rates artificially low by failing to report terminations and by continuing to bill customers for accounts which they had terminated, thereby creating the false impression that the Company was retaining customers longer and that customer migrations were decreasing; and

(f) that, in addition to under-reporting churn rates, the Company had also materially mislead investors into believing that the Company was continuing to retain its customers by providing superior quality services, when, in fact, as soon as NTL stopped offering free Internet services (which the Company was unable to afford and which would never generate revenues sufficient to justify providing such services), the number of defections skyrocketed.

POST-CLASS PERIOD REVELATIONS

51. On November 29, 2001, *Bloomberg* reported that shares of NTL fell over 44% after Moody's Investors Services cut its credit rating on the Company, citing concerns that NTL will have to convert bonds into other securities in order to pay back its massive debt, and stated as follows:

NTL's shares, which have lost more than 90 percent of their value this year, fell as much as \$1.31 to \$1.64, cutting the company's value to \$567 million from more than \$30 billion in January of last year....

* * *

Moody's cut the rating on NTL's senior unsecured notes two notches to "Caa2" from "B3," just three above the lowest rating on the 21-rung scale. The outlook remains negative.

NTL this month said its third quarter loss widened to \$1.03 billion as interest costs rose. Revenue grew just 1.7% from the second quarter, to \$2.8 billion for the first nine months. It forecast revenue of \$3.8 billion for 2001, rising to \$6 billion in 2003, when it expects to be profitable.

"Their projected revenue growth appears aggressive when compared to the quarterly growth rates the company has achieved over the past year." Ted Barac, an analyst at Moody's said in an interview. "Its increasingly likely that an eventual restructuring may be required." [Emphasis added.]

52. On December 7, 2001, shares of NTL again fell as much as 22% after investors learned that the Company would probably have to convert more debt into other securities, after the Company was unable to find a buyer for its Towers Units – a division the Company previously stated it was going to sell for up to US\$2.2 billion to reduce debt and fund operations. This day, shares of NTL fell as low as \$1.01 per share, before closing trading at \$1.12, a new 52-week low. According to *Bloomberg*, ***since the Moody's downgrade on November 29th, NTL had lost over two-thirds of its market capitalization, falling to \$290.5 million from \$677.7 million the prior week, and from \$30 billion in January 2000.*** *Bloomberg* also reported that, as of December 7, 2001, the Company had \$17.5 billion in debt.

53. Also on December 7, 2001, the *Daily Telegraph*, citing an unidentified Company spokesperson, reported that NTL would begin charging customers for its previously free Internet service, starting in January. According to the report, beginning in January 2002, the Company would begin charging customers between **£7-£10** per month.

54. On December 10, 2001, shares of NTL traded below \$1.00 for the first time ever, after the Company announced that it would cut 2,000 jobs, or 12 percent of its workforce, in order to preserve cash to fund operations.

55. On December 12, 2001, *Bloomberg* news service reported that shares of NTL fell over 22% after Standard & Poor's cut the Company's credit rating to its ***seventh lowest level***, "B-," citing concerns that with ***debt at 90 times its market value***, NTL will need to borrow more money to continue operations. According to *Bloomberg*, shares of NTL reached a record low of \$0.68 per share, rendering a market capitalization of less than \$200 million. "There is a high probability that NTL may need to restructure... [due to] increasing concerns about NTL's ability to service its extremely high levels of debt over the medium term, given the group's lower-than-expected" growth, S&P stated.

56. On December 17, 2001, *Bloomberg* further reported that the Company's major creditors were calling on NTL to file for bankruptcy protection so that it could conserve cash and renegotiate its massive debt, as follows:

"It's not a functioning business," said Christine Johnson, who helps manage \$8 billion in mostly corporate bonds, including NTL debt, at Investec Asset Management Ltd. in London. ***"It has run out of choices and it's now recognized as being a very serious situation."***

* * *

The bonds are trading at about 29 percent of face value. Enron Corp. filed the biggest-ever corporate bankruptcy on Dec. 2, and its bonds around then traded at 21 cents on the dollar.

* * *

"The best outcome for NTL Communications Corp. bondholders may be from the auction of the company by its banks." [stated Kurt Klimenko, an analyst at Barclays Capital Group]. [Emphasis added.]

57. On December 22, 2001, the *Sunday Times* (UK) reported that NTL had invested \$15 million in unsecured convertible notes of CoreComm, a New York-based provider of local and long-distance phone services, which shares the same offices as the Company and is owned and/or managed by several of the Individual Defendants, including Blumenthal and Knapp, among others. In fact, the *Sunday Times* report reiterated statements made in the Company's May 2001 Proxy, which stated the following:
On April 12, 2001, the Company purchased \$15 million of an unsecured convertible note of CoreComm, a company that offers telecommunications and Internet services to residential and business customers in the United States.

* * *

Barclay Knapp, George Blumenthal, Richard Lubasch and Gregg Gorelick are executive officers of both the Company and CoreComm. In addition, Barclay Knapp, Warren Potash, Del Mintz, George Blumenthal and Alan Patricof are directors of the Company and CoreComm....

* * *

The Company obtains billing and software development services from CoreComm. CoreComm billed the Company \$5.9 million, \$4.6 million and \$2.9 million in 2000, 1999 and 1998, respectively, for these services. In addition, CoreComm billed the Company \$6.7 million in October 2000 for services to be rendered from January to September 2001. In March 2000, the Company and CoreComm announced that they had entered into an agreement to link their networks in order to create an international Internet backbone. In November 2000, CoreComm billed the Company \$9.1 million primarily for usage on the network in 2001.

58. On January 23, 2002, Matthew Lynn, a *Bloomberg* columnist published the following report on the Company:
Barclay Knapp, founder and chief executive of the British cable company NTL Inc., will need all his considerable rhetorical skills over the next few weeks to save his company. NTL has borrowed \$17.5 billion to finance an ambitious expansion program, which has ***so far yielded few tangible results. Now his bankers and borrowers are catching up with him.***

Already, *NTL's shares have fallen from almost \$110 to just 43 cents. Now NTL looks set to become one of the biggest corporate failures for the current economic malaise. Like Enron in the U.S., it will pose big questions about who investors give money to, and how closely they watch what happens to their money after they have parted company with it.*

NTL investors will ask themselves this question: Have we only ourselves to blame? For *NTL turns out to be a company that, so to speak, can't even tie its own shoelaces.* That didn't stop it becoming one of the biggest borrowers in the U.K. over the past five years.

* * *

The trouble for NTL was that revenue failed to keep track with the expansion. Capital expenditure far outstrips the ability of the company to generate cash from its networks. The position of the business is now perilous.

* * *

The reason is simple: those shoelaces again, and the difficulty of tying them without getting a grown-up to help you. *NTL never mastered the mysteries of running a cable company.*

What people who lent NTL that 12 billion pounds should have been reading was not its balance sheet, or its revenue forecasts, or any of the other guff the company puts out, but a website called *Nthellworld.com*

That is a lovingly put together website that *details the disasters that await anyone foolish enough to try to use any of NTL's products. It is rare to see a company that can inspire such a passionate response from its customers – and a shame for NTL's marketing department that the passion is quite so twisted and ugly. NTL customers really hate the company.*

Here are a couple of the latest entries on the site. Andrew from Reading writes:

"My digital TV connection has been in for a year. It never worked, NTL don't give a stuff. We've had 27 engineer visits. I've even offered to smash their box to pieces and send it back to them, on the assumption it will work better that way. Avoid NTL like the plague...."

Paul Doxey from Nottingham *explains how he received bills from NTL long after he moved house and canceled his subscription, despite regular phone calls: "I have now given up all of the little hope of ever escaping their clutches, and will probably be an NTL customer for the rest of my life. There is no escape!!!"* [Emphasis added.]

59. On March 27, 2002, *Bloomberg* reported that NTL had announced that it would record *a loss of \$12.8 billion, or an astounding loss of \$46.46 per share*, for the fourth quarter 2001, the period ended December 31, 2001, compared to a loss of \$4.57 per share in the year-earlier period, and also stated that *it may run out of cash before completing talks with its lenders regarding the*

restructuring of its massive, \$17.5 billion debt. According to *Bloomberg*, defendant Knapp stated in a conference call that the Company may go out of business unless it is able to find new investors to keep it afloat through October. "They don't have enough cash to support their business while the talks are ongoing," said Morten Andersen, an analyst at Deutsche Bank, which recommends selling the stock. "*There's no value in the equity.*" The shares which have lost 99 percent of their value in the past year, yesterday fell 4.8 percent to 20 cents, leaving the company with debt more than 316 times its market value. In addition, at this time *the Company also reported that NTL lost 21.3 percent of its customers on an annualized basis during the fourth quarter*.

60. On April 1, 2002, NTL announced that it would stop making payments on certain bonds and that the Company was now in talks with its creditors about a strategy to restructure its balance sheet and reduce debt. According to an *Associated Press* report, the Company said it was responding to a request made by an unofficial committee of its bondholders.

FIRST CLAIM FOR RELIEF

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

61. Plaintiff incorporates ¶¶1-60 by reference.

62. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

63. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they:

- (a) Employed devices, schemes, and artifices to defraud;
- (b) 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; or
- (c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of NTL publicly traded securities during the Class Period.

64. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for NTL publicly traded securities or purchased notes from the Company at artificially inflated prices or with conversion prices which were artificially inflated. Plaintiff and the Class would not have purchased NTL publicly traded securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

65. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of NTL publicly traded securities during the Class Period.

SECOND CLAIM FOR RELIEF

For Violation of §20(a) of the 1934 Act Against All Defendants

66. Plaintiff incorporates ¶¶1-65 by reference.

67. The Individual Defendants acted as controlling persons of NTL within the meaning of §20(a) of the Exchange Act. By reason of their positions as officers and/or directors of NTL, and their ownership of NTL stock, the Individual Defendants had the power and authority to cause NTL to engage in the wrongful conduct complained of herein. NTL controlled each of the Individual Defendants and all of its employees. By reason of such conduct, the Individual Defendants and NTL are liable pursuant to §20(a) of the Exchange Act.

CLASS ACTION ALLEGATIONS

68. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased NTL publicly traded securities (the "Class") on the open market during the Class Period. Excluded from the Class are defendants.

69. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. During the Class Period, NTL had more than 276 million shares of stock outstanding, owned by hundreds if not thousands of persons.

70. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the 1934 Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;
- (c) Whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;
- (e) Whether the prices of NTL's publicly traded securities were artificially inflated; and
- (f) The extent of damage sustained by Class members and the appropriate measure of damages.

71. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

72. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

73. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

STATUTORY SAFE HARBOR

74. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false forward-looking statements pleaded in this Complaint. The safe harbor does not apply to NTL's allegedly false statements made during the Class Period. None of the written forward-looking statements made were identified as forward-looking statements, nor was it stated that actual results "could differ materially from those projected." Nor did meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements accompany those forward-looking statements.

Each of the forward-looking statements alleged herein to be false was authorized by an executive officer of NTL and was actually known by each of the Individual Defendants to be false when made.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Rule 23 of the Federal Rules of Civil Procedure;
- B. Awarding plaintiff and the members of the Class compensatory damages;
- C. Awarding plaintiff and the members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' fees, expert witness fees and other costs;
- D. Awarding extraordinary, equitable and/or injunctive relief as permitted by law, equity and the federal statutory provisions sued hereunder, pursuant to Rules 64 and 65 and any appropriate state law remedies to assure that the Class has an effective remedy; and
- E. Awarding such other relief as this Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: April 18, 2002

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