

disgorgement, prejudgment interest, and civil penalties in connection with trading in the securities of iNTELEFILM Corporation (“iNTELEFILM”).

2. Defendants Phong Nguyen and Chanh Nguyen used material, nonpublic information regarding the development of a new product by iNTELEFILM, AT&T Corporation (“AT&T”) and Excalibur Technologies Corporation (“Excalibur”) to purchase iNTELEFILM securities and Chanh Nguyen tipped his father, Chin Nguyen, to purchase iNTELEFILM securities, without disclosing the material, nonpublic information to the sellers of the iNTELEFILM securities.

3. Defendants Phong Nguyen and Chanh Nguyen directly or indirectly, engaged in acts, practices and courses of business which constituted, constitute and will constitute violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

4. The Commission brings this action pursuant to Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] for an order permanently restraining and enjoining the defendants, ordering disgorgement of unlawful profits, imposing civil penalties and for other relief.

5. This Court has jurisdiction pursuant to Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

6. This Court has proper venue over this action because the defendants are residents of Minnesota, and, 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 acts, practices and

courses of business alleged herein, certain of which occurred within Minnesota. In addition, the defendants traded in the securities of iNTELEFILM, a Minnesota-based company.

7. Unless enjoined by this Court, the defendants are likely to engage in similar illegal acts and practices in the future.

THE DEFENDANTS

8. Phong Nguyen, age 45, is a resident of Bloomington, Minnesota. At all relevant times Phong Nguyen was an emerging markets manager for AT&T.

9. Chanh Nguyen, age 32, is a resident of Chanhassen, Minnesota. At all relevant times Chanh Nguyen was an owner and employee of Business Integration Services, Inc. ("BIS"), a Minnesota company. BIS acted as an agent for AT&T to procure computer hardware for iNTELEFILM's product and to provide support to the product users. Chanh Nguyen is close friends and business associates with Phong Nguyen; however, they are not related.

OTHER PERSONS AND ENTITIES

10. iNTELEFILM, a Minnesota corporation with headquarters in Eden Prairie, Minnesota, is a service provider for the television commercial production industry. During the relevant time period, iNTELEFILM was registered with the Commission pursuant to Section 12(g) of the Exchange Act. Its common stock was traded on the Nasdaq National Market System until August 2001, when it was delisted and moved to the Over-The-Counter Bulletin Board. On August 5, 2002, iNTELEFILM filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the District of Minnesota and ceased filing with the Commission. On September 25, 2002, iNTELEFILM was delisted from the Over-The-Counter Bulletin Board and began trading in the National Quotation Bureau's Pink Sheets.

11. AT&T, a New York-based corporation, provides voice and data communication services to consumers, businesses and government. AT&T is registered with the Commission pursuant to Section 12(b) of the Exchange Act and its common stock is traded on the New York Stock Exchange.

12. Excalibur, a Virginia-based corporation, sells commercial software that enables quick access to information on business networks and the Internet. At all relevant times, Excalibur was registered with the Commission pursuant to Section 12(g) of the Exchange Act and its common stock was traded on the Nasdaq National Market System. On December 22, 2000 Excalibur merged with Intel Corporation's Interactive Media Services division to form Convera Corporation, which trades on the Nasdaq National Market System.

13. Chin Nguyen, age 57, is a resident of Chanhassen, Minnesota and is Chanh Nguyen's father and a close friend of Phong Nguyen and his wife.

BACKGROUND

14. In September 1999 iNTELEFILM entered into confidential discussions with AT&T regarding the development of a new product between AT&T and iNTELEFILM. These confidential discussions continued until December 8, 1999, when iNTELEFILM publicly announced the development of the new product by AT&T, iNTELEFILM and Excalibur, known as Intelesource.org. Immediately following iNTELEFILM's announcement, the price of iNTELEFILM stock rose approximately one hundred thirty percent, from \$2.87 to \$6.50 per share, and the volume of iNTELEFILM shares traded rose over twelve thousand percent, from an average volume of 22,000 shares traded daily to 2,744,580 shares traded that afternoon.

Phong Nguyen's Role in the Development of Intelesource.org

15. From August 1999 until iNTELEFILM's December 8, 1999 announcement, Phong Nguyen met regularly on AT&T's behalf with iNTELEFILM's Chief Operating Officer ("COO") and its Vice President of Marketing to develop a technology relationship between the two companies. The three men explored strategic partnerships for the development and delivery of broadband content in the commercial production and agency business sectors. The eventual result was Intelesource.org. In several Intelesource.org development meetings, iNTELEFILM's COO repeatedly warned the participants, including Phong Nguyen, to keep the project confidential.

16. In mid-September 1999 iNTELEFILM required AT&T to enter into a confidentiality agreement regarding the development of their technology relationship. iNTELEFILM's COO sent Phong Nguyen iNTELEFILM's mutual confidentiality agreement, which Phong Nguyen's supervisor signed on behalf of AT&T. The agreement stated (in pertinent part):

We each acknowledge that the Evaluation Material has substantial competitive value, is of a confidential nature and damage could result to AT&T and CBC [iNTELEFILM was known as Children's Broadcasting Corporation or "CBC" at the time the confidentiality agreement was signed] if information contained therein is disclosed to any third party or used other than in connection with the Transaction without prior written consent . . . and . . . We agree that the Evaluation Material will be used solely for purposes of the Transaction.

17. In mid-September 1999 AT&T required iNTELEFILM to enter into a non-disclosure agreement, which Phong Nguyen personally signed on behalf of AT&T. The agreement stated (in pertinent part):

. . . use and require your employee to use at least the same degree of care to protect the Confidential Information as is used with your proprietary information . . . and use the Confidential Information only for the purpose of assisting you in making

business decisions concerning your needs for products, features and services covered by the Confidential Information.

18. In October 1999 Excalibur joined the discussions between AT&T and iNTELEFILM. Phong Nguyen participated in meetings, conference calls and correspondence between the three companies during October and November 1999. By mid-November 1999 the companies were negotiating to combine their technologies to create a product for iNTELEFILM customers.

19. On November 30, 1999 iNTELEFILM's COO told Phong Nguyen that iNTELEFILM would be attending a press conference in San Jose, California on December 8, 1999 and that iNTELEFILM planned to issue its press release announcing the Intelesource.org project before or at the time of the press conference.

Chanh Nguyen's Role in the Development of Intelesource.org

20. From October 1999 until iNTELEFILM's December 8, 1999 announcement, Chanh Nguyen worked with iNTELEFILM to procure computer hardware for Intelesource.org. BIS, the company Chanh Nguyen partially owned and worked for, functioned as the agent for AT&T in procuring the hardware for Intelesource.org.

21. In November 1999 Chanh Nguyen worked actively with iNTELEFILM, AT&T and Excalibur to determine the specifications for the hardware necessary for the operation of Intelesource.org. By the end of November, Chanh Nguyen obtained the specifications and pricing for the necessary hardware.

22. Chanh Nguyen finalized the leasing contracts for the hardware for Intelesource.org on December 2, 1999 and knew that iNTELEFILM would be issuing a press release announcing

Intelesource.org on December 8, 1999.

FIRST CLAIM

Trading in the securities of iNTELEFILM in violation of
Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by Phong Nguyen

23. Paragraphs 1 through 22 are re-alleged and incorporated as if fully set forth herein.

24. Between approximately December 3, 1999 and December 8, 1999, Defendant Phong Nguyen, directly or indirectly, in connection with trading in iNTELEFILM securities, by use of the means and instrumentalities of interstate commerce, or the mails or of the facilities of a national securities exchange: (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; or (3) engaged in acts, practices or courses of business which operated as a fraud or deceit upon purchasers or sellers of various securities or upon other persons, in connection with the purchase or sale of securities.

25. As part of the above-mentioned conduct, Phong Nguyen, in breach of a duty arising out of a temporary relationship of trust and confidence he had with the shareholders of iNTELEFILM, used material, nonpublic information concerning the development of Intelesource.org by iNTELEFILM, AT&T and Excalibur to purchase 71,000 shares of iNTELEFILM stock between December 3, 1999 and December 8, 1999. Phong Nguyen did not disclose the material, nonpublic information he possessed to the sellers of the iNTELEFILM stock, while under a duty to either disclose the material, nonpublic information or to abstain from trading.

26. As part of the above-mentioned conduct, Phong Nguyen, in breach of a duty

arising out of a relationship of trust and confidence he had with AT&T and with its client, iNTELEFILM, misappropriated from AT&T and iNTELEFILM material, nonpublic information concerning the development of Intelesource.org by AT&T, iNTELEFILM and Excalibur. Phong Nguyen used that material, nonpublic information for his own personal gain when he purchased 71,000 shares of iNTELEFILM stock between December 3, 1999 and December 8, 1999.

27. On or before December 3, 1999, Phong Nguyen, by virtue of his position as an emerging markets manager for AT&T, learned that iNTELEFILM planned to issue a press release on December 8, 1999 announcing the development of its new product with AT&T and Excalibur, Intelesource.org.

28. In the five trading days before iNTELEFILM's December 8, 1999 announcement of Intelesource.org, Phong Nguyen purchased 71,000 shares of iNTELEFILM stock.

29. At the time of his purchases, Phong Nguyen knew or was reckless in not knowing that the information regarding the development of Intelesource.org by iNTELEFILM, AT&T and Excalibur was material and nonpublic.

30. On December 8, 1999, immediately after iNTELEFILM's public announcement, Phong Nguyen sold 7,000 iNTELEFILM shares through his wife's brokerage account with Salomon Smith Barney for net profits of \$26,997. The market value of the other 64,000 iNTELEFILM shares Phong Nguyen purchased in the days just before iNTELEFILM's announcement had increased by \$158,562 by the close of trading that day.

31. By reason of the foregoing acts, practices and courses of business, Phong Nguyen violated Section 10(b) of the Exchange Act [15 U.S.C. § 78(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

SECOND CLAIM

Trading in the securities of iNTELEFILM in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by Chanh Nguyen

32. Paragraphs 1 through 31 are re-alleged and incorporated as if fully set forth herein.

33. On or about December 3, 1999, Chanh Nguyen, directly or indirectly, in connection with trading in iNTELEFILM securities, by use of the means and instrumentalities of interstate commerce, or the mails or of the facilities of a national securities exchange: (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; or (3) engaged in acts, practices or courses of business which operated as a fraud or deceit upon purchasers or sellers of various securities or upon other persons, in connection with the purchase or sale of securities.

34. As part of the above-mentioned conduct, Chanh Nguyen, in breach of a duty arising out of a temporary relationship of trust and confidence he had with the shareholders of iNTELEFILM, used material, nonpublic information concerning the development of Intelesource.org by iNTELEFILM, AT&T and Excalibur to purchase 5,000 shares of iNTELEFILM stock on December 3, 1999. Chanh Nguyen did not disclose the material, nonpublic information he possessed to the sellers of the iNTELEFILM stock, while under a duty to either disclose the material, nonpublic information or to abstain from trading.

35. As part of the above-mentioned conduct, Chanh Nguyen, in breach of a duty arising out of a relationship of trust and confidence he had with AT&T and with its client, iNTELEFILM, misappropriated from AT&T and iNTELEFILM material, nonpublic information concerning the

development of Intelesource.org by AT&T, iNTELEFILM and Excalibur. Chanh Nguyen used that material, nonpublic information for his own personal gain when he purchased 5,000 shares of iNTELEFILM stock on December 3, 1999.

36. On or about December 3, 1999, as part of the above-mentioned conduct, Chanh Nguyen received a personal benefit and breached a duty arising out of the relationship of trust and confidence he had with AT&T and iNTELEFILM by communicating information regarding iNTELEFILM securities to his father, Chin Nguyen, when he knew or was reckless in not knowing, that this communication would cause his father to trade in iNTELEFILM securities.

37. On or before December 3, 1999, Chanh Nguyen, by virtue of his position as an agent for AT&T, learned that iNTELEFILM planned to issue a press release on December 8, 1999 announcing the development of its new product with AT&T and Excalibur, Intelesource.org.

38. Five days before iNTELEFILM's December 8, 1999 announcement of Intelesource.org, Chanh Nguyen purchased 5,000 shares of iNTELEFILM stock and subsequently tipped his father, Chin Nguyen, to purchase shares of iNTELEFILM stock. Chin Nguyen purchased 2,000 shares of iNTELEFILM stock on Monday, December 6, 1999.

39. At the time of his purchase and his tip, Chanh Nguyen knew or was reckless in not knowing that the information regarding the development of Intelesource.org by iNTELEFILM, AT&T and Excalibur was material and nonpublic and that Chin Nguyen would purchase iNTELEFILM securities on the basis of his tip.

40. On December 8, 1999 after iNTELEFILM's public announcement, the market value of

Chanh Nguyen's iNTELEFILM shares increased to \$14,062 by the close of trading that day. Immediately after the announcement, Chanh Nguyen's father, Chin Nguyen, sold 1,500 of his 2,000 shares of iNTELEFILM stock for net profits of \$5,344. The market value of Chin Nguyen's remaining 500 shares of iNTELEFILM stock totaled \$1,406 by the close of trading that day.

41. By reason of the foregoing acts, practices and courses of business, Chanh Nguyen violated Section 10(b) of the Exchange Act [15 U.S.C. § 78(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

(a) find that Phong Nguyen and Chanh Nguyen violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

(b) permanently enjoin Phong Nguyen and Chanh Nguyen from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

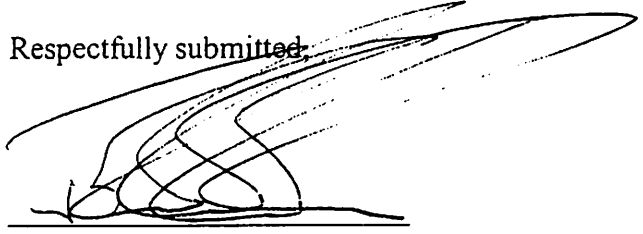
(c) order Phong Nguyen to disgorge unlawful profits of \$185,559, pay prejudgment interest thereon and pay civil penalties pursuant to Section 21A(a) of The Insider Trading and Securities Fraud Enforcement Act of 1988 [15 U.S.C. § 78u-1(a)]; and

(d) order Chanh Nguyen to disgorge unlawful profits of \$20,812.50, pay prejudgment interest thereon and pay civil penalties pursuant to Section 21A(a) of The Insider Trading and Securities Fraud Enforcement Act of 1988 [15 U.S.C. § 78u-1(a)]; and

(e) grant such other relief as this Court may deem appropriate.

Dated: January 16, 2003
Washington, D.C.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to be 'John L. Hunter', written over the text 'Respectfully submitted,'.

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