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UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

WESTERN DIVISION

WJR (Ex)

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. STEPHEN C. SAYRE, INDEPENDENT FINANCIAL REPORTS, INC., AND SILVER SCREEN INDUSTRIES, INC., Defendants.	Case No. 00-03880 COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS

Plaintiff Securities and Exchange Commission ("Commission") for its Complaint alleges:

JURISDICTION

1. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78u(d), seeking to permanently restrain and enjoin Defendants from engaging in the transactions, acts, practices and courses of business alleged herein. The Commission further brings this case pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), seeking civil penalties against Defendants. Defendants have, directly or

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

SUMMARY

2. The Commission brings this action to stop a classic "pump and dump" scheme perpetrated by defendant Stephen Sayre, a Los Angeles tree-trimmer who has masqueraded as a financial analyst, for the purpose of manipulating the market for the stock of eConnect. Sayre accomplished this scheme by releasing purportedly objective independent analyst reports touting eConnect stock through a corporation he formed called "International Financial Reports, Inc." ("IFR"), while simultaneously secretly trading in eConnect stock. Within weeks after releasing his first "opinion," Sayre was able to dump his eConnect shares and realize illegal profits of approximately $1.43 million.

3. Sayre engaged in the same scheme on two separate occasions in February and March 2000. After he purchased shares of eConnect stock through a nominee account in the name of Silver Screen Industries, Inc. ("Silver Screen"), Sayre distributed IFR "investment opinions" through Business Wire, touting eConnect as undervalued and projecting a short term increase in share price from two to six times the prevailing stock price. The opinions also stated that IFR held no eConnect stock even though Sayre, IFR's sole officer and director, held stock through the Silver Screen nominee accounts each time an opinion was issued. The opinions were posted on various Internet websites such as Silicon Investor and Big Charts. Additionally, eConnect posted at least one of the

investment opinions on the Raging Bull message board devoted to the company.

4. eConnect's stock price rose dramatically during the time period in which Sayre released his opinions concerning eConnect. As the Commission has already alleged in Securities and Exchange Commission v. eConnect, et al., CV 00-02959 MMM (RCx), the increase in eConnect's share price is significantly attributable to false and misleading press releases issued by eConnect and its then president, Thomas Hughes. Sayre's "opinions" had the effect of reinforcing the false and misleading press releases issued by eConnect and Hughes.

THE DEFENDANTS

5. **Stephen C. Sayre** ("Sayre"), age 43, resides in Hollywood, California. He purportedly operates a tree trimming business. He is also the sole officer, director and employee of IFR, and the President, Secretary and Treasurer of Silver Screen.

6. **Independent Financial Reports, Inc.** ("IFR") is a Nevada corporation based in Hollywood, California. Sayre has described IFR as an independent research corporation dedicated to offering opinions concerning publicly traded stocks. Sayre incorporated IFR on February 29, 2000.

7. **Silver Screen Industries, Inc**. ("Silver Screen"), who is named solely for the purpose of obtaining full relief, is a Nevada corporation also incorporated by Sayre and based in Hollywood, California. Silver Screen had accounts at E*Trade Securities, Inc. ("E*Trade") and Morgan Stanley Dean Witter ("MSDW") from which Sayre bought and sold eConnect stock. Those trades generated $1.43 million in trading profits.

RELATED NON-PARTY ENTITIES

8. **e Connect** is a Nevada corporation based in San Pedro, California. eConnect presently consists of two businesses, Internet gaming and technology development for greater ATM and smart card usage. Its stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and was quoted on the OTC Bulletin Board under the symbol "ECNC."

9. On March 13, 2000, the Commission suspended trading in eConnect's securities pursuant to Section 12(k) of the Exchange Act because of questions concerning the adequacy and accuracy of publicly disseminated information concerning, among other things, the existence of a strategic alliance with a U.S. broker-dealer and a purported license arrangement with Palm, Inc.

10. On March 23, 2000, the Commission filed an emergency action against eConnect and its president, Thomas S. Hughes ("Hughes") for violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. SEC v. eConnect and Thomas S. Hughes, Civil Action No. 00-CV-02959 MMM (RCx)(C.D. Cal.). On April 3, 2000, eConnect and Hughes each consented to permanent injunctions against them and other relief.

GENERAL ALLEGATIONS

A. Sayre Purchases His First Block of eConnect Stock

11. Sayre opened a nominee brokerage account at E*Trade on January 27, 2000, under Silver Screen's name. Sayre was the sole person with trading authority over the account. From January 29 to February 28, 2000, Sayre purchased 96,100 eConnect shares at prices ranging from $1.42 to $1.81 per share, for a total purchase

price of $111,680.50. Sayre purchased 86,100 of those shares on February 25 and 28, 2000, just before he distributed an investment opinion under IFR's name concerning eConnect on February 29.

12. In testimony before the Commission on March 31, 2000, Sayre falsely denied that either he or IFR had ever traded, directly or indirectly, in eConnect's securities. He also falsely denied ever maintaining a brokerage account, having control over a brokerage account or having a beneficial interest in a brokerage account.

B. Sayre's First Investment Opinions on eConnect

13. Sayre, who has no training or education in financial analysis, began masquerading as a financial analyst under IFR'S name and issuing "opinions" touting certain publicly traded companies earlier this year. On February 29, 2000, at 6:06 a.m., Sayre publicly distributed an IFR investment opinion concerning eConnect through Business Wire. The investment opinion later appeared on Internet websites such as Silicon Investor and Big Charts. eConnect's Chief Information Officer also posted the investment opinion on the Raging Bull message board thread devoted to eConnect.

14. The opinion described IFR as "an independent research corporation dedicated to tracking the best values on the market. Most specifically stocks with the greatest potential for growth in the short and long term." The opinion went on to state, "eConnect (OTC BB: ECNC)(ECNC), a tech stock, has been selected this week to clearly be the company with the highest potential for growth." The opinion also provided the following stock price projection, "ECNC is currently trading at an extremely under valued [sic] $1.50 - $2.00 a share. This stock could easily be trading between $12 - $25 or

higher in the short term and then aggressively move forward on the NASDAQ . . ." Finally, the opinion stated, "*IFR holds no stock in ECNC and has not and will not be compensated for its opinion in regard to ECNC." IFR paid Business Wire to disseminate its report.* (emphasis added))

15. On March 1, 2000, at 6:03 a.m., Sayre publicly distributed another IFR investment opinion on eConnect through Business Wire. The opinion also appeared on the Silicon Investor and Big Charts websites. The March 1 opinion stated that IFR believed eConnect, "will not only sustain its growth over the next several weeks but could very easily be trading at volumes and numbers exponentially above its current figures." The opinion again stated, "*IFR holds no stock in ECNC and has not and will not be compensated for its opinion in regard to ECNC.*" (emphasis added).) Once again, IFR paid Business Wire to disseminate its opinion.

16. Contrary to the statements contained in the opinions, however, IFR actually did hold ECNC stock because Sayre, its sole officer and director, held 96,100 shares through the Silver Screen nominee account.

C. The Rise in eConnect's Stock Price and Trading Volume

17. The issuance of the investment opinions coincided with a dramatic increase in the price and trading volume of eConnect's securities. From January 3 to February 28, 2000 (the last trading day before the investment opinions at issue here), eConnect stock traded between $0.48 and $1.77 per share, closing at $1.39 on February 28. From February 29 to March 1, 2000, the stock traded between $1.39 and $4.81 per share. The average trading volume, which was approximately 4.4 million shares from January 3 to February 28, 2000, soared to 16.9 million shares between February 29 and March 1. The increases in eConnect's stock price and trading volume are attributable to both the false and misleading press releases issued by eConnect, and the reinforcement provided to those releases by Sayre's "opinions" issued through IFR.

D. Sayre's eConnect Stock Trades

18. After releasing the two investment opinions, and as the price of eConnect's stock began to rise, Sayre placed sell orders on March 1 and 2, 2000, for all the eConnect shares in the Silver Screen account at E*Trade. He sold all 96,100 shares on March 2, 2000, for a $278,037 profit.

19. On March 3, 2000, Sayre bought 80,000 shares of eConnect for the E*Trade Silver Screen account for prices ranging from $4.66 to $4.69 a share, for a total purchase price of $374,277.85. On March 6, 2000, Sayre bought an additional 1,200 shares of eConnect in the E*Trade Silver Screen account for prices ranging from $7.13 to $7.16 a share, for a total of $8,565.62.

E. Sayre Issues Subsequent Opinions

20. On March 8, at 6:15 a.m., Sayre publicly distributed another IFR investment opinion on eConnect through Business Wire. The opinion also appeared on the Silicon Investor and Big Charts websites. The opinion stated that IFR believed eConnect "is very quickly rising to the target of $12 a share by 3/08/2000, and should easily reach $20 to $25 a share in the very short term . . . eConnect could easily be trading at between $100 - $135 a share within the next 9 - 12 months of trading." The opinion again stated, "*IFR holds no stock in ECNC and has not and will not be compensated for its opinion in regard to ECNC.*"

21. Contrary to the statements contained in the opinion, however, IFR actually did hold ECNC stock because Sayre, its sole officer and director, held 80,000 shares through the Silver Screen account.

F. The Second Rise in eConnect's Stock Price and Trading Volume

22. The issuance of the March 8 investment opinion coincided with yet another dramatic increase in the price and trading volume of eConnect's securities. From March 2 to 7, 2000, eConnect stock traded between $1.40 and $11 per share, closing at $10 on March 7. On March 8, 2000, the stock traded between $4.93 and $20 per share, closing at $16.50. The average trading volume, which was approximately 10 million shares from March 2 to 7, 2000, increased to 19.8 million shares on March 8, 2000. During this same time period, on March 3, 2000, eConnect issued a press release falsely claiming that it and its joint venture partner had a unique licensing arrangement with Palm, Inc. (the makers of the Palm

series of hand held computers). This press release had a material effect on eConnect's stock price during this period and, along with Sayre's "opinions," contributed to the significant increase in the stock price during this time period.

G. Sayre Sells His Second Block of eConnect Stock

23. On March 8, 2000, Sayre placed a sell limit order for 80,000 shares of eConnect at $20 a share. The sell limit order expired - without having been executed - the next day. Also on March 8, 2000, Sayre opened a brokerage account at MSDW. Like the E*Trade account, the account at MSDW was opened under the name of Silver Screen. On March 9, 80,000 shares of eConnect were transferred from the E*Trade account to the MSDW account. Sayre sold the 80,000 shares that same day, for prices ranging from $18.75 to $19.75 per share, for total proceeds of $1,527,604.13 and a profit of $1,153,326.28. After the transfer, 1,200 shares of eConnect remained in the E*Trade account. Sayre sold these 1,200 shares on March 10, 2000, at a price of $11 a share for total sale proceeds of $13,200 (a profit of $4,634.38).

24. In total, Sayre bought and sold a total of 177,300 shares of eConnect for total profits from his trading of $1,435,997.66.

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FIRST CLAIM FOR RELIEF

FRAUD IN THE OFFER OR SALE OF SECURITIES

Section 17(a) of the Securities Act

(Against All Defendants Sayre and IFR)

25. Paragraphs 1 through 24 are realleged and incorporated by this reference.

26. Defendants, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails:

(a) with scienter, employed devices, schemes or artifices to defraud;

(b) obtained money or property by means of untrue statements of material fact or by omitting 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 transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

27. By reason of the facts and circumstances described above, Defendants violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

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SECOND CLAIM FOR RELIEF

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES

Section 10(b) of the Exchange Act

and Rule 10b-5 Thereunder

(Against All Defendants Sayre and IFR)

28. Paragraphs 1 through 24 are realleged and incorporated by this reference.

29. Defendants, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange, with scienter:

(a) employed devices, schemes or artifices to defraud;

(b) made untrue statements of material fact 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 or courses of business which operated or would operate as a fraud or deceit upon other persons.

By reason of the facts and circumstances described above, Defendants violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

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PRAYER FOR RELIEF

Wherefore, the Commission respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that the Defendants Sayre and IFR, and each of them, committed the alleged violations.

II.

Order Defendants, and each of them, to disgorge all benefits gained and losses avoided as a result of their illegal conduct, and to pay prejudgment interest thereon.

III.

Order Defendants Sayre and IFR to pay civil penalties under Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act..

IV.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

IV.

Grant such other and further relief as this Court may determine to be just and necessary, including, but not limited to, an accounting from all Defendants.

DATED: April 7, 2000

Thomas A. Zaccaro
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Securities and Exchange Commission