

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

**CIV. - DIMITROULEAS**

SECURITIES AND EXCHANGE COMMISSION, )

Plaintiff, )

v. )

JOHN WESLEY SAVAGE and  
PRINCETON RESEARCH, INC. )

Defendants, )

MAGISTRATE JUDGE  
SELTZER  
CASE NO.

COMPLAINT FOR  
INJUNCTIVE AND  
OTHER RELIEF

FILED BY  
CLERK OF COURT  
S.D. OF FLA. - MIAMI

98 OCT 27 PM 3:45

*[Handwritten signature]*

Plaintiff Securities and Exchange Commission ("SEC" or "Commission") alleges as follows:

1. The SEC brings this action to enjoin Defendants John Wesley Savage ("Savage") and Princeton Research, Inc. ("Princeton") from continuing to violate the federal securities laws by recommending securities in news bulletins and unsolicited Internet E-mails issued by Princeton, without disclosing that Defendants Savage and Princeton received compensation from the issuers of the securities they tout, and to enjoin Defendants Savage and Princeton from making fraudulent misrepresentations or omissions in connection with the offer, purchase, or sale of securities.

*[Handwritten signature]*

### **DEFENDANTS**

2. Defendant Savage is a resident of Fort Lauderdale, Florida and is the president of Princeton.

3. Defendant Princeton is a Florida corporation with an office in Fort Lauderdale, Florida.

### **OTHERS**

4. Energy Optics, Inc. ("EOI") is a New Mexico corporation with its principal offices in Tavares, Florida. In June 1998, EOI changed its name to American Millennium Corporation.

5. IRT Industries, Inc. ("IRT") is a Florida corporation located in Boca Raton, Florida. Since 1996, IRT has purportedly been in the business of operating, developing and pursuing gaming in the Caribbean.

### **SAVAGE'S TOUTING ACTIVITIES**

#### **Background**

6. Savage, through Princeton, authors and disseminates articles about various stocks. Princeton publishes newsletters and daily reports, disseminated through the mails, by fax, and over the Internet, in which it reports news about economic and business issues and discusses various public companies and their stocks and makes recommendations regarding the stocks touted by Savage.

7. Savage purportedly bases the information and stock recommendations contained in Princeton's publications on materials he receives from the subject companies and his interviews of the corporate officers of those companies.

**ISSUERS TOUTED BY SAVAGE**

8. In Autumn 1996, Savage issued an undated Princeton report which was headlined "Casmyn Corporation ("Casmyn"), A Golden Opportunity and Much, Much More." Savage described Casmyn as "a company which we consider one of the most undervalued natural resources companies in the world." Savage predicted a short term 50% increase in the stock price of Casmyn within the few months following this publication.

9. In Princeton's Special Report dated December 31, 1996 and headlined "The Sexy Six" ("December 1996 Report"), Savage predicted that Casmyn would soon make a "bullish announcement," opined that Casmyn is a "great buy both for the short and long term," and predicted that the price of Casmyn stock would increase.

10. In the December 1996 Report, Savage stated that Treasury International, Inc. ("Treasury") stock was undervalued, had "unlimited potential," and predicted a 400% increase in the price of Treasury stock over the next year.

11. In Princeton's "Updated Special Report" dated June 10, 1997, Savage recommended the "immediate" purchase of Treasury stock "in the \$0.20-\$0.25 price range" and predicted an "upward move of 300% from current price levels in less than a year."

12. In the December 1996 Report, Savage touted Plenum Communication, Inc. ("Plenum") and its securities, stating that Plenum was the "premier on-line deliverer of critical information to mortgage industry professionals and its business keeps growing on an exponential basis." Savage claimed that Plenum was a "steal" at its then current price of \$0.25.

13. In Princeton's December 9, 1997 and January 14, 1998 "Analyst Reports," Savage touted JTS Restaurant ("JTS") and its securities. In the December 9, 1997 report, Savage wrote that "it is projected JTS will open up to ten locations by the end of 1998 with revenues exceeding

\$5 million.” In the January 14, 1998 report, Savage wrote that in 1998 JTS’ had projected revenues of \$13 million, with 1999 projected revenues exceeding \$25 million. Savage commented in this report that “JTS meets our criteria as being an undervalued and undiscovered situation at current price levels.”

14. In an August 1, 1998 Princeton report, Savage promoted Turbodyne, Inc. (“Turbodyne”) and its securities. Savage predicted that Turbodyne’s stock price would increase from its \$17 stock price to \$25 by 1999, and “has potential to at least double or triple within twelve months.”

#### **Savage’s Agreements with the Issuers**

15. Savage, through Princeton, had verbal agreements with the issuers described in Princeton’s publications wherein the issuers agreed to pay stock or other consideration to Savage for publicizing and promoting them in Princeton’s publications. During 1996-1998, Savage received stock or cash compensation from Casmyn, Treasury, Plenum, JTS and Turbodyne. Specifically, Savage received: (a) 1500 shares of Casmyn from Casmyn’s president and chairman of the board; (b) 180,000 shares of Treasury from Treasury’s president; (c) 80,000 shares of Plenum from Plenum’s president; (d) 5,000 shares from the son of JTS’ majority shareholder and president, who Savage understood to be acting on behalf of JTS; and (e) \$10,000 from Turbodyne and options to purchase 75,000 shares of Turbodyne stock. Savage deposited the shares into his securities brokerage account, ordered the sale of the shares, and controlled the disposition of the stock proceeds.

16. Savage did not disclose his receipt of compensation outlined in paragraph 15 in any of Princeton’s reports in which he touted those companies’ stock.

**FRAUDULENT MISREPRESENTATION IN PRINCETON'S PUBLICATIONS**  
**REGARDING EOI**

17. In Princeton's newsletter dated November 20, 1997, Savage predicted that EOI's stock price would increase to a \$6.00 to \$7.00 range. Savage knowingly or recklessly made the stock price prediction despite being in possession of EOI's financial statements, which indicated EOI's consistent losses. The stock price prediction by Savage was material to prospective investors and investors as to whether to purchase, sell or hold EOI stock.

**FRAUDULENT MISREPRESENTATIONS IN PRINCETON'S PUBLICATIONS**  
**REGARDING IRT**

18. Between 1996 and 1998, Princeton touted IRT stock through its newsletters and other publications. Savage knowingly or recklessly made the following material misrepresentations:

(a) Princeton issued a report on August 12, 1996 falsely stating that IRT's Amstel Amon casino was currently making a "nifty profit" of approximately \$10,000 a week.

(b) Princeton issued a report on February 26, 1997 stating that IRT's two casinos were making "barrels of money and that profits from the casinos could total over \$1.5 million in 1997 and by 1998 profits could run over \$2 million." Princeton essentially repeated these representations in a daily newsletter dated October 6, 1997 stating that "both casinos are making barrels of money, much more than originally anticipated. Profits from just these two entities could total well over \$2 million in 1998. By 1998 profits could well [be] over \$3,000,000."

(c) In Princeton's special report dated August 12, 1996, Savage falsely stated that IRT's "earnings could easily hit \$0.70 to \$0.80 per share in 1998." Savage also stated in the report that based upon his estimated price-earnings ratio of 20 to 1, "IRT's stock is worth at least \$10.00 based upon 1997 earnings and about \$16 based upon 1998 prospects." Savage added that IRT's stock "could be a \$30 number on New Years Day 2000."

19. All of the representations regarding IRT's "profits" described in paragraph 18 were false and Savage had no basis for the stock price prediction described in paragraph 18(c). In addition these representations were material to prospective investors and investors as to whether to purchase, sell, or hold IRT stock. The representations described in paragraph 18 were directly contradicted by IRT's financial statements contained in IRT's filings with the Commission, which showed that IRT and its casinos consistently lost money.

### **COUNT I**

#### **UNDISCLOSED COMPENSATION FOR STOCK PROMOTION**

##### **Violations of Section 17(b) of the Securities Act [15 U.S.C. § 77q(b)]**

The SEC repeats and realleges paragraphs 1 through 19 of this Complaint.

20. Since approximately January 1996 through the present, Defendants Savage and Princeton, through the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, published and circulated articles and communications which, though not purporting to offer securities for sale, described certain securities.

21. Defendants Savage and Princeton, directly and indirectly, received and were to receive consideration for such activities from the issuers of these securities and did not fully disclose the past or future receipt of such consideration and the amount thereof.

22. By reason of the foregoing, Savage and Princeton have violated, and unless enjoined will continue to violate, Section 17(b) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(b)].

**COUNT II**

**VIOLATION OF SECTION 10(b)  
OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 10b-5**

The SEC repeats and realleges paragraphs 1 through 22 of this Complaint.

23. Since approximately January 1996 through the present, Defendants Princeton and Savage directly or indirectly, by use of the means and instrumentality of interstate commerce, and of the mails, and of any facility of any national securities exchange, in connection with the purchase or sale of the securities, as described herein, have been, knowingly, willfully or recklessly: (i) employing devices, schemes or artifices to defraud; (ii) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (iii) engaging in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

24. By reason of the foregoing, Defendants Princeton and Savage directly or indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Securities Exchange Act of 1934, ("Exchange Act"), and Rule 10b-5, 15 U.S.C. § 78j(b), 17 C.F.R. § 240. 10b-5, thereunder.

**RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that the Court:

**I.**

**Declaratory Relief**

Declare, determine and find that Defendants Savage and Princeton have committed the violations of the federal securities laws alleged herein.

**II.**

**Permanent Injunctive Relief**

Issue a Permanent Injunction, enjoining Defendants Savage and Princeton, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 17(b) of the Securities Act [15 U.S.C. § 77q(b)] and Section 10(b) of the Exchange Act and Rule 10b-5, thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5, thereunder].

**III.**

**Penalties**

Issue an Order directing Savage and Princeton to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

**IV.**

**Retention of Jurisdiction**

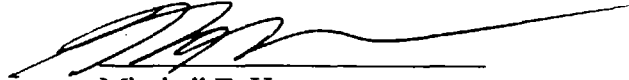
Further, the SEC respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered,



or to entertain any suitable application or motion by the SEC for additional relief within the jurisdiction of this Court.

Respectfully submitted,

October 27, 1998



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Fl. Bar No. 0052744

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# CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States, September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

## I. (a) PLAINTIFFS

**Securities and Exchange Commission**

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF

(EXCEPT IN U.S. PLAINTIFF CASES)

**ABROWARD 98CV 7179/WPD/BSS**

(c) ATTORNEYS (FIRM NAME ADDRESS AND TELEPHONE NUMBER)

**Mitchell E. Herr, Esq. (305) 982-6336**

**SEC, 1401 Brickell Ave., Suite 200, Miami, FL**

## DEFENDANTS

**MAGISTRATE JUDGE  
SELTZER**

**John Wesley Savage and  
Princeton Research, Inc.**

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT **Broward**

(IN U.S. PLAINTIFF CASES ONLY)

NOTE IN LAND CONDEMNATION CASES USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

ATTORNEYS (IF KNOWN)

**Gerald D'Ambrosio, Esq.**

**1699 S. Federal Highway, #3B, Boca Raton, FL 33432**

(d) CIRCLE COUNTY WHERE ACTION AROSE: DADE, MONROE, **BROWARD**, PALM BEACH, MARTIN, ST. LUCIE, INDIAN RIVER, OKEECHOBEE, HIGHLANDS

## II. BASIS OF JURISDICTION

(PLACE AN "X" IN ONE BOX ONLY)

- ☒ 1 U.S. Government Plaintiff  
☐ 2 U.S. Government Defendant  
☐ 3 Federal Question (U.S. Government Not a Party)  
☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

## III. CITIZENSHIP OF PRINCIPAL PARTIES

(For Diversity Cases Only)

- | PTF  | DEF   | PTF  | DEF   |
|--|---|--|---|
| <input type="checkbox"/> Citizen of This State                   | <input type="checkbox"/> 1 <input type="checkbox"/> 1 | <input type="checkbox"/> Incorporated or Principal Place of Business in This State     | <input type="checkbox"/> 4 <input type="checkbox"/> 4 |
| <input type="checkbox"/> Citizen of Another State                | <input type="checkbox"/> 2 <input type="checkbox"/> 2 | <input type="checkbox"/> Incorporated and Principal Place of Business in Another State | <input type="checkbox"/> 5 <input type="checkbox"/> 5 |
| <input type="checkbox"/> Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 <input type="checkbox"/> 3 | <input type="checkbox"/> Foreign Nation  | <input type="checkbox"/> 6 <input type="checkbox"/> 6 |

## IV. ORIGIN

(PLACE AN "X" IN ONE BOX ONLY)

- ☒ 1 Original Proceeding  
☐ 2 Removed from State Court  
☐ 3 Remanded from Appellate Court  
☐ 4 Reinstated or Reopened  
☐ 5 Transferred from another district (specify)  
☐ 6 Multidistrict Litigation  
☐ 7 Appeal to District Judge from Magistrate Judgment

## V. NATURE OF SUIT

(PLACE AN "X" IN ONE BOX ONLY)

A CONTRACT	A TORTS	FORFEITURE/PENALTY	A BANKRUPTCY	A OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans Excl. Veterans <input type="checkbox"/> 153 Recovery of Overpayment of Veterans Benefits <input type="checkbox"/> 160 Stockholders Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability	<b>PERSONAL INJURY</b> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault Libel & Slander <input type="checkbox"/> 330 Federal Employers Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <b>PERSONAL INJURY</b> <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <b>PERSONAL PROPERTY</b> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> B 610 Agriculture <input type="checkbox"/> B 620 Other Food & Drug <input type="checkbox"/> B 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> B 630 Liquor Laws <input type="checkbox"/> B 640 R.R. & Truck <input type="checkbox"/> B 650 Airline Regs. <input type="checkbox"/> B 660 Occupational Safety/Health <input type="checkbox"/> B 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <b>A PROPERTY RIGHTS</b> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark <b>A LABOR</b> <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor Mgmt. Relations <input type="checkbox"/> 730 Labor Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 990 Other Statutory Actions <b>A OR B</b>

## VI. CAUSE OF ACTION

(CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

**15 U.S.C. § 77q(b); 15 U.S.C. § 78j(b), 17 C.F.R. § 240.10b-5**

LENGTH OF TRIAL **Violations of the anti-fraud provisions of the federal securities laws.**  
via **0** days estimated (for both sides to try entire case)

## VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 ☐

DEMAND \$

Perm. Inj./civil penalty DEMAND: ☐ YES ☒ NO

## VIII. RELATED CASE(S) IF ANY

JUDGE

DOCKET NUMBER

DATE

SIGNATURE OF ATTORNEY OF RECORD

10/27/98

**Mitchell E. Herr**

FOR OFFICE USE ONLY

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE