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7 **DISTRICT COURT**
 8 **CLARK COUNTY, NEVADA**

9 * * *

10 INNOVATIVE ENERGY SOLUTIONS,
 11 INC.,

12 *Plaintiff,*

13 v.

14 TERRY DINGWALL, an individual,
 15 STEPHEN MONACO, an individual, DAVID
 E. GRISWOLD, an individual, ROE
 BUSINESS ENTITIES I through X; and
 16 DOES XI through XX, inclusive,

17 *Defendants.*

Case No.: A508740
 Dept No.: XI

**JUDGMENT AGAINST FOSTER,
COCHRANE AND DORNAN**

Hearing Date: N/A
 Hearing Time: N/A

18 TERRY DINGWALL, individually and
 19 derivatively on behalf of INNOVATIVE
 ENERGY SOLUTIONS, INC.

20 *Counterclaimants,*

21 v.

22 RONALD FOSTER, an individual; PATRICK
 COCHRANE, an individual; FREDERICK
 DORNAN, an individual; INNOVATIVE
 ENERGY SOLUTIONS, INC., nominally; and
 23 DOES I through XX, inclusive,

24 *Counterdefendants.*

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RONALD FOSTER, an individual,
Counterclaimant,

v.

TERRY DINGWALL, an individual,
STEPHEN MONACO, an individual,
Counterdefendant.

HYUNIK YANG, HYUNSUK CHAI,
Plaintiffs in Intervention,

v.

INNOVATIVE ENERGY SOLUTIONS,
INC., a Nevada Corporation; PATRICK
COCHRANE; RONALD FOSTER;
FRED DORNAN, DOES 1through 10; and
ROE Corporations A through Z,
Defendants in Intervention.

This action was initiated when Innovative Energy Solutions, Inc. (“IESI”) filed its complaint against Terry Dingwall (“Dingwall”), Stephen Monaco, David Griswold and Bradshaw Smith & Co., LLP.¹ When IESI initiated this action, Ronald Foster (“Foster”), Patrick Cochrane (“Cochrane”) and Fredrick Dornan (“Dornan”) were in control of IESI and selected this Nevada forum as the proper jurisdiction to resolve IESI’s claims. Thereafter, Dingwall and the other defendants filed their answers and affirmative defenses and, further, Dingwall filed counterclaims against Foster, Cochrane and Dornan. When Dingwall’s claims were asserted against Foster, Cochrane and Dornan, Foster resided in Nevada; Cochrane and Dornan resided in Alberta, Canada—all were properly served and all retained counsel in Nevada to represent their interests, including the filing of answers and affirmative defenses to the counterclaims and they asserted counterclaims against Dingwall. Eventually, Dr. Hyunik Yang (“Yang”) and Hyunsuk Chai (“Chai”) intervened in this action and asserted claims against Foster, Cochrane and Dornan, who

¹ Stephen Monaco and Bradshaw Smith & Co., LLP, were subsequently dismissed from this action.

1 were all properly served. Foster, Cochrane and Dorman, through their retained counsel, filed their
2 answers and affirmative defenses to Yang and Chai's claims. Foster, Cochrane and Dorman
3 voluntarily attorned to the jurisdiction of this Court and, through Nevada counsel retained by them,
4 actively participated in this case for approximately one year.

5 On June 22, 2007, following the Court's acceptance of live oral testimony (i.e., *viva voce*) in
6 Las Vegas from Foster, Cochrane and Dorman, the Court struck all pleadings filed by Foster,
7 Cochrane and Dorman and entered default against them as a sanction for their wrongful conduct,
8 including intentional disobedience of this Court's Order filed on March 1, 2007, as set forth in more
9 detail in this Court's Order filed on July 6, 2007. The court conducted a prove-up hearing on July
10 17, 2007, where the Court again accepted *viva voce* testimony from Dingwall and Yang to ascertain
11 the damages incurred by Dingwall, individually and derivatively on behalf of IESI, and by Yang and
12 Chai, individually and derivatively on behalf of IESI. Dingwall and Yang were both cross-
13 examined by counsel for Foster, Cochrane and Dorman. Based upon the papers and pleadings on
14 file herein, the striking of Foster, Cochrane and Dorman's pleadings, the live witness testimony and
15 documentary evidence presented at the prove-up hearing and for good cause appearing, the Court
16 finds, concludes, orders, adjudges and decrees as follows:

17 **FINDINGS OF FACT**

18 The Court finds as follows:

- 19 1. Foster, Cochrane and Dorman have engaged in a pattern of deceitful conduct and
20 self-dealing designed to enrich themselves personally to the detriment of IESI and its shareholders
21 and note holders.
- 22 2. Foster, Cochrane and Dorman knowingly and intentionally filed a false SB-2 with the
23 Securities and Exchange Commission in order to induce third parties to invest money with IESI.
- 24 3. Foster, Cochrane and Dorman sold securities to unaccredited investors in numerous
25 states in the United States and several provinces in Canada. The securities, consisting of
26 convertible promissory notes, were not registered nor were exemptions from registration perfected
27 under state securities laws.

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1 13. Moreover, despite representing that IESI acquired the oil remediation equipment
2 outright, Foster, Cochrane and Dornan have caused IESI to pay approximately \$17,000 per month
3 for the same equipment.

4 14. Foster, Cochrane and Dornan have caused many of IESI's contracts and agreements
5 to be drafted by Young Sook Jo ("Young"), Cochrane's spouse, and have retained Ms. Young to
6 provide other legal services to IESI.

7 15. Young is not a licensed attorney in any American or Canadian jurisdiction.

8 16. Moreover, Foster, Cochrane and/or Dornan have caused IESI to issue at least three
9 checks to a company called Eye Span Entertainment with the description "Payment for legal fees."
10 Foster owns Eye Span Entertainment and neither Foster nor Eye Span Entertainment is an attorney.

11 17. Foster, Cochrane and Dornan caused IESI to acquire Innovative Energy Solutions,
12 Inc, an Alberta, Canada Corporation ("IESI Canada") in an asset sale in order to circumvent the
13 need for an audit, which would have disclosed Foster, Cochrane and Dornan' inability and/or
14 refusal to account for "hundreds of thousands of dollars" that are unaccounted for.

15 18. Indeed, in a June 7, 2004, confidential, but unprivileged, communication to other
16 board members, Dornan stated regarding IESI Canada's accounting, "Hundreds of thousands of
17 dollars have been in and out of I.E.S.I. with no 'back up' documentation. Large amounts of money
18 have been used it would seem for personal expenses without any supporting documentation."
19 Dornan continued, "The books are a mess . . ."

20 19. Foster, Cochrane and Dornan caused IESI to advance at least \$300,000 dollars to
21 IESI Canada despite knowing that IESI Canada had no means of repaying any advances to IESI.

22 20. Rather than account for the advances to IESI Canada as expenses, Foster, Cochrane
23 and Dornan listed the advances as receivables, thereby causing IESI's assets to be overstated and its
24 expenses understated.

25 21. IESI Canada's shareholders received 6,000,000 shares of IESI in exchange for all of
26 IESI Canada's assets. Rather than having all shareholders of IESI Canada receive proportionate
27 numbers of shares of IESI, however, Foster, Cochrane and Dornan caused themselves to receive
28 more shares while other outsiders received fewer shares than they were entitled to.

1 22. Foster, Cochrane and Dornan caused IESI to pay its employees as independent
2 contractors in an attempt to avoid paying employment taxes.

3 23. On at least one occasion, Foster requested that Dingwall destroy IESI board minutes
4 and Foster has further commingled IESI books and records with those of other companies in which
5 he owns an interest.

6 24. Foster also made various misrepresentations to Certified Public Accountant, Doug
7 Winters, who was conducting due diligence of IESI books and records in early 2005. Such
8 misrepresentations include, but are not limited to, giving Mr. Winters a Corporate and Capital
9 Structure report dated May 2, 2005, that showed Dr. Yang sold 300,000 shares for \$550,000. When
10 Mr. Winters asked Foster about the report, Foster said the report was out of date and contained
11 mistakes. Foster then gave Mr. Winters a new Corporate and Capital Structure report dated May
12 13, 2005, which showed Dr. Yang sold the 300,000 shares for \$750,000.

13 25. Additionally, while Dingwall was the president of IESI, Foster misrepresented that
14 Foster was the president. Indeed, while the vice president of business development of IESI, Foster
15 signed the newly issued certificates as the "President," even though he did not hold that
16 position/title and there was no board authority for him to sign the certificates or the actual
17 conversion of the underlying Promissory notes to stock.

18 26. Moreover, Foster falsely misrepresented to potential investors that IESI would "be
19 trading on the pink sheets by the end of July 2005 at the latest."

20 27. Foster, Cochrane and Dornan caused IESI to grant several million option shares with
21 a \$1.00 option fee, contrary to IESI's Bylaws and stock option plan.

22 28. Foster, Cochrane and Dornan have further made numerous unauthorized changes to
23 the registration of IESI's stock through IESI's online transfer agent, Transfer Online. For example,
24 on March 30, 2005, Foster, Cochrane and Dornan caused IESI to issue 750,000 shares to Bugg, and
25 then on June 6, 2005, Counterdefendant Foster cancelled said shares. Additionally, on August 22,
26 2005, Foster, Cochrane and Dornan caused a stop to be issued on Dingwall's 500,000 shares.

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1 29. According to IESI's Form SB-2 registration statement as prepared by Foster:

2 On March 24, 2004 the Company issued 2,160,000 preferred shares to Foster and issued
3 a \$1,100,000 note for 5,000 shares of SBI Communications, Inc., an entity wholly
4 owned by Foster, and whose only asset was 18.7 acres of land and an 80,000 square foot
5 commercial building in Piedmont, Alabama. The transaction was valued at the seller's
6 depreciated cost basis of \$4,724,455. The preferred stock issued was valued at
\$3,624,455 because the Company's accounting policy for valuing non-monetary
transactions with a related party required the transaction be valued at the predecessors'
depreciable cost basis. The property was acquired with the intent to be used for
assembly of the Company's planned products for sale.

7 30. IESI's documents, however, show a pattern of Foster, Cochrane and Dorman' creating
8 and modifying documents to fit their ever-changing story. For example, Foster was issued 1,400,000
9 shares on January 25, 2004 (Company's stock transfer records). It was not until November 9, 2004,
10 that Foster was issued an additional 760,000 shares. Indeed, Foster created two sets of minutes for one
11 board meeting allegedly held on May 9, 2004, as well as a set of minutes for another meeting allegedly
12 held on May 5, 2004.

13 31. The three sets of minutes reflect as follows:

14	<u>May 5, 2004</u>	1,400,000 shares at \$5.00/share for \$7,000,000	To acquire Piedmont, AL real estate from SBI	Foster signed
15				
16				
17	May 9, 2004	1,400,000 shares at \$5.00/share for \$7,000,000	To acquire SBI stock from Foster	Foster signed
18				
19	May 9, 2004	2,160,000 shares at \$2.50/share for \$5,400,000	To acquire SBI stock from Foster	Unsigned
20				

21 32. The pertinent SB-2 states:

22 We acquired the land because of expressed interest from the city of
23 Piedmont for a \$10 million Industrial Development Bond issue to finance
a manufacture [sic] facility for our heat pipe and hydrogen units.

24 33. Foster fabricated the alleged interest by the City of Piedmont by drafting the letters
25 of interest himself or causing his agent to draft the letters.

26 34. Foster, Cochrane and Dorman caused IESI to issue Foster 2,160,000 preferred shares
27 in exchange for 5,000 shares of stock in an insolvent company known as SBI Communications, Inc.
28 ("SBI").

1 35. SBI filed for bankruptcy and was, therefore, presumptively insolvent, less than one
2 month before SBI was “purchased” by IESI. Nonetheless, Foster, Cochrane and Dornan, and in
3 particular Foster, never disclosed in financial statements that SBI was in bankruptcy.

4 36. Foster paid for personal expenses with the consideration he received for the SBI
5 transaction.

6 37. Furthermore, despite IESI making certain insurance payments associated with SBI,
7 Foster took and pocketed similar payments from SBI that were disguised as insurance payments.

8 38. Moreover, Foster paid himself a purported “management fee” out of SBI’s
9 bankruptcy in excess of \$25,000.00, which fees should have been paid to IESI, not Foster.

10 39. Foster, Cochrane and Dornan have caused IESI to issue Cochrane over \$50,000 in
11 funds allegedly for reimbursements and advances for which Cochrane has not accounted for.

12 40. Foster’s employment agreement with IESI requires that he “will devote . . .
13 substantially all of [his] business time to the performance of [his] duties for, and in the business and
14 affairs of, Company.” However, Foster has owned and managed Eye Span Entertainment Network,
15 Inc., and has provided services for other corporations as well, in violation of his employment
16 agreement with IESI.

17 41. Foster, Cochrane and Dornan have caused IESI to improperly advance funds and
18 issue bonuses to Foster, which have not been accounted for, and which are believed to be for non-
19 business, personal reasons.

20 42. Foster, Cochrane and Dornan also caused IESI to improperly pay funds to David
21 Friedland for “Legal Fees - Juris Doctor - Setting up international operating structure,” while
22 knowing that Mr. Friedland is a convicted felon.

23 43. Foster, Cochrane and Dornan have further caused IESI to employ Ms. Shirley
24 Berquist as a full-time employee while wrongfully maintaining that Ms. Berquist is “outside labor.”

25 44. Foster, Cochrane and Dornan have caused IESI to pay Bugg an inappropriate amount
26 of consideration.

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1 45. Mr. Bugg, who became a member of IESI's board of directors, verbally informed
2 Dingwall that Dingwall was to allow Cochrane to do whatever he [Cochrane] wanted as "this [IESI]
3 was his [Cochrane's] company and that I [Dingwall] had no business, or place to try and make
4 Cochrane do otherwise."

5 46. Additionally, on or about April 27, 2005, Foster, Cochrane and Dornan caused IESI
6 to issue a shareholder update stating, "IESI has now completed an exclusive licensing deal for the
7 issue of its cold fusion technology with the Ethanol industry in North America. This brings
8 immediate revenue." This representation was then and still is untrue.

9 47. On or about April 28, 2005, Foster, Cochrane and Dornan were made aware of
10 numerous securities violations but have failed to take necessary steps to correct such violations.

11 48. In attempts to veil their illegal fundraising activities, Foster, Cochrane and Dornan
12 have caused IESI to issue backdated employment contracts to various individuals, including Ron
13 Johnson, Patrick Starr and Roy Ferguson.

14 49. Foster, Cochrane and Dornan have caused IESI to issue an Executive Summary with
15 the misrepresentation that "to date the company has raised in excess of \$10 million dollars from
16 investors." Not only has IESI not raised such funds, Foster, Cochrane and Dornan illegally used
17 this misrepresentation in an attempt to raise additional funds.

18 50. Foster, Cochrane and Dornan also obtained shares in IESI fraudulently and/or
19 without valid consideration.

20 51. Foster, Cochrane and Dornan wrongfully terminated Dingwall, as president, and
21 Stephen Monaco, as Vice President of Marketing and Public Relations.

22 52. IESI, on the one hand, and Foster and Cochrane, on the other hand, entered into
23 various contracts and agreements, including, but not limited to, employment agreements with Foster
24 and Cochrane. IESI had justified expectations that Foster and Cochrane would perform in good
25 faith under the terms of the contracts and agreements.

26 53. IESI performed all conditions and obligations required of it under the contracts and
27 agreements.

28

1 54. Foster and Cochrane materially breached the terms, both express and implied, of the
2 contracts and agreements.

3 55. Additionally, Foster and Cochrane breached their duties by failing to perform and/or
4 even attempt to perform under the terms of the agreements in a manner that is faithful to the
5 purpose of the contracts.

6 56. Foster and Cochrane's breaches damaged Dingwall and the other IESI shareholders.

7 57. Foster, Cochrane and Dornan falsely represented their intent of bringing IESI's
8 technology to fruition.

9 58. Foster, Cochrane and Dornan intended to utilize the services of Dingwall and then
10 concoct a scheme upon which to terminate Dingwall's employment, officer and director status with
11 IESI as well as to use IESI as a front for their own personal gain to the detriment of IESI and its
12 investors.

13 59. Foster, Cochrane and Dornan intended to fraudulently induce IESI to enter into the
14 various agreements with Foster, Cochrane and Dornan pertaining to IESI and its technology.

15 60. When Foster, Cochrane and Dornan made said representations, they knew them to be
16 false, and intended to defraud, deceive and induce IESI and its shareholders into acting as it did.

17 61. IESI and its shareholders justifiably relied on Foster, Cochrane and Dornan's
18 fraudulent misrepresentations.

19 62. Foster, Cochrane and Dornan wrongfully exercised dominion and control over IESI's
20 funds and assets which they wrongfully withheld and/or received from IESI and thereby converted
21 to their own use, benefit and gain, funds which rightly belonged to IESI and its shareholders.

22 63. The shares of stock purportedly issued to Foster, Cochrane and Dornan were
23 received fraudulently and without consideration and should be cancelled and invalidated.

24 64. Yang and Chai are residents of South Korea and are stockholders of IESI.

25 65. Yang and Chai own six million (6,000,000) shares of preferred stock of IESI, which
26 was issued to them on June 26, 2004.

27 66. The preferred stock of IESI can be converted to common stock on a one for one
28 basis.

1 67. At all relevant times, Foster was the Secretary, Treasurer and Director of IESI and
2 resided in Las Vegas, Nevada and then Alberta, Canada.

3 68. At all relevant times, Cochrane was a Director and Chief Executive Officer of IESI
4 and resided in Alberta, Canada.

5 69. Cochrane entered into an agreement with the Alberta Securities Commission
6 wherein Cochrane admitted that he was involved in the unregistered trading securities of Genoray
7 Advanced Technologies Ltd.

8 70. Cochrane admitted that he made prohibited representations and misrepresentations to
9 investors and he agreed (a) to pay Ten Thousand dollars (\$10,000.00) to settle the allegations, (b) to
10 pay Three Thousand dollars (\$3,000.00) towards investigation costs, and (c) to cease trading in
11 securities for a period of two (2) years.

12 71. At all relevant times, Dornan was a Director of IESI and resided in Alberta, Canada.

13 72. IESI is a Nevada corporation doing business in Clark County, Nevada and Alberta,
14 Canada.

15 73. Since IESI's incorporation, Foster, Cochrane and Dornan owned or controlled a
16 majority of the capital stock of IESI.

17 74. Dingwall is a current shareholder of and former Officer and Director of IESI.
18 Dingwall made derivative shareholder claims against the Defendants for mismanagement of IESI.

19 75. Foster, Cochrane and Dornan engaged in a pattern of deceitful conduct and self-
20 dealing designed to enrich themselves personally to the detriment of IESI and its other shareholders
21 and note holders.

22 76. In May 2004 Dornan sold oil drilling equipment to IESI Canada. The equipment
23 was certified by Dornan to be worth Four Hundred Eighty-six Thousand Five Hundred Twenty-one
24 dollars and Forty cents (\$486,521.40) as of April 30, 2004. The very same equipment was held out
25 by IESI to be worth Six Hundred Thirty-two Thousand Four Hundred Seventy-seven dollars and
26 Eighty-two cents (\$632,477.82) as of May 7, 2004. Foster, Cochrane and Dornan held out the
27 equipment as being worth in excess of Six Hundred Thousand dollars (\$600,000.00) in the SB-2.

28

1 77. The inflation of the value of Dornan's equipment on IESI's books was and is a
 2 material misrepresentation by Foster, Cochrane and Dornan to IESI's shareholders.

3 78. The equipments inflated values are summarized in the following table:

Equipment	April 30, 2004 Value	May 7, 2004 Value	One Week's Appreciation
1. One Only Super Sharples Centrifuge Serial # P3400	\$137,750.00	\$179,075.00	\$41,325.00
2. One Only Centrifuge Stand	\$4,275.00	\$5,557.50	\$1,283.50
3. One Only Westfella Osa 35 Centrifuge Skid Serial # 1648035	\$156,750.00	\$203,775.00	\$47,025.00
4. Two Only Stainless Steel Heat Exchangers @ \$6,175.00	\$12,350.00	\$16,055.00	\$3,705.00
5. Only One Double Screen Pot	\$3,325.00	\$4,322.50	\$997.50
6. One Only Trash Pump	\$2,850.00	\$3,705.00	\$855.00
7. One Only Viking Feed Pump	\$3,515.00	\$4,569.50	\$1,054.50
8. One Only Viking Centrifugal Pump	\$1,900.00	\$2,470.00	\$570.00
9. One Only Wilden Diaphragm Pump	\$1,778.00	\$2,311.40	\$533.40
10. One Only Viking L120 Pump	\$1,778.40	\$2,311.92	\$1,133.52
11. One Only Stand-alone 200 Amp Main Control Center	\$6,650.00	\$8,645.00	\$1,995.00
12. One Only Portable Lincoln Ranger Welder	\$3,750.00	\$4,875.00	\$1,125.00
13. One Only High-pressure Steam Plant Serial # S-33384	\$102,000.00	\$132,600.00	\$30,600.00

1	14. One Only Flat Deck Tandem Trailer, Serial # 2as9 Pf4828fb015323	\$4,300.00	\$5,590.00	\$1,290.00
2				
3	15. One Only Swaco High Speed ALI Shale Shaker, Serial # 72376	\$16,050.00	\$20,895.00	\$4,845.00
4				
5	16. One Only Site Office & Part Skid Trailer	\$17,500.00	\$22,750.00	\$5,250.00
6				
7	17. Miscellaneous Parts & Spares	\$10,000.00	\$13,000.00	\$3,000.00
8				
9	Totals	\$486,551.40	\$632,514.82	\$145,6587.42

10
11 79. The SB-2 falsely claimed that IESI owned the improved real property located in
12 Piedmont, Alabama and failed to disclose that IESI did not own certain oil cleanup assets that were
13 contributed by Dornan, and listed the Dornan equipment at grossly inflated figures.

14 80. Foster, Cochrane and Dornan claimed in open court that they unwound the deal for
15 the Piedmont Property in 2004.

16 81. Although Foster, Cochrane and Dornan unwound the deal for the Piedmont Property,
17 Foster, Cochrane and Dornan never informed the shareholders of IESI that the deal had been
18 unwound.

19 82. Although Foster, Cochrane and Dornan claimed to have unwound the purchase of
20 the Piedmont Property, IESI paid the insurance for the property.

21 83. The shareholders of IESI relied on the statements made by Foster, Cochrane and
22 Dornan in the SB-2 to purchase IESI stock.

23 84. In the SB-2, Foster, Cochrane and Dornan confirmed the fact that Yang and Chai
24 own six million (6,000,000) shares of IESI preferred stock.

25 85. On May 15, 2005 Defendants knowingly and intentionally made materially incorrect
26 statements in a Private Placement Memorandum ("First Memorandum") in order to induce third
27 parties to invest money with IESI.

28

1 86. The First Memorandum falsely claimed that IESI owned the Piedmont Property,
2 failed to disclose that the deal for the Piedmont Property had been unwound by Foster, Cochrane
3 and Dornan, failed to disclose that IESI did not own certain oil cleanup assets that were contributed
4 by Dornan, and listed the Dornan equipment at grossly inflated figures.

5 87. Foster, Cochrane and Dornan violated Federal and State Securities Law by providing
6 copies of the First Memorandum to investors.

7 88. The shareholders of IESI relied on the statements made by Foster, Cochrane and
8 Dornan in the First Memorandum to purchase IESI stock.

9 89. In the First Memorandum, Foster, Cochrane and Dornan confirmed the fact that
10 Yang and Chai own six million (6,000,000) shares of IESI preferred stock.

11 90. On June 10, 2005, Foster, Cochrane and Dornan knowingly and intentionally made
12 materially incorrect statements in another Private Placement Memorandum (“Second
13 Memorandum”) in order to induce third parties to invest money with IESI.

14 91. The Second Memorandum falsely claimed that IESI owned the Piedmont Property,
15 failed to disclose that the deal for the Piedmont Property had been unwound by Foster, Cochrane
16 and Dornan, failed to disclose that IESI did not own certain oil cleanup assets that were contributed
17 by Dornan, and listed the Dornan equipment at grossly inflated figures.

18 92. Foster, Cochrane and Dornan violated federal and state securities law by providing
19 copies of the Second Memorandum to investors.

20 93. The shareholders of IESI relied on the statements made by Foster, Cochrane and
21 Dornan in the Second Memorandum to purchase IESI stock.

22 94. The Second Memorandum Defendants confirmed the fact that Yang and Chai own
23 six million (6,000,000) shares of IESI preferred stock.

24 95. In 2005, Foster, Cochrane and Dornan admitted that they “played some games” to
25 get the equipment on the books and records of IESI.

26 96. Dornan continues to hold himself out as the owner of the equipment and bills IESI
27 Canada Seventeen Thousand dollars (\$17,000.00) a month for the equipment.

28

1 97. Dornan double dipped IESI for the equipment. He received stock in IESI and
2 payments of Seventeen Thousand dollars (\$17,000.00) per month on a lease.

3 98. Foster, Cochrane and Dornan knowingly solicited and sold securities to unaccredited
4 investors in numerous states in the United States and several provinces in Canada. The securities
5 were not registered nor were they exemptions from registration perfected under state securities
6 laws.

7 99. Foster, Cochrane and Dornan failed to make any filings under applicable United
8 States Securities Laws to perfect exemptions from registration under Regulation D. The failure to
9 properly register the securities or perfect exemptions has resulted in IESI incurring substantial risk
10 of loss from the investors, sanctions from governmental agencies, and possible criminal sanctions
11 against the officers/directors of IESI.

12 100. Foster received his stock in exchange for shares of SBI. The transaction between
13 IESI and SBI was completely without value and a fraud against the shareholders of IESI.

14 101. According to Foster, Cochrane and Dornan, the transaction was completely unwound
15 in 2004.

16 102. The shareholders should have been informed that SBI did not own the Piedmont
17 Property when IESI traded its stock for Foster's share of SBI.

18 103. The other Board Members and Officers of IESI knew, or should have known, all of
19 this information and should have acted to protect the interests of the other shareholders.

20 104. However, it appears these actions have gone unchallenged by those individuals.

21 105. The fact that the IESI Board Members allowed the shareholders of IESI to believe
22 that IESI owned the Piedmont Property is a complete dereliction of their duties to the IESI
23 shareholders.

24 106. Foster unilaterally converted the convertible promissory notes made by IESI to stock
25 in IESI.

26 107. On September 20, 2003 Foster, the Vice President of Business Development of IESI,
27 signed the newly issued certificates as the President of IESI even though he did not hold this title
28

1 and there was no board authority for him to sign the certificates or the actual conversion of the
2 underlying Promissory Notes to stock.

3 108. Foster, Cochrane and Dornan wrote shareholders of IESI stating "IESI has now
4 completed an exclusive licensing deal for the issue of its cold fusion technology with the Ethanol
5 industry in North America. This brings immediate revenue." This statement was false, was known
6 to be false when made, and was made to pacify investors who were concerned about their
7 investments. Foster, Cochrane and Dornan violated State and Federal law by making false
8 statements to the IESI shareholders.

9 109. As of April 28, 2005, Foster, Cochrane and Dornan were aware of numerous
10 securities violations.

11 110. Notwithstanding their actual knowledge of the securities law violations, Foster,
12 Cochrane and Dornan failed to take necessary steps to correct such violations.

13 111. Foster, Cochrane and Dornans' refusal to take corrective action is a dereliction of the
14 duties they owe to the shareholders of IESI.

15 112. Foster, Cochrane and Dornan have placed IESI in substantial risk of SEC and/or
16 State investigations.

17 113. Foster, Cochrane and Dornan made numerous unauthorized changes to the
18 registration of IESI's stock through IESI's online transfer agent, Transfer Online, Inc., including,
19 but not limited to, converting three hundred thousand (300,000) shares of preferred stock Dr. Yang
20 pledged as collateral for a loan to three hundred thousand (300,000) shares of common stock of
21 IESI, then selling the stock to third parties, all of which occurred when the loan was not due.

22 114. Foster, Cochrane and Dornan have wasted corporate assets by overpaying
23 themselves, their affiliates, and third parties for services and by paying for professional services
24 from people who are not licensed to provide such professional services.

25 115. On behalf of IESI, Foster, Cochrane and Dornan hired Cochrane's wife Young Sook
26 Jo to perform legal work. Young Sook Jo regularly invoiced IESI for her fees. IESI held Young
27 Sook Jo out to third parties as the legal counsel for IESI. Young Sook Jo is not licensed to practice
28

1 law in Nevada or any United States jurisdiction. Cochrane knew that Young Sook Jo was not a
2 licensed attorney and abused his position as an Officer and Director of IESI by hiring his wife to
3 handle legal matters for IESI.

4 116. Foster, Cochrane and Dornan used IESI to pay themselves through affiliates they
5 owned or controlled.

6 117. Foster used IESI funds on the following items for his personal benefit when he:

- 7 a. Wired a Fifteen Thousand Nine Hundred dollar (\$15,900.00) retainer to Harry Long
8 for the SBI Bankruptcy;
- 9 b. Paid Joseph Pittera Three Thousand dollars (\$3,000.00) for Valcom's legal fees;
- 10 c. Charged IESI Twelve Thousand dollars (\$12,000.00) for travel and legal fees;
- 11 d. Paid Five Thousand dollars (\$5,000.00) in legal fees for the Piedmont Property;
- 12 e. Paid Valcom's One Thousand Five Hundred Twenty dollar (\$1,520.00) PR
13 Newswire bill;
- 14 f. Purchased Delta Airline tickets for his common-law wife, Karen Anderson, in the
15 amount of One Thousand One Hundred Nine dollars and Eighty cents (\$1,109.80)
16 and, on another occasion, One Thousand Two Hundred Five dollars and Twenty-
17 nine cents (\$1,205.29);
- 18 g. Paid One Thousand Three Hundred Eighty-seven dollars (\$1,387.00) for
19 transmission repairs to his car;
- 20 h. Paid One Thousand Eight Hundred Nine dollars and Eighteen cents (\$1,809.18) for
21 car repairs and gas;
- 22 i. Paid Seven Hundred Ninety-three dollars and Sixty-four cents (\$793.64) for tires for
23 his car;
- 24 j. Purchased a Digital Video Camera for himself in the amount of One Thousand Four
25 Hundred Ninety-nine dollars and Ninety-nine cents (\$1,499.99);
- 26 k. Paid Five Hundred Ninety dollars (\$590.00) in fees for Valcom's required filings
27 with the SEC;
- 28

- 1 l. Paid Joanne Maddox Five Hundred dollars (\$500.00) (c/o Harry Long) for title work
2 on the Piedmont Property;
- 3 m. IESI paid for vehicle rental and gas purchases in Burbank, California and Panama
4 City, Florida (where Foster and Anderson have a home);
- 5 n. Paid One Hundred dollars (\$100.00) for Costco membership;
- 6 o. Paid Ninety dollars (\$90.00) for Sam's Club membership;
- 7 p. Paid for SBI Communication's filing fees with the Nevada Secretary of State;
- 8 q. Paid in part for Foster's vacation in Valencia, California;
- 9 r. Paid a Wire transfer to Leah Kerce;
- 10 s. Paid for his own dry cleaning; and
- 11 t. Paid for Valcom and Eye Span's Federal Express bills.
- 12 118. As a Director of IESI, Dornan owed the shareholders the fiduciary duty to manage
13 IESI affairs and preserve its assets.
- 14 119. Dornan violated this duty when he sold IESI securities based on material
15 misrepresentations contained in the SB-2 and the Memoranda.
- 16 120. Dornan also breached his fiduciary duties by wasting corporate assets.
- 17 121. In February 2004, Dornan and Cochrane agreed that Dornan would own at least as
18 many shares of IESI as "those held by any other founding shareholder, including Patrick Cochrane."
- 19 122. Cochrane invoiced IESI for his wife's and daughter's flights to Las Vegas, Nevada
20 and tickets to a Celine Dion show. Cochrane also invoiced IESI for his personal expenses as well.
- 21 123. Cochrane received Ten Thousand dollars (\$10,000.00) for a Russian trip but
22 submitted receipts totaling Seven Thousand Seven Hundred Four dollars and Twenty cents
23 (\$7,704.20). Some of the receipts he submitted had charges for a hospital visit and laundry.
- 24 124. At all times since the formation of IESI, Foster, Cochrane and Dornan have
25 completely controlled and dominated the Board of Directors of IESI.
- 26 125. Yang is the owner of several technologies (the "Technologies").
- 27 126. Yang and Chai are the principals of Hy-En Research, Ltd. ("Hy-En"), a Korean
28 corporation.

1 127. In 2004, Hy-En was working on the Technologies. In 2004 IESI wanted to acquire
2 the rights to the Technologies from Yang and Chai.

3 128. IESI agreed to pay Yang and Chai Fifteen Million dollars (\$15,000,000.00).

4 129. Instead of actually paying Plaintiffs Fifteen Million dollars (\$15,000,000.00), Foster,
5 Cochran and Dornan paid Yang and Chai with six million (6,000,000) preferred shares of IESI
6 stock valued at Two dollars and Fifty cents (\$2.50) per share.

7 130. The preferred stock was issued to Yang and Chai as follows: four million two
8 hundred thousand (4,200,000) to Yang, and one million eight hundred thousand (1,800,000) to
9 Chai.

10 131. Although Yang and Chai were given six million (6,000,000) shares in IESI for the
11 Technologies, Foster, Cochran and Dornan claim to have unilaterally reduced Yang and Chai's
12 shares in IESI to three million (3,000,000).

13 132. On January 15, 2005, Hy-En Research Co. Ltd. ("Maker") made a promissory note
14 ("Note") for Three Hundred Thousand dollars (\$300,000.00). The Note was payable to IESI.

15 133. The Note states in relevant part:

16 The undersigned . . . promises to pay . . . \$300,000 . . . said principal sum shall
17 bear interest on the unpaid balance at the rate of five percent (5%) per annum from
18 the date of this Note until paid in full. Principal and interest shall be payable in one
19 installment in full. The installment of principal and interest shall be due and payable
20 on the fifteenth (15th) day of January 2006, or upon demand of the Holder [IESI].

21 134. The Note was executed on January 15, 2005.

22 135. On January 13, 2006, Yang and Maker wrote to the Officers and Directors of IESI to
23 tender Three Hundred Fifteen Thousand dollars (\$315,000.00) to repay the Note.

24 136. The Note also states:

25 Assets (300,000 of Preferred Stock of IESI) of Dr. Hyunik Yang, an individual
26 "Guarantor" secure this note. In the event of default under the terms, the Holder
27 hereof shall have the right and option to declare the entire indebtedness secured
28 hereby to be at once due and payable. [sic] . . .

The security of this note will be 300,000 shares of IESI Preferred Stock owned by
Dr. Hyunik Yang.

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1 137. Yang guaranteed the Note and offered three hundred thousand (300,000) shares of
2 his preferred stock in IESI as collateral for the Note.

3 138. Notwithstanding that Yang's shares of stock were collateral for the Note, Foster,
4 Cochrane and Dornan immediately converted Yang's preferred stock to common stock, then sold it
5 to third parties, including, but not limited to, Tommy McGrath ("McGrath").

6 139. On January 13, 2006 Yang and Maker tendered the funds necessary to release any
7 claim that IESI had to the three hundred thousand (300,000) shares of preferred stock.

8 140. Yang requested that IESI exchange Three Hundred Fifteen Thousand dollars
9 (\$315,000.00) for the Certificate of Stock IESI held as collateral for the loan.

10 141. On January 18, 2006, notwithstanding the fact that Foster, Cochrane and Dornan had
11 already converted and sold Yang's three hundred thousand (300,000) shares of preferred stock, IESI
12 agreed to accept Yang's tender of funds and return his stock certificate.

13 142. At the time Foster, Cochrane and Dornan agreed to accept Yang's tender of funds
14 and to return his stock certificate, they knew that their statement was untrue and intended that Yang
15 rely on the statement.

16 143. Shortly after the tender offer, Yang was contacted by McGrath who stated that the
17 Three Hundred Fifteen Thousand dollars (\$315,000.00) should be paid to him.

18 144. When questioned about McGrath, Foster, Cochrane and Dornan admitted that the
19 funds were payable to McGrath, not IESI.

20 145. On February 1, 2006, Yang tendered Three Hundred Fifteen Thousand dollars
21 (\$315,000.00) for two (2) Lost Note Affidavits, one (1) from IESI and one (1) from McGrath, and a
22 certificate for three hundred thousand (300,000) shares of preferred stock in IESI.

23 146. At that time, Foster, Cochrane and Dornan represented that the certificate
24 represented Yang's original three hundred thousand (300,000) shares of preferred stock.

25 147. Foster, Cochrane and Dornan merely issued three hundred thousand (300,000)
26 preferred shares of stock to Yang to cover up the previous conversion and sale of his stock to
27 McGrath.

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1 148. Foster, Cochrane and Dornan were not authorized to issue three hundred thousand
2 (300,000) shares of preferred stock, and the issuance of the shares violated the Articles, Bylaws and
3 applicable laws governing IESI.

4 149. Foster, Cochrane and Dornan received a commission for the sale of Yang's stock.

5 150. Yang and Chai have been damaged by Foster, Cochrane and Dornan's unilateral
6 cancellation of three million (3,000,000) shares of stock.

7 151. Foster caused a substantial part of the assets of IESI to be invested in SBI.

8 152. In 2004, Foster was the sole shareholder of SBI.

9 153. Foster, Cochrane and Dornan, with the intent and for the purpose of making and
10 securing certain supposed advantages to themselves, caused a special meeting of the stockholders of
11 IESI to be called and held at the office of IESI to consider and act on the proposal to buy all the
12 issued and outstanding shares of stock in SBI ("SBI Sale").

13 154. During the special meeting of the shareholders, a resolution was presented and
14 approved, directing IESI to complete the SBI Sale.

15 155. Foster, Cochrane and Dornan, with the intent and for the purpose of making and
16 securing certain supposed advantages to themselves, caused a special meeting of the Board of
17 Directors of Defendant corporation IESI to be called and held at the office of IESI to consider and
18 act on the SBI Sale.

19 156. During the special meeting of the Board a resolution was presented and approved,
20 directing IESI to complete the SBI Sale.

21 157. Immediately on approval of the SBI Sale, Foster, as Secretary and Treasurer of IESI,
22 executed and delivered to SBI a purchase agreement to purchase all the issued and outstanding
23 shares of stock in SBI and all of the property, real and personal, franchises and rights of property of
24 which SBI was the owner.

25 158. Foster, Cochrane and Dornan valued the Piedmont Property from between One
26 Million Two Hundred Thousand dollars (\$1,200,000.00) to Eight Million One Hundred Thousand
27 dollars (\$8,100,000.00), depending on the circumstances of the valuation.

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1 159. Foster, Cochrane and Dornan knew the value of the Piedmont Property was greatly
2 overstated by Foster but did nothing to correct Foster's statements; instead, they assisted him to
3 conceal the true value of the property from the shareholders and investors of IESI.

4 160. IESI's Form SB-2 states:

5 [IESI] acquired the land because of expressed interest from the city of Piedmont for
6 a \$10 million Industrial Development Bond issue to finance a manufacture [sic]
7 facility for our heat pipe and hydrogen units.

8 161. The City of Piedmont, Alabama met with Foster, Cochrane and Dornan but would
9 not commit to any project unless Foster, Cochrane and Dornan provided the City of Piedmont with
10 financial statements of IESI.

11 162. The City of Piedmont never stated it would provide expressed interest in an
12 Industrial Development Bond and Foster, Cochrane and Dornan knew the statement contained in
13 the SB-2, the First Memorandum and the Second Memorandum was false.

14 163. At the time of the transfer, SBI did not have marketable title to the Piedmont
15 Property.

16 164. On May 25, 2004, SBI sold one hundred per cent (100%) of the common stock and
17 its interest in the Piedmont Property to IESI.

18 165. The only asset of SBI was the Piedmont Property. IESI valued the SBI stock and the
19 Piedmont Property at Four Million Seven Hundred Twenty-four Thousand Four Hundred Fifty-five
20 dollars (\$4,724,455.00). The true value of the Piedmont Property was less than the unpaid taxes
21 and mortgage.

22 166. On March 24, 2004 there were only five thousand (5,000) shares of SBI issued and
23 outstanding.

24 167. Foster was at all relevant times an Officer and Director of both SBI and IESI.

25 168. Foster was aware that prior to the SBI sale, the Piedmont Property had been sold to
26 satisfy unpaid taxes and SBI did not have marketable title to the property.

27 169. Except for Foster, Cochrane and Dornan, no stockholder of IESI received notice of
28 or voted for the resolution approving the SBI Sale.

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1 170. SBI, being insolvent, filed for bankruptcy protection in the Northern District of
2 Alabama, Case No. 04-41991 (the "SBI Bankruptcy"). In the SBI Bankruptcy, SBI filed a
3 Disclosure Statement and Plan. SBI's "Plan provides for the sale of all assets of [SBI] to [IESI] for
4 1.2 Million Dollars."

5 171. On March 24, 2005 SBI and IESI entered into a contract titled "Agreement to Sell
6 Business" ("Agreement"). The Agreement was submitted as part of the SBI Plan. Pursuant to the
7 Agreement, IESI is purchasing "all assets of [SBI for] . . . One Million Two Hundred Thousand
8 Dollars (\$1,200,000.00).

9 172. Foster, in using the funds of IESI for the purposes of bolstering SBI, committed a
10 breach of trust, diverted a corporate opportunity for personal use, and deprived IESI of funds
11 needed by it for the operation of its business.

12 173. Foster gave no consideration for his shares of preferred stock in IESI.

13 174. Although the corporate purpose for which IESI was established was to be a fully
14 integrated energy company, Foster caused IESI to abandon this purpose and diverted its funds to his
15 own ends in complete disregard of fiduciary obligations owed by Foster to IESI.

16 175. Foster, Cochrane, and Dornan and any other officer and/or director of IESI who
17 approved of the Agreement knowingly defrauded the shareholders of IESI out of funds.

18 176. As a result of Foster's actions, the value of the stockholder's investment in IESI has
19 continuously decreased.

20 177. Because Foster has not provided any consideration for the shares of stock issued by
21 the corporation, all shares of Foster should be canceled.

22 178. Foster, Cochrane and Dornan caused IESI to purchase an oil reclamation equipment
23 from a company controlled by Dornan at a price that is not the fair market value.

24 179. Because IESI is renting the equipment from Dornan, he has not provided
25 consideration for the shares of stock issued to him by IESI.

26 180. Because Dornan has not provided any consideration for the shares of stock issued by
27 the corporation, all shares of Dornan should be canceled.

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1 181. Foster, Cochrane and Dornan caused IESI to issue shares of stock to Cochrane for
2 little or no consideration.

3 182. Because Cochrane has not provided any consideration for the shares of stock issued
4 by the corporation, all shares of Cochrane should be canceled.

5 183. Foster, Cochrane and Dornan entered into agreements that were to their individual
6 benefit and to the detriment of IESI.

7 184. All books, vouchers and records of the business conducted by IESI were taken by
8 Foster, Cochrane and Dornan to Canada and Yang and Chai have not been permitted to see them for
9 the purpose of examination of the records.

10 185. Foster, Cochrane and Dornan owed IESI fiduciary obligations. By reason of their
11 fiduciary relationships, the Foster, Cochrane and Dornan owed IESI the highest obligation of good
12 faith, fair dealing, loyalty and due care.

13 186. Foster, Cochrane and Dornan, and each of them, violated and breached their
14 fiduciary duties of care, loyalty, reasonable inquiry, oversight, good faith and supervision.

15 187. Foster, Cochrane and Dornan had actual or constructive knowledge that they had
16 caused IESI to improperly misrepresent the financial results of IESI and failed to correct the IESI's
17 publicly-reported financial results and guidance. Foster, Cochrane and Dornan also had actual or
18 constructive knowledge of the use of IESI's funds to pay themselves and their affiliates, as well as
19 third parties, greatly inflated values for property and services. These actions were not a good faith
20 exercise of prudent business judgment to protect and promote the Company's corporate interests.

21 188. As a direct and proximate result of Foster, Cochrane and Dornan's failures to
22 perform their fiduciary obligations, IESI has sustained significant damages.

23 189. Foster, Cochrane and Dornan owed all other shareholders of IESI a fiduciary duty to
24 act fairly and in their best interest.

25 190. Foster, Cochrane and Dornan's misconduct found herein constituted an abuse of
26 their ability to control and influence IESI, for which they are legally responsible.

27 191. As a direct and proximate result of Foster, Cochrane and Dornan's abuse of control,
28 IESI has sustained significant damages.

1 192. Foster, Cochrane and Dorman, either directly or through aiding and abetting,
2 abandoned and abdicated their responsibilities and fiduciary duties to prudently manage the assets
3 and business of IESI.

4 193. As a direct and proximate result of Foster, Cochrane and Dorman's gross
5 mismanagement and breaches of duty alleged herein, IESI has sustained significant damages.

6 194. By their wrongful acts and omissions, Foster, Cochrane and Dorman were unjustly
7 enriched at the expense of and to the detriment of IESI.

8 195. Foster, Cochrane and Dorman must disgorge all profits, benefits and other
9 compensation obtained by them, and each of them, from their wrongful conduct and fiduciary
10 breaches.

11 196. Foster, Cochrane, and Dorman willfully, and with intent to defraud took substantially
12 in excess of Ten Thousand dollars (\$10,000.00) from IESI, both directly and indirectly.

13 197. In taking the funds from IESI under false pretenses, Foster, Cochrane and Dorman
14 wrongfully exercised dominion and control over Yang, Chai and the other shareholders' property,
15 and refuse to return the property.

16 198. In the SB-2 Defendants represented that:

- 17 a. IESI had purchased the Piedmont Property;
- 18 b. The City of Piedmont, Alabama expressed an interest in a Ten-Million-dollar
19 (\$10,000,000) industrial development bond;
- 20 c. IESI had purchased the oil remediation equipment from IESI Canada;
- 21 d. That IESI stock was worth Two dollars and Fifty cents (\$2.50) per share;
- 22 e. Yang and Chai owned six million (6,000,000) shares of stock;
- 23 f. That the cash advances to IESI were for business purposes;
- 24 g. All officers and directors received shares at Two dollars and Fifty cents (\$2.50) per
25 share; and
- 26 h. The note holders had a choice to exchange their notes for share of stock.

27 199. The SB-2 was submitted to the SEC by IESI in December 2004.

28 ////

1 200. On January 28, 2005 the SEC sent IESI a letter (“SEC Letter”) listing one hundred
2 eleven (111) deficiencies with the SB-2.

3 201. In the SEC Letter, the SEC makes the following requests/criticisms about the SB-2:

4 a. Explain how your filing comports with [Regulation 14E] (Comment 2);

5 b. We note the projections on your website. . . [w]hile they may be included in
6 disclosure documents, they may only be included where there is a reasonable basis
7 (Comment 3);

8 c. It appears the note holders will receive one warrant for each registered common
9 share exchanged, but that the warrants are not be registered by this registration
10 statement and that the shares received upon exercise of the warrants will be
11 considered “restricted.” Supplementally provide a written legal analysis as to the
12 availability of an exemption from registration of the warrant offering, and why it
13 should not be integrated with this offering. We remind you that with limited
14 exception, an issuer risks integration of a private placement concurrent with a public
15 offering. (Comment 5);

16 d. Based on the purchase agreement with SBI Communications, Inc., it appears SBI is a
17 subsidiary of the company. Disclose this fact in the summary, including the date and
18 place of incorporation for SBI and whether it is wholly-owned. Fully discuss the
19 business development and history of SBI in the Business section and identify its
20 control persons, promoters and predecessors.... Discuss in the MD&A section the
21 impact of this transaction will have on the Company’s results of operations as well
22 as the impact SBI’s operations will have on the company as a whole going forward.
23 (Comment 12);

24 e. Provide the basis for your reference to supplying “low operating costs” hydrogen in
25 the statement that you will offer “significant cost savings” to your clients, especially
26 since you are still in the process of completing a demonstration model. (Comment
27 14);

28 // // //

- 1 f. If true, please state in the Summary Financial Information section that you have yet
2 to generate any revenues, have no customers, and your auditors have expressed
3 substantial doubt as to your ability to continue as a going concern. (Comment 16);
- 4 g. Several of your risk factor subheadings allude to a risk but do not clearly state the
5 material risk to investors, or they are generic in nature. Generally, the subheading
6 should clearly state the particular risk any consequences that may result if that risk
7 should occur. (Comment 18);
- 8 h. Please add a risk factor discussing the going concern raised in the report of the
9 independent registered public accounting firm. (Comment 24);
- 10 i. We note reference to iESi Canada at the top of page 12. Please identify who this is
11 and discuss this entity's relationship with the company in both the Business and the
12 and the MD&A sections. Where appropriate, provide related party transactions
13 disclosure as required under item 404 of Regulation as-be in file all agreements
14 entered into with iESi Canada, including all loan agreements, as exhibits.
15 (Comments 27);
- 16 j. Please provide the information required by item 10 1(a) for Innovative Energy
17 Solutions, an Alberta, Canada Corporation. The Alberta Corporation would appear
18 to be a predecessor as defined by rule 405 of Regulations C. (Comment 43);
- 19 k. Please provide the basis for management's belief that the "technologies can
20 recapture hydrogen or he has bi-products more efficiently than current applications
21 used in certain industries" or removed. Also, given the development stage of your
22 products, please explain the basis for the statement that "the capital costs to facilitate
23 production are significantly less than SMR" or removed. Revise similar statements
24 throughout the prospectus. (Comment 45);
- 25 l. Please clarify the source(s) of the information in the discussion of Hydrogen
26 Production and other information in the business section. Please disclose the date of
27 the information and supplemental you provide us with copies of the information
28 relied upon. (Comment 46);

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- m. Please revise the discussion of your principal products to be future intense. Also, clarify that your products are currently still in the development stage. (Comment 47);
- n. Under "Distribution Methods" on page 25, we note your statement that Alberta is currently experiencing high levels of economic growth and is expected to outpace its national average for years to come and that Alberta is the leader in terms of the oil and gas industry, which will benefit greatly from your products. The statements are overly promotional and unsubstantiated. Please revise. (Comment 49);
- o. We also note that you will require \$15 million in cash to develop your own manufacturing and marketing divisions if you are unable to form a joint venture. Please clarify this fact and indicate how you propose to raise \$15 million of a joint venture is not available. Indicate is well the potential impact on your operations going for it should you not form a joint venture or raise the funds needed to develop the necessary divisions. In addition allocate how the \$15 million will be spent on the manufacturing and marketing divisions and what these divisions are. (Comment 59);

202. The SEC's comments question the veracity of the statements contained in the SB-2.

203. Once Foster, Cochrane and Dornan received the SEC Letter, they should have taken immediate action to correct the SB-2.

204. Although Foster, Cochrane and Dornan were aware of the problems with the SB-2, they took no corrective action.

205. Foster, Cochrane and Dornan chose to let the shareholders of IESI believe the statements made in the SB-2 were true.

206. In a letter dated April 5, 2005, Malcom Burke McHugh states:

As you know, I have invested \$100,000 with IESI on February 17, 2005. I also anticipated becoming a distributor for your firm in the United States. My investment and willingness to consider such a significant commitment of my time and resources to the promotion of the company was based on the draft SB-2 you gave me to review and other representations that IESI officers made to me about the technical and commercial potential of the company's technology.

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1 207. The SB-2 was used to solicit investors in IESI after the SEC Letter and contained
2 materially false statements.

3 208. Foster, Cochrane and Dorman violated Federal and State Securities Law by providing
4 draft copies of the materially-false SB-2 to investors at a time when they knew the document was
5 false.

6 209. Foster, Cochrane and Dorman claim they “unwound” the SBI purchase on April 17,
7 2005, at an IESI Board meeting.

8 210. Foster, Cochrane and Dorman confirmed this action by stipulating on the record that
9 the transaction had been “completely unwound.”

10 211. Notwithstanding the “unwinding” of the SBI transaction, IESI did not tell its
11 shareholders that the deal had been unwound.

12 212. Although Foster, Cochrane and Dorman claimed to have unwound the purchase of
13 the Piedmont Property, IESI paid for expenses related to the property, including insurance and legal
14 fees.

15 213. On May 15, 2005 IESI prepared an Offering Memorandum to sell one million
16 (1,000,000) shares of stock. In the Memorandum, Foster, Cochrane and Dorman state:

17 The Company purchased an 80,000 square foot industrial building on 18.7 acres of
18 land zoned for industrial use in Piedmont, Alabama on March 24, 2004 for a total of
19 \$4,724,455, [sic] which was the seller’s historical cost basis, of which \$4,002,233
20 was allocated to the building. The property was acquired from an entity considered
21 to be under common control. The building is being depreciated on a straight-line
22 basis over 30 years from January 1, 1995 which is when the seller originally
23 purchased the building. Depreciation expenses for the period ended June 30, 2004
24 was \$33,352.

25 214. Foster, Cochrane and Dorman concealed the fact that the SBI purchase had in fact
26 been unwound.

27 215. On May 15, 2005, in the First Memorandum, Foster, Cochrane and Dorman made the
28 following statements that were also untrue:

- a. IESI had purchased the oil remediation equipment from IESI Canada;
- b. The oil remediation equipment was worth Six Hundred Thirty-two Thousand Five Hundred Fourteen dollars and Eighty-two cents (\$632,514.82) when in fact it was

1 worth Four Hundred Eighty-six Thousand Five Hundred Fifty-one dollars and Forty
2 cents (\$486,551.40).

3 c. That IESI stock was worth Two dollars and Fifty cents (\$2.50) per share;

4 d. That the cash advances to IESI were for business purposes; and

5 e. All officers and directors received shares at Two dollars and Fifty cents (\$2.50) per
6 share.

7 216. Additionally, although Foster, Cochrane and Dornan were expressly aware that they
8 needed to properly disclose the relationship between SBI and IESI, the Memorandum fails to make
9 the disclosure.

10 217. Foster, Cochrane and Dornan ignored the SEC and solicited investors without giving
11 them full disclosure.

12 218. On June 10, 2005, after converting notes for shares of stock, Cochrane wrote the
13 shareholders ("June 10 Letter"), stating:

14 We have converted all promissory notes as indicated in your shares for note
15 agreement and enclosed your certificate or certificates. We have also included a
16 prospectus with financials for your review. Please note the issue date on your
17 certificates, for this is importance. [Sic] These certificates are restricted and have not
18 yet been registered. The company is still in the process of registering your shares to
19 be traded in the open market. We anticipate the registration process to be completed
20 in the very near future. After the completion of registering your shares you will
21 exchange the close certificate for a certificate without a restriction in order to place
22 the shares with your broker to trade.

23 Upon completion of the registration process, your warrants will be available for you
24 to purchase. Each purchased share contains one warrant at the option price.

25 219. Cochrane knew that the statements in the June 10 Letter were not true because on
26 June 27, 2005 Cochrane wrote to William Bennett of the SEC ("June 27 Letter"), stating:

27 Please be advised that Innovative Energy Solutions, Inc. (iESi) has retained the law
28 firm of Tenenbaum Law Firm. [sic] Mr. Tom Tenenbaum of this firm will represent
29 Innovative Energy Solutions, Inc. in matters related to filed SB-2 file number 333-
30 121671. This registration statement was filed on December 27, 2005 [sic] and
31 received comments on January 28, 2005.

32 220. Cochrane knew that the SB-2 had significant material problems with it; however, he
33 did not disclose this to the shareholders. Instead he told them that IESI "anticipate[ed] the
34 registration process [would] be completed in the very near future."

1 221. Neither Foster, Cochrane nor Dornan wrote to or otherwise communicated to any
2 shareholder to let them know the SBI transaction had been unwound on April 17, 2005.

3 222. As of June 10, 2005 Cochrane was expressly aware that IESI had done nothing to
4 correct the deficiencies with the SB-2, and in fact had not even responded to the SEC's comments.

5 223. On June 10, 2005, in the Second Memorandum, Defendants represented that:

6 a. IESI had purchased the Piedmont Property on March 24, 2004;

7 b. The First Memoranda falsely claimed that IESI owned the Piedmont Property, failed
8 to disclose that the deal for the Premises had been unwound by Foster, Cochrane and
9 Dornan, failed to disclose that IESI did not own certain oil cleanup assets that were
10 contributed by Dornan, and listed the Dornan equipment at grossly inflated figures.

11 c. IESI had purchased the oil remediation equipment from IESI Canada;

12 d. The oil remediation equipment was worth Six Hundred Thirty-two Thousand Five
13 Hundred Fourteen dollars and Eighty-two cents (\$632,514.82) when in fact it was
14 worth Four Hundred Eighty-six Thousand Five Hundred Fifty-one dollars and Forty
15 cents (\$486,551.40).

16 e. That IESI stock was worth Four dollars (\$4.00) per share;

17 f. That the cash advances to IESI were for business purposes; and

18 g. All officers and directors received shares at Two dollars and Fifty cents (\$2.50) per
19 share.

20 224. Foster, Cochrane and Dornan made the representations intending that Yang and Chai
21 would continue to invest in IESI and that other shareholders would invest in IESI.

22 225. Foster, Cochrane and Dornan were negligent because they knew or should have
23 known the representations were false at the time they made the representations.

24 226. Foster, Cochrane and Dornan negligently made the representations intending that
25 Yang, Chai and others would invest in IESI.

26 227. In reliance on the representations of Foster, Cochrane and Dornan, Yang and Chai
27 entered into a contract which transferred their rights in the Technologies to IESI in exchange for six
28 million (6,000,000) shares of stock.

1 228. In reliance on the representations of Foster, Cochrane and Dornan, individual
2 shareholders invested money in IESI.

3 229. In providing the Technologies to IESI and when investing in IESI, Yang, Chai and
4 the shareholders were not aware of the falsity of the representations made by Foster, Cochrane and
5 Dornan and reasonably believed the representations to be true.

6 230. Foster, Cochrane and Dornan each actively participated in the business of IESI, and
7 they constituted its senior managing officers. Each of them was familiar with and knew the
8 financial condition of IESI and the value of its assets and liabilities.

9 231. At all relevant times hereto, Foster, Cochrane and Dornan were the owners and
10 record holders of a large number of shares of capital stock of IESI. The shares of stock, from
11 January 1, 2004 to the filing of this Complaint, were valueless, and Foster, Cochrane and Dornan,
12 and each of them, were aware that IESI stock was without value.

13 232. While Foster, Cochrane and Dornan were the record owners of IESI stock, they
14 conspired together for the purpose of inducing Yang and Chai, by false and fraudulent
15 representations, to exchange their Technologies for six million (6,000,000) shares of stock at Two
16 dollars and Fifty cents (\$2.50) per share for a total purchase price of Fifteen Million dollars
17 (\$15,000,000.00) and to get other shareholders to invest in IESI.

18 233. Foster, Cochrane and Dornan, and each of them, represented to Yang and Chai that
19 IESI was in sound financial condition and that the shares of stock were worth in excess of their
20 stated purchase price of Two dollars and Fifty cents (\$2.50) per share. The statements made by
21 Foster, Cochrane and Dornan, and each of them, were made for the express purpose of defrauding
22 Yang, Chai and other shareholders of IESI. Specifically, Foster, Cochrane and Dornan each told
23 Yang and Chai that the company owned the Piedmont Property, Dornan's drilling equipment, and
24 an oilfield located in Wyoming, knowing that the statements were untrue and intending that Yang
25 and Chai rely on them, and to induce them into contributing the technologies to IESI.

26 234. Foster, Cochrane and Dornan prepared the SB-2, the First Memorandum and the
27 Second Memorandum for IESI.

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1 235. When Foster, Cochrane and Dornan prepared the SB-2, the First Memorandum and
2 the Second Memorandum, they knew that the documents contained false statements and they made
3 the false statements intending that investors rely on the false statements.

4 236. Foster, Cochrane and Dornan, and each of them, knew that the matters mentioned in
5 the reports, statements and filings were false and untrue in the particulars stated.

6 237. When the reports, statements, and filings and the mentioned representations were
7 made by Foster, Cochrane and Dornan, and each of them, describing IESI as being in sound
8 financial condition, IESI was in fact insolvent and the shares of stock worthless.

9 238. Yang and Chai had no knowledge of the financial condition of IESI or of the truth or
10 falsity of the reports, statements and filings supplied by Foster, Cochrane and Dornan.

11 239. Yang and Chai, relying on the representations made by Foster, Cochrane and
12 Dornan, were induced to exchange the Technologies for six million (6,000,000) shares of stock for
13 a total purchase price of Fifteen Millions dollars (\$15,000,000.00).

14 240. After the Technologies were assigned, Foster, Cochrane and Dornan informed the
15 stock transfer company that Yang and Chai owned six million (6,000,000) shares of stock.

16 241. Yang and Chai, relying on the representations made by Foster, Cochrane and
17 Dornan, were induced to exchange technologies for shares of stock.

18 242. Yang and Chai would not have exchanged the stock for the Technologies had they
19 not believed to be true, and relied on as true, the false and fraudulent reports, statements, filings and
20 representations made by Foster, Cochrane and Dornan, and each of them.

21 243. The shareholders of IESI would not have invested money in IESI had they not
22 believed to be true, and relied on as true, the false and fraudulent reports, statements, filings and
23 representations made by Foster, Cochrane and Dornan, and each of them.

24 244. Individuals lent money to IESI as evidenced by convertible promissory notes.

25 245. Foster, Cochrane and Dornan knowingly converted or approved of the conversion of
26 the promissory notes to stock without the consent of the individual note holders.

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246. In the SB-2, Foster, Cochrane and Dornan represented that:
- a. IESI had purchased the Building;
 - b. The City of Piedmont, Alabama expressed an interest in a Ten-Million-dollar (\$10,000,000.00) industrial development bond;
 - c. IESI had purchased the oil remediation equipment from IESI Canada;
 - d. That IESI stock was worth Two dollars and Fifty cents (\$2.50) per share;
 - e. Yang and Chai owned six million (6,000,000) shares of stock;
 - f. That the cash advances to IESI were for business purposes;
 - g. All officers and directors received shares at Two dollars and Fifty cents (\$2.50) per share; and
 - h. The note holders had a choice to exchange their notes for share of stock.

247. In reliance on the representations of Foster, Cochrane and Dornan as found herein, Yang and Chai continued to work to benefit IESI.

248. In reliance on the representations of Foster, Cochrane and Dornan, individual shareholders invested money in IESI.

249. In providing the Technologies to IESI and when investing in IESI, Yang and Chai and the shareholders were not aware of the falsity of the representations made by Defendants and reasonably believed the representations to be true.

250. Foster, Cochrane and Dornan maliciously conspired together to commit the acts set forth above with intent to injure IESI and its shareholders.

251. The aforementioned fraudulent acts of Foster, Cochrane and Dornan were willful, wanton, malicious and oppressive and were undertaken with an intent to injure Yang, Chai and IESI and justify the award of exemplary and punitive damages.

252. Foster, Cochrane and Dornan, being in control of IESI, unlawfully and with fraudulent intent conspired and connived to wreck IESI, despoil it of its assets and dispose of the same to their individual benefit and profit, and to the damage of IESI, its stockholders, including Yang and Chai.

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1 253. Pursuant to this conspiracy, Foster, Cochrane and Dornan, with full knowledge of
2 the facts, transferred and conveyed assets of IESI to themselves and affiliates controlled by them.

3 254. The property was so transferred and conveyed essentially without adequate
4 consideration, all of which was well known to Foster, Cochrane and Dornan, and to each of them.

5 255. Further pursuant to the conspiracy, Foster, Cochrane and Dornan, with full
6 knowledge of the facts and with the intent to deprive IESI of its assets, leased equipment to IESI at
7 greatly inflated values to benefit themselves and affiliates they controlled.

8 256. When IESI issued the shares of stock to Yang and Chai, the stock was fully paid and
9 non-assessable.

10 257. On February 14, 2006, Cochrane sent a letter informing Yang and Chai that their
11 shares of stock had been "canceled" by the Board of Directors of IESI.

12 258. In the letter, Foster, Cochrane and Dornan claimed to have canceled Yang and
13 Chai's shares of IESI stock because of an undefined alleged breach of the June 25, 2004
14 Agreement.

15 259. Foster, Cochrane and Dornan "canceled" Yang and Chai's stock to retaliate for Yang
16 and Chai's filing of their Motion to Intervene and Complaint in Intervention in this action.

17 260. Foster, Cochrane and Dornan's Agreement of the "cancellation" of Yang and Chai's
18 stock does not allow Foster, Cochrane or Dornan to unilaterally declare a breach of the Agreement
19 and cancel Yang and Chai's shares of stock.

20 261. Yang and Chai are entitled to a mandatory injunction ordering Foster, Cochrane and
21 Dornan to rescind their alleged "cancellation" of Yang and Chai's stock.

22 262. Yang and Chai are also entitled to punitive damages for Foster, Cochrane and
23 Dornan's intentional "cancellation" because the "cancellation" was maliciously done in knowing
24 violation of Yang and Chai's rights.

25 263. Any of the foregoing Findings of Fact which constitute Conclusions of Law shall be
26 deemed as Conclusions of Law.

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1 CONCLUSIONS OF LAW

2 The Court concludes as follows:

3 A. The Court has jurisdiction over Foster, Cochrane and Dornan and venue is proper in
4 this Court.

5 B. Many aspects of Dingwall, Yang and Chai's claims are in the nature of a shareholder
6 derivative suit. Demand upon the board of directors of IESI to bring the shareholder derivative
7 claims was unnecessary and would have been futile. *See Shoen v. SAC Holding Corp.*, 2006 WL
8 1916868 (Nev. 2006). Reasonable doubt exists both that (a) the directors of IESI were
9 disinterested, and (b) the business judgment rule otherwise protected their wrongful and *ultra vires*
10 decisions. Moreover, a majority of the board members would have been materially affected by a
11 decision of the board, in a manner not shared by IESI and the stockholders. Accordingly,
12 reasonable doubt existed that the board could impartially consider any NRCP 23.1 demand.
13 Dingwall, Yang and Chai are therefore excused from making a Rule 23.1 demand.

14 B. Foster and Cochrane are liable for breaches of contract as set forth in Dingwall's
15 First Cause of Action.

16 C. Foster and Cochrane are liable for breaches of the covenant of good faith and fair
17 dealing as set forth in Dingwall's Second Cause of Action.

18 D. Foster, Cochrane and Dornan, as officers and/or directors of IESI, owed fiduciary
19 duties to IESI, including but not limited to, a duty of good faith, honesty, care, loyalty, candor, full
20 and fair disclosure as well as a duty to avoid self-dealing. Foster, Cochrane and Dornan are liable
21 for breaches of fiduciary duty as set forth in Dingwall's Third Cause of Action. Foster, Cochrane
22 and Dornan's breaches of fiduciary duty were oppressive, malicious, fraudulent and carried out in
23 bad faith and with conscious disregard for the rights and well being of Dingwall and IESI. The
24 Court will award punitive damages against Foster, Cochrane and Dornan for their breaches of
25 fiduciary duty.

26 E. Foster, Cochrane and Dornan are liable for constructive fraud as set forth in
27 Dingwall's Fourth Cause of Action. Foster, Cochrane and Dornan's fraudulent actions were
28 oppressive, malicious and carried out in bad faith and with conscious disregard for the rights and

1 well being of Dingwall and IESI. The Court will award punitive damages against Foster, Cochrane
2 and Dornan for their fraudulent actions.

3 F. Foster, Cochrane and Dornan are liable for intentional misrepresentations as set forth
4 in Dingwall's Fifth Cause of Action, including, for example, they had no intent of bringing IESI's
5 technology to fruition, they concocted a scheme to terminate Dingwall's employment and
6 Dingwall's other relationships with IESI, and they concocted a scheme to use IESI as a front for
7 their own personal gain, all despite representations to the contrary. The misrepresentations by
8 Foster, Cochrane and Dornan were material, were known by them to have been false when made,
9 were made with the intention of deceiving Dingwall and IESI's shareholders, who reasonably relied
10 on Foster, Cochrane and Dornan's intentional misrepresentations, and which proximately caused
11 the damages awarded herein. Foster, Cochrane and Dornan's misrepresentations were oppressive,
12 malicious and carried out in bad faith and with conscious disregard for the rights and well being of
13 Dingwall and IESI. The Court will award punitive damages against Foster, Cochrane and Dornan
14 for their intentional misrepresentations.

15 G. Dingwall's Sixth Cause of Action is asserted against Foster, Cochrane and Dornan
16 for negligent misrepresentations. Dingwall abandoned his claim for negligent misrepresentation.

17 H. Dingwall's Seventh Cause of Action asserts a claim for unjust enrichment. Dingwall
18 abandoned his claim for unjust enrichment.

19 I. Foster, Cochrane and Dornan are liable to indemnify Dingwall as set forth in
20 Dingwall's Eighth Cause of Action.

21 J. Dingwall abandoned his Ninth Cause of Action for contribution.

22 K. Dingwall abandoned his Tenth Cause of Action for an accounting.

23 L. Foster, Cochrane and Dornan are liable for converting, to their own personal use,
24 benefit and gain, property, assets and opportunities that rightly belonged to IESI and its
25 shareholders, as set forth in Dingwall's Eleventh Cause of Action.

26 M. The Court will grant the declaratory and injunctive relief requested in Dingwall's
27 Twelfth and Thirteenth Causes of Action.

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1 N. Yang and Chai abandoned their First Cause of Action for inspection of IESI's books
2 and records.

3 O. The Court will grant the declaratory relief requested by Yang and Chai in their
4 Second Cause of Action.

5 P. The Court concludes that cancellation of Foster, Cochrane and Dornan's shares of
6 stock in IESI is meritorious as set forth in Yang and Chai's Third, Fourth and Fifth Causes of
7 Action.

8 Q. Foster, Cochrane and Dornan are liable for committing waste with IESI's assets as
9 set forth in Yang and Chai's Sixth Cause of Action. Foster, Cochrane and Dornan's acts of waste
10 were intentional, oppressive, malicious and carried out in bad faith and with conscious disregard for
11 the rights and well being of Yang, Chai and IESI. The Court will award punitive damages against
12 Foster, Cochrane and Dornan for their intentional waste of corporate assets.

13 R. Yang and Chai abandoned their Seventh Cause of Action for an accounting.

14 S. Foster, Cochrane and Dornan are liable for breaches of fiduciary duty as set forth in
15 Yang and Chai's Eighth Cause of Action. Foster, Cochrane and Dornan's breaches of fiduciary
16 duty were oppressive, malicious, fraudulent and carried out in bad faith and with conscious
17 disregard for the rights and well being of Yang, Chai and IESI. The Court will award punitive
18 damages against Foster, Cochrane and Dornan for their breaches of fiduciary duty.

19 T. Foster, Cochrane and Dornan are liable for abuses of corporate control as set forth in
20 Yang and Chai's Ninth Cause of Action. Foster, Cochrane and Dornan's abuses of corporate
21 control were oppressive, malicious, fraudulent and carried out in bad faith and with conscious
22 disregard for the rights and well being of Yang, Chai and IESI. The Court will award punitive
23 damages against Foster, Cochrane and Dornan for their abuses of corporate control.

24 U. Foster, Cochrane and Dornan are liable for gross mismanagement and breaches of
25 duty as set forth in Yang and Chai's Tenth Cause of Action. Foster, Cochrane and Dornan's gross
26 mismanagement and breaches of duties were oppressive, malicious, fraudulent and carried out in
27 bad faith and with conscious disregard for the rights and well being of Yang, Chai and IESI. The
28 Court will award punitive damages against Foster, Cochrane and Dornan for their gross
mismanagement and breaches of duty.

1 V. Foster, Cochrane and Dornan have been unjustly enriched and are otherwise liable as
2 set forth in Yang and Chai's Eleventh and Twelfth Causes of Action.

3 W. Foster, Cochrane and Dornan are liable for converting, to their own personal use,
4 benefit and gain, property, assets and opportunities that rightly belonged to IESI and its
5 shareholders, as set forth in Yang and Chai's Thirteenth Cause of Action. Foster, Cochrane and
6 Dornan's conversions were oppressive, malicious, fraudulent and carried out in bad faith and with
7 conscious disregard for the rights and well being of Yang, Chai and IESI. The Court will award
8 punitive damages against Foster, Cochrane and Dornan for their conversions.

9 X. Foster, Cochrane and Dornan are liable for multiple negligent misrepresentations as
10 set forth in Yang and Chai's Fourteenth Cause of Action.

11 Y. Foster, Cochrane and Dornan are liable for the fraudulent acts set forth in Yang and
12 Chai's Fifteenth Cause of Action. Foster, Cochrane and Dornan's fraudulent acts in converting
13 promissory notes to stock was wrongful, oppressive, malicious and carried out in bad faith and with
14 conscious disregard for the rights and well being of IESI and its shareholders. The Court will award
15 punitive damages against Foster, Cochrane and Dornan for their wrongful acts.

16 Z. Foster, Cochrane and Dornan are liable for multiple intentional misrepresentations of
17 fact as set forth in Yang and Chai's Sixteenth Cause of Action. The misrepresentations by Foster,
18 Cochrane and Dornan were material, were known by them to have been false when made, were
19 made with the intention of deceiving Yang, Chai and IESI's shareholders, who reasonably relied on
20 Foster, Cochrane and Dornan's intentional misrepresentations, and which proximately caused the
21 damages awarded herein. Foster, Cochrane and Dornan's intentional misrepresentations were
22 oppressive, malicious, fraudulent and carried out in bad faith and with conscious disregard for the
23 rights and well being of Yang, Chai and IESI. The Court will award punitive damages against
24 Foster, Cochrane and Dornan for their intentional misrepresentations.

25 AA. Foster, Cochrane and Dornan are liable for their acts of conspiracy as set forth in
26 Yang and Chai's Seventeenth Cause of Action. Foster, Cochrane and Dornan's acts in furtherance
27 of the conspiracy were oppressive, malicious, fraudulent and carried out in bad faith and with
28 conscious disregard for the rights and well being of Yang, Chai and IESI. The Court will award
punitive damages against Foster, Cochrane and Dornan for their conspiratorial acts.

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BB. Yang and Chai abandoned their Eighteenth Cause of Action for appointment of a receiver.

CC. The Court will grant the injunctive and declaratory relief requested in Yang and Chai's Nineteenth and Twentieth Causes of Action.

DD. The claims and defenses asserted by Foster, Cochrane and Dornan against Dingwall, Yang and Chai were not based in law or fact and as such were frivolous and asserted in bad faith.

EE. Foster, Cochrane and Dornan's wrongful actions, as found herein, caused the damages awarded herein and were done intentionally and without just cause or excuse.

FF. Foster, Cochrane and Dornan's wrongful actions, as found herein, were performed by them with the subjective motive to inflict injury upon Dingwall, Yang, Chai, IESI and its shareholders or when Foster, Cochrane and Dornan were substantially certain said injury would result from their conduct.

GG. Any of the foregoing Conclusions of Law which constitute Findings of Fact shall be deemed Findings of Fact.

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1 JUDGMENT

2 Judgment is hereby entered against RONALD FOSTER, PATRICK COCHRANE
3 AND FREDRICK DORNAN, in favor of TERRY DINGWALL, HYUNIK YANG AND
4 HYUNSUK CHAI, DERIVATIVELY ON BEHALF OF INNOVATIVE ENERGY
5 SOLUTIONS, INC., as follows:

6 Non-Monetary Relief:

7 1. All shares of stock of every class and kind issued by IESI to Foster, Cochrane and
8 Dornan are hereby invalidated and cancelled, including all shares which were in the name of Foster,
9 Cochrane and/or Dornan but which were subsequently transferred, assigned or pledged to someone
10 else. Foster, Cochrane and Dornan shall surrender all their original IESI stock certificates to IESI's
11 bankruptcy trustee or the bankruptcy trustee's counsel no later than ten (10) days after service of
12 notice of entry of this Judgment;

13 2. To the extent Foster, Cochrane and/or Dornan had any rights to receive funds or
14 other consideration from IESI for any reason, including as a result of a "loan" of funds generated by
15 Foster, Cochrane and/or Dornan from the sale/transfer of any of their shares of IESI stock, such
16 rights are hereby cancelled;

17 3. Foster, Cochrane and Dornan, their successors, assigns, agents, servants, affiliates
18 and all other persons in active concert or participation with them, are hereby permanently restrained
19 and enjoined from (a) holding themselves out as shareholders of IESI, (b) voting or attempting to
20 vote their putative shares, which are cancelled, and (c) conducting or attempting to conduct any
21 business whatsoever of IESI;

22 Monetary Relief:

- 23 4. Compensatory Damages: Judgment is entered for compensatory damages:
- 24 a) against Foster, severally, in the amount of: **\$324,236.00,**
 - 25 b) against Cochrane, severally, in the amount of: **\$265,373.43,**
 - 26 c) against Dornan, severally, in the amount of: **\$220,815.56,**
 - 27 d) against Foster, Cochrane and Dornan, jointly
28 and severally, in the amount of: **\$2,080,588.41;**

1 5. Punitive Damages: Judgment is entered in favor of Terry Dingwall, derivatively on
2 behalf of IESI, for punitive damages:

3 a) against Foster, severally, in the amount of: **\$972,708.00,**

4 b) against Cochrane, severally, in the amount of: **\$796,120.29,**

5 c) against Dornan, severally, in the amount of: **\$662,446.68,**

6 d) against Foster, Cochrane and Dornan, jointly
7 and severally, in the amount of: **\$6,241,765.23;**

8 6. Pre-Judgment and Post-Judgment Interest: The Court additionally awards pre-
9 judgment interest on all amounts identified in paragraph 4 at the rate of 10.25% per annum from
10 October 20, 2005, until August 29, 2007, i.e., **\$550,441.03**. The Court additionally awards post-
11 judgment interest on all amounts identified in paragraphs 4 and 5 at the rate of 10.25% per annum,
12 adjusted periodically in accordance with NRS 17.130(2), until satisfied.

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15 **Judgment is hereby entered against RONALD FOSTER, PATRICK COCHRANE**
16 **AND FREDRICK DORNAN, in favor of TERRY DINGWALL, INDIVIDUALLY, as follows:**

17 7. Non-Monetary Relief: Foster, Cochrane and Dornan, jointly and severally, must
18 indemnify Dingwall, individually, by satisfying and discharging any and all liability which may
19 ultimately be assessed against Dingwall in this action;

20 8. Costs: Judgment is entered in favor of Terry Dingwall, individually, against Foster,
21 Cochrane and Dornan, jointly and severally, for costs of suit in the amount of **\$163,519.10;**

22 9. Attorneys' Fees: Judgment is entered in favor of Terry Dingwall, individually,
23 against Foster, Cochrane and Dornan, jointly and severally, for attorneys' fees in the amount of
24 **\$455,641.69;**

25 10. Post-Judgment Interest: The Court additionally awards post-judgment interest on all
26 amounts identified in paragraphs 8 and 9 at the rate of 10.25% per annum, adjusted periodically in
27 accordance with NRS 17.130(2), until satisfied.

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