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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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<p>RONALD FOSTER, an individual, <i>Counterclaimant,</i></p> <p>v.</p> <p>TERRY DINGWALL, an individual, STEPHEN MONACO, an individual, <i>Counterdefendant.</i></p>
<p>HYUNIK YANG, HYUNSUK CHAI, <i>Plaintiffs in Intervention,</i></p> <p>v.</p> <p>INNOVATIVE ENERGY SOLUTIONS, INC., a Nevada Corporation; PATRICK COCHRANE; RONALD FOSTER; FRED DORNAN, DOES 1through 10; and ROE Corporations A through Z, <i>Defendants in Intervention.</i></p>

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 4. Moreover, Foster, Cochrane and Dornan failed to make certain filings under
2 applicable United States securities laws to perfect exemptions from registration under Regulation
3 D.

4 5. The failure to properly register the securities or perfect exemptions has resulted in
5 IESI incurring substantial risk of loss from the investors, sanctions from governmental agencies,
6 and possible criminal sanctions against the officers/directors of the company.

7 6. Despite not having the proper license(s), Foster, Cochrane and/or Dornan received
8 commissions on the sale of securities by IESI but failed to disclose that portions of the monetary
9 consideration was paid as commissions or finder's fees.

10 7. Foster, Cochrane and Dornan provided stock grants to various individuals without
11 adequate consideration and without properly registering or perfecting exemptions from securities
12 registration.

13 8. Foster, Cochrane and Dornan further caused IESI to issue stock to Foster in
14 exchange for a purported interest in real property in Piedmont, Alabama (the "Piedmont Property").
15 Foster, however, lacked clear title to the real property and withheld this fact from Dingwall and
16 IESI.

17 9. Additionally, Foster, Cochrane and Dornan have caused numerous valuations of the
18 Piedmont Property, each varying in value and ranging from \$1,200,000 to \$8,100,000.

19 10. On or about May 12, 2005, Dornan executed a letter regarding Foster's immigration
20 to Canada wherein Dornan misrepresented that "[t]he Company [IESI] has a manufacturing &
21 assembly plant in Piedmont, Alabama."

22 11. Foster, Cochrane and Dornan also caused IESI to purchase oil remediation
23 equipment from a company controlled by Dornan, who was also a director and fiduciary of IESI at
24 all relevant times, at a price that is not the fair market value.

25 12. As with the Piedmont Property valuations, Foster, Cochrane and Dornan have
26 likewise caused IESI to issue two conflicting valuations of the oil remediation equipment, one as of
27 April 30, 2004, the other as of May 7, 2004.

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

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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.

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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
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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
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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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