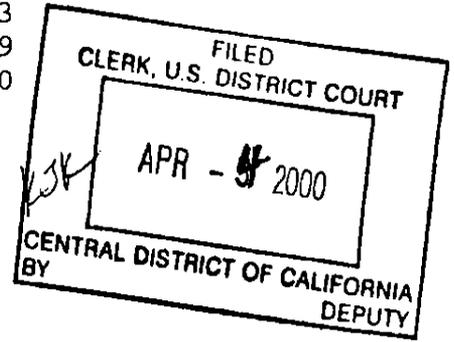


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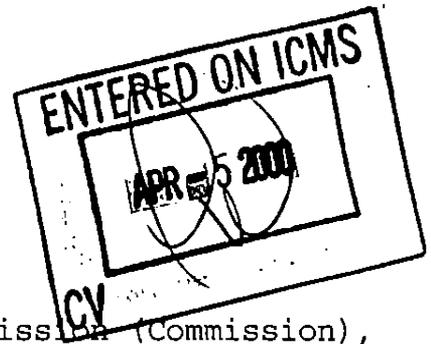
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U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES
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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

- Priority
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- JS-5/JS-6
- JS-2/JS-3

12 _____ :
SECURITIES AND EXCHANGE COMMISSION, :
13 Plaintiff, :
14 v. :
15 EMPOWER TELECOMMUNICATIONS CORP., :
WILLIAM H.B. CHAN, :
16 W.H.B. CHAN & CO., :
OSVALDO N. LORENZETTI, and :
17 DONALD E. WHORL, :
18 Defendants. :
19 _____ :

Civil Action
No. 96-6815 WDK (VAPx)
~~[PROPOSED]~~
FINAL JUDGEMENT OF
PERMANENT INJUNCTION AND
OTHER RELIEF AGAINST
WILLIAM H.B. CHAN



22 Plaintiff Securities and Exchange Commission (Commission),
23 having filed and served upon Defendant William H.B. Chan (Chan) a
24 Complaint and Summons in this matter and said Defendant, having
25 admitted service upon him of the Summons and Complaint in this
26 matter, and the jurisdiction of this Court over him and over the
27 subject matter of this action; having entered a general
28 appearance; having been fully advised and informed of his right

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1 to a judicial determination of this matter; having waived the
2 entry of findings of fact and conclusions of law as provided by
3 Rule 52 of the Federal Rules of Civil Procedure; and having
4 consented to the entry of this Final Judgment Of Permanent
5 Injunction And Other Relief Against William H.B. Chan (Final
6 Judgment), without admitting or denying any of the allegations in
7 the Complaint except as set forth in the Consent Of Defendant
8 Chan To Entry Of Final Judgment Of Permanent Injunction And Other
9 Relief; it appearing that no notice of hearing upon the entry of
10 this Final Judgment being necessary; and the Court being fully
11 advised in the premises:

12 I.

13 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
14 Chan and his agents, servants, employees and attorneys, and all
15 persons acting in concert or participation with any of them, who
16 receive actual notice of this Final Judgment by personal service
17 or otherwise, and each of them, are permanently restrained and
18 enjoined from, directly or indirectly:

- 19 A. making use of any means or instruments of
20 transportation or communication in interstate commerce
21 or of the mails to sell the securities of any issuer,
22 through the use or medium of any prospectus or
23 otherwise, unless and until a registration is in effect
24 as to such securities;
- 25 B. carrying or causing to be carried through the mails or
26 in interstate commerce, by any means or instruments of
27 transportation, for the purpose of sale or for delivery
28 after sale, the securities of any issuer, unless and

1 until a registration statement is in effect as to such
2 securities; and

3 C. making use of any means or instruments of
4 transportation or communication in interstate commerce
5 or of the mails to offer to sell or offer to buy,
6 through the use or medium of any prospectus or
7 otherwise, the securities of any issuer, unless and
8 until a registration statement has been filed with the
9 Commission as to such securities, or while a
10 registration statement as to such securities is the
11 subject of a refusal order or stop order or (prior to
12 the effective date of the registration statement) any
13 public proceeding of examination under Section 8 of the
14 Securities Act of 1933, as amended, [15 U.S.C. § 77h];
15 in violation of Sections 5(a) and 5(c) of the Securities Act
16 [15 U.S.C. §§ 77e(a) & 77e(c)]; provided, however, that nothing
17 in the foregoing portion of this paragraph shall apply to any
18 security or transaction that is exempt from the provisions of
19 Section 5 of the Securities Act, as amended [15 U.S.C. § 77e].

20 II.

21 IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Defendant
22 Chan and his agents, servants, employees and attorneys, and all
23 persons in active concert or participation with any of them, who
24 receive actual notice of this Final Judgment by personal service
25 or otherwise, and each of them, are permanently restrained and
26 enjoined from, directly or indirectly, in the offer or sale of
27 the securities of any issuer, by the use of any means or
28 instruments of transportation or communication in interstate

1 commerce or by the use of the mails:

- 2 A. employing any device, scheme or artifice to defraud;
- 3 B. obtaining money or property by means of any untrue
4 statement of a material fact or any omission to state a
5 material fact necessary in order to make the statements
6 made, in the light of the circumstances under which
7 they were made, not misleading; or
- 8 C. engaging in any transaction, practice, or course of
9 business which operates or would operate as a fraud
10 or deceit upon the purchaser;

11 in violation of Section 17(a) of the Securities Act of 1933
12 (Securities Act) [15 U.S.C. § 77q(a)].

13 III.

14 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
15 Chan and his agents, servants, employees and attorneys, and all
16 persons in active concert or participation with any of them, who
17 receive actual notice of this Final Judgment by personal service
18 or otherwise, and each of them, are permanently restrained and
19 enjoined from, directly or indirectly, in connection with the
20 purchase or sale of the securities of any issuer, by the use of
21 any means or instrumentality of interstate commerce, or of the
22 mails, or of any facility of any national securities exchange:

- 23 A. employing any device, scheme, or artifice to defraud;
- 24 B. making any untrue statement of a material fact or
25 omitting to state a material fact necessary in order
26 to make the statements made, in the light of the
27 circumstances under which they were made, not
28 misleading; or

1 C. engaging in any act, practice, or course of business
2 which operates or would operate as a fraud or deceit
3 upon any person, in connection with the purchase or
4 sale of any security;

5 in violation of Section 10(b) of the Securities Exchange Act of
6 1934 (Exchange Act) [15 U.S.C. § 78j(b)] and Rule 10b-5
7 thereunder [17 C.F.R. § 240.10b-5].

8 IV.

9 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
10 Chan and his agents, servants, employees and attorneys, and all
11 persons in active concert or participation with any of them, who
12 receive actual notice of this Final Judgment by personal service
13 or otherwise, and each of them, are permanently restrained and
14 enjoined from, directly or indirectly, in connection with the
15 purchase or sale of the securities of any issuer, by the use of
16 any means or instrumentality of interstate commerce, or of the
17 mails, or of any facility of any national securities exchange
18 from making any representation which is manipulative or
19 deceptive device or contrivance:

20 A. to the effect that the security is being offered or
21 sold on an "all-or-none" basis, unless the security is
22 part of an offering or distribution being made on the
23 condition that all or a specified amount of the
24 consideration paid for such will be promptly refunded
25 to the purchasers unless (1) all of the securities
26 being offered are sold at a specified price within a
27 specified time, and (2) the total amount due to the
28 seller is received by him by a specified date; or

1 B. to the effect that the security is being offered or
2 sold on any other basis whereby all or part of the
3 consideration paid for any such security will be
4 refunded to the purchaser if all or some of the
5 securities are not sold unless the security is part of
6 an offering or distribution being made on the condition
7 that all or a specified part of the consideration paid
8 for such security will be promptly refunded to the
9 purchaser unless (1) a specified number of units of the
10 security are sold at a specified price within a
11 specified time, and (2) the total amount due to the
12 seller is received by him by a specified date;

13 in violation of Section 10(b) of the Exchange Act [15 U.S.C. §
14 78j(b)] and Rule 10b-9 thereunder [17 C.F.R. § 240.10b-9].

15 V.

16 IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Defendant
17 Chan and his agents, servants, employees and attorneys, and all
18 persons in active concert or participation with any of them, who
19 receive actual notice of this Final Judgment by personal service
20 or otherwise, and each of them, are permanently restrained and
21 enjoined from making use of the mails or any means or
22 instrumentality of interstate commerce to effect any transactions
23 in, or to induce or attempt to induce the purchase or sale of,
24 any security (other than an exempted security or commercial
25 paper, bankers' acceptances, or commercial bills) without being
26 registered as a broker and/or dealer pursuant to Section 15(b) of
27 the Securities Exchange Act of 1934 (Exchange Act) [15 U.S.C.
28 § 78o(b)], in violation of Section 15(a)(1) of the Exchange Act

1 [15 U.S.C. §78o(a)(1)].

2 VI.

3 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
4 Chan, pursuant to Section 20(e) of the Securities Act [15 U.S.C.
5 § 78t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C.
6 § 78u(d)(2)], is prohibited, for a five year period from the
7 entry of this judgement, from serving as an officer or director
8 of any issuer that has a class of securities registered pursuant
9 to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is
10 required to file reports pursuant to Section 15(d) of the
11 Exchange Act [15 U.S.C. § 78o].

12 VII.

13 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant
14 Chan shall disgorge the gains resulting from his violations as
15 alleged in the Complaint in the amount of \$2.5 million together
16 with prejudgment interest thereon, but Chan shall pay only the
17 sum of \$250,000 based on Chan's sworn representations set forth
18 in his Statements of Financial Condition dated July 14, 1999, and
19 submitted to the Commission. This sum of \$250,000.00 shall be
20 disgorged and paid into the Registry of the Court. Ultimately
21 these funds shall be disbursed through a Disbursing Agent
22 approved by the Court to those Empower Telecommunications
23 Corporation (Empower) shareholders who are not affiliated with
24 any current or former Empower officer, director and/or employee.
25 The first payment of \$25,000 is due within 30 days after the
26 entry of this Judgment. The remainder, or \$225,000, is due in
27 seven quarterly payments of \$25,000.00 each with a final payment
28 of \$50,000.00. Chan, may not, by way of defense to any petition

1 filed by the Commission relating to Chan's delinquency to pay the
2 amounts when due, challenge the validity of the Consent or the
3 Final Judgment, contest the allegations in the Complaint filed by
4 the Commission or that the payments should not be ordered.

5 VIII.

6 IT IS FURTHER ORDERED ADJUDGED AND DECREED that Defendant
7 Chan shall disgorge the sum of \$250,000 into the Registry of this
8 Court as such forth above in Section VII. Defendant Chan shall
9 make such payments by certified check, bank cashier's check, or
10 bank money order which shall be made payable to Clerk, U.S.
11 District Court. The checks shall indicate the title and civil
12 action number of this case and shall each be accompanied by a
13 letter that identifies the defendant, the name and case number of
14 this litigation and name of the court and a copy of the Final
15 Judgment in this case. The check shall be personally delivered
16 to and served upon the Clerk of the Court or Chief Deputy Clerk.
17 The funds deposited into the Registry of the Court shall be
18 placed in an interest-bearing account pending further disposition
19 by the Court pursuant to Rule 67, Fed. R. Civ. P., and Local Rule
20 22. A copy of the check and of cover letter shall be
21 simultaneously transmitted to Trial Counsel for the Commission in
22 this matter at the Commission's Pacific Regional Office.

23 IX.

24 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that based upon
25 Chan's sworn representations in his Statements of Financial
26 Condition dated July 14, 1999, and submitted to the Commission,
27 the Court is not ordering him to pay a civil penalty pursuant to
28 Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and

1 Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)]. The
2 determination not to impose a civil penalty and to waive all but
3 \$250,000.00 of the disgorgement and prejudgment interest thereon
4 is contingent upon the accuracy and completeness of Chan's
5 Statements of Financial Condition executed under penalty of
6 perjury, Chan's sworn deposition and other documents produced by
7 Chan during litigation. If at any time following the entry of
8 this Final Judgment the Commission obtains information indicating
9 that Chan's representations to the Commission concerning his
10 assets, income, liabilities, or net worth were fraudulent,
11 misleading, inaccurate or incomplete in any material respect as
12 of the time such representations were made, the Commission may,
13 at its sole discretion and without prior notice to Chan, petition
14 this Court for an order requiring Chan to pay the remaining
15 balance of \$2.5 million dollars in disgorgement, plus prejudgment
16 interest, and a civil penalty. In connection with any such
17 petition, the only issue shall be whether the financial
18 information provided by Chan was fraudulent, misleading,
19 inaccurate or incomplete in any material respect as of the time
20 such representations are made, and the amount of civil penalty to
21 be imposed. In its petition, the Commission may move this Court
22 to consider all available remedies, including, but not limited
23 to, ordering Chan to pay funds or assets, directing the
24 forfeiture of any assets, or sanctions for contempt of this Final
25 Judgment, and the Commission may also request additional
26 discovery. Chan, may not, by way of defense to such petition,
27 challenge the validity of the Consent or the Final Judgment,
28 contest the allegations in the Complaint filed by the Commission

1 or assert that the payment of the specified disgorgement, plus
2 prejudgment interest, and/or a civil penalty should not be
3 ordered.

4 X.

5 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the
6 provisions of the Consent filed concurrently with this Final
7 Judgment are incorporated herein with the same force and effect
8 as if fully set forth herein and that Chan shall comply with his
9 Consent.

10 XI.

11 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court
12 shall retain jurisdiction over this action for the purposes of
13 determining the liability of any remaining defendants in this
14 action, implementing and carrying out the terms of this Final
15 Judgment and all other orders and decrees which may be entered
16 herein and granting such other relief as the Court may deem
17 necessary and just.

18 There being no just reason for delay, the Clerk of the Court
19 is hereby directed, pursuant to Rule 54(b) of the Federal Rules
20 of Civil Procedure, to enter this Final Judgment forthwith.

21
22 DATED: 3/28/00


WILLIAM D. KELLER
UNITED STATES DISTRICT JUDGE

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PROOF OF SERVICE

I, the undersigned, declare that I am over the age of 18 years and not a party to the action. I am employed in the County of Los Angeles, State of California, in which county the within-mentioned mailing occurred. My business address is 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036. I am familiar with the practice of the U.S. Securities and Exchange Commission of collecting and processing legal documents and correspondence for mailing. The Commission's practice is to deposit correspondence with the United States Postal Service on the same day that it is prepared for mailing in the ordinary course of business.

On March 13, 2000, I served the following document(s):

**[PROPOSED] FINAL JUDGMENT OF
PERMANENT INJUNCTION AND OTHER
RELIEF AGAINST WILLIAM H.B. CHAN**

by placing a true and correct copy in a separate envelope for each addressee named hereafter, addressed to each such addressee respectively as follows:

Frank E. Merideth, Jr., Esq.
Bryan Cave LLP
120 Broadway, Suite 500
Santa Monica, CA 90401

I then sealed the envelope with postage thereon fully prepaid and deposited it for collection and mailing via the United States Postal Service today in accordance with the ordinary business practices of the Commission at the Commission's address previously set forth.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and that I am employed in the office of a member of the Bar of this Court at whose direction this service was made.

Executed on March 13, 2000, at Los Angeles, California.



Gregory C. Glynn