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FILED
CLERK, U.S. DISTRICT COURT
JAN 29 2004
CENTRAL DISTRICT OF CALIFORNIA
DEPUTY
BY [Signature]
Enter JS-6 SEND

11 UNITED STATES DISTRICT COURT
12 FOR THE CENTRAL DISTRICT OF CALIFORNIA
13 WESTERN DIVISION

ENTERED
CLERK, U.S. DISTRICT COURT
FEB 3 - 2004
CENTRAL DISTRICT OF CALIFORNIA
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11 SECURITIES AND EXCHANGE
12 COMMISSION,
13 Plaintiff,
14 v.
15 ENVIRONMENTAL ENERGY, INC.;
16 ENVIRONMENTAL OPERATING,
17 INC.; IRVINE SECURITIES, INC.;
18 LARRY R. CROWDER; JOHN R.
19 POWELL; CHRISTIAN R. HIGGINS;
20 CHARLES L. POWELL; JAMES P.
21 GALLAHER; DALE J. ENGELHARDT;
22 and TREY L. FRIEDMANN,
23 Defendants.

Case No. CV 98-6060 MMM (JWJx)

**[PROPOSED] FINAL
JUDGMENT OF
DISGORGEMENT,
PREJUDGMENT INTEREST,
AND CIVIL PENALTIES
AGAINST DEFENDANTS
ENVIRONMENTAL ENERGY,
INC., ENVIRONMENTAL
OPERATING, INC., IRVINE
SECURITIES, INC., LARRY R.
CROWDER AND JOHN R.
POWELL**

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1 This securities fraud action was filed by Plaintiff Securities and Exchange
2 Commission ("Commission") against various individuals and entities involved in
3 selling oil and gas limited partnerships. The remaining defendants are
4 Environmental Energy, Inc. ("EEI"), Environmental Operating, Inc. ("EOI"), Irvine
5 Securities, Inc. ("Irvine"), Larry R. Crowder, and John R. Powell (collectively
6 "defendants"). Defendants Crowder, Powell, Irvine, EEI, and EOI have previously
7 consented to entry of Judgments of Permanent Injunction, which have previously
8 been entered by the Court. The issues of disgorgement, prejudgment interest, and
9 civil penalties were tried to the Court on January 14, 15, and 16, 2003. Following
10 trial, the parties submitted written closing arguments and proposed findings of fact
11 and conclusions of laws. The Court having considered the evidence, briefs, and
12 arguments of the parties, on January 9, 2004, entered findings of fact and
13 conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure,
14 and having found in favor of the Commission and against defendants EEI, EOI,
15 Irvine, Crowder and Powell, the Court enters this Final Judgment of Disgorgement,
16 Prejudgment Interest, and Civil Penalties ("Final Judgment").

17 I.

18 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that
19 defendants Powell, Crowder, EEI, EOI, and Irvine, jointly and severally, are liable
20 for disgorgement of \$12,000,000.00 representing profits gained as a result of the
21 conduct alleged in the Complaint, together with prejudgment interest thereon in the
22 amount of \$5,413,111.42, for a total of \$17,413,111.42. Defendants shall satisfy
23 this obligation by paying \$17,413,111.42 within ten (10) days to the Clerk of this
24 Court, together with a cover letter identifying the defendant(s) making the payment;
25 setting forth the title and civil action number of this action and the name of this
26 Court; and specifying that the payment is made pursuant to this Final Judgment.
27 Defendants shall simultaneously transmit photocopies of such payment and letter to
28 the Commission's counsel in this action. By making this payment, defendants

1 relinquish all legal and equitable right, title, and interest in such funds, and no part
 2 of the funds shall be returned to defendants. The Clerk shall deposit the funds into
 3 an interest bearing account with the Court Registry Investment System ("CRIS").
 4 These funds, together with any interest and income earned thereon (collectively, the
 5 "Fund"), shall be held by the CRIS until further order of the Court. In accordance
 6 with the guidelines set by the Director of the Administrative Office of the United
 7 States Courts, the Clerk is directed, without further order of this Court, to deduct
 8 from the income earned on the money in the Fund a fee equal to ten percent of the
 9 income earned on the Fund. Such fee shall not exceed that authorized by the
 10 Judicial Conference of the United States. The Commission may propose a plan to
 11 distribute the Fund subject to the Court's approval.

12 **II.**

13 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
 14 Defendant Powell shall pay a civil penalty in the amount of \$410,000 pursuant to
 15 Section 20(d) of the Securities Act of 1933, 15 U.S.C. § 77t(d), and Section
 16 21(d)(3) of the Securities Exchange Act of 1934, 15 U.S.C. § 78(u)(d)(3).
 17 Defendant shall make this payment within ten (10) days after entry of this Final
 18 Judgment by certified check, bank cashier's check, or United States postal money
 19 order payable to the Securities and Exchange Commission. The payment shall be
 20 delivered or mailed to the Office of Financial Management, Securities and Exchange
 21 Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3,
 22 Alexandria, Virginia 22312, and shall be accompanied by a letter identifying Powell
 23 as a defendant in this action; setting forth the title and civil action number of this
 24 action and the name of this Court, and specifying that payment is made pursuant to
 25 this Final Judgment. A copy of the letter and the check or money order shall be
 26 simultaneously transmitted to counsel for the Commission at its Los Angeles office
 27 located at 5670 Wilshire Boulevard, 11th Floor, Los Angeles, CA 90036.

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III.

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IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant Crowder shall pay a civil penalty in the amount of \$410,000 pursuant to Section 20(d) of the Securities Act of 1933, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Securities Exchange Act of 1934, 15 U.S.C. § 78(u)(d)(3). Defendant shall make this payment within ten (10) days after entry of this Final Judgment by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying Crowder as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court, and specifying that payment is made pursuant to this Final Judgment. A copy of the letter and the check or money order shall be simultaneously transmitted to counsel for the Commission at its Los Angeles office located at 5670 Wilshire Boulevard, 11th Floor, Los Angeles, CA 90036.

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant EEI shall pay a civil penalty in the amount of \$500,000 pursuant to Section 20(d) of the Securities Act of 1933, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Securities Exchange Act of 1934, 15 U.S.C. § 78(u)(d)(3). Defendant shall make this payment within ten (10) days after entry of this Final Judgment by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying EEI as

1 a defendant in this action; setting forth the title and civil action number of this action
2 and the name of this Court, and specifying that payment is made pursuant to this
3 Final Judgment. A copy of the letter and the check or money order shall be
4 simultaneously transmitted to counsel for the Commission at its Los Angeles office
5 located at 5670 Wilshire Boulevard, 11th Floor, Los Angeles, CA 90036.

6 V.

7 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that
8 Defendant EOI shall pay a civil penalty in the amount of \$500,000 pursuant to
9 Section 20(d) of the Securities Act of 1933, 15 U.S.C. § 77t(d), and Section
10 21(d)(3) of the Securities Exchange Act of 1934, 15 U.S.C. § 78(u)(d)(3).
11 Defendant shall make this payment within ten (10) days after entry of this Final
12 Judgment by certified check, bank cashier's check, or United States postal money
13 order payable to the Securities and Exchange Commission. The payment shall be
14 delivered or mailed to the Office of Financial Management, Securities and Exchange
15 Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3,
16 Alexandria, Virginia 22312, and shall be accompanied by a letter identifying EOI as
17 a defendant in this action; setting forth the title and civil action number of this action
18 and the name of this Court, and specifying that payment is made pursuant to this
19 Final Judgment. A copy of the letter and the check or money order shall be
20 simultaneously transmitted to counsel for the Commission at its Los Angeles office
21 located at 5670 Wilshire Boulevard, 11th Floor, Los Angeles, CA 90036.

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SCANNED

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VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction over this action for all purposes, including to implement, enforce, and carry out the terms of this Final Judgment and all orders and decrees which have been entered or may be entered herein, and to grant such other relief as the Court may deem necessary and just.

* * * *

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: *January 29, 2004*

Margaret M. Morrow

THE HON. MARGARET M. MORROW
UNITED STATES DISTRICT JUDGE

Presented by:

John B. Bulgozdy

John B. Bulgozdy
Attorney for Plaintiff
Securities and Exchange Commission

PROOF OF SERVICE

SCANNED

I am over the age of 18 years and not a party to this action. My business address is:

U.S. SECURITIES AND EXCHANGE COMMISSION, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036-3648.

Telephone: (323) 965-3998; Fax: (323) 965-3908

On January 14, 2004, I caused to be served the document entitled **[PROPOSED] FINAL JUDGMENT OF DISGORGEMENT, PREJUDGMENT INTEREST, AND CIVIL PENALTIES AGAINST DEFENDANTS ENVIRONMENTAL ENERGY, INC., ENVIRONMENTAL OPERATING, INC., IRVINE SECURITIES, INC., LARRY R. CROWDER AND JOHN R. POWELL** upon the parties to this action addressed as stated on the attached service list:

OFFICE MAIL: By placing in sealed envelope(s), which I placed for collection and mailing today following ordinary business practices. I am readily familiar with this agency's practice for collection and processing of correspondence for mailing; such correspondence would be deposited with the U.S. Postal Service on the same day in the ordinary course of business.

PERSONAL DEPOSIT IN MAIL: By placing in sealed envelope(s), which I personally deposited with the U.S. Postal Service. Each such envelope was deposited with the U.S. Postal Service at Los Angeles, California, with first class postage thereon fully prepaid.

EXPRESS U.S. MAIL: Each such envelope was deposited in a facility regularly maintained at the U.S. Postal Service for receipt of Express Mail at Los Angeles, California, with Express Mail postage paid.

PERSONAL SERVICE: I caused to be personally delivered each such envelope by hand to the office of the addressee in the attached service list.

FEDERAL EXPRESS: By placing in sealed envelope(s) designated by Federal Express with delivery fees paid or provided for, which I deposited in a facility regularly maintained by Federal Express or delivered to a Federal Express courier, at Los Angeles, California.

FAX (BY COURT ORDER): By transmitting the document by facsimile transmission. The transmission was reported as complete and without error.

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

Date: January 14, 2004

Magnolia M. Marcelo
MAGNOLIA M. MARCELO

SEC v. ENVIRONMENTAL ENERGY, INC., et al.
United States District Court - Central District of California
Case No. CV 98-6060 MMM (BQRx)
(LA-849)

SCANNED

SERVICE LIST

Alvin L. Fishman, Esq. (also served by facsimile)
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Facsimile: (415) 781-4224
*Co-Counsel for Defendants John Powell, Christian Higgins,
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Securities, Inc.*

Thomas M. Brown, Esq. (also served by facsimile)
Justin Sanders, Esq. (also served by facsimile)
Sheppard, Mullin, Richter & Hampton LLP
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Facsimile: (213) 830-2036 (Brown)
Facsimile: (213) 830-2056 (Sanders)
*Co-Counsel for Defendants Larry R. Crowder, John R. Powell,
Environmental Energy, Inc., Environmental Energy Operating,
Inc., and Irvine Securities, Inc.*

SCANNED

Powell
Crowder
EEI
EOI
Irvine

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(17) 413,111.42

Powell → Civil Penalty

add?
to principal?
NO

Crowder → Civil Penalty

EEI - Civil Penalty

EOI - Civil Penalty

Civil Penalty is separate