

1 SANDRA J. HARRIS, Cal. Bar # 134153  
2 AIMEE DOMINGUEZ SILVERS, Cal. Bar # 145106

3 Attorneys for Plaintiff  
4 Securities and Exchange Commission  
5 Valerie Caproni, Regional Director  
6 5670 Wilshire Boulevard, 11th Floor  
7 Los Angeles, California 90036-3648  
8 Telephone: (323) 965-3998  
9 Facsimile: (323) 965-3908

FILED  
CLERK, U.S. DISTRICT COURT  
AUG 11 0 1999  
CENTRAL DISTRICT OF CALIFORNIA  
BY DEPUTY

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CLERK, U.S. DISTRICT COURT  
AUG 9 1999  
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CENTRAL DISTRICT OF CALIFORNIA  
BY

ENTERED  
CLERK, U.S. DISTRICT COURT  
AUG 12 1999  
CENTRAL DISTRICT OF CALIFORNIA  
BY DEPUTY

10 UNITED STATES DISTRICT COURT  
11 CENTRAL DISTRICT OF CALIFORNIA  
12 WESTERN DIVISION

11 SECURITIES AND EXCHANGE COMMISSION,  
12 Plaintiff,  
13 vs.

Case No. 98-6060 CM (BQRx)

FINAL JUDGMENT OF PERMANENT  
INJUNCTION AND OTHER RELIEF  
AGAINST DEFENDANT JAMES. P.  
GALLAHER

14 ENVIRONMENTAL ENERGY, INC.;  
15 ENVIRONMENTAL OPERATING, INC.;  
16 IRVINE SECURITIES, INC.; LARRY R.  
17 CROWDER; JOHN R. POWELL; CHRISTIAN  
18 R. HIGGINS; CHARLES L. POWELL; JAMES  
19 P. GALLAHER; DALE J. ENGELHARDT; and  
20 TREY L. FRIEDMANN,

21 Defendants.

22 AUG 12 1999  
DATED: \_\_\_\_\_  
BY TRINA WASHINGTON  
DEPUTY CLERK

23 THIS CONSTITUTES NOTICE OF ENTRY  
24 AS REQUIRED BY FRCP, RULE 77(d).

25 Plaintiff Securities and Exchange Commission ("Commission"),  
26 having filed and served upon Defendant James P. Gallaher  
27 ("Gallaher") a Summons and Complaint in this matter and Gallaher  
28 having admitted service upon him of the Summons and Complaint in  
29 this action and the jurisdiction of this Court over him and over the  
30 subject matter of this action; having been fully advised and

31 informed of his rights to a judicial determination of this matter;

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1 having waived the entry of findings of fact and conclusions of law  
2 as provided by Rule 52 of the Federal Rules of Civil Procedure;  
3 having consented to the entry of this Final Judgment of Permanent  
4 Injunction and Other Relief Against Defendant James P. Gallaher  
5 ("Final Judgment") without admitting or denying the allegations in  
6 the Complaint, except as specifically set forth in the Consent of  
7 Defendant James P. Gallaher to Entry of Final Judgment of Permanent  
8 Injunction and Other Relief ("Consent"); and it appearing that no  
9 notice of hearing upon the entry of this Final Judgment being  
10 necessary; and the Court being fully advised in the premises, and  
11 there being no just reason for delay:

12 I.

13 IT IS ORDERED, ADJUDGED AND DECREED that Gallaher and his  
14 agents, servants, employees and attorneys, and all persons in active  
15 concert or participation with any of them, who receive actual notice  
16 of this Final Judgment by personal service or otherwise, and each of  
17 them, are permanently restrained and enjoined from, directly or  
18 indirectly, in the offer or sale of the securities of any issuer, by  
19 the use of any means or instruments of transportation or  
20 communication in interstate commerce or by the use of the mails:

- 21 a) employing any device, scheme or artifice to defraud;  
22 b) obtaining money or property by means of any untrue  
23 statement of a material fact or any omission to state a  
24 material fact necessary in order to make the statements  
25 made, in the light of the circumstances under which they  
26 were made, not misleading; or

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1 c) engaging in any transaction, practice, or course of  
2 business which operates or would operate as a fraud or  
3 deceit upon the purchaser;

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

6 II.

7 IT IS ORDERED, ADJUDGED AND DECREED that Gallaher and his agents,  
8 servants, employees and attorneys, and all persons in active concert  
9 or participation with any of them, who receive actual notice of this  
10 Final Judgment by personal service or otherwise, and each of them,  
11 are permanently restrained and enjoined from, directly or  
12 indirectly, in connection with the purchase or sale of any security,  
13 by the use of any means or instrumentality of interstate commerce,  
14 or of the mails, or of any facility of any national securities  
15 exchange:

- 16 A. employing any device, scheme, or artifice to defraud;
- 17 B. making any untrue statement of a material fact or
- 18 omitting to state a material fact necessary in order to
- 19 make the statements made, in the light of the
- 20 circumstances under which they were made, not misleading;
- 21 or
- 22 C. engaging in any act, practice, or course of business
- 23 which operates or would operate as a fraud or deceit upon
- 24 any person;

25 in violation of Section 10(b) of the Securities Exchange Act of 1934  
26 [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

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1 III.

2 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that based upon  
3 Gallaher's sworn financial statement, the Court is not ordering  
4 Gallaher to pay a civil penalty under the Securities Enforcement and  
5 Penny Stock Reform Act of 1990 pursuant to Section 20(d) of the  
6 Securities Act and Section 21(d)(3) of the Exchange Act. The  
7 determination not to impose a civil penalty against Gallaher is  
8 contingent upon the accuracy and completeness of Gallaher's  
9 financial statement.

10 IV.

11 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that if at any time  
12 following the entry of this Final Judgment the Commission obtains  
13 information indicating that Gallaher's representations in the sworn  
14 financial statement concerning its assets, income, liabilities, or  
15 net worth were fraudulent, misleading, inaccurate or incomplete in  
16 any material respect as of the time such representations were made,  
17 the Commission may, at its sole discretion and without prior notice  
18 to Gallaher, petition this Court for an order requiring Gallaher to  
19 pay a civil penalty. In connection with any such petition, the only  
20 issue shall be whether the financial statement provided by Gallaher  
21 was fraudulent, misleading, inaccurate or incomplete in any material  
22 respect as of the time such representations were made, and the  
23 amount of civil penalty to be imposed against Gallaher. In its  
24 petition, the Commission may move this Court to consider all  
25 available remedies, including, but not limited to, ordering Gallaher  
26 to pay funds or assets, directing the forfeiture of any assets, or  
27 sanctions for contempt of the Final Judgment, and the Commission may  
28 also request additional discovery. Gallaher may not, by way of

1 defense to such petition, challenge the validity of the Consent or  
2 this Final Judgment, contest the allegations in the Complaint filed  
3 by the Commission or that the payment of a civil penalty should not  
4 be ordered.

5 V.

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

10 VI.

11 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court  
12 shall retain jurisdiction over this action to implement and enforce  
13 the terms of the Final Judgment and other decrees that may be  
14 entered herein and to grant such other relief as the Court may deem  
15 necessary and just.

16 \* \* \*

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

20 DATED: 8/10, 1999

21 CARLOS R. MORENO  
22 UNITED STATES DISTRICT JUDGE

PROOF OF SERVICE BY MAIL

1  
2 I, Magnolia M. Marcelo, declare that I am, and was at the time  
3 of service of the papers herein referred to, over the age of  
4 eighteen (18) years and not a party to the within action. My  
5 business address is 5670 Wilshire Boulevard, 11th Floor, Los  
6 Angeles, California 90036, which is located in the county in which  
7 the within-mentioned mailing occurred. I am readily familiar with  
8 the practice at my place of business for the collection and  
9 processing of correspondence for mailing with the United States  
10 Postal Service. Such correspondence is deposited with the United  
11 States Postal Service on the same day in the ordinary course of  
12 business.

13 On August 9, 1999, I served the following document entitled  
14 **FINAL JUDGMENT OF PERMANENT INJUNCTION AND OTHER RELIEF AGAINST**  
15 **DEFENDANT JAMES P. GALLAHER** by placing a true and correct copies in  
16 a separate envelope for each addressee named below, with the name  
17 and address of the person served shown on the envelope as follows:

18  
19 **SEE ATTACHED SERVICE LIST**

20  
21 and by sealing the envelope and placing it in the appropriate  
22 location at my place of business for collection and mailing with  
23 postage fully prepaid in accordance with ordinary business practice.

24 \*  
25 \*  
26 \*  
27 \*  
28 \*

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

5 Executed on August 9, 1999, at Los Angeles, California.

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Magnolia M. Marcelo  
Print or Type Name

Magnoli M. Marcelo  
Signature

SEC v. ENVIRONMENTAL ENERGY, INC., et al.  
Case No. 98-6060 CM (BQRx)  
(LA-849)

Service List

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David Grey, Esq.  
David Grey & Associates  
8001 Irvine Drive, Suite 1040  
Irvine, CA 92618  
(714) 753-0414  
(714) 753-0464 (fax)

Counsel for Defendants  
Environmental Energy, Inc.  
Environmental Operating, Inc. and  
Larry Crowder

Co-Counsel for Defendants  
John Powell, Christian Higgins,  
Charles Powell, James Gallaher,  
and Dale Engelhardt

Co-Counsel for Defendant  
Irvine Securities, Inc.

Alvin L. Fishman, Esq.  
Tesler, Sandmann & Fishman  
250 Montgomery Street, Suite 500  
San Francisco, CA 94104  
(415) 781-5600  
(415) 781-4224 (fax)

Co-Counsel for Defendants  
John Powell, Christian Higgins,  
Charles Powell, James Gallaher,  
and Dale Engelhardt

Co-Counsel for Defendant  
Irvine Securities, Inc.

Bruce Bridgman, Esq.  
Diana Richards, Esq.  
Bridgman, Mordkin & Shapiro  
17050 Bushard Street, Suite 200  
Fountain Valley, CA 92708  
(714) 963-5486  
(714) 964-1328 (fax)

Counsel for Trey Friedmann