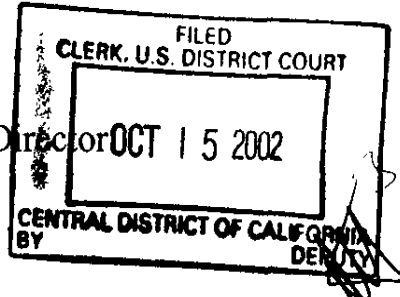


1 JOHN B. BULGOZDY, Cal. Bar No. 219897
NICOLAS MORGAN, Cal. Bar No. 166441
2 EMILY A. BRECKENRIDGE, Cal. Bar No. 157050

Enter JS-6 SEW

3 Attorneys for Plaintiff
Securities and Exchange Commission
4 Randall R. Lee, Regional Director
Sandra J. Harris, Associate Regional Director
5 5670 Wilshire Boulevard, 11th Floor
Los Angeles, California 90036-3648
6 Telephone: (323) 965-3998
Facsimile: (323) 965-3908



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8 UNITED STATES DISTRICT COURT
9 FOR THE CENTRAL DISTRICT OF CALIFORNIA
10 WESTERN DIVISION

11
12 SECURITIES AND EXCHANGE
COMMISSION,

13 Plaintiff,

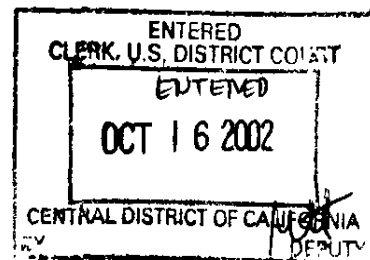
14 v.

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

20 Defendants.

Case No. CV 98-6060 MMM (JWJx)

**[PROPOSED] JUDGMENT OF
PERMANENT INJUNCTION
AND OTHER RELIEF AGAINST
DEFENDANTS
ENVIRONMENTAL ENERGY,
INC., ENVIRONMENTAL
OPERATING, INC., IRVINE
SECURITIES, INC., LARRY R.
CROWDER AND JOHN R.
POWELL**



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1 Plaintiff Securities and Exchange Commission ("Commission"), having
2 filed and served upon Defendants Environmental Energy, Inc. ("EEI"),
3 Environmental Operating, Inc. ("EOI"), Irvine Securities, Inc. ("Irvine"), Larry R.
4 Crowder ("Crowder") and John R. Powell ("Powell") (sometimes collectively,
5 "Defendants") a Summons and Complaint in this matter and Defendants having
6 admitted service upon them of the Summons and Complaint in this action and the
7 jurisdiction of this Court over them and over the subject matter of this action;
8 having been fully advised and informed of their rights to a judicial determination
9 of this matter; having waived the entry of findings of fact and conclusions of law
10 as provided by Rule 52 of the Federal Rules of Civil Procedure; having consented
11 to the entry of this Judgment of Permanent Injunction and Other Relief Against
12 Defendants Environmental Energy, Inc., Environmental Operating, Inc., Irvine
13 Securities, Inc., Larry R. Crowder and John R. Powell ("Judgment") without
14 admitting or denying the allegations in the Complaint, except as specifically set
15 forth in the Consents of Defendants Environmental Energy, Inc., Environmental
16 Operating, Inc., Irvine Securities, Inc., Larry R. Crowder and John R. Powell to
17 Entry of Judgment of Permanent Injunction and Other Relief ("Consents"); and it
18 appearing that no notice of hearing upon the entry of this Judgment being
19 necessary; and the Court being fully advised in the premises, and there being no
20 just reason for delay:

21 **I.**

22 IT IS ORDERED, ADJUDGED & DECREED that EEI, EOI, Irvine,
23 Crowder, and Powell, and their officers, agents, servants, employees, attorneys,
24 subsidiaries, affiliates, and all persons in active concert or participation with any
25 of them, who receive actual notice of this Judgment, by personal service or
26 otherwise, and each of them, are permanently restrained and enjoined from,
27 directly or indirectly:

28 A. making use of any means or instruments of transportation or

1 communication in interstate commerce or of the mails to sell the
2 securities of any issuer, through the use or medium of any prospectus
3 or otherwise, unless and until a registration statement is in effect as to
4 such securities;

5 B. carrying or causing to be carried through the mails or in interstate
6 commerce, by any means or instruments of transportation, for the
7 purpose of sale or for delivery after sale, the securities of any issuer,
8 unless and until a registration statement is in effect as to such
9 securities; and

10 C. making use of any means or instruments of transportation or
11 communication in interstate commerce or of the mails to offer to sell
12 or offer to buy, through the use or medium of any prospectus or
13 otherwise, the securities of any issuer, unless and until a registration
14 statement has been filed with the Commission as to such securities, or
15 while a registration statement has been filed with the Commission as
16 to such securities, or while a registration statement as to such
17 securities is the subject of a refusal order or stop order or (prior to the
18 effective date of the registration statement) any public proceeding or
19 examination under Section 8 of the Securities Act, 15 U.S.C. § 77h;
20 in violation of Sections 5(a) and 5(c) of the Securities Act of 1933, 15 U.S.C. §§
21 77e(a) & 77e(c); provided, however, that nothing in this Judgment shall apply to
22 any security or transaction which is exempt from the provisions of Section 5 of the
23 Securities Act, 15 U.S.C. § 77e.

24 **II.**

25 IT IS FURTHER ORDERED that EEI, EOI, Irvine, Crowder, and Powell,
26 and their officers, agents, servants, employees, attorneys, subsidiaries, affiliates,
27 and all persons in active concert or participation with any of them, who receive
28 actual notice of this Judgment, by personal service or otherwise, and each of them,

1 are preliminarily enjoined from, directly or indirectly, in the offer or sale of any
2 securities, by the use of any means or instruments of transportation or
3 communication in interstate commerce or by the use of the mails:

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

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

12 **III.**

13 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that EEI,
14 EOI, Irvine, Crowder, and Powell, and their officers, agents, servants, employees,
15 attorneys, affiliates, subsidiaries, and all persons in active concert or participation
16 with any of them, who receive actual notice of this Judgment, by personal service
17 or otherwise, and each of them, are permanently restrained and enjoined from,
18 directly or indirectly, in connection with the purchase or sale of any security, by
19 the use of any means or instrumentality of interstate commerce, or of the mails, or
20 of any facility of any national securities exchange:

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

28

1 in violation of Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. §
2 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

3 IV.

4 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Irvine,
5 and its officers, agents, servants, employees, affiliates, subsidiaries, and all
6 persons in active concert or participation with any of them, who receive actual
7 notice of this Judgment by personal service or otherwise, and each of them, are
8 permanently restrained and enjoined, while effecting transactions in or inducing or
9 attempting to induce the purchase or sale of securities, by use of the mails or
10 means or instrumentalities of interstate commerce, from:

- 11 A. engaging in acts, practices or courses of business which operate or
12 would operate as a fraud or deceit upon other persons; or
13 B. making untrue statements of material fact or omitting to state material
14 facts necessary in order to make the statements made, in the light of
15 the circumstances under which they were made, not misleading,
16 which statements or omissions are made with knowledge or
17 reasonable grounds to believe that they were untrue or misleading;

18 in violation of Section 15(c) of the Exchange Act, 15 U.S.C. § 78o(c), and Rule
19 15c1-2 thereunder, 17 C.F.R. § 240.15c1-2.

20 V.

21 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that EEI,
22 EOI, Irvine, Crowder, and Powell shall pay disgorgement and prejudgment
23 interest, if any, in an amount subsequently to be determined by the Court. In
24 connection with any hearing to determine the appropriate amount of disgorgement,
25 EEI, EOI, Irvine, Crowder, and Powell shall not raise as a defense that all or any
26 one of them is not liable for the payment of such disgorgement because they did
27 not violate one or more of the provisions of the Securities Act or Exchange Act
28 and rules thereunder set forth in the Judgment.

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VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that EEI, EOI, Irvine, Crowder, and Powell shall pay civil penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d) and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3). Such civil penalties, if any, shall be paid in amounts subsequently to be determined by the Court. In connection with any hearing to determine the appropriate amount of civil penalties, EEI, EOI, Irvine, Crowder, and Powell shall not raise as a defense that all or any one of them are not liable for the payment of such civil penalties because they did not violate one or more of the provisions of the Securities Act or Exchange Act and rules thereunder set forth in the Judgment.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the provisions of the Consents filed concurrently with this Judgment are incorporated herein with the same force and effect as if fully set forth herein and that EEI, EOI, Irvine, Crowder, and Powell shall each comply with their Consent.

VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that during the pendency of this action, the Defendants shall remain subject to the discovery provisions of the Federal Rules of Civil Procedure which apply to all parties, and in addition, that each of the Defendants and their agents shall, without service of a subpoena, appear for deposition or testify as a witness at any trial of this action or at any related proceeding, without regard to any discovery cut-off date previously set by the Court in this proceeding. Failure to comply with the foregoing will subject such defendant to the remedies and sanctions set forth in Rule 37 of the Federal Rules of Civil Procedure and all other available remedies.

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IX.


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

X.

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

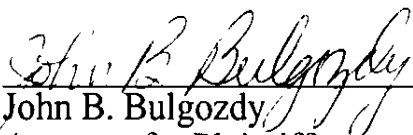
IT IS SO ORDERED.

Dated: 10-10-02



HON. MARGARET M. MORROW
UNITED STATES DISTRICT JUDGE

Presented by:



John B. Bulgozdy
Attorney for Plaintiff
Securities and Exchange Commission

PROOF OF SERVICE

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 October 9, 2002, I caused to be served the document entitled **[PROPOSED] JUDGMENT OF PERMANENT INJUNCTION AND OTHER RELIEF 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 firm'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: October 9, 2002

Magnolia M. Marcelo
MAGNOLIA M. MARCELO

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

4 SERVICE LIST

5
6 Alvin L. Fishman, Esq.
7 Tesler, Sandmann & Fishman
8 555 California Street, Suite 4350
9 San Francisco, CA 94104
10 *Co-Counsel for Defendants John Powell, Christian Higgins, Charles*
11 *Powell, James Gallaher, Dale Engelhardt and Irvine Securities, Inc.*

12 Thomas M. Brown, Esq.
13 Sheppard, Mullin, Richter & Hampton LLP
14 333 South Hope Street, 48th Floor
15 Los Angeles, CA 90071-1448
16 *Co-Counsel for Defendants Larry R. Crowder, John R. Powell,*
17 *Environmental Energy, Inc., Environmental Energy Operating,*
18 *Inc., and Irvine Securities, Inc.*