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11 UNITED STATES DISTRICT COURT
12 CENTRAL DISTRICT OF CALIFORNIA

13 CV 09-01947 R AJWx
Case No.

14 SECURITIES AND EXCHANGE
15 COMMISSION,

16 Plaintiff,

17 vs.

18 COMPLAINT FOR VIOLATIONS OF
19 THE FEDERAL SECURITIES LAWS

20 INNOVA ENERGY LLC, INNOVA
21 LEASING AND MANAGEMENT LLC,
22 and CLEMENT EJEDAWA a/k/a
23 CLEMENT CHAD,

24 Defendants.

25 Plaintiff Securities and Exchange Commission ("Commission") alleges as
26 follows:

27 **JURISDICTION AND VENUE**

28 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C.
§§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of
the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1),

1 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of
2 the means or instrumentalities of interstate commerce, of the mails, or of the
3 facilities of a national securities exchange in connection with the transactions, acts,
4 practices and courses of business alleged in this Complaint.

5 2. Venue is proper in this district pursuant to Section 22(a) of the
6 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
7 § 78aa, because certain of the transactions, acts, practices and courses of conduct
8 constituting violations of the federal securities laws occurred within this district,
9 and all of the defendants reside and/or are located in this district.

10 SUMMARY

11 3. This matter involves the ongoing fraudulent offer and sale of more
12 than \$1.3 million of securities by defendant Clement Ejedawe a/k/a Clement Chad
13 (“Ejedawe”) through two entities that he controls: Innova Energy LLC and Innova
14 Leasing and Management LLC, both Nevada limited liability corporations
15 (together, “Innova” and, collectively with Ejedawe, “Defendants”).

16 4. From at least September 2007 through December 2008, the
17 Defendants have raised at least \$1,381,000 from at least 31 investors in an ongoing
18 oil and gas investment fraud. Ejedawe, Innova, and other sales representatives
19 solicit investors by cold-calling them from a boiler room in Los Angeles,
20 California. The Defendants represent to investors that their money will be invested
21 in various oil and gas ventures and that they will receive monthly payments of
22 \$4,000 to \$5,000 for each \$50,000 invested.

23 5. Contrary to their representations to investors, the Defendants are not
24 using investor funds for oil and gas ventures. Instead, they are using investor
25 funds to pay undisclosed commissions to sales representatives, to pay for
26 Ejedawe’s personal expenses such as rent, automobiles, church donations, court
27 fees for a relative, and purchases at retail stores, and to make small payments to
28 complaining investors. In addition to misrepresenting the use of investor funds,

1 the Defendants are misrepresenting the returns earned by investors and the status
2 of Innova's oil and gas operations.

3 6. The Defendants also misrepresent the existence and nature of state
4 regulatory actions involving Ejedawe. Ejedawe is the subject of at least seven
5 separate state cease-and-desist or desist-and-refrain orders relating to his
6 unregistered offerings of securities, including orders from California, Alabama,
7 Pennsylvania, Maryland, Kansas, and Washington. None of these state orders are
8 disclosed in Innova's offering materials provided to investors.

9 7. Ejedawe was the principal of another company, Rosewood Energy,
10 which conducted another oil and gas offering. Several states, including Maryland
11 and Kansas, issued orders against Rosewood and Ejedawe in connection with that
12 offering. On October 9, 2007, Ejedawe's attorney represented to Commission staff
13 that Rosewood had been out of business since December 2006. Ejedawe's attorney
14 claimed that "as a result of the [state] cease and desist orders and attorneys' fees
15 associated with dealing with them, Mr. Ejedawe shut down the business and moved
16 on to other businesses unrelated to anything that could be deemed a security."

17 8. Despite the state actions and assurances from his attorney, Ejedawe,
18 through Innova, is still actively soliciting investors. The Defendants continue to
19 operate and update Innova's website, encouraging potential investors to invest in
20 Innova. Moreover, Ejedawe and Innova are lulling investors into believing their
21 investment is viable. For example, on October 13, 2008, an Innova sales
22 representative falsely informed one investor that (1) Innova was waiting for
23 permits to start drilling; and (2) Innova would start drilling around November
24 2008. In the first week of March 2009, Ejedawe told this same investor that
25 drilling would begin in April 2009.

26 9. The Defendants, by engaging in the conduct described in this
27 Complaint, have violated, and unless enjoined will continue to violate, the
28 antifraud and securities registration provisions of the federal securities laws. By

1 this complaint, the Commission seeks emergency relief against the Defendants,
2 including a temporary restraining order, an asset freeze, accountings, an order
3 expediting discovery, and an order prohibiting the destruction of documents, as
4 well as preliminary and permanent injunctions, disgorgement with prejudgment
5 interest, and civil penalties.

6 **DEFENDANTS**

7 10. Innova Energy LLC was incorporated in Nevada on May 8, 2008.
8 Clement Ejedawe is listed as its managing member. Innova is not registered with
9 the Commission in any capacity. Since 2008, Innova Energy has been operating
10 out of a leased office in Los Angeles, California.

11 11. Innova Leasing and Management LLC was incorporated in Nevada on
12 December 20, 2006. Clement Ejedawe is listed as its Manager. Innova Leasing is
13 not registered with the Commission in any capacity. Innova Leasing's website
14 indicates that its corporate headquarters are in Houston, Texas, but it has actually
15 been operating out of a leased office in Los Angeles, California.

16 12. Clement Ejedawe, a/k/a Clement Chad, age 51, is believed to be a
17 Nigerian national. For the last several years he has been residing in Westchester,
18 California, where he has been operating Innova and other oil and gas ventures.
19 Ejedawe is the managing director of Innova. Ejedawe has never been registered
20 with any broker-dealers or investment advisers.

21 **THE FRAUDULENT OFFERING**

22 **A. Overview And Structure Of The Investment Program**

23 13. Ejedawe began offering Innova securities out of a boiler room in Los
24 Angeles, California in approximately December 2006. Initially, Ejedawe
25 incorporated Innova in Nevada and opened two accounts with Wells Fargo Bank in
26 Innova's name, into which Innova deposited investor funds. Ejedawe and Innova's
27 sales agents tell investors that they are purchasing interests in either an entity
28 called Bluff Creek Prospect or an entity known as the Innova Leasing Joint

1 Venture. The Bluff Creek Prospect investors are sold purported working interests
2 in oil and gas leases. The Innova Leasing Joint Venture investors are sold interests
3 in oil and gas drilling equipment. All investor funds for both entities are pooled
4 into Innova's Wells Fargo bank accounts.

5 14. The Defendants promise investors a return between \$4,000 and \$5,000
6 per month on an investment of \$50,000. Ejedawe provides investors with a private
7 placement memorandum and glossy sales brochures. The only individual identified in
8 the materials is Ejedawe, who touts his purported "twenty-five years in the drilling
9 industry" experience in both the offering materials and in conversations with
10 investors. None of the offering materials that are provided to prospective investors
11 include financial statements. The offerings are not registered with the Commission in
12 any capacity.

13 15. The Bluff Creek sales materials have included two unsigned letters
14 dated June 15, 2006 and July 16, 2006 from a petroleum engineer. The first letter,
15 addressed to an Innova representative, purported to analyze the number of "Proven
16 Un-developed (PUD) oil and gas well locations remaining to be drilled" on
17 Innova's properties in Texas. The letter identified 121 well locations with reserves
18 from "12,000 to 30,000 barrels per well." The second letter estimated valuation of
19 Innova's wells at about \$30 million assuming a \$70 per barrel price of oil. In fact,
20 Innova does not actually own or lease any oil or gas wells or properties in Texas.

21 16. Innova and Ejedawe offer and sell the Innova investments through
22 general solicitation efforts such as cold calling from lead lists and their internet
23 website, www.innovaleasing.com.

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1 **B. The Defendants Are Misappropriating Investor Funds And Making**
2 **Material Misrepresentations Regarding Investments In Innova**

3 1. **The Defendants Are Misusing Investor Funds For**
4 **Ejedawe's Personal Expenses and For Substantial**
5 **Commissions To Innova Sales Representatives**

6 17. In the offerings and in communications with investors, the Defendants
7 market Innova as an established oil and gas drilling venture. The Defendants
8 promise to invest investor funds in either oil and gas leases or drilling equipment.
9 Contrary to their representations to investors, Innova has not purchased or invested
10 in any oil and gas leases and has made only one purchase of drilling equipment, a
11 used drilling rig purchased on December 30, 2007 for \$355,000. Ejedawe, using
12 the name Clement Chad, purchased the rig. Ejedawe made an elaborate videotape
13 of the rig, which is available for viewing on Innova's web site.

14 18. Innova disclosed to investors in a private placement memorandum
15 that Innova Energy LLC would receive a management fee of 1.4285% of funds
16 raised. Contrary to this disclosure, however, the Defendants have used more than
17 one-third of investor funds to pay personal expenses of Ejedawe.

18 19. Ejedawe has misappropriated much of the investor funds. From
19 September 2007 through December 2008, the Defendants raised at least
20 \$1,381,000 from investors. During the same period, Ejedawe used investor funds
21 to pay his personal expenses totaling more than \$600,000, including cash
22 withdrawals totaling more than \$350,000, personal expenses including his
23 apartment rent, credit card payments, car payments, and charitable donations,
24 including donations to his church. Ejedawe also used Innova investor funds to pay
25 \$11,500 to Rosewood Energy, the now-defunct offering that was the subject of
26 cease-and-desist orders from several states and of which Ejedawe was a principal.

27 20. The Defendants also fail to disclose to investors that Innova sales
28 representatives are paid commissions of up to 20%. Innova, through Ejedawe,

1 entered into an independent consultant agreement with certain sales
2 representatives. The agreement states that the sales representatives will receive a
3 commission of 20% as long as the representative raises more than \$100,000 from
4 Innova investors during the calendar month. The Defendants do not disclose the
5 sales commissions to Innova investors. Rather, they tell Innova investors that only
6 2.3809% of funds raised are used to pay "syndication costs," which they define as
7 "costs including sales commissions and other selected expenses" that are incurred
8 in connection with the offering. From September 2007 through December 2008
9 the Defendants paid over \$420,600 to Innova's sales representatives.

10 **2. The Defendants Misrepresent Investor Returns**

11 21. In sales materials prepared in April 2008, Innova promised monthly
12 income for Bluff Creek investors of approximately \$4,500 per month on a \$50,000
13 investment. In July or August 2007, an investor in Innova Leasing Joint Venture
14 was told by an Innova sales representative that he would receive approximately
15 \$4,500 per month from a \$50,000 investment. Except for a few small payments to
16 complaining investors, investors have not received the promised returns.

17 **3. The Defendants Misrepresent The Status Of Innova's**
18 **Operations**

19 22. Ejedawe, Innova and the sales agents falsely represent in both the
20 private placement memoranda and in oral communications with investors that
21 Innova has applied for and secured the necessary permits to begin drilling for oil.
22 Permits for the proposed well sites identified in Innova's private placement
23 memoranda have never been acquired by Innova Energy LLC or Innova Leasing
24 and Management LLC.

25 23. On December 14, 2007, the Defendants sent a memorandum to
26 investors claiming that the Pennsylvania Department of Transportation had
27 inspected Innova's drilling rig and granted Innova approval to operate the rig in the
28 State of Pennsylvania. This representation was false.

1 **4. The Defendants Misrepresent The Existence And Nature Of**
2 **State Regulatory Actions Involving Ejedawe**

3 24. None of the offering materials inform investors that Ejedawe is the
4 subject of cease-and-desist orders relating to unregistered offerings of securities from
5 California, Alabama, Maryland, Kansas, Pennsylvania, Illinois, and Washington.

6 25. In spite of their knowledge of the state orders, Ejedawe and Innova
7 continue to offer and sell Innova's securities. In fact, they misrepresent to investors
8 the nature of the state actions. For example, Ejedawe sent an email to an investor
9 on August 19, 2008 advising him that the Alabama order was the result of a
10 complaint from a "non-investor" about "persistent calls to his residence by our
11 sales people." In a telephone conversation on October 13, 2008, an Innova sales
12 representative advised another investor that the California order was based on a
13 complaint from a "disgruntled old man." In fact, both the California and Alabama
14 orders resulted from a cold call that Innova sales representatives unknowingly
15 made to an Alabama Securities Commission investigator.

16 **FIRST CLAIM FOR RELIEF**

17 **Unregistered Offer And Sale Of Securities**

18 **Violations of Sections 5(a) and 5(c) of the Securities Act**

19 **(Against All Defendants)**

20 26. The Commission realleges and incorporates by reference paragraphs 1
21 through 25 above.

22 27. The Defendants, and each of them, by engaging in the conduct
23 described above, directly or indirectly, made use of means or instrumentalities of
24 transportation or communication in interstate commerce or of the mails, to offer to
25 sell or to sell securities, or to carry or cause such securities to be carried through
26 the mails or in interstate commerce for the purpose of sale or delivery after sale.

27 28. No registration statement has been filed with the Commission or has
28 been in effect with respect to the offering alleged herein.

1 29. By engaging in the conduct described above, the Defendants violated,
2 and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c)
3 of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

4 **SECOND CLAIM FOR RELIEF**

5 **Fraud In The Offer Or Sale Of Securities**

6 **Violations of Section 17(a) of the Securities Act**

7 **(Against All Defendants)**

8 30. The Commission realleges and incorporates by reference paragraphs 1
9 through 25 above.

10 31. The Defendants, and each of them, by engaging in the conduct
11 described above, in the offer or sale of securities by the use of means or
12 instruments of transportation or communication in interstate commerce or by use
13 of the mails directly or indirectly:

- 14 a. with scienter, employed devices, schemes, or artifices to
- 15 defraud;
- 16 b. obtained money or property by means of untrue statements of a
- 17 material fact or by omitting to state a material fact necessary in
- 18 order to make the statements made, in light of the
- 19 circumstances under which they were made, not misleading; or
- 20 c. engaged in transactions, practices, or courses of business which
- 21 operated or would operate as a fraud or deceit upon the
- 22 purchaser.

23 32. By engaging in the conduct described above, the Defendants violated,
24 and unless restrained and enjoined will continue to violate, Section 17(a) of the
25 Securities Act, 15 U.S.C. § 77q(a).

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1 **II.**

2 Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily,
3 preliminarily and permanently enjoining the defendants and their officers, agents,
4 servants, employees, and attorneys, and those persons in active concert or
5 participation with any of them, who receive actual notice of the judgment by
6 personal service or otherwise, and each of them, from violating Sections 5(a), 5(c)
7 and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), and
8 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder,
9 17 C.F.R. § 240.10b-5.

10 **III.**

11 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
12 order and a preliminary injunction freezing the assets of each of the defendants,
13 prohibiting each of the defendants from destroying documents, granting expedited
14 discovery, and requiring accountings from each of the defendants.

15 **IV.**

16 Order each defendant to disgorge all ill-gotten gains from their illegal
17 conduct, together with prejudgment interest thereon.

18 **V.**

19 Order each defendant to pay civil penalties under Section 20(d) of the
20 Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15
21 U.S.C. § 78u(d)(3).

22 **VI.**

23 Retain jurisdiction of this action in accordance with the principles of equity
24 and the Federal Rules of Civil Procedure in order to implement and carry out the
25 terms of all orders and decrees that may be entered, or to entertain any suitable
26 application or motion for additional relief within the jurisdiction of this Court.

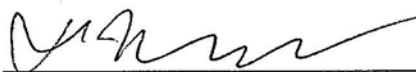
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VII.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: March 23, 2009



David J. Van Havermaat
Attorney for Plaintiff
Securities and Exchange Commission

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