

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)	
)	
INNOVA LEASING & MANAGEMENT LLC)	ADMINISTRATIVE ORDER
INNOVA ENERGY LLC)	NO. CD-2008-0018
CLEMENT EJEDAWE)	
DENNIS J KIM)	
FRANK REYNOLDS)	
)	
<u>RESPONDENTS</u>)	

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities, into, within or from the state of Alabama, has determined as follows:

RESPONDENTS

1. INNOVA LEASING AND MANAGEMENT, LLC, ("INNOVA") is a Nevada Corporation, having a commercial address of 3250 Wilshire Blvd., Suite 2204, Los Angeles, California, 90010.
2. INNOVA ENERGY, LLC, ("INNOVAE"), is a Nevada Corporation, having a commercial address of 1200 Smith Street, Suite 1600, Houston, TX. 77002.
3. CLEMENT EJEDAWE ("CLEMENT"), aka, Clement Chad, at all times relevant, acted as the Managing Director of INNOVA, with a business address of 3250 Wilshire Blvd, Suite 2204, Los Angeles, California, 90010.
4. DENNIS J KIM ("DENNIS"), aka, Dennis Tower, at all times relevant, acted as an agent of INNOVA, with a business address of 3250 Wilshire Blvd, Suite 2204, Los Angeles, California, 90010.

5. FRANK REYNOLDS ("REYNOLDS"), at all times relevant, acted as an agent of INNOVA, with a business address of 3250 Wilshire Blvd, Suite 2204, Los Angeles, California, 90010.

STATEMENT OF FACTS

6. The Commission is in receipt of information that in April of 2008, REYNOLDS, an unregistered representative of INNOVA, "cold called" an Alabama resident and engaged in the offer of and/or sale of unregistered securities, to wit: "Units" of a fractional working interest in oil and gas leases in the BLUFF CREEK 3D PROSPECT located in SHACKELFORD, TEXAS.

7. Information made available to the Commission indicates that on May 12, 2008, DENNIS of INNOVA made a follow up general solicitation call to the same Alabama resident to discuss the contents of the offering documents previously mailed to the Alabama resident by REYNOLDS of INNOVA. DENNIS encouraged the Alabama resident to purchase the two remaining units available for the Bluff Creek 3D Prospect.

8. The Offering Memorandum describes the investment offered to the Alabama resident as the participation in units of fractional working interest in the business of exploration, production from, and operation of an oil and gas well (the "prospect well") in Shackelford County, Texas. A total of 21 units at a cost of \$50,000 per unit are being offered with each unit having a 2.143% Working Interest and a 1.67 % Net Revenue Interest for the total 10 proposed wells. The offering material also represents Clement Chad as the Managing Director of INNOVA with INOVAE as the Prospect Manager.

9. On May 30, 2008, a search of the United States Securities and Exchange Commission, EDGAR Database website, disclosed no filing under Rule 506 Regulation D, by INNOVA or INOVAE.

10. A review of the files of the Commission conducted on May 30, 2008, disclosed that RESPONDENTS were neither registered nor exempt from registration to offer and/or sell securities in Alabama and that no security was registered as being offered by RESPONDENTS.

11. A review of the Central Registration Depository disclosed that CLEMENT is subject to a state of Maryland, Final Order to Cease and Desist and Order of Bar from the Securities industry since September 7, 2007. On October 4, 2004, CLEMENT was issued a Cease and Desist Order by the Kansas Securities Commissioner which resulted in a monetary fine. On November 15, 2006, CLEMENT was issued a Cease and Desist Order by the state of Maine, Office of Securities, which was consented to a permanent Cease and Desist from selling securities in the state of Maine. All three administrative orders issued to CLEMENT were regarding the issuance of unregistered oil and gas securities. The facts mentioned herein were omitted by the RESPONDENTS at the time of the general solicitations and in the offering materials.

12. An Interview with the Alabama resident clearly demonstrated that he was not sophisticated in the terms of the offered product, oil and gas well ventures. The interviews further confirmed that Alabama resident did not initiate these transactions and did not have a pre-existing relationship with the RESPONDENTS

CONCLUSIONS OF LAW

13. The units of interest in the Bluff Creek 3D Prospect offered and/or sold by RESPONDENTS constitute certificates of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such title or lease. Alabama's statutory definition of *security* found at Section 8-6-2(10), Code of Alabama 1975 includes any *certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such title or lease*. The investment offered and/or sold by RESPONDENTS designated by RESPONDENTS as "units of fractional working interest" in the "Bluff Creek 3D Prospect" is a security under Alabama law.

14. Section 8-6-2 (10), Code of Alabama 1975, includes any *investment contract* in the definition of a security. The investment offered and/or sold by RESPONDENTS designated as “units of fractional working interest” in the “Bluff Creek Prospect” is an investment contract and constitutes a security under Alabama law.

15. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact business in this state as a dealer or agent for securities unless he is registered under this article. *Dealer* is defined in Section 8-6-2(3) as any person engaged in the business of effecting transactions in securities. INNOVA, INOVAE and CLEMENT transacted business in Alabama as a dealer for securities in violation of Section 8-6-3(a).

16. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact business in this state as a dealer or agent for securities unless he is registered under this article. The definition of agent in Section 8-6-2(2), Code of Alabama 1975, includes any individual who represents a dealer or an issuer in effecting or attempting to effect sales of securities. DENNIS and REYNOLDS acted as agents of INNOVA and INOVAE under this definition and transacted business in Alabama without benefit of registration in violation of Section 8-6-3(a).

17. Pursuant to Section 8-6-3(a), it is unlawful for any dealer or issuer to employ an agent unless the agent is registered. INNOVA employed DENNIS and REYNOLDS as agents who were not registered, in violation of Section 8-6-3(a), Code.

18. Section 8-6-4, Code of Alabama 1975 states: “It is unlawful for any person to offer or sell any security in this state unless it is registered under this article; the security is exempt from registration under Section 8-6-10; or the transaction is exempt under Section 8-6-11.” The securities offered and/or sold by RESPONDENTS were neither registered nor exempt from registration in Alabama in violation of Section 8-6-11, Code.

19. Section 8-6-17(2), Code of Alabama 1975 states: "It is unlawful for any person, in connection with the offer, sale or purchase of any security to directly or indirectly to make any untrue statement of a material fact or to omit to state a material fact". The fact that CLEMENT has been bared from the industry was never conveyed to the Alabama resident during the general solicitation nor in the offering materials.

20. The violation committed by Reynolds voids any exemption claimed by INNOVA and INOVAE concerning the offering of common stock in the private placement memorandum issued by the company. This conduct is in violation of the United States Securities and Exchange Regulation 230.502(c), regarding Limitation on Manner of Offering. The exemption for registration concerning Reg. D 506 filing (Limited Offering) is conditional to the issuer abiding by the rules against general solicitation.

This Order does not prevent the Alabama Securities Commission from seeking such other administrative, civil or criminal remedies that are available to it under the Act.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Act.

ACCORDINGLY, IT IS HEREBY ORDERED that the RESPONDENTS immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 4th day of JUNE, 2008.



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BY

Joseph P. Borg
Director

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