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13 **UNITED STATES DISTRICT COURT**  
14 **CENTRAL DISTRICT OF CALIFORNIA**  
15 **Southern Division**

17  
18 **SECURITIES AND EXCHANGE**  
19 **COMMISSION,**

20 **Plaintiff,**

21 vs.

22 **ENERGY & ENVIRONMENTAL**  
23 **INVESTMENTS, LLC; ENERGY &**  
24 **ENVIRONMENT, INC.; AMIR A.**  
25 **SARDARI; and NARYSA SARDARI**  
26 **LUDDY,**

27 **Defendants.**

Case No.

**COMPLAINT**

1 Plaintiff Securities and Exchange Commission (“Commission”) alleges:

2 **JURISDICTION AND VENUE**

3 1. The Court has jurisdiction over this action pursuant to Sections 20(b),  
4 20(d), and 22(a) of the Securities Act of 1933 (“Securities Act”) [*15 U.S.C. §§*  
5 *77t(b), 77t(d), and 77v(a)*] and Sections 21(d), 21(e), and 27(a) of the Securities  
6 Exchange Act of 1934 (“Exchange Act”) [*15 U.S.C. §§ 78u(d), 78u(e), and 78aa*].

7 2. Defendants have, directly or indirectly, made use of the means or  
8 instrumentalities of interstate commerce and of the mails in connection with the  
9 acts, practices, and courses of business alleged in this complaint.

10 3. Venue is proper in this district pursuant to Section 22(a) of the  
11 Securities Act [*15 U.S.C. § 77v(a)*] and Section 27(a) of the Exchange Act [*15*  
12 *U.S.C. § 78aa*] because certain of the acts, practices, and courses of conduct  
13 constituting violations of the federal securities laws occurred within this district.  
14 Defendants Amir Sardari and Narysa Luddy reside within the Central District of  
15 California, and many victims of the Defendants’ fraud reside within this district.

16 **SUMMARY**

17 4. Defendants Energy & Environmental Investments, LLC (“EEI”),  
18 Energy & Environment, Inc. (“E&E”), Amir A. Sardari (“Sardari”), and Narysa  
19 Sardari Luddy (“Luddy”) perpetrated an offering fraud that raised \$9.3 million  
20 from over 200 investors nationwide since August 31, 2012.

21 5. From March 2011 through April 2020, EEI fraudulently offered and  
22 sold securities from a call center based in Orange County, California, claiming it  
23 would use the money to acquire and develop clean energy projects with an  
24 emphasis on the oil and gas sector.

25 6. In reality, Defendants spent approximately \$4.42 million, or 47% of  
26 investor funds, on the call center’s payroll, marketing, and other expenses,  
27 including transferring approximately \$1.01 million to Luddy personally, who spent  
28 the money on personal expenses. Defendants also used investor funds to pay

1 investor returns in a Ponzi-like scheme.

2 7. As part of its fraudulent offering, EEI staffed a call center with sales  
3 agents and required them to cold-call investors using sales scripts that contained  
4 false and misleading claims about the success of EEI's business and provided false  
5 and misleading projections and valuations of its membership units to investors.

6 8. Defendants also distributed written materials with false claims,  
7 including statements misleadingly advertising the relevant business experience of  
8 EEI's managing member E&E, false statements outlining an "exit plan" to conduct  
9 an IPO or merger, and continued promises of a second offering even after it was  
10 clear that the second offering would not go forward.

11 9. Defendants further made material omissions by failing to disclose to  
12 investors a prior cease-and-desist order for violations of Colorado state securities  
13 laws.

14 10. By this conduct, EEI, E&E, and Luddy violated Sections 17(a)(1), (2),  
15 and (3) of the Securities Act [*15 U.S.C. § 77q(a)*] and Section 10(b) of the  
16 Exchange Act [*15 U.S.C. §§ 78j(b)*] and Rule 10b-5 thereunder [*17 C.F.R. §*  
17 *240.10b-5*].

18 11. By this conduct, Sardari violated Sections 17(a)(1) and (3) of the  
19 Securities Act [*15 U.S.C. § 77q(a)(1), (3)*] and Section 10(b) of the Exchange Act  
20 [*15 U.S.C. §§ 78j(b)*] and Rule 10b-5 thereunder [*17 C.F.R. § 240.10b-5*].

21 12. The Commission seeks findings that Defendants committed these  
22 violations; permanent injunctions against each Defendant's future violations of the  
23 securities laws; permanent injunctions precluding Sardari and Luddy from  
24 participating in an unregistered securities offering; officer-and-director bars against  
25 Sardari and Luddy; disgorgement and prejudgment interest from EEI and Luddy;  
26 civil monetary penalties from EEI and E&E; and other relief as the Court may  
27 deem just and proper.

28

1 **THE DEFENDANTS**

2 13. **EEI** is a California limited liability company formed on March 14,  
3 2011, with a principal place of business in Orange County, California. EEI is not  
4 registered with the SEC in any capacity, and it has not registered any offerings of  
5 its securities. EEI filed a Form D on April 6, 2011. EEI has been the subject of  
6 state securities enforcement actions in Colorado and California.

7 14. **E&E** registered as a California corporation on May 23, 2001 (“E&E’s  
8 Registration Date”). E&E is the manager of EEI. E&E was also the subject of the  
9 Colorado and California enforcement actions.

10 15. **Amir A. Sardari**, age 71, is a resident of Laguna Beach, California.  
11 From at least April 6, 2011 through the present, Amir Sardari has been EEI’s sole  
12 manager, President and CEO, as stated in EEI’s Form D and in written  
13 communications with EEI investors. He also has been the President and CEO of  
14 E&E from at least April 6, 2011 to the present. Sardari was also the subject of the  
15 Colorado and California enforcement actions.

16 16. **Narysa Sardari Luddy**, age 38, is a resident of Aliso Viejo,  
17 California. From at least July 2014 through December 2019, she served as EEI’s  
18 Vice President of Investor Relations, and prior to that time period she served as its  
19 Senior Director for Operations.

20 **THE ALLEGATIONS**

21 **A. EEI’s Business**

22 17. According to EEI’s Confidential Private Offering Memorandum  
23 (“CPOM”), the company was formed in 2011 “with the purpose of developing or  
24 acquiring Clean Energy Solution™ projects, with an emphasis on projects in the oil  
25 and gas, manufacturing and commercial building areas.”

26 18. EEI’s purported flagship project is a process by which waste oil flare  
27 gases are converted to liquefied natural gas that can be used as a substitute for  
28 diesel fuel.

1 **B. EEI's Securities Offering**

2 19. Beginning in March 2011, EEI offered and sold investments through a  
3 private placement offering reflected in the CPOM. From August 31, 2012 to April  
4 1, 2020, EEI raised approximately \$9.3 million from over 200 investors as part of  
5 that offering.

6 20. According to EEI's CPOM, EEI was offering 12 million membership  
7 units to investors at a price of \$1.25 per unit, with the goal of raising \$15 million.

8 21. The CPOM disclosed that EEI "arbitrarily" set the price of  
9 membership units at \$1.25, and "[t]he Offering price bears little relationship to the  
10 assets, net worth, or any other objective criteria of value applicable to [EEI]."  
11 Membership units were expressly illiquid as "[n]o public market exists for the  
12 Membership Units and no market is expected to develop."

13 22. Under the CPOM, EEI agreed to pay investors returns of "six percent  
14 (6%) per annum Preferred Return until the projects are online and an eight percent  
15 (8%) per annum Preferred Return thereafter. . . . Until projects are online, the  
16 Preferred Return to Non-managing Members shall be funded by the Managing  
17 Member, and not from the proceeds obtained through this offering."

18 23. From 2011 through at least 2019, EEI also distributed an executive  
19 summary of the offering to potential investors, which promised an 8% annual  
20 return on investment and projected up to 30% in returns once EEI's projects were  
21 operational.

22 24. From September 2012 to December 2015, EEI paid investors  
23 approximately \$986,000 in regular dividends. Contrary to what was disclosed in  
24 the CPOM, these payments were not funded by the managing member (E&E), but  
25 instead were paid mostly, if not all, from the proceeds of the offering.

26 25. After December 2015, EEI made only sparing dividend payments,  
27 totaling approximately \$14,000 paid in 2016 and 2017, primarily distributing  
28 additional EEI membership units to investors in lieu of cash payments. In addition

1 to cash and stock dividends, EEI also returned approximately \$59,000 in investor  
2 principal, which was remitted between October 2014 and May 2017. Defendants  
3 used means and instrumentalities of interstate commerce, such as wire transfers of  
4 funds using the ACH system, telephones, and the internet.

5 **1. Luddy's Role in the Offering**

6 26. Luddy directly participated in the offer and sale of membership units.

7 27. As EEI's Vice President of Investor Relations, Luddy maintained an  
8 office at EEI's call center and supervised the sales agents. EEI's bookkeeper listed  
9 Luddy as multiple call center employees' "immediate supervisor" on California  
10 state unemployment insurance claim forms.

11 28. According to a former EEI sales agent, Luddy reviewed and approved  
12 the sales scripts that callers in the call center would read to potential investors. Per  
13 company policy, she also pre-approved "[a]ny additional documents or articles that  
14 need[ed] to be included in the mail-outs or email[s]" that EEI sales agents sent to  
15 potential investors. Luddy was also invoiced for the sales leads.

16 29. On various occasions, Luddy communicated directly with investors,  
17 including by sending letters to investors attaching Schedule K-1 forms, investor  
18 update letters, and letters attaching quarterly distributions, and authoring columns  
19 in EEI's quarterly newsletters. Luddy also personally cold-called and solicited at  
20 least one elderly investor. After the initial cold call, Luddy met this investor for  
21 lunch and repeatedly called him to ask for more money. She even suggested that  
22 the investor use his IRA account to fund additional investments.

23 30. From October 2012 until April 2014, Luddy had signatory authority  
24 over two EEI bank accounts at JP Morgan Chase. From July 2014 until December  
25 2015, Luddy had signatory authority over two EEI bank accounts at Bank of  
26 America.

27 31. In December 2015, Luddy held herself out as the manager of EEI and  
28 opened two additional Bank of America accounts on behalf of the company.

1           32. From August 2012 through April 2020, Luddy received  
2 approximately \$1.01 million from EEI investor funds.

3                   **2. Sardari’s Role in the Offering**

4           33. Sardari directly participated in the offer and sale of membership units.

5           34. In EEI’s Form D and in written communications with EEI investors,  
6 Sardari described himself as EEI’s President and CEO.

7           35. In an effort to induce current investors to purchase additional units,  
8 Sardari repeatedly announced that EEI would conduct a second offering, which  
9 never materialized. Defendants continued to promise a second offering even after  
10 initial efforts to arrange an offering came to an end and no further efforts were  
11 being made.

12           36. Sardari signed EEI’s Form D, filed with the Commission on April 6,  
13 2011. He also signed subscription agreements with investors on behalf of EEI.

14           37. Sardari has had signatory authority over EEI’s bank accounts since at  
15 least October 2012.

16           38. Luddy and Sardari were the only signatories on EEI’s bank accounts.

17                   **3. E&E’s Role in the Offering**

18           39. E&E directly participated in the offer and sale of membership units.

19           40. According to the CPOM, E&E is a “supplier” of “energy and  
20 environmental technologies.” The CPOM describes E&E’s management of EEI as  
21 an “advantage” to EEI and its investing members.

22           41. According to the CPOM, E&E is the “Managing Member” of EEI and  
23 owned 100% of EEI’s “membership units” prior to the securities offering. Also  
24 according to the CPOM, E&E is obligated to fund “Preferred Distributions” to  
25 investing members until such time as EEI becomes profitable.

26           42. The CPOM explained that Sardari was both E&E’s CEO and  
27 President and “the person primarily responsible for the management and operations  
28 of [EEI].”



1 43. E&E was under common ownership with EEI, as Sardari was the  
2 principal officer, director, and control person of both entities.

3 **4. EEI's Membership Units are Securities**

4 44. The EEI membership units are securities in the form of investment  
5 contracts.

6 45. Investors provided EEI funds in order to invest with EEI through the  
7 purchase of membership units and earn the promised returns.

8 46. Investors' funds were pooled together in EEI's bank accounts.

9 47. The EEI investments were passive, in that the CPOM and other  
10 offering materials promised returns based upon the efforts of Defendants.

11 **C. Defendants Operated a Call Center to Solicit Investors Using False and**  
12 **Misleading Statements**

13 48. From approximately March 2011 through April 2020, EEI employed  
14 sales agents to solicit investors to purchase EEI membership units. Operating in a  
15 boiler-room type environment, EEI sales agents cold-called prospective investors  
16 across the country, based upon purchased lead lists (contact information for  
17 purported accredited investors). EEI divided the cold-callers into "openers" and  
18 "closers." The EEI call center also employed certain high-pressure sales tactics,  
19 such as assurances of safety and suggesting to elderly investors that they invest  
20 funds from their IRA accounts in EEI.

21 49. EEI required its sales agents to adhere to a sales script when cold-  
22 calling prospective investors and documented this requirement in its company  
23 policies, which sales agents signed as part of their application for employment.  
24 The document included the warning: "**Violating any company policies can result**  
25 **in termination without pay!**" (emphasis in original).

26 50. A November 2019 version of EEI's sales script stated that "[u]sing  
27 our own equipment & patented technology, we capture waste gas in already  
28 producing oil wells and convert that waste into LIQUID NATURAL GAS (LNG)



1 to be sold in the open market. We have been doing this for almost [there is a  
2 handwritten change to “over”] 20 years, providing services for companies such as  
3 Chevron, Unical [sic], Sempra Energy, just to name a few.”

4 51. The November 2019 script also stated that “[d]ue to our growth in this  
5 sector, [EEI] is offering to the private sector preferred stock at only \$1.25 that our  
6 financial experts predict could potentially open on the Nasdaq north of \$20 per  
7 share once we go public. . . . that will equate to a conservative 10-20 x’s multiple  
8 back to our shareholders.”

9 52. As further example, in December of 2019 an EEI sales agent sent an  
10 investor an email and marketing materials including a statement in the email that  
11 “Energy and Environmental Inc. currently has working relationships with major  
12 Fortune 500 companies such as Chevron [and] Unical Technology [sic] . . . .”  
13 Further, the attached EEI marketing materials listed Chevron and “Unical  
14 Technology [sic]” at the top of E&E’s “Client Portfolio.”

15 53. The statements identified in paragraph 50 above were false and  
16 misleading because EEI was not selling LNG in the open market in November  
17 2019, let alone doing so for 20 or more years. In fact, none of EEI’s projects has  
18 ever been operational, and the company has never generated any revenue from  
19 business operations. EEI also was unable “to find a suitable partner and site to set  
20 up a plant with the assets it purchased.” Further still, EEI did not conduct any  
21 business with Chevron or Unocal. EEI and Luddy were makers of these  
22 statements.

23 54. The statements identified in paragraph 51 above were also false and  
24 misleading. By 2019, EEI had no basis to tell investors that the company would go  
25 public and trade on Nasdaq for more than \$20 per share. A decade after EEI  
26 launched its private offering, it had no revenue from business operations and its  
27 LNG business was still not operational. Contrary to its representations to  
28 investors, EEI had experienced no “growth in this sector.” EEI and Luddy were

1 makers of these statements.

2 55. The statements identified in paragraph 52 above were also false and  
3 misleading. By 2019, EEI had no basis to tell investors that E&E “currently has  
4 working relationships” with Chevron or Unocal. Contrary to its representations to  
5 investors, E&E has had no business relationship with either Chevron or Unocal  
6 since at least E&E’s Registration Date, other than a single invoice to Western  
7 Refining in 2011 for \$646.34 worth of materials delivered to Chevron Products Co.

8 56. Given their senior roles in the company, Sardari and Luddy knew, or  
9 were reckless or negligent in not knowing, that EEI had no legitimate business  
10 operations or revenue and that E&E had no current or contemporaneous business  
11 relationships with Chevron or Unocal. Sardari and Luddy therefore knew, or were  
12 reckless or negligent in not knowing, that each of these misrepresentations was  
13 untrue.

14 57. As the sole officer, director, and control person of EEI and E&E,  
15 Sardari’s scienter, conduct, and statements are imputed to EEI and E&E.

16 58. These false and misleading statements regarding EEI’s 20-year record  
17 of successfully implementing its business plan, EEI’s prospects for financial  
18 performance, and E&E’s business relationships with major energy companies were  
19 material to investors. It would be important to reasonable investors to know that,  
20 contrary to these representations, EEI had no legitimate business operations or  
21 revenue and E&E had no current or contemporaneous business relationships with  
22 Chevron or Unocal.

23 **D. Defendants Included False and Misleading Statements in Offering**  
24 **Documents**

25 59. Defendants’ CPOM, which was distributed to prospective investors  
26 identified through cold calls, also included false and misleading material  
27 statements.

28

1           60. In addition to the representations in paragraph 52 above, the CPOM  
2 describes E&E’s management of EEI as an “advantage” to EEI and its investing  
3 members, including because “[E&E] has provided solutions to companies such as  
4 Chevron, Unocal, Sempra Energy, Shell Oil, US EPA, Bristol-Myers, General  
5 Electric (GE), BAE and many more major companies.”

6           61. The statements identified in paragraph 60 above were false and  
7 misleading because E&E has had no business relationship with either Chevron or  
8 Unocal since at least E&E’s Registration Date, other than a single invoice to  
9 Western Refining in 2011 for \$646.34 worth of materials delivered to Chevron  
10 Products Co. All Defendants were makers of these statements.

11           62. Given their senior roles in the company, Sardari and Luddy knew, or  
12 were reckless or negligent in not knowing, that E&E had no current or  
13 contemporaneous business relationships with Chevron or Unocal. Sardari and  
14 Luddy therefore knew, or were reckless or negligent in not knowing, that each of  
15 these misrepresentations was untrue.

16           63. As the sole officer, director, and control person of EEI and E&E,  
17 Sardari’s scienter, conduct, and statements are imputed to EEI and E&E.

18           64. These false and misleading statements regarding E&E’s capacity to  
19 provide a business “advantage” to EEI’s investors were material to investors. It  
20 would be important to reasonable investors to know that, contrary to these  
21 representations, E&E had no current or contemporaneous business relationships  
22 with Chevron or Unocal.

23 **E. Defendants Made Unreasonable Projections and Other False**  
24 **Statements to Investors**

25           65. From 2011 through at least 2019, EEI distributed to investors a one-  
26 page executive summary of the private placement offering, which included this  
27 statement: “[e]xit plan is for an Initial Public Offering (IPO) and/or Merger with a  
28 large utility energy company, sales or trade of assets (It must be noted that the

1 sales value of these assets will be 30 to 50% higher than [sic] the acquisition  
2 values.). The target date of performance is within 24 to 36 months.” The  
3 executive summary also projected up to 30% in annual returns for investors.

4 66. Further, the November 2019 version of the boiler room’s sales script  
5 stated that: “due to our growth in this section, E&E is offering to the private sector  
6 preferred stock at only \$1.25 that our financial experts predict could potentially  
7 open on the Nasdaq north of \$20.00 per share once we go public. . . . that will  
8 equate to a conservative 10 – 20 x’s multiple back to our shareholders”

9 67. In addition, during the period 2013 through 2019, Sardari repeatedly  
10 announced to investors that EEI was planning to conduct a new offering at a higher  
11 price than the initial offering. His announcements stated that after the new offering  
12 occurred, the value of current investors’ membership units would increase by 20%.

13 68. Sardari’s announcements also contained language that attempted to  
14 induce current investors to buy more units, before the new offering commenced, at  
15 a purported discount. Specifically, the announcements stated that EEI “plans to  
16 offer all current Members a first right of refusal for increase in membership units  
17 until the New PPM has issued.”

18 69. The statements identified in paragraphs 65 and 66 above were false  
19 and misleading in light of EEI’s failure to generate any revenue or to set up a  
20 liquefied natural gas plant in accordance with its business plan, despite raising  
21 millions of dollars from investors for more than a decade. To represent to  
22 investors that EEI had the same “target date” for an “exit plan” for at least an  
23 eight-year period was not reasonable under these circumstances. These  
24 representations were also false and misleading—EEI did not conduct an IPO or  
25 merger. Further, EEI also did not have a reasonable basis to continue to tell  
26 investors for at least eight years that they could receive up to 30% in annual returns  
27 in light of the company’s continued failure to generate any legitimate business  
28 operations or revenue. All Defendants were makers of these statements.

1           70. Sardari's representations that membership units would increase in  
2 value by 20% were also misleading because the company arbitrarily priced its  
3 membership units and their offering price was not calculated based on their value.

4           71. Given their senior roles in the company, Sardari and Luddy knew, or  
5 were reckless or negligent in not knowing, that over the course of at least eight  
6 years without any legitimate business operations or revenue, EEI's projected 24-to-  
7 36-month exit plan did not have a reasonable basis, nor did its projected investor  
8 returns of 30% have a reasonable basis.

9           72. Sardari and Luddy further knew, or were reckless or negligent in not  
10 knowing, that EEI abandoned its efforts to conduct a second offering in early 2014,  
11 yet continued to advertise a second offering to investors until at least 2019.

12           73. Sardari and Luddy therefore knew, or were reckless and negligent in  
13 not knowing, that each of these misrepresentations was untrue.

14           74. As the sole officer, director, and control person of EEI and E&E,  
15 Sardari's scienter, conduct, and statements are imputed to EEI and E&E.

16           75. These false and misleading statements regarding EEI's exit strategy  
17 for investors' illiquid investments were material. It would be important to  
18 reasonable investors to know that (1) EEI was not conducting an IPO or merger  
19 within 24 to 36 months, and therefore investors had no hope of extracting value  
20 from their illiquid investment; and (2) the company was not conducting a new  
21 offering that would increase the value of investors' membership units.

22 **F. Defendants Failed to Disclose a Prior Cease-and-Desist Order for**  
23 **Violations of State Securities Laws**

24           76. In August 2011, the Securities Commission for the State of Colorado  
25 entered a final cease-and-desist order against EEI, E&E, and Sardari prohibiting  
26 them from "offering or selling securities in or from Colorado, and from otherwise  
27 violating the Colorado Securities Act."  
28

1           77. The Securities Commission found that (1) EEI, E&E, and Sardari  
2 offered and sold unregistered securities, (2) E&E and Sardari acted as unlicensed  
3 broker-dealers or sales representatives, and (3) E&E and Sardari employed or  
4 engaged unlicensed sales agents to act as sales representatives in Colorado, all in  
5 violation of Colorado law.

6           78. The Colorado cease-and-desist order concerned the same EEI  
7 securities offering described in paragraphs 19-25 above.

8           79. Defendants continued to sell the EEI membership units after entry of  
9 the Colorado cease-and-desist order. Upon information and belief, none of the  
10 offering materials provided to prospective investors or the SEC disclosed the  
11 Colorado cease-and-desist order, and Defendants failed to properly inform the  
12 prospective investors of the cease-and-desist order.

13           80. These omissions render misleading several representations in the  
14 CPOM and other promotional statements, including touting the “advantage” of  
15 EEI’s relationship with E&E, “an established and experienced firm” that is a  
16 “recognized leader” in environmental technologies—when in fact, a state securities  
17 regulator had already issued a cease-and-desist order prohibiting Defendants from  
18 conducting the EEI offering within Colorado.

19           81. Sardari knew, or was reckless or negligent in not knowing, that the  
20 cease-and-desist order was entered against him, EEI, and E&E by the State of  
21 Colorado.

22           82. As the sole officer, director, and control person of EEI and E&E,  
23 Sardari’s scienter, conduct, and statements are imputed to EEI and E&E.

24           83. A reasonable investor would have considered the existence of a state  
25 securities-related cease-and-desist order against EEI, E&E, and Sardari important  
26 to know.

27  
28

1 **G. Defendants Misappropriated Investor Funds**

2 84. EEI's CPOM identified the Use of Proceeds of the offering as  
3 follows: "Proceeds from the sale of Membership Units will be used to develop,  
4 implement and/or acquire Clean Energy Solution™ projects. Proceeds will also be  
5 used for start-up expenses, including but not limited to legal, accounting and  
6 formation expenses."

7 85. In addition, the CPOM stated that investor funds would be applied  
8 five percent to "Design and Development," 70 percent to "Project Construction or  
9 Acquisition," and 25% to "Operating Expenses." The CPOM also stated that:  
10 "The Company reserves the right to use the funds obtained from this Offering for  
11 other similar purposes not presently contemplated which it deems to be in the best  
12 interests of the Company and its members in order to address changed  
13 circumstances or opportunities."

14 86. Instead, Defendants misused investor funds to further their fraudulent  
15 scheme and unjustly enrich Luddy. Specifically, from August 31, 2012 through  
16 April 1, 2020, Defendants spent approximately \$4.42 million, or 47% of the \$9.3  
17 million raised from investors, on the call center's payroll, marketing, and other  
18 expenses, including transferring approximately \$1.01 million of investor funds to  
19 Luddy personally purportedly as salary, expense reimbursement, or other  
20 compensation.

21 87. From October 2012 until April 2014, Luddy had signatory authority  
22 over two EEI accounts at JP Morgan Chase, and from April 2014 until December  
23 2015, Luddy had signatory authority over two EEI accounts at Bank of America.  
24 In December 2015, Luddy held herself out as the manager of EEI and opened two  
25 additional Bank of America accounts on behalf of the company.

26 88. Sardari has also had signatory authority over EEI's bank accounts  
27 since at least October 2012. He and Luddy were the only signatories on the EEI  
28



1 accounts.

2 89. Accordingly, Sardari and Luddy knew, or were reckless in not  
3 knowing, that investor funds were not used in accordance with the representations  
4 in the CPOM, including that Luddy was misappropriating EEI investor funds for  
5 her own personal expenses and other undisclosed purposes.

6 90. As the sole officer, director, and control person of EEI and E&E,  
7 Sardari's scienter, conduct, and statements are imputed to EEI and E&E.

8 91. The facts set forth above also demonstrate that Luddy failed to  
9 exercise reasonable care by, among other things, misappropriating investor funds  
10 and thus was negligent. Sardari similarly failed to exercise reasonable care over  
11 EEI's bank accounts, which he controlled, and from which Luddy misappropriated  
12 funds over at least a seven-year period.

13 92. The representations in paragraphs 84 and 85 above were false and  
14 misleading. Defendants led investors to believe their money would be used to  
15 acquire and develop clean energy projects. Instead, Defendants misused investor  
16 funds to further their fraudulent scheme, including spending investor money on the  
17 call center's payroll, marketing expenses, and transfers to Luddy for personal  
18 expenses. All Defendants were makers of these statements.

19 93. Defendants' representations about the use of investor funds were  
20 material. A reasonable investor would have considered it important to know that  
21 Defendants used investor funds in a manner inconsistent with the representations in  
22 the CPOM, including transferring over \$1 million to Luddy for personal expenses.

23 **H. Defendants Made Ponzi-Like Payments to Investors**

24 94. EEI agreed to pay investors returns of "six percent (6%) per annum  
25 Preferred Return until the projects are online and an eight percent (8%) per annum  
26 Preferred Return thereafter. . . . Until projects are online, the Preferred Return to  
27 Non-managing Members shall be funded by the Managing Member, and not from  
28 the proceeds obtained through this offering."

1           95. Defendants, however, perpetrated a Ponzi-like scheme. From  
2 September 2012 to December 2015, EEI paid investors regular quarterly returns  
3 totaling \$986,000, even though the company was not generating any revenue to  
4 fund these distributions. As EEI had no other material source of money other than  
5 investor funds, the proposed Defendants could not have paid the investor returns  
6 without using other investor funds. These Ponzi-like payments contravened what  
7 was disclosed in the CPOM—that investor returns “shall be funded by the  
8 Managing Member [E&E], and not from the proceeds obtained through this  
9 offering.”

10           96. The representations in paragraph 94 above were false and misleading.  
11 Defendants led investors to believe that their money would be used to acquire and  
12 develop clean energy projects and that E&E would fund investor returns. Instead,  
13 Defendants misused investor funds to make Ponzi-like payments back to investors.  
14 Given their senior roles at EEI and control over the company’s bank accounts,  
15 Sardari and Luddy knew, or were reckless or negligent in not knowing, that EEI  
16 was not generating sufficient revenues to pay returns to their investors without  
17 using other investor funds. All Defendants were makers of these statements.

18           97. In addition, in light of Sardari’s role as the sole officer, director, and  
19 control person of E&E, he knew, or was reckless or negligent in not knowing, that  
20 E&E was not funding the investor returns in accordance with the CPOM.

21           98. As the sole officer, director, and control person of EEI and E&E,  
22 Sardari’s scienter, conduct, and statements are imputed to EEI and E&E.

23           99. It would have been important to a reasonable investor to know that  
24 instead of E&E funding investor returns, EEI was paying the returns with other  
25 investors’ money.

26  
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28

1 **FIRST CLAIM FOR RELIEF**

2 **Fraud in Violation of Section 10(b) and Rule 10b-5 Thereunder**

3 ***(Against All Defendants)***

4 100. The Commission realleges and reincorporates paragraphs 1 through  
5 99 as if fully set forth herein.

6 101. By engaging in the conduct described above, Defendants, directly or  
7 indirectly, in connection with the purchase or sale of securities, by the use of the  
8 means or instrumentalities of interstate commerce or of the mails, knowingly or  
9 recklessly (1) employed devices, schemes, or artifices to defraud; (2) made untrue  
10 statements of material facts or omitted to state material facts necessary in order to  
11 make the statements made, in light of the circumstances under which they were  
12 made, not misleading; and/or (3) engaged in acts, practices, or courses of business  
13 which operate or would operate as a fraud or deceit upon any persons, including  
14 purchasers or sellers of the securities.

15 102. In connection with the purchase or sale of securities, Defendants made  
16 false statements and disseminated offering materials containing additional  
17 misstatements concerning EEI's current business operations and future prospects.  
18 EEI also failed to disclose to investors a prior cease-and-desist order for violations  
19 of Colorado state securities laws.

20 103. In addition, Defendants engaged in a scheme to defraud whereby they  
21 (1) operated a call center to solicit investors with false and misleading statements  
22 and material omissions; (2) misappropriated investor funds for the call center's  
23 payroll, marketing, and other expenses, including transferring approximately \$1.01  
24 million to Luddy personally, who spent the money on personal expenses; and (3)  
25 further misused investor funds to pay Ponzi-like returns to investors.

26 104. By reason of the actions alleged herein, Defendants violated and  
27 unless enjoined will continue to violate Exchange Act Section 10(b) [15 U.S.C. §  
28 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

1 **SECOND CLAIM FOR RELIEF**

2 **Fraud in Violation of Section 17(a)(1) of the Securities Act**

3 ***(Against All Defendants)***

4 105. The Commission realleges and reincorporates paragraphs 1 through  
5 99 as if fully set forth herein.

6 106. By engaging in the conduct described above, Defendants, directly or  
7 indirectly, in the offer or sale of securities, by use of the means or instruments of  
8 transportation or communication in interstate commerce or by use of the mails  
9 knowingly or recklessly employed devices, schemes or artifices to defraud.

10 107. In the offer or sale of securities, Defendants engaged in a scheme to  
11 defraud whereby they (1) operated a call center to solicit investors with false and  
12 misleading statements and material omissions; (2) misappropriated investor funds  
13 for the call center's payroll, marketing, and other expenses, including transferring  
14 approximately \$1.01 million to Luddy personally, who spent the money on  
15 personal expenses; and (3) further misused investor funds to pay Ponzi-like returns  
16 to investors.

17 108. By reason of the actions alleged herein, Defendants violated and  
18 unless enjoined will continue to violate Securities Act Section 17(a)(1) [*15 U.S.C.*  
19 *§ 77q(a)(1)*].

20 **THIRD CLAIM FOR RELIEF**

21 **Fraud in Violation of Section 17(a)(2) of the Securities Act**

22 ***(Against EEI, E&E, and Luddy)***

23 109. The Commission realleges and reincorporates paragraphs 1 through  
24 99 as if fully set forth herein.

25 110. By engaging in the conduct described above, Defendants EEI, E&E,  
26 and Luddy, directly or indirectly, in the offer or sale of securities, by use of the  
27 means or instruments of transportation or communication in interstate commerce  
28 or by use of the mails knowingly, recklessly, or negligently obtained money or

1 property by means of untrue statements of material fact, or have omitted to state  
2 material facts necessary in order to make the statements made, in light of the  
3 circumstances under which they were made, not misleading.

4 111. In the offer or sale of securities, Defendants made false statements and  
5 material omissions and disseminated offering materials containing additional  
6 misstatements and material omissions concerning EEI's current business  
7 operations and future prospects. EEI also failed to disclose to investors a prior  
8 cease-and-desist order for violations of Colorado state securities laws.

9 112. By reason of the actions alleged herein, Defendants EEI, E&E, and  
10 Luddy violated and unless enjoined will continue to violate Securities Act Section  
11 17(a)(2) [15 U.S.C. § 77q(a)(2)].

#### 12 **FOURTH CLAIM FOR RELIEF**

#### 13 **Fraud in Violation of Section 17(a)(3) of the Securities Act**

#### 14 ***(Against All Defendants)***

15 113. The Commission realleges and reincorporates paragraphs 1 through  
16 99 as if fully set forth herein.

17 114. By engaging in the conduct described above, Defendants, directly or  
18 indirectly, in the offer or sale of securities, by use of the means or instruments of  
19 transportation or communication in interstate commerce or by use of the mails  
20 knowingly, recklessly, or negligently engaged in transactions, practices, or courses  
21 of business which operated or would operate as a fraud or deceit upon the  
22 purchasers of securities.

23 115. In the offer or sale of securities, Defendants engaged in courses of  
24 businesses which operated as a fraud or deceit upon the purchasers of securities  
25 whereby they (1) operated a call center to solicit investors with false and  
26 misleading statements and material omissions; (2) misappropriated investor funds  
27 for the call center's payroll, marketing, and other expenses, including transferring  
28 approximately \$1.01 million to Luddy personally, who spent the money on

1 personal expenses; and (3) further misused investor funds to pay Ponzi-like returns  
2 to investors.

3 116. By reason of the actions alleged herein, Defendants violated and  
4 unless enjoined will continue to violate Securities Act Section 17(a)(3) [*15 U.S.C.*  
5 *§ 77q(a)(3)*].

6 **PRAYER FOR RELIEF**

7 WHEREFORE, the Commission respectfully requests that the Court enter a  
8 judgment:

9 (a) finding that Defendants committed the violations of the antifraud  
10 provisions of the federal securities laws as alleged herein;

11 (b) permanently enjoining each Defendant from violating Securities Act  
12 Section 17(a) and Exchange Act Section 10(b) and Rule 10b-5 thereunder;

13 (c) permanently enjoining Sardari and Luddy from directly or indirectly,  
14 including but not limited to, through any entity owned or controlled by them,  
15 participating in the issuance, purchase, offer, or sale of any security in an  
16 unregistered offering by an issuer, provided, however that such injunction shall not  
17 prevent them from purchasing or selling securities for their own personal accounts;

18 (d) imposing officer-and director bars against Sardari and Luddy pursuant  
19 to Section 20(e) of the Securities Act [*15 U.S.C. § 77t(e)*] and Section 21(d)(2) of  
20 the Exchange Act [*15 U.S.C. § 78u(d)(2)*];

21 (e) ordering EEI and Luddy to disgorge all ill-gotten gains, plus  
22 prejudgment interest thereon, wrongfully obtained as a result of their illegal  
23 conduct pursuant to Section 21(d)(7) of the Exchange Act [*15 U.S.C. § 78u(d)(7)*];

24 (f) ordering EEI and E&E to pay civil penalties pursuant to Securities  
25 Act Section 20(d) [*15 U.S.C. § 77t(d)*] and Exchange Act Section 21(d) [*15 U.S.C.*  
26 *§ 78u(d)*];

27 (g) retaining jurisdiction of this action in accordance with the principles  
28 of equity and the Federal Rules of Civil Procedure in order to implement and carry

1 out the terms of all orders and decrees that may be entered, or to entertain any  
2 suitable application or motion for additional relief within the jurisdiction of this  
3 Court; and

4 (h) granting such other relief to the Commission as the Court may deem  
5 just and proper.

6  
7 Dated: February 24, 2023

8 /s/ Douglas M. Miller

9 Douglas M. Miller (Local Counsel)

10  
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**Of Counsel:**

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# Complaints and Other Initiating Documents

[8:23-cv-00338 Securities and Exchange Commission v. Energy & Environmental Investments, LLC et al](#)

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

## Notice of Electronic Filing

The following transaction was entered by Miller, Douglas on 2/24/2023 at 1:31 PM PST and filed on 2/24/2023

**Case Name:** Securities and Exchange Commission v. Energy & Environmental Investments, LLC et al

**Case Number:** [8:23-cv-00338](#)

**Filer:** Securities and Exchange Commission

**Document Number:** [1](#)

### Docket Text:

**COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney Douglas M. Miller added to party Securities and Exchange Commission(pty:pla))(Miller, Douglas)**

**8:23-cv-00338 Notice has been electronically mailed to:**

Douglas M. Miller millerdou@sec.gov, irwinma@sec.gov, larofiling@sec.gov

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The following document(s) are associated with this transaction:

**Document description:**Main Document

**Original filename:**C:\fakepath\Complaint (Final).pdf

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[STAMP cacdStamp\_ID=1020290914 [Date=2/24/2023] [FileNumber=35405852-0  
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b26fcb75d71cc2428e7d6acd7d979979d0c78e3ba5981da3d00dab03a732b]]