

State of Missouri
Office of Secretary of State

Case No. AP-06-08

IN THE MATTER OF:

ENERGY SAVINGS, LLC;
TEXAS ENERGY INVESTMENT SOLUTIONS, INC.;
THE ENERGY INVESTMENT GROUP;
THE ENERGY SAVINGS GROUP, LLC;
SCOTT FLEISCHMANN; *and*
PRESTON FLEISCHMANN,

Respondents.

Serve:

Texas Energy Investment Solutions, Inc.;
The Energy Investment Group;
The Energy Savings Group, LLC; and
Scott Fleischmann at
22 Danson Drive
St. Peters, Missouri 63376

Energy Savings, LLC and
Preston Fleischmann at
397 Goetz Avenue
St. Louis, Missouri 63125

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY CIVIL
PENALTIES AND COSTS SHOULD BE IMPOSED**

On September 28, 2006, the Enforcement Section of the Securities Division of the Office of Secretary of State, through its Assistant Commissioner of Securities, Mary S. Hosmer submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

I. FINDINGS OF FACT

A. Respondents

1. Energy Savings, LLC ("Energy Savings"), is a Missouri limited liability company with a last known business address of 605 Weiss Avenue, St. Louis, Missouri 63125. Energy Savings purports to sell electrical service devices.
2. Texas Energy Investment Solutions, Inc. ("TEIS") purports to be a corporation and a subsidiary of Energy Savings and has a last known address of 2588 Hickory Manor Drive, Wildwood, Missouri 63011. TEIS purportedly sells interests in oil and gas wells.
3. The Energy Investment Group ("EIG") purports to be a company that is a subsidiary of Energy Savings with an address of 22 Danson Drive, St. Peters, Missouri 63376. EIG claims to manage an "investment group" in oil and gas interests.
4. The Energy Savings Group, LLC ("ESG") purports to be a Missouri limited liability company and a subsidiary of Energy Savings. ESG has a last known mailing address of 605 Weiss Avenue, St. Louis, Missouri 63125.
5. Scott Fleischmann ("S. Fleischmann") purports to be the manager and "investor contact" for TEIS, and an agent of EIG, and Energy Savings. S. Fleischmann maintains a last known mailing address of 22 Danson Drive, St. Peters, Missouri 63376.
6. Preston Fleischmann ("P. Fleischmann") is the owner of Energy Savings, and an executive contact for TEIS. P. Fleischmann maintains a current mailing address of 397 Goetz Avenue, St. Louis, Missouri 63125. P. Fleischmann is the father of S. Fleischmann.
7. As used here, the term "Respondents" refers to Energy Savings, TEIS, EIG, ESG, S. Fleischmann and P. Fleischmann.

B. California Resident

8. In late 2005, S. Fleischmann called a seventy-five year-old California resident ("CR") soliciting an investment in an oil and gas

“investment group.” S. Fleischmann stated, among other things, that:

- a. the investment group would purchase five (5) producing wells located in the state of Texas;
- b. CR would possess a ten percent (10%) ownership in these wells; and
- c. CR would receive a monthly income as a result of CR’s investment.

9. In late 2005 and early January 2006, CR received several mailings from S. Fleischmann relating to this investment opportunity. This information included, among other things, the following:

- a. a one-page letter entitled “The Energy Investment Group” (letter hereafter referred to as the “EIG letter”);
- b. a one-page letter entitled “Texas Energy Investment Solutions, Inc. Re: Notification to Original Partners” (“letter hereafter referred to as the “TEIS Letter”). This letter indicated that S. Fleischmann was the manager of TEIS;
- c. a document outlining a projection of the monthly returns based on the percentage of ownership and revenue per month. It indicated that the five (5) wells generated fifty thousand four hundred dollars (\$50,400) a month. Furthermore, the document stated, among other things, the following:

“These properties have been collectively established into a fund. The total cost for purchase of the properties was \$1,225,000.00. At current revenue stream, this will generate a 50% ROI [return on investment] or a 24-month payout. The group currently has a 39% annual return for the last five years. The newest portfolio reflects the excellent purchases made prior to the record high market prices. The average life span of the wells have been calculated at 7+ years, and have all been producing at least 18 months, to make the decline curve extremely predictable.

“All those who have acquired or will acquire interest can expect first month’s checks late Jan. for the oil and mid Feb. on gas. Once again, we have had continuing success without taking the drilling risk that so many of us were involved in initially. I will send Division orders for ownership as soon as I have registered them with the appropriate county clerk’s office.

“I hope everyone enjoys the upcoming holidays and look forward to seeing those of you members who will be at our meeting in Pasadena, CA in Jan. We will be scheduling our monthly conference call soon. I will send out a correspondence with the time and date along with the geothermal project for the first of the year.

“Sincerely,
/s/ Scott Fleischmann
Scott Fleischmann
The Energy Investment Group”

10. The EIG letter, among other things, stated the following:

“*THE ENERGY INVESTMENT GROUP* was started in 2000 by seven original investors that knew there had to be a way to directly invest in the industry without being over-promoted, over-operated, or just plain exploited. We found the answer. We sought our professionals, with over 100 years of collective experience in the business, for real honest evaluations. We created a strategy that reduces risk through technology, and increases the rewards through today’s market prices.

“Today we have over 30 members, we successfully generate a 39% annual return on our portfolio, and work on projects including upstream refinery; new energy sources, geothermal green power generation, and developmental production...” (Emphasis in original)

11. The Texas Energy letter stated, among other things, the following:

“Let me start by saying it is really good to be back active in the Oil and Gas patch again. As you all know we worked very hard to put our group together back in 2000. When we first formed the group, our goal was to participate directly in the Industry and reduce the risk involved in those highly promoted deals we had been exploited by...The original investment of \$200,000 has recently been evaluated at over \$1,385,000 in property, assets and reserves...with the new members and resources, we [TEIS] have the chance to hold a very profitable stake in the best the Energy Sector has to offer.”

12. On January 3, 2006, CR participated in a conference call regarding this investment and learned that other investors were scheduled to attend a meeting at the Sheraton Hotel located in Pasadena, California on January 8, 2006.

13. On January 7, 2006, CR arrived in Pasadena, California, to attend the investor meeting. While in California, CR received word from S. Fleischmann that the investor meeting would not be held because too many investors had backed out.

14. CR and S. Fleischmann met on January 8, 2006, at a restaurant in California. Among other things, S. Fleischmann told CR

that:

- a. S. Fleischmann made most of his money in the five (5) wells located in Texas;
 - b. investors wouldn't have to do any of the work to make a monthly return on their investment; and
 - c. CR could purchase a 10% net revenue interest in part of the production from oil and gas wells James G. Brady #1, James G. Brady #2, Leta Glasscock, Red Barron and Whitehead #1. These wells were located in Texas.
15. CR was given a document that purported to be a production statement reflecting the net revenue of each property for the month of October 2005. This document stated, among other things, the following:

P-4 Production Statements

Period: 10/1/2005-10/31/2005

Property	Volume: gas (mcf)	oil (bbls)	revenue (net)
1. James G. Brady #1	6721	362	\$32,001.85
2. James G. Brady #2	6184	422	\$14,994.68
3. Red Baron	16678	537	\$15,697.79
4. Leta Glasscock	10111	628	\$18,215.50
5. Whitehead	4862	811	\$26,977.43
Total	44556	2760	\$107,907.25

Mo. ROI % 8.808"

16. CR understood that there were seven (7) other individuals that owned an ownership in the five wells described above. These individuals were located in Arizona, Arkansas, California, Florida, and Missouri.[\[1\]](#)
17. On or about the week of January 9, 2006, CR decided to invest and sent to S. Fleischmann in Missouri three separate checks made payable to "Energy Investment Group" totaling one hundred twenty-three thousand and ninety dollars (\$123,090). S. Fleischmann told CR that S. Fleischmann had to "register the production of the wells in Texas by the end of [2005]" and that all funds would need to be dated by the end of 2005. Upon this advice, CR dated two (2) of the checks he sent in January 2006 to "December 27, 2005." CR submitted the following to S. Fleischmann:
- a. check number 102 in the amount of sixty seven thousand nine hundred eighty dollars (\$67,980) dated December 27, 2005, with the words "partial payment for 10% of 5 producing wells" written in the memo line of the check;
 - b. check number 2003 in the amount of fifty four thousand six hundred and ten dollars (\$54,610) dated December 27, 2005, with the words "partial payment 10% of 5 producing wells" written in the memo line of the check; and
 - c. check number 2004 in the amount of five hundred dollars (\$500) dated January 11, 2006, with the words "annual dues" [\[2\]](#) written in the memo line of the check.
18. CR received no official documentation regarding CR's transactions with S. Fleischmann. CR received no certificate of ownership, no confirmation of the transaction, no documents to sign,[\[3\]](#) and no disclosure document. Additionally, CR was not told of any risks connected to the transaction.
19. Shortly after this investment, CR was unable to reach S. Fleischmann.
20. To date, CR has not received any monthly dividends from Respondents, nor has CR received CR's initial principal back.
21. On or about February 20, 2006, the Missouri Securities Division received information that indicated that Respondents allegedly offered and sold nonexempt and unregistered securities in or from Missouri.

C. S. Fleischmann's Response

22. On March 3, 2006, the Division sent a letter of inquiry to EIG and S. Fleischmann. The letter asked those Respondents to provide the definitional or registration exemption upon which Respondents had relied in offering unregistered securities. The letter also requested additional information about the alleged offers and advised S. Fleischmann that failure to respond within a reasonable time as set by the Commissioner could result in proceedings to prohibit Respondents from offering or selling securities in this state.
23. On March 21, 2006, the Division sent a second request for this information.
24. On May 9, 2006, S. Fleischman failed to appear for a deposition at the Division and called on May 9, 2006, to request an extension to appear on May 15, 2006 at 10:00 a.m.

25. On May 15, 2006, S. Fleischmann telephoned an investigator for the Securities Division, and stated, among other things, the following:
 - a. that S. Fleischmann contacted an attorney and was awaiting a response;
 - b. that his accountant had all S. Fleischmann's paperwork; and
 - c. that "Texas Energy" had been dissolved since 2002.
26. On May 22, 2006, an attorney representing S. Fleischmann telephoned a representative for the Securities Division. Among other things, the attorney stated that S. Fleischmann would appear in the Securities Division during the week of June 5, 2006 in response to the original subpoena to appear for May 9, 2006.
27. S. Fleischmann did not appear on June 5, 2006, and to date, the Division has received no further communication from S. Fleischmann or his attorney.

D. P. Fleischmann's Response

28. During a June 12, 2006 telephone conversation, an investigator with the Enforcement Section of the Securities Division questioned P. Fleischmann regarding Energy Savings. P. Fleischmann stated, among other things that:
 - a. the primary business objective of Energy Savings was to invest and conduct business in "energy savings" or in products that conserve energy;
 - b. he and S. Fleischmann owned interests in five (5) wells located in Texas and that P. Fleischmann sold off the interests to purchase pipelines from a company in Dallas, Texas;
 - c. S. Fleischmann was "to go out and sell the oil and gas interests;"
 - d. S. Fleischmann sold an interest to an investor in California and that these investor funds were deposited into an Energy Savings account; and
 - e. the oil and gas wells that the California resident purchased were producing wells, but that the wells "haven't been doing so well lately."
29. On June 13, 2006, the Division sent a letter of inquiry via certified mail to P. Fleischmann of Energy Savings requesting additional information.
30. On July 26, 2006, the Division received a written response from P. Fleischmann. Among other things, P. Fleischmann stated in that response:
 - a. "The purpose of ENERGY SAVINGS, LLC was to find various products that we could sell or distribute that would save any type of ENERGY. This included purchasing working interest in oil and gas wells. We looked at opportunities in gas pipe lines, lighting equipment and most recently fuel additives;"
 - b. "I am the only person left in this LLC as of [sic] several reasons. No one other than myself had put up money to purchase interest in this LLC. Any officer listed was given the interest in the LLC. They have all lost interest in the business;"
 - c. "I am the only person active in Energy Savings, LLC and 100% owner;"
 - d. The only relationship Scott Fleischmann had with Energy Savings was to sell interests in the five wells. "He was also allowed to try to find investment opportunities on a commission basis for the LLC;" and
 - e. "More information will follow. I am also in the process of getting legal counsel in Jefferson City to meet with you." (Emphasis in original)
31. To date, the Division has received no further communication from P. Fleischmann or his attorney.

E. Energy Savings Account

32. According to records obtained from the bank account of Energy Savings (the "Energy Savings Account"), CR's investment funds were deposited into a checking account in the name of Energy Savings on January 13, 2006. Bank records also revealed that P. Fleischmann was the signatory on this account.
33. These Energy Savings Account bank records indicated, among other things, that in January and February of 2006:
 - a. P. Fleischmann authorized payments of over thirty-three thousand dollars (\$33,000) to S. Fleischmann;
 - b. P. Fleischmann also made the following payments from this account:

1. check number 1124 in the amount of eight-thousand six-hundred dollars (\$8,600) dated on or about January 20, 2006, paid to the order of "Cash;"
2. check number 1125 in the amount of five thousand dollars (\$5,000) dated on or about January 20, 2006, paid to the order of "Cash;"
3. check number 1128 in the amount of one thousand dollars (\$1,000) dated on or about January 23, 2006, paid to the order of "Cash;"
4. check number 1130 in the amount of four thousand dollars (\$4,000) dated on or about January 24, 2006, paid to the order of an Arkansas investor;
5. check number 1085 in the amount of six thousand dollars (\$6,000) dated on or about January 27, 2006 paid to the order of "Cash;"
6. check number 1086 in the amount of five thousand dollars (\$5,000) dated on or about January 30, 2006, paid to the order of "Cash;"
7. check number 1101 in the amount of four thousand dollars (\$4,000) dated on or about January 31, 2006, paid to the order of a Florida investor; and
8. a counter withdrawal in the amount of five thousand dollars (\$5,000) on February 6, 2006.

F. Prior Investor with Respondents S. Fleischmann and TEIS

34. In 2001, Respondents TEIS and S. Fleischmann offered and sold unregistered, non-exempt securities to at least one Michigan resident ("MIR").
35. On or about October 30, 2001, MIR invested \$6,125 with S. Fleischmann and entered into a joint venture agreement. MIR was offered a one half (1/2) unit of working interest, "one unit being 3.125% working interest equal to a 2.21% net revenue interest in the Red Barron #1 Well" located in the State of Texas.
36. MIR eventually made three additional investments [4] with TEIS and S. Fleischmann totaling fifty-seven thousand one hundred twenty-five dollars (\$57,125). S. Fleischmann told MIR that MIR's investment would not be at risk because the wells were producing wells.
37. MIR received sporadic dividend payments of approximately sixteen thousand dollars (\$16,000) as a result of MIR's investment and, as of early 2003, S. Fleischmann stopped sending checks to MIR.
38. MIR last communicated with S. Fleischmann in February 2003.

G. Additional Statement of Facts

39. A check of the records maintained by the Missouri Commissioner of Securities revealed no registration, granted exemption or notice filing indicating status as a "federal covered security" for any of the securities offered by Respondents in or from Missouri.
40. Respondents were not registered to offer and sell securities in or from the State of Missouri.
41. The securities offered and sold by the Respondents were not federal covered securities.
42. In connection with the offer, sale or purchase of this investment, Respondents omitted to state:
 - a. that the Respondents were not registered to sell securities in or from the State of Missouri;
 - b. that the securities were not registered in the State of Missouri;
 - c. any risks associated with the investment;
 - d. the financial situation of the oil and gas "investment group;"
 - e. that Respondents were using investor funds for personal expenses;
 - f. that MIR had purchased an interest in the same five (5) wells in 2001; and
 - g. that MIR had not received any returns on this investment since 2003.
43. In connection with the offer, sale or purchase of a security to an investor, the Respondents engaged in an act practice or course of business that would operate as a fraud or deceit upon the investor by:

- a. soliciting an investment from CR, an elderly individual;
- b. building trust and confidence in this oil and gas investment opportunity by inviting CR to participate in purported conference calls and investor meetings;
- c. advising CR he would receive monthly distributions from this investment but failing to tell CR that over eight thousand dollars of his invested funds would be used to repay other investors, over thirty-three thousand dollars of his funds would be paid to S. Fleischmann and over twenty-five thousand dollars of these funds would be made payable to "cash;"
- d. telling CR that the investment would yield a 50% return on investment without providing documentation or information that would support this claim;
- e. telling CR that the investment group had a 39% annual return for the last five years but failing to supply CR with any audited financial information about the investment group or to tell CR that MIR, a previous investor in these wells, had not received these purported returns for the past two years;
- f. telling CR that the average life span of the wells had been calculated at "7+ years" without providing documentation or information about the qualifications or experience of the individual who calculated this life span; or
- g. telling CR that the "decline curve [on the life span of the well] was extremely predictable" without providing documentation or information that would support this claim and when in fact, five months after the investment, P. Fleischmann told an investigator with the Division that the wells "haven't been doing so well lately."

44. This order is in the public interest.

II. APPLICABLE STATUTORY PROVISIONS

45. Section 409.1-102(26), RSMo. (Cum. Supp. 2005), (these statutes are also referred to herein as the "Missouri Securities Act of 2003" and the "2003 Act") defines "sale" to include "every contract of sale, contract to sell, or disposition of, a security or interest in a security for value." That same section defines "offer to sell" as "every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value."

46. Section 409.1-102(28), RSMo. (Cum. Supp. 2005), includes, in part, "stock," "certificate of interest or participation in a profit-sharing agreement," and "investment contract" within the definition of a security.

47. Section 409.3-301, RSMo. (Cum. Supp. 2005), reads as follows:

It is unlawful for a person to offer or sell a security in this state unless:

1. (1) The security is a federal covered security;
2. (2) The security, transaction, or offer is exempted from registration under sections 409.2-201 to 409.2-203; or
3. (3) The security is registered under this act.

48. Section 409.5-501, RSMo. (Cum. Supp. 2005), reads as follows:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1) To employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or
- (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

49. Section 409.5-505, RSMo. (Cum. Supp. 2005), provides that it is unlawful for a person to make or cause to be made, in a record that is used in an action or proceeding or filed under this act, a statement that, at the time and in the light of the circumstances under which it was made, is false or misleading in a material respect, or, in connection with the statement, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

50. Section 409.6-604(a), RSMo. (Cum. Supp. 2005), reads as follows:

If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act . . . the

commissioner may:

(1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this act

51. Section 409.6-604(d) RSMo. (Cum. Supp. 2005), reads as follows: “In a final order under subsection (c), the commissioner may impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation.”
52. Section 409.6-604(e) RSMo. (Cum. Supp. 2005), reads as follows: “In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act These funds may be paid into the investor education and protection fund.”
53. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

III. CONCLUSIONS OF LAW

Violation of Offering or Selling Nonexempt, Unregistered Securities

54. The Commissioner incorporates by reference paragraphs 1 through 53 as though fully set forth herein.
55. The oil and gas investments offered and sold by Respondents to CR and MIR from the State of Missouri, as described above, constitute “securities” under Section 409.1-102(28), RSMo. (Cum. Supp. 2005).
56. At all times relevant to this Order, records maintained by the Missouri Securities Commissioner contain no registration, granted exemption or notice filing indicating status as a “federal covered security” for any of the securities offered and sold by Respondents to CR and MIR.
57. Respondents violated Section 409.3-301, RSMo. (Cum. Supp. 2005), when they offered or sold securities in Missouri without those securities being: (1) federal-covered securities; (2) exempt from registration under Section 409.2-201 or 409.2-202, RSMo; or (3) registered under the Missouri Securities Act of 2003.

Multiple Violations of Omitting to State Material Facts in Connection with the Offer of a Security

58. The Commissioner incorporates by reference paragraphs 1 through 53 as though fully set forth herein.
59. In connection with the offer or sale of securities in or from the State of Missouri, Respondents omitted to state to investors including CR the following material facts necessary in order to make certain statements that were made, in light of the circumstances under which they were made, not misleading, including, but not limited to:
 - a. that the Respondents were not registered to sell securities in or from the state of Missouri;
 - b. that the securities were not registered in the State of Missouri;
 - c. any risks associated with the investment;
 - d. the financial situation of the oil and gas “investment group;”
 - e. that Respondents were using investor funds for personal expenses;
 - f. that MIR had purchased an interest in the same five (5) wells in 2001;
 - g. that MIR had not received any returns since 2003; and
 - h. that within five months of the date of investment, the subject wells were performing so poorly that P. Fleischmann characterized them as “not doing so well lately.”
60. Respondents violated Section 409.5-501, RSMo. (Cum. Supp. 2005), when they omitted to state the material facts described immediately above.

Engaging in an Act, Practice, or Course of Business that Operated or Would Operate as a Fraud or Deceit upon the Investors

61. The Commissioner incorporates by reference paragraphs 1 through 53 as though fully set forth herein.
62. In connection with the offer, sale or purchase of a security, the Respondents engaged in an act, practice or course of business that included or involved the following:

- a. Respondents solicited an investment from CR, an elderly individual;
- b. Respondents built trust and confidence in this oil and gas investment opportunity by inviting CR to participate in purported conference calls and investor meetings;
- c. Respondents advised CR that he would receive monthly distributions from this investment but failed to tell CR that eight thousand dollars of his invested funds would be used to repay other investors, that over thirty-three thousand dollars of his funds would be paid to S. Fleischmann, and that twenty-five thousand dollars of these funds would be made payable to "cash;"
- d. Respondents told CR that his investment would yield a 50% return on investment without providing documentation or information that would support this claim;
- e. Respondents told CR that the investment group had a 39% annual return for the last five years but failed to supply CR with any audited financial information about the investment group or to tell CR that MIR, a previous investor in some of these wells, had not received any return for the past two years;
- f. Respondents told CR that the average life span of the wells had been calculated at "7+ years" without providing documentation or information about the qualifications or experience of the individual who calculated this life span; and
- g. Respondents told CR that the "decline curve [on the life span of the well] was extremely predictable" without providing documentation or information that would support this claim and when in fact, five months after the investment, P. Fleischmann told an investigator with the Division that the wells "haven't been doing so well lately."

The acts, statements, plans and operations described immediately above constitute a violation of Section 409.5-501(3), RSMo. (Cum. Supp. 2005), in that they combine to create an act, practice or course of business that operated or would operate a fraud or deceit upon CR.

IV. ORDER

NOW, THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this Order, are prohibited from:

- A. Offering or selling securities in oil and gas investment groups, particularly including, but not limited to EIG;
- B. Violating or materially aiding in the violation of Section 409.3-301, RSMo. (Cum. Supp. 2005), by offering or selling any security that is not registered, unless the security is a federal covered security or has an effective exemption from registration;
- C. Violating or materially aiding in the violation of Section 409.5-501, RSMo. (Cum. Supp. 2005), by omitting to state, in connection with the offer, sale or purchase of securities, material facts necessary to make statements made not misleading.
- D. Engaging in the acts, practices or courses of business described in paragraphs 8-15, 17 and 18, above.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to one thousand dollars for a single violation, or up to ten thousand dollars for more than one violation, against each Respondent, for violations of Section 409.3-301, RSMo. (Cum. Supp. 2005), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars against each Respondent for multiple violations of Section 409.5-501, RSMo. (Cum. Supp. 2005), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that as the Enforcement Section has petitioned for an award for costs of the investigation against Respondents in this proceeding, the Commissioner will issue a final order pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2005), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why such an award should not be made.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 17th DAY OF OCTOBER, 2006

ROBIN CARNAHAN
SECRETARY OF STATE

State of Missouri
Office of Secretary of State

(Signed/Sealed)
MATTHEW KITZI
COMMISSIONER OF SECURITIES

Case No. AP-06-08

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Serve:

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Scott Fleischmann at
22 Danson Drive
St. Peters, Missouri 63376

Energy Savings, LLC and
Preston Fleischmann at
397 Goetz Avenue
St. Louis, Missouri 63125

NOTICE

TO: Respondents and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo (Cum. Supp. 2005), and 15 CSR 30-55.020.

A request for a hearing must be mailed or delivered, in writing, to:

Matthew Kitz
Commissioner of Securities
Office of the Secretary of State
Missouri State Information Center, Room 229
600 West Main Street
Jefferson City, Missouri, 65102

CERTIFICATE OF SERVICE

I hereby certify that on this 17th day of October, 2006, a copy of the foregoing Notice, Order and Petition filed the above styled case was mailed by certified U.S. Mail, postage prepaid to Respondents at the above listed addresses.

Beth Perkins
Administrative Aide

[1] This Missouri investor was P. Fleischmann, who purportedly had a 35% ownership in the five wells.

[2] CR understood that this was a membership fee for the investment group.

[3] CR stated CR signed a contract relating to being an annual member in the investment group, but that S. Fleischmann never returned a copy for CR's records.

[4] On December 21, 2001, MIR gave respondents \$16,000 in exchange for 4,000 shares of stock in TEIS. On or about March 18, 2002, MIR invested \$25,000, allegedly owning a 5% working interest in the "Brady #2" oil and gas well located in the State of Texas. On August 7, 2002, MIR invested \$10,000 with TEIS. MIR and TEIS entered into a promissory note agreement. MIR was allegedly

promised a 200% return on this investment.