

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:

SABINE PARTNERSHIP #3, LTD.
INSIGNIA ENERGY GROUP, INC.
IEG PERMIAN BASIN, LLC.
MARTIN D. LEWIS
MELAINA BOWDEN, a/ka MELAINA
N. FREDERICK, a/k/a MELAINA
FREDERICK-BOWDEN

RESPONDENTS

ADMINISTRATIVE ORDER
NO.CD-2013-0607

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having the 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. **SABINE PARTNERSHIP #3, LTD (SABINE PARTNERSHIP #3)** is a Texas limited partnership with offices and principal place of business at 16300 Addison Road, Suite 210, Addison, Texas 75001.

2. **INSIGNIA ENERGY GROUP, INC. (INSIGNIA)** is a Texas corporation with offices and principal place of business at 16300 Addison Road, Suite 210, Addison, Texas 75001.

3. **IEG PERMIAN BASIN, LLC (IEG)** is a Texas limited liability company whose business address is 16300 Addison Road, Suite 210, Addison, Texas 75001. In documents filed with the U.S. Securities and Exchange Commission (SEC), **IEG** is

identified as the promoter, as well as a beneficial owner, of **SABINE PARTNERSHIP #3**.

4. **MARTIN D. LEWIS (LEWIS)** is identified in documents filed with the SEC as an executive officer, managing member, and beneficial owner of **SABINE PARTNERSHIP #3**. Additional information available to the Commission indicates that **LEWIS** is the President of **INSIGNIA** and the Director/President of **IEG**.

5. **MELAINA BOWDEN, a/k/a MELAINA N. FREDERICK, a/k/a MELAINA FREDERICK-BOWDEN (BOWDEN)** is identified, in documents filed with the SEC by **SABINE PARTNERSHIP #3**, as an executive officer and beneficial owner of said company. Additional information available to the Commission indicates that **BOWDEN** is also the Vice President of **INSIGNIA** and a Director/Vice President of **IEG**.

STATEMENT OF FACTS

6. On or about April of calendar year 2008, a resident of the State of Alabama received a "cold call" from an unknown male. The Alabama resident had no previous business relationship with the unknown male, **SABINE PARTNERSHIP #3, INSIGNIA, IEG, LEWIS, or BOWDEN**. The stated purpose of the cold call was to gauge the interest of the Alabama resident in investing in an oil/gas drilling venture. The Alabama resident did not commit to participation in the oil/gas drilling venture during the cold call.

7. Following their initial telephone conversation, the Alabama resident continued to receive periodic telephone calls from the unknown male; however, at some point in time, the Alabama resident began to receive telephone calls from **LEWIS** regarding said oil/gas drilling venture rather than the unknown male.

8. During a telephone conversation with **LEWIS**, in July of calendar year 2008, the Alabama resident agreed to review printed material to be provided by **LEWIS**.

Subsequently, via a transmittal letter from **LEWIS**, identified therein as the President of **INSIGNIA**, the Alabama resident received the following documents:

- Executive Summary and Drilling Fact Sheet re: Hoagland #4 and Hoagland #5 Prospect Wells
- Geological Information And Mapping re: Hoagland #4 and Hoagland #5 Prospect Wells
- Reserve Booking Calculations And Core Analysis Results
- Tax Considerations And Frequently Asked Questions
- References

The cover letter, as well as the documents referenced above, was on **INSIGNIA** stationary.

9. The Drilling Fact Sheet provided the following facts:

- Offering: "Sabine Partnership #3, Ltd., A Two Well Program."
- Issuer of Offering: "IEG Permian Basin, L.L.C. ("IEG")"
- Prospect Data: "IEG is currently exploring eight hundred twenty acres in Sabine Parish, Louisiana. The Hoagland #4 and Hoagland #5 Prospect wells are located 5 miles southeast of Many, Louisiana. The two well program is located in Section 30, T7N, R11W, and Section 36, T7N, R11W, in Sabine Parish, Louisiana."

10. The Executive Summary represents the following:

"It is significant that **IEG** has acquired all leases and solidified all drilling operation without the use of a brokering agent or third party representative. By taking this approach we have reduced cost

dramatically and turned a polished product to our partners for a fair and equitable price, thus allowing a potential return unlike that of typical Oil and Gas companies. **IEG** has attained a strong backing from independent Oil and Gas companies, which has allowed **IEG** the financial flexibility to cautiously evaluate each prospect we choose to drill in a more proficient manner.”

11. Following the receipt of the above referenced documents, the Alabama resident continued to receive periodic telephone calls from **LEWIS**. During one of these telephone conversations, the Alabama resident agreed to review a private placement memorandum to be provided by **LEWIS**. Subsequently, the Alabama resident received a Private Placement Memorandum regarding **SABINE PARTNERSHIP #3**.

12. **SABINE PARTNERSHIP #3** is identified as the issuer in documents filed with the U.S. Securities and Exchange Commission (SEC); however, the Private Placement Memorandum regarding **SABINE PARTNERSHIP #3** identifies **IEG** as the issuer.

13. Based on information provided by **LEWIS**, the Alabama resident projected that he could earn three (3) to five (5) times his investment in **SABINE PARTNERSHIP #3** over the first three (3) years of production.

14. On or about September 8, 2008, the Alabama resident mailed a Subscription Agreement and a check to **LEWIS** for a one-eight (1/8) interest in **SABINE PARTNERSHIP #3**. On September 10, 2008, **LEWIS**, via a letter on **INSIGNIA** letterhead, acknowledged receipt of the funds invested by the Alabama resident.

15. As of February 12, 2013, the Alabama resident has not received any return on his investment.

16. A search of the EDGAR database maintained by the SEC reveals that **SABINE PARTNERSHIP #3** filed notice of exemption from registration pursuant to Regulation D, Rule 506, on or about April 18, 2008. A notice filing of said exemption was received by the Commission on September 19, 2008.

17. A review of the Form D submitted to the SEC relative to the application for exemption from registration discloses the following relationships pertaining to **SABINE PARTNERSHIP #3**:

<u>ENTITY</u>	<u>RELATIONSHIP</u>
SABINE PARTNERSHIP #3	Issuer
IEG	Promoter/Beneficial Owner
LEWIS	Beneficial Owner/Executive Officer/General and/or Managing Partner
BOWDEN	Beneficial Owner/Executive Officer/General and/or Managing Partner

18. A search of records maintained by the Commission reveals the following:

- **INSIGNIA** has neither registered nor filed a claim for exemption from registration with the Commission.
- **IEG** has neither registered nor filed a claim for exemption from registration with the Commission.
- **LEWIS** is not registered with the Commission as a broker dealer agent, investment advisor representative, or as a restricted agent.
- **BOWDEN** is not registered with the Commission as a broker dealer agent, investment advisor representative, or as a restricted agent.

19. On or about May 13, 2011, the Texas State Securities Board issued an Emergency Cease And Desist Order against **INSIGNIA, IEG, LEWIS**, et al alleging

fraud in connection with the offer for sale of securities in connection with an additional two (2) well drilling program.

20. **LEWIS** initially sought to contest the Order in administrative law court. However, **LEWIS** later withdrew his request to contest the Order and his case filed against the Texas State Securities Board was dismissed on Sept. 6, 2011. The findings of fact outlined in the Emergency Cease And Desist Order filed against **INSIGNIA**, **IEG**, **LEWIS**, et al were left intact.

CONCLUSIONS OF LAW

21. Section 8-6-2(10), Code of Alabama, 1975, includes in the definition of a security 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. Also included in the definition of a security pursuant to Section 8-6-2(10), Code of Alabama, 1975, is "units" in, for, respecting or based upon any form of security. The units of interest in **SABINE PARTNERSHIP #3** offered by **RESPONDENTS** constitutes a security to wit: units of interest in an oil, gas or mining title lease or in payments out of production under such title or lease.

22. Section 8-6-2(2), Code of Alabama, 1975, defines an agent as any individual who represents a dealer or issuer in effecting or attempting to effect sales of securities. **LEWIS**, by soliciting an investment, to wit; units of interest in **SABINE PARTNERSHIP #3** acted as an agent of **SABINE PARTNERSHIP #3**.

23. Section 8-6-3(a), Code of Alabama, 1975, of the Alabama Securities Act states that it is unlawful for any person to transact business in this state as a dealer or agent for securities unless such person is registered with the Commission. **SABINE PARTNERSHIP #3** as issuer and **IEG**, as promoter and beneficial owner of **SABINE PARTNERSHIP #3**, allowed **INSIGNIA** and **LEWIS** to offer units of interest in **SABINE PARTNERSHIP #3** in the State of Alabama without benefit of registration.

24. Section 8-6-3(a), Code of Alabama, 1975, of the Alabama Securities Act states that it is unlawful for any dealer or issuer to employ an agent unless the agent is registered. **BOWDEN**, as an executive officer and beneficial owner of **SABINE PARTNERSHIP #3**, Vice President of **INSIGNIA**, and Director/Vice President of **IEG** allowed **LEWIS** and **INSIGNIA** to offer units of interest in **SABINE PARTNERSHIP #3** in the State of Alabama without benefit of registration.

25. Section 8-6-4, Code of Alabama, 1975, of the Alabama Securities Act states that it is unlawful for any person to offer or sell any security in this state unless: (1) it is registered under the Act; (2) the security is exempt from registration under section 8-6-10; or (3) the transaction is exempt under section 8-6-11. The security offered; to wit: units of interest in **SABINE PARTNERSHIP #3** was neither registered nor exempt from registration in Alabama in violation of the Act.

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

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

Additionally, if the allegations set forth herein are found to be true, though administrative adjudication, failure of the **RESPONDENTS** to make a timely request for hearing, or default of the respondent, it is the intention of the Commission to impose sanctions upon the **RESPONDENTS**. Such sanctions may include, inter alia, an administrative assessment imposed on **RESPONDENTS**, and additional administrative assessment for investigative cost arising from the investigation of the violations described herein against **RESPONDENTS**, and a permanent order to bar **RESPONDENTS** from participation in any securities related industry in the State of Alabama.

ACCORDINGLY, IT IS HEREBY ORDERED that **SABINE PARTNERSHIP #3, LTD.**; **IEG PERMIAN BASIN, LLC**; **INSIGNIA ENERGY GROUP, INC.**; **MARTIN D. LEWIS**;

and **MELAINA BOWDEN** 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 21st day of March, 2013.



ALABAMA SECURITIES COMMISSION
401 Adams Avenue, Suite 280
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(334) 242-2984

BY:

A handwritten signature in black ink, appearing to read "JP Borg", is written over a horizontal line.

JOSEPH P. BORG
Director