

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:	*
KENDRICK D. BROWN	* Case No. 2009-0409
and	*
K3 ENTERPRISES, INC.	*
Respondents.	*
* * * * *	*

**FINAL ORDER TO CEASE AND DESIST
AND ORDER OF BAR**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in Section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2007 Repl. Vol. and 2009 Supp.) (the “Act” or “Securities Act”), undertook an investigation into the activities of Kendrick D. Brown (“Brown”) and K3 Enterprises, Inc. (“K3”) (collectively “Respondents”); and

WHEREAS, on the basis of that investigation the Commissioner has determined that Respondents may have violated the securities registration, agent registration, and anti-fraud provisions of the Act, in violation of Sections 11-501, 11-401, 11-402 and 11-301 of the Securities Act; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Order to Show Cause;

WHEREAS, pursuant to section 11-701.1(a) of the Act, on May 27, 2010, the Commissioner issued an Order To Show Cause (the “Order”), incorporated herein by reference, requiring Respondents to show cause why: each Respondent should not be barred permanently from engaging

in the securities and investment advisory business in Maryland; why a civil monetary penalty should not be entered against each Respondent; and why a final order should not be entered ordering each of the Respondents to cease and desist from further violations of the Act; and

WHEREAS, the Order gave Respondents notice of the opportunity for a hearing in this matter, provided that Respondents submit an answer within 15 days of service of the Order, including any request for a hearing, and gave notice to Respondents that failure to do so would be deemed a waiver of the right to a hearing and result in the entry of a final order; and

WHEREAS, a copy of the Order was served upon Respondents at their last known addresses in Maryland and upon the Commissioner in accordance with section 11-802 of the Act; and

WHEREAS, Respondents have not submitted an answer to the Order, nor a written request for a hearing; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Final Order,

NOW, THEREFORE, THE COMMISSIONER FINDS AND ORDERS:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to Section 11-701.1 of the Act.

II. RESPONDENTS

2. Brown resides and worked in Prince George's County, Maryland. Brown is not registered as a broker-dealer, broker-dealer agent, investment adviser or investment adviser representative in the State of Maryland. Brown is president, founder, and chief operating officer of K3.

3. K3 at all times conducted business from Maryland. K3 is a forfeited Maryland corporation. It has never been registered as a broker-dealer or investment adviser in the State of Maryland or anywhere else.

III. FINDINGS OF FACTS

4. Between September and December 2006, Respondents sold limited partnership interests in K3 to 7 investors in Maryland and other states. Investors gave Respondents at least \$53,000 for their investments in K3.

5. In the K3 Limited Partnership Agreement, Respondents told investors that K3 owned a 0.3125% interest in Global Interactive Games, LLC a/k/a GIG, LLC ("GIG"). GIG is an on-line gambling website and a Delaware limited liability company.

6. Investors were led to believe that they were investing in K3 to get an interest in GIG.

7. On or about May 10, 2006, Brown bought a 0.143% interest in GIG for \$1 in his name. On or about August 18, 2006, Brown bought a 0.3125% interest in GIG for \$50,000 in his name. On or about December 18, 2006, K3 bought a 0.0375% interest in GIG.

8. K3 has never owned a 0.3125% interest in GIG and, in fact, only invested \$6,000 in GIG. In addition, the \$6,000 investment did not occur until after investors made their investments.

9. Respondents used most of the investor's funds for personal expenses or other expenses not disclosed in the limited partnership agreements.

10. Respondents did not disclose any risks related to the investment, including risks that the investment could result in a total loss.

11. The limited partnership interests that Respondents offered and sold are not registered in Maryland. There has been no exemption filing made in Maryland and no claim of preemption.

IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

12. The investments that Respondents sold constitute “securities” pursuant to section 11-101(r) of the Act.

13. Respondents offered and sold unregistered securities in violation of section 11-501 of the Act.

14. Respondents offered and sold securities in Maryland without being registered as a broker-dealer, issuer agent or broker-dealer agent, in violation of section 11-401 of the Act.

15. Respondent K3 employed an agent to engage in the offer and sale of securities without that individual being registered in this State as an agent in violation of section 11-402 of the Act.

16. Respondents violated the antifraud provisions in section 11-301 of the Act when they failed to disclose to their clients that they were not registered as a broker-dealer or agent for the purposes of selling the securities offer by K3; failed to disclose to their clients that the investments were not registered; engaged in an act, practice or course of business which operated as a fraud or deceit on investors by claiming in the K3 Limited Partnership Agreement that K3 owned a .3125% interest in GIG when it did not and using investor’s funds for personal expenses or other expenses not disclosed in the limited partnership agreements; and failed to disclose the risk that the investments would not be paid back.

V. SANCTIONS

NOW, THEREFORE, the Commissioner finds it to be in the public interest to issue this Final Order, and IT IS HEREBY ORDERED THAT:

17. Respondents each permanently cease and desist from engaging in the offer and sale of unregistered, non-exempt securities in violation of section 11-501 of the Act.

18. Respondents each permanently cease and desist from acting as an unregistered agent or broker-dealer in Maryland in violation of section 11-401 of the Act.

19. Respondents each permanently cease and desist from employing an unregistered agent for the offer and sale of securities in Maryland in violation of section 11-402 of the Act.

20. Respondents permanently cease and desist from engaging in fraud in violation of section 11-301 of the Act.

21. Respondents are permanently barred from engaging in the securities and investment advisory businesses in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged, or from acting as a broker-dealer, broker-dealer agent, issuer-agent, investment adviser or investment adviser representative in Maryland.

22. Respondents are jointly and severally assessed a civil monetary penalty, pursuant to section 11-701.1 of the Act, in the amount of \$65,000, payable by certified check to the order of the Office of the Attorney General. This fine will be reduced by any amount repaid to investors to the satisfaction of the Commissioner within 30 days of the date of this Order.

VI. JURISDICTION RETAINED

23. Jurisdiction is retained by the Commissioner for the purposes of enabling any party to this Final Order to apply for such further orders and directions as may be necessary or appropriate

for the construction or enforcement of this Final Order.

VII. APPEAL RIGHTS

24. Any Respondent may appeal this Final Order to the appropriate Circuit Court of the State of Maryland within 30 days from the date this Final Order is mailed by the Division.

SO ORDERED:

**Commissioner's Signature is
on File with Original Document**

2010

MELANIE SENTER LUBIN
Securities Commissioner

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