

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

IN THE MATTER OF:	*	
WILLIAM GREGORY GERHARDT	*	CASE NO. 2011-0326
AND	*	
KITCHEN CONCEPTS, INC.	*	
	*	
Respondents.	*	
	*	
* * *		

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

WHEREAS, the Maryland Securities Division (the “Securities Division”), pursuant to the authority granted in Section 11-701 of the Maryland Securities Act, Md. Ann. Code, Corps. & Ass’ns (2007 Repl. Vol. and 2011 Cum. Supp.) (the “Securities Act”), initiated an investigation into the activities William Gregory Gerhardt (“Gerhardt”) and his business Kitchen Concepts, Inc. (“Kitchen Concepts”) (collectively “Respondents”); and

WHEREAS, pursuant to Section 11-701 of the Securities Act, on August 15, 2011, the Securities Commissioner issued an Order To Show Cause, incorporated herein by reference, requiring each of the Respondents to show cause why: Respondents 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 Respondents for each violation of the Securities

Act; and why a final order should not be entered ordering Respondents to cease and desist from further violations of the Securities Act; and

WHEREAS, the Order To Show Cause gave Respondents notice of the opportunity for a hearing in this matter, provided that Respondents submitted an answer within 15 days of service of the Summary 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, the Order To Show Cause was served upon Respondents in compliance with Section 11-802 of the Securities Act by mailing a copy to Respondent's last known address in Spencerville, Maryland via certified mail, return receipt, and by serving the Securities Commissioner with the Order; and

WHEREAS, certified mail records reflect that the Order To Show Cause was received and signed for at Respondents' last known address on August 16, 2011; and

WHEREAS, the Securities Division was later contacted by several attorneys on Respondents' behalf, who requested an extension of time for Respondents to file an answer and written request for a hearing; and

WHEREAS, the Securities Division agreed to extend the period of time for Respondents to file an answer and written request for a hearing by approximately 30 days, until September 30, 2011; and

WHEREAS, at Respondent's request through an attorney, the Securities Division agreed to further extend the period of time for Respondents to file an answer and written request for a hearing until October 6, 2011; and

WHEREAS, to date, Respondents have not filed any answer or written request for a hearing;
and

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

**NOW, THEREFORE, THE SECURITIES COMMISSIONER FINDS AND ORDERS
THE FOLLOWING:**

I. FINDINGS OF FACT

JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to Section
11-701 of the Securities Act.

RESPONDENTS

2. Respondent Gerhardt is a Maryland resident with a last known address located in
Spencerville, MD.

3. Respondent owns a contracting business called Kitchen Concepts Inc., incorporated
in Maryland in August 2004. The company's charter, however, was forfeited in October 2006
according to Maryland State Department of Assessments & Taxation records.

4. Respondents are not now nor have they ever been registered in Maryland as a broker-
dealer or broker-dealer agent, or investment adviser or investment adviser representative. Nor has
Respondent Gerhardt ever been registered as an issuer agent.

STATEMENT OF FACTS

5. Respondents have offered investment opportunities in the form of short-term
promissory notes or investment contracts promising quick returns, to numerous Maryland residents.

In each case, Respondents offered to pay above-market rates of return on the principal, which served as the motivation for the investors to invest with Respondents.

Respondent's Dealings with C.P.

6. In September 2008 C.P. of Maryland hired a contracting company to do some home improvement work. Respondents acted as a subcontractor and visited C.P.'s home to perform some of the work. At that time, Gerhardt advised C.P. that he had an opportunity to perform the installation of kitchen cabinets at a large condominium project. He further advised C.P. that he needed an additional \$12,000 to secure the contract.

7. Respondents solicited C.P. to invest \$12,000 in the project by advancing him the monies. He explained that if C.P. would agree to the investment, he would pay him \$15,000 after the first three condominium units were completed. On each of the days he performed work at C.P.'s home, Respondents urged C.P. to partake of the investment opportunity. Gerhard advised that he owned a property in Calvert County that could be used to secure the investment.

8. Later Gerhardt faxed over to C.P. a copy of a Maryland deed reflecting that he was the sole owner of the Calvert County property, located on the Chesapeake Bay. He also faxed to C.P. an appraisal for the property, reflecting that the land was worth \$350,000. C.P. became interested in the investment because of the opportunity to make a fast above-market rate of return, and because he believed that the investment would be secured by the Calvert County property.

9. Pursuant to Respondents' solicitations and assurances, C.P. drew up a promissory note memorializing the investment transaction agreed to by Respondents. The note, dated September 20, 2008, signed by Gerhardt and notarized, provided that in consideration of C.P.'s investment of \$12,000, Gerhardt agreed to pay C.P. the sum of \$15,000 on or before May 31, 2009. The note

referenced that it was “collateralized and secured” by Gerhardt’s Calvert County property.

10. In late 2008, C.P. hired a lawyer to conduct an inquiry into the value of the Calvert County property securing the note. C.P. learned that the deed for the Calvert County property on file at the St. Mary’s County courthouse was not the same deed that Respondents gave to C.P. Furthermore, Gerhardt was not the sole owner of the property as he had represented, and the value of the property was considered to be significantly less – perhaps \$50,000 as opposed to \$350,000.

11. Upon the note becoming due, Respondents failed to pay on the note. In June 2009, Gerhardt met with C.P. and gave him a \$4,000 check. C.P. deposited the check into his bank account, whereupon it was returned for insufficient funds. Subsequently C.P. began experiencing difficulty reaching Gerhardt. Later, however, Gerhardt provided C.P. with another check which was returned as having been written on a frozen or blocked account.

12. Upon information and belief, Gerhardt deposited C.P.’s check into a personal checking account rather than into a general contractor’s business account. Although there were some small dollar purchases from home improvement stores, the majority of the funds were then used to either make debit card purchases unrelated to home improvement, or used to pay bills such as rent and cable.

13. To date, C.P.’s investment with Respondents remains outstanding.

14. In connection with this matter involving C.P., Respondent Gerhardt was charged criminally by the State’s Attorney or Montgomery County, and in June 2011 in the Circuit Court for Montgomery County, Maryland, Case No. 118485C, pled guilty to two counts, *i.e.*, a theft scheme over \$500, and counterfeiting. His sentencing was scheduled for September 2011.

Respondent’s Dealings with J.C.

15. Sometime in 2004, J.C. of Maryland began remodeling his home. He hired Respondents to do the work. J.C. was pleased with Respondent's home improvement work. Approximately six months later, Respondent Gerhardt contacted him, advising that he had a great deal for him to make a quick profit. He explained that he had the opportunity to perform a kitchen installation project but needed start-up monies to participate.

16. Gerhardt explained that he needed \$25,000 to perform the project, and that within 6-7 months he would pay J.C. \$30,000. He explained that he owned a piece of property in Calvert County, Maryland that would secure the transaction. In reliance upon Respondents' assurances of profit and the purported security for the transaction, Gerhardt agreed to the investment and paid Respondents \$25,000 by way of two checks dated September and October 2005.

17. Respondents did not pay J.C. within the agreed-upon time frame. Furthermore, after J.C. eventually received a check from Respondents for \$15,000, the check was returned for insufficient funds. J.C. eventually learned that the property securing his investment with Respondents was not owned solely by Gerhardt, nor was it valued at the amount suggested by Respondents.

18. To date J.C. has received no monies from Respondents in payment of his outstanding investment.

Other Investment Transactions

19. On information and belief, Respondents have offered and/or sold investments to other Maryland residents in a similar manner as that recounted above as to C.P. and J.C.

No Filings With The Securities Division

20. The Securities Division's records reflect that there is no record of any securities

registration, or claim of exemption or status as federal-covered securities issued under the name “William Gerhardt” or “Kitchen Concepts.” The records of the Division further reflect that there is no record of any issuer agent registration for “William Gerhardt.”

II. CONCLUSIONS OF LAW

The Securities Commissioner concludes that:

21. Respondents have engaged in violations of Sections 11-301(1), (2) and (3) (fraud in the offer and sale of securities) and Section 11-501 of the Securities Act (offer and sale of unregistered, non-exempt securities that are not federal-covered securities).

22. Respondent Gerhardt has engaged in a violation of Section 11-401 of the Securities Act (unregistered agent)

III. SANCTIONS

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

23. Respondents permanently cease and desist from engaging in the offer and sale of unregistered, non-exempt securities in violation of Section 11-501 of the Securities Act.

24. Respondent Gerhardt permanently cease and desist from acting as an unregistered agent in Maryland in violation of Section 11-401 of the Act.

25. Respondents permanently cease and desist from engaging in fraud in the offer and sale of securities violation of Section 11-301(1), (2) and (3) of the Securities Act.

26. Respondents are permanently barred from the securities and investment advisory

business in Maryland.

27. Respondents are assessed a civil monetary penalty, pursuant to Section 11-701.1 of the Securities Act, in the amount of \$50,000, payable by certified check to the order of the Office of the Attorney General, to be offset by any amounts paid as restitution to investors referred to in the Summary Order (“C.P.” and “J.C.”).

IV. JURISDICTION RETAINED

28. Jurisdiction is retained by the Securities 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 Consent Order.

V. APPEAL RIGHTS

29. 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 Securities Division.

SO ORDERED:

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

DATED: October 31, 2011

Melanie Senter Lubin
Securities Commissioner