

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

IN THE MATTER OF:

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The Endowment TEI Fund, L.P.

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Docket No. 2010-0301

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Respondent.

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CONSENT ORDER

WHEREAS, the Division of Securities of the Office of the Maryland Attorney General (the "Division"), pursuant to the authority granted in § 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2007 Repl. Vol. & Supp. 2010) (the "Act"), undertook an investigation with regard to possible violations of the Act by The Endowment TEI Fund, L.P. ("TEI" or "Respondent" or "the Fund"), in connection with the offer and sale in and from Maryland of TEI securities; and

WHEREAS, based on the information presented by the Division, the Maryland Securities Commissioner (the "Commissioner") has determined that Respondent has engaged in acts or practices constituting violations of §§ 11-501 and 11-503.1 of the Act and the regulations promulgated under those sections of the Act; and

WHEREAS, in settlement of any proceeding that could be brought based upon Respondent's violations of §§ 11-501 and 11-503.1, the Commissioner has determined that it is in the public interest to accept this Consent Order; and

WHEREAS, the securities subject to this Consent Order are issued by an investment company (Respondent) that is registered under the Investment Company Act of 1940, and as federal covered securities are subject to exclusive federal registration pursuant to § 18(b)(2) of the Securities Act of 1933; and

WHEREAS, this Consent Order pertains to Maryland Blue Sky notice filing requirements of §§ 11-501 and 11-503.1 of the Act and regulations promulgated under those sections of the Act; and

WHEREAS, Respondent has agreed to the provisions set forth below.

NOW THEREFORE, without the holding of a hearing in this matter, and upon consent of the parties hereto,

IT IS HEREBY AGREED AND ORDERED:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to § 11-701.1 of the Act.
2. Respondent voluntarily waives any right to a hearing and appeal under the Act and the rules and regulations promulgated thereunder with respect to this Consent Order.
3. In the event that judicial intervention in this matter is sought by any party, Respondent consents to the jurisdiction of the Circuit Court for Baltimore City over any such proceeding and as to Respondent.

II. PARTIES

4. Melanie Senter Lubin is the Securities Commissioner for the State of Maryland.
5. Respondent, an investment company registered with the U.S. Securities & Exchange Commission under the federal Investment Company Act of 1940, offers its securities as investment company investments in Maryland.

III. FINDINGS OF FACT

The Commissioner finds the following facts:

6. Respondent operates an investment company business from its principal office in Houston, Texas.
7. For its offering, assigned Maryland File No. SM20060371, Respondent paid a \$500 filing fee and filed a Form NF for each of the years 2006, 2007 and 2008 and reported zero sales in each of those years.
8. Thereafter, on or about May 12, 2010, the Division notified Respondent that TEI's notice filing had expired in Maryland and that the issuer had failed to file Form NFs reporting 2009 sales and terminating the offering in Maryland.
9. In response to the Division's notification, Respondent informed the Division that it had filed a Form D notice during the previous year, which Respondent asserted served as the required notice to the Division concerning Respondent's sales of its securities in Maryland and, according to Respondent, should have supplanted the requirement to file its notice of termination of Maryland File No. SM20060371.
10. The Division's records show that the Division received the issuer's Form D filing on March 12, 2009 (Maryland File No. EX20090478), but that the Respondent withdrew the

notice filing before perfecting it.

11. Thereafter, pursuant to discussions with the Division, in an attempt to correct the failure to file required notices, on or about June 4, 2010, Respondent submitted to the Division a Form D together with its \$100 filing fee. The Division accepted the Form D filing as of June 4, 2010.

12. Further, because the issuer had determined that its prior method for calculating sales in Maryland was incorrect, also on June 4, 2010, Respondent submitted amended Form NF renewal notices with corrected sales reports for 2006, 2007, 2008 and 2009 disclosing gross sales without netting of exempt transactions in the amounts of \$6,007,539.85, \$14,895,615.55, \$54,080,868.06 and \$13,450,805.09, respectively.

13. After the Division notified Respondent that the Respondent was required to file a corrected termination notice, on October 27, 2010, Respondent submitted a Form NF notifying the Division of its termination of the fund and reporting sales in the amount of \$7,380,394.72 for the time period beginning January 1, 2010 and ending June 4, 2010, the date the Respondent submitted its Form D and \$100 filing fee, as requested by the Division.

14. Further, the Respondent submitted an untimely Form NF renewal notice on October 27, 2010 for the time period beginning January 1, 2009 and ending on December 31, 2009 in which the Respondent reported sales in the amount of \$16,184,677.35.

15. After further discussions between the Respondent and the issuer about whether total sales for 2009 amounted to \$13,450,805.09 or \$16,184,677.35, it was finally determined to be the latter, as the issuer determined the former sales figure to apply only if it had perfected its 2009 Form D filing.

16. The Commissioner has determined that Respondent may have violated § 11-303 of the Act by making or causing to be made false and misleading filings with the Commissioner.

IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

17. The shares offered and sold by Respondent constitute "securities" within the definition at § 11-101(r) of the Act.

18. Respondent failed to comply with §§ 11-501 and 11-503.1 of the Act by filing untimely Form NFs and reporting inaccurate sales information for the time periods from February 24, 2006 to December 31, 2009, and by failing to perfect and withdrawing its 2009 Form D filing.

V. CONSENT TO SANCTIONS

Respondent expressly agrees and consents, without admitting or denying any findings of fact or conclusions of law, and it is ordered that:

19. Respondent shall pay to the Division a civil monetary penalty pursuant to § 11-702 of the Act, in the amount of \$25,000, payable by check to the order of the Office of the Attorney General, which penalty has been submitted to and received by the Commissioner.

20. Respondent shall pay to the Division \$6,453.05, which represents back fees and interest due and owing from Respondent for filings that should have been made between December 31, 2006 and June 4, 2010.

21. Respondent shall cease and desist from offering or selling securities in violation of §§ 11-501 and 11-503.1 of the Act and the regulations promulgated under those sections of the Act.

22. Respondent shall in all future activities comply with the Securities Act.

23. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commissioner, or to which the Commissioner is a party, and without admitting or denying any of the Commissioner's findings of fact or conclusions of law herein, except as to the Commissioner's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Consent Order pursuant to § 11-701.1 of the Act, including imposition of administrative sanctions, as set forth above.

24. Further, this Consent Order: (a) is not intended to subject Respondent or its affiliates or any current or former officers, directors, trustees, agents, members, partners or employees of Respondent or Respondent's affiliates to any disqualifications, or form the basis of any disqualifications, contained in federal securities law, the rules and regulations of self-regulatory organizations or various states' (including D.C., Puerto Rico, Guam and the Virgin Islands) securities laws, including any disqualification from relying upon the registration exemptions or safe harbor provisions; (b) shall not disqualify Respondent or its affiliates or any current or former officers, directors, trustees, agents, members, partners or employees of Respondent and Respondent's affiliates from any business that they are otherwise qualified or licensed to perform; (c) does not constitute a finding that Respondent or its affiliates or any current or former officers, directors, trustees, agents, members, partners or employees of Respondent or Respondent's affiliates engaged in fraud, or serve as the basis for any future action to establish violation of federal laws, rules or regulations of self-regulatory organizations; (d) for any person or entity not a party to this Consent Order, does not limit or create any private rights or remedies against Respondent, limit or create liability of Respondent, or limit or create defenses of or for Respondent to any claims.

VI. CONSEQUENCES OF VIOLATION OF CONSENT ORDER

25. If Respondent fails to comply with any term of this Consent Order, the Commissioner may declare this Consent Order to be null and void. The Commissioner may then proceed with full administrative and/or judicial proceedings to enforce this Consent Order against Respondent, or to sanction Respondent for violating an order of the Commissioner, and may take any other action authorized under the Act or any other applicable law. In any such proceeding in which, after an opportunity for a hearing, the Commissioner or the court finds that Respondent has violated this Consent Order, the facts and the violations of the Act set forth and incorporated in this Consent Order shall be deemed admitted and may be introduced into evidence against Respondent.

VII. MODIFICATION OF TERMS OF THIS CONSENT ORDER

26. The terms of this Consent Order may only be modified by a subsequent order issued by the Commissioner.

VIII. JURISDICTION RETAINED

27. Jurisdiction shall be retained by the Commissioner for the purpose of enabling any party to this Consent Order to apply for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

The provisions of this Consent Order shall become binding when this Consent Order has been executed by each party and is issued by the Commissioner.

DATE OF THIS ORDER:

November 10, 2011

SO ORDERED:

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

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

THE ENDOWMENT TEI FUND, L.P.

By: _____ /S/ _____

Print name _____

Title: _____

On this ___ day of _____, 2011, personally appeared _____
_____ signer of the foregoing Consent Order, who did duly acknowledge to me that she/he
was authorized to execute the same on behalf of The Endowment TEI Fund, L.P., and
acknowledged the same to be her/his free act and deed.

Notary Public
My Commission Expires _____