

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3301 / October 18, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14591

In the Matter of

DONALD W. KLEIN,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Donald W. Klein (“Respondent” or “Klein”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.2 below, which are admitted, Respondent consent to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. From at least May 2009 through January 2010, Klein was the president and CEO of KCM Holdings Corporation, a Nevada corporation with a principle place of business in Frisco, Texas. From April 2008 until December 31, 2010, he was also associated with The KCM Trading Group, LLC, an investment adviser registered with the State of Texas.

2. On September 6, 2011, a permanent injunction was entered by consent against Klein, enjoining him from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Exchange Act Rule 10b-5, in the civil action entitled Securities and Exchange Commission v. Donald W. Klein, et al., Case Number 11-cv-61457, in the United States District Court for the Southern District of Florida.

3. The Commission's complaint alleged, among other things, that from at least May 2009 through January 2010, Klein engaged in a fraudulent stock scheme. Klein, through KCM, paid illegal kickbacks to a purported trustee of a pension fund to purchase restricted shares of company stock. Klein, through KCM, issued shares of stock to a middleman who made the introductions. A friend of the trustee helped arrange the deal. Unbeknownst to Klein, the corrupt fund trustee was a creation of the FBI, the friend was an undercover FBI agent, and the middleman was a cooperating witness. After completing the kickback scheme, Klein and the cooperating witness engaged in a market manipulation scheme. Klein made undisclosed payments to the cooperating witness' broker in exchange for his purchase of KCM stock on the open market. Unbeknownst to Klein, the broker was a creation of the FBI. Klein also issued strategically timed press releases to mask the fraud.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 203(f) of the Advisers Act, that Respondent be, and hereby is barred from association from any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order;

and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy
Secretary