

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 72257 / May 27, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15888

In the Matter of

DONALD R. FRENCH, JR.,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND NOTICE OF HEARING

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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Donald R. French, Jr. (“French” or “Respondent”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. From March 26, 2008 to November 30, 2011, French was the owner and principal of D3 Funds, L.P., a now-defunct Delaware limited partnership located in Boca Raton, Florida. French was not registered as a broker-dealer or associated with a registered broker-dealer during the relevant time. French, 26 years old, is currently imprisoned in Oakdale, Louisiana.

B. RESPONDENT’S CRIMINAL CONVICTION

2. On March 7, 2013, French pled guilty to one count of conspiracy to commit mail and wire fraud in violation of 18 U.S.C. § 1349 before the U.S. District Court for the Southern District of Florida. U.S. v. Donald French, Case No. 12-80212-cr-RYSKAMP/HOPKINS (S.D. Fla.). On June 27, 2013, a judgment in the criminal case was entered against French. French was sentenced to 121 months in prison and 5 years of supervised release. French was ordered to pay restitution in the amount of \$9.1 million.

3. The count of the criminal information to which French pled guilty alleged, inter alia, that between March 26, 2008 and November 30, 2011, French induced at least 50 individuals into an investment scheme in the name of D3 Funds that raised over \$10 million for purported investment in foreign currency, emeralds, and a solar energy project in Italy. As alleged in French's negotiated plea agreement, French solicited investors by telling them they would earn annual returns ranging from 15% to 50% in the D3 investment program and that their investments would be guaranteed against loss. As further alleged in the negotiated plea agreement, French caused the creation of a prospectus for D3 Funds, which was given to potential investors. The prospectus falsely stated that French had extensive experience and expertise in financial consulting and that D3 Funds' investment management fee would not exceed 2% of the total investment. French opened a single bank account in the name of D3 Funds, into which he directed investor funds. He generated fraudulent web-based monthly account statements falsely reflecting large investment profits. French only used a small percentage of investor funds for actual investment in a foreign currency exchange. Instead, he misappropriated investor funds from the purported investment account to pay his personal living expenses and casino gambling debts. Investors who requested a return of their investment principal unknowingly received Ponzi payments from the D3 Funds bank account.

4. French acted as an unregistered broker in connection with the D3 Funds investment program. He regularly and routinely engaged in securities transactions by, among other conduct, soliciting at least 50 investors nationwide to invest in the D3 Funds program. Finally, French used investor funds for the personal expenditures.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent French an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent French pursuant to Section 15(b) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent French shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent French fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f), and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondent French personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Jill M. Peterson
Assistant Secretary