UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 62390 / June 28, 2010

INVESTMENT ADVISERS ACT OF 1940
Release No. 3042 / June 28, 2010

INVESTMENT COMPANY ACT OF 1940
Release No. 29334 / June 28, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-13951

In the Matter of

DAVID D. HEPWORTH,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, and SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act"), and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against David D. Hepworth ("Hepworth" or "Respondent").

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, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities

Exchange Act of 1934, Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings involve the misappropriation of approximately $650,000 in investor funds by Hepworth, the former Chief Compliance Officer of Interfund Capital Corp. ("Interfund"), a Commission-registered investment adviser located in Ketchum, Idaho. From August 2007 to May 2009, Hepworth misappropriated money from investors in a private fund that Interfund managed in order to pay personal and business expenses. During this period, Interfund, aided and abetted by Hepworth, failed to maintain proper custody of client funds and securities.

Respondent

2. **David D. Hepworth**, age 52, is a resident of Swampscott, Massachusetts. Hepworth was Interfund's Chief Compliance Officer and was in charge of its day-to-day activities, including providing investment advisory services to a private pooled investment vehicle that it managed (the "Fund"). Through Interfund, Hepworth was compensated for these services, and was therefore an investment adviser under Section 202(a)(11) of the Advisers Act. He was never registered in any capacity with any state or with the Commission. Interfund terminated Hepworth's employment in July 2009.

Other Relevant Entity

3. **Interfund Capital Corp.**, a Delaware corporation based in Ketchum, Idaho, registered with the Commission as an investment adviser in June 2008. During the time it operated, Hepworth's spouse served as Interfund's President. Interfund ceased operations in July 2009, withdrew its investment adviser registration with the Commission in November 2009, and subsequently dissolved. While it was registered with the Commission, Interfund had approximately $30 million in assets under management. From September 2003 to July 2009, Interfund provided investment advisory services to the Fund, which raised approximately $6.3 million from 13 investors. The Fund has since liquidated.

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Facts and Violations

4. In 2003, Hepworth and Interfund's President formed the Fund to manage investments for a small number of friends. In addition to providing investment advice to the Fund, Hepworth was in charge of the daily administration of Interfund and the Fund, supervising their bookkeeper and interacting with broker-dealers. Both Hepworth and Interfund's President had signatory authority over the Fund's bank and brokerage accounts.

5. In mid 2007, Interfund began to expand its business and hired additional employees. As payroll and other expenses grew, Hepworth took a total of approximately $376,000 in Fund assets on three separate occasions and used them to pay Interfund and personal expenses. On at least one of these occasions, the funds came from the proceeds of the sale of securities owned by the Fund. The use of Fund assets to pay for Interfund and personal expenses was contrary to the Fund's limited partnership agreement and private placement memorandum.

6. In addition to diverting Fund assets for Interfund's and his personal use, Hepworth misused Fund assets to over-pay two investors who requested redemptions in August 2007 and January 2009. Instead of admitting to the investors how poorly the Fund had performed, Hepworth caused the Fund to pay the investors a total of approximately $274,000 more than was in their capital accounts at the time. Hepworth instructed the Fund's bookkeeper to deduct the overpayments from the capital accounts of his family members who were also Fund investors. Although Hepworth had signatory authority over some of these family accounts, he did not have signatory authority over others.

7. Hepworth's conduct went undiscovered in part because the Fund stopped providing account statements to Fund investors for a period of time beginning in 2007. Furthermore, the Fund's financial statements were only audited and distributed to investors in 2004, after its first year of operation. At no time did Fund investors receive account statements showing the Fund's securities and cash positions and transactions.

8. In July 2009, Hepworth disclosed his actions to Interfund's President. Interfund terminated Hepworth's employment and reported Hepworth's conduct to the Commission's staff. Hepworth and Interfund's President then borrowed money to reimburse investors for nearly all of their losses.

9. As a result of the conduct described above, Hepworth willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

10. As a result of the conduct described above, Hepworth willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

11. As a result of the conduct described above, Hepworth willfully aided and abetted and caused Interfund's violations of Section 206(4) of the Advisers Act, which prohibits investment advisers from engaging in acts, practices or courses of business which are fraudulent, deceptive or manipulative, as defined by rules and regulations thereunder, and Rule 206(4)-2 thereunder, which requires that an investment adviser maintain each client's funds in bank accounts containing only those client funds, notify its clients about the place and manner in which their funds are maintained, and have client funds and securities verified by an independent public accountant at least once a year without prior notice to the investment adviser.

Civil Penalty

12. Hepworth has submitted a sworn Statement of Financial Condition dated January 10, 2010 and other evidence and has asserted his inability to pay a civil penalty.

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, pursuant to Section 21C of the Exchange Act, Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Hepworth cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-2 promulgated thereunder;

B. Respondent Hepworth be, and hereby is barred from association with any investment adviser, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;

C. 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 him, 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;

D. Based upon Respondent's sworn representations in his Statement of Financial Condition dated January 10, 2010 and other documents submitted to the Commission, the Commission is not imposing a penalty against him; and

E. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of a penalty should not be ordered; (3) contest the imposition of the maximum penalty allowable under the law; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant To Section 21C of the Securities Exchange Act of 1934, Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), on the Respondent and his legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray
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