

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

INVESTMENT ADVISERS ACT OF 1940  
Release No. 2954/November 24, 2009

ADMINISTRATIVE PROCEEDING  
File No. 3-13615

---

In the Matter of	:	
	:	ORDER MAKING FINDINGS
KHF ADVISORS, LLC	:	AND IMPOSING SANCTION
	:	BY DEFAULT

---

**SUMMARY**

This Order revokes the investment adviser registration of KHF Advisors, LLC (KHF), which is controlled by Knox H. Fuqua (Fuqua). KHF and Fuqua were previously enjoined against violating the antifraud provisions of the federal securities laws based on their misappropriating client funds and other misconduct in their investment advisory business.

**I. BACKGROUND**

The Securities and Exchange Commission (Commission) issued its Order Instituting Proceedings (OIP) against KHF on September 15, 2009, pursuant to Section 203(e) of the Investment Advisers Act of 1940 (Advisers Act). The OIP alleges that KHF is a Commission-registered investment adviser controlled by Fuqua and that it and Fuqua have been enjoined against violating the antifraud provisions of the federal securities laws based on their misappropriating client funds and other misconduct in their investment advisory business. KHF was served with the OIP on October 29, 2009.<sup>1</sup> It failed to file an Answer, due twenty days after service of the OIP. See 17 C.F.R. § 201.220(b); OIP at 2. A respondent that fails to file an Answer to the OIP may be deemed to be in default, and the administrative law judge may determine the proceeding against him.<sup>2</sup> See 17 C.F.R. §§ 201.155(a), .220(f); OIP at 2-3. Thus, KHF is in default, and the undersigned finds the following allegations in the OIP are true.

---

<sup>1</sup> KHF was served with the OIP by USPS Express Mail attempted delivery at “the most recent business address shown on [its] registration form.” 17 C.F.R. § 201.141(a)(2)(iii).

<sup>2</sup> KHF was advised that, if it failed to file an Answer to the OIP within the time provided by law, the undersigned would enter an order revoking its registration as an investment adviser. See KHF Advisors, LLC, Admin. Proc. No. 3-13615 (A.L.J. Oct. 30, 2009) (unpublished).

## II. FINDINGS OF FACT

KHF is a Commission-registered investment adviser created and controlled by Fuqua, of Charleston, West Virginia. KHF and Fuqua are permanently enjoined from violating the antifraud provisions of the federal securities laws – Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act. SEC v. Fuqua, No. 2:06-cv-0666 (S.D. W.Va. Aug. 14, 2009). The wrongdoing that underlies the injunction included misappropriating client funds, materially misrepresenting the nature and risk of investments made on behalf of clients, and investing client funds in a manner contrary to client instructions. Clients gave Fuqua and KHF discretionary authority over their money, with the caveat that the money not be invested in high risk investments. Instead of investing clients’ funds according to their instructions, KHF and Fuqua used the funds to pay business expenses and personal expenses of Fuqua and to repay money misappropriated from other investors.

## III. CONCLUSIONS OF LAW

KHF is permanently enjoined “from engaging in or continuing any conduct or practice in connection . . . with the purchase or sale of any security” within the meaning of Section 203(e)(4) of the Advisers Act and “has willfully violated [provisions] of the Securities Act of 1933, the Securities Exchange Act of 1934, [and the Advisers Act]” within the meaning of Section 203(e)(5) of the Advisers Act.

## IV. SANCTION

KHF’s registration as an investment adviser will be revoked. This sanction will serve the public interest and the protection of investors, pursuant to Section 203(e) of the Advisers Act. It accords with Commission precedent and the sanction considerations set forth in Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), aff’d on other grounds, 450 U.S. 91 (1981). Its unlawful conduct was an egregious breach of its fiduciary duties to advisory clients necessitating the revocation of its registration as an investment adviser.

## V. ORDER

IT IS ORDERED that, pursuant to Section 203(e) of the Investment Advisers Act of 1940, the investment adviser registration of KHF ADVISORS, LLC, IS REVOKED.

---

Carol Fox Foelak  
Administrative Law Judge