

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 5038 / September 19, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18789

In the Matter of

**Karen Bruton, CPA and
Hope Advisors, LLC,**

Respondents.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(e) AND (f) OF
THE INVESTMENT ADVISERS ACT OF
1940 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 Sections 203(e) and (f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Karen Bruton (“Bruton”) and Hope Advisors, LLC (“Hope”) (collectively “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENTS

1. Hope Advisors, LLC (SEC # 801-78293) is a Tennessee limited liability company formed in March 2011, and serves as a commodity pool operator (“CPO”) and trading manager. Hope is wholly owned by Karen Bruton, and is the investment adviser to the Hope Investments, LLC Fund (“HI Fund”). Beginning in 2013, Hope was a Commission-registered investment adviser, but Hope de-registered in 2017. Hope is registered with the U.S. Commodity Futures Trading Commission (“CFTC”) as a CPO and became a member of the National Futures Association (“NFA”) in such capacity in January 2013. On April 15, 2015, based upon the findings of an audit by the NFA, the CFTC entered an order against Hope finding violations of Section 4m(1) of the Commodity Exchange Act (requiring commodity pool operators to register) and Regulation 4.22(d) thereunder (requiring commodity pool operators to disclose both realized and unrealized gains and losses to pool participants).

2. Karen Bruton, age 69, is the owner of Hope and resides in Brentwood, Tennessee. Bruton is registered with the CFTC as an associated person of Hope and with the NFA as an associate and principal of Hope, an NFA member. She has an inactive CPA license from Tennessee.

B. CIVIL INJUNCTION

2. On September 14, 2018, the U.S. District Court for the Northern District of Georgia entered a final judgment against Bruton and Hope, permanently enjoining them from future violations, direct or indirect, of Sections 206(1), (2) and (4) of the Investment Advisers Act of 1940 and Rule 206(4)-8 thereunder. Securities and Exchange Commission v. Bruton, et al., Civil Action Number 1:16-cv-01752 (N.D. Ga.)

3. The Commission's amended complaint alleged that Bruton and Hope perpetrated a scheme to charge unearned fees to the HI Fund. Specifically, the HI Fund employed a "high-water-mark" fee structure pursuant to which Hope was not entitled to a fee unless the fund's "realized" gains exceeded any accumulated "realized" losses. Unrealized gains and losses (*i.e.*, those attributable to open trading positions at a month's end) were not included in the fee calculation. The amended complaint alleges that from at least November 2014 until the Commission filed its initial complaint in 2016, Bruton directed Hope and its employees to engage in a continuous pattern of trading for the purpose of realizing a sufficiently large gain in the current month in order to guarantee that accumulated realized losses for that month would be wiped out until the following month. These trades did not simply delay realization of trading losses, however; according to the amended complaint, Bruton also intentionally sized these trades such that the HI Fund realized a profit every month, thus allowing Hope to circumvent the high-water-mark structure and collect a fee.

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 Respondents an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 203(f) of the Advisers 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 by further order of the Commission, pursuant to Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents 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(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

IT IS FURTHER ORDERED that the Division of Enforcement and Respondents shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If either Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, Respondent may be deemed in default and the proceedings may be determined against them 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 Respondents as provided for in the Commission's Rules of Practice.

Attention is called to Rule 151(b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed with the Office of the Secretary and all motions, objections, or applications will be decided by the Commission. The Commission requests that an electronic courtesy copy of each filing should be emailed to APfilings@sec.gov in PDF text-searchable format. Any exhibits should be sent as separate attachments, not a combined PDF.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission, and that any dispositive motion shall be filed under Rule 250(a) or (b).

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of

a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) the completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) the completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) the determination that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155, and no public hearing is necessary.

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.

Brent J. Fields
Secretary