

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 2924 / September 15, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13615

In the Matter of

KHF ADVISORS, LLC,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
203(e) 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 Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. KHF Advisors, LLC (“KHF Advisors”), created in July of 2003 as a limited liability company under the laws of West Virginia, is a Commission-registered investment adviser that is delinquent in its filings. Respondent was created, controlled and solely operated by Knox H. Fuqua (“Fuqua”) of Charleston, West Virginia. KHF Advisors managed money for individuals and small business entities. KHF Advisors was terminated as a limited liability company in August of 2006 according to the West Virginia Secretary of State.

B. ENTRY OF THE INJUNCTION

2. On August 14, 2009, a default judgment was entered against KHF Advisors, permanently enjoining it from future violations of Sections 17(a) of the Securities Act of 1933

("Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 ("Advisers Act"), in the civil action entitled Securities and Exchange Commission v. Knox H. Fuqua and KHF Advisors, LLC, Civil Action Number 2:06-cv-0666, in the United States District Court for the Southern District of West Virginia.

3. The Commission's complaint alleged that, from at least January 2003 until late 2005, among other things, Fuqua and KHF Advisors were fiduciaries of their investment advisory clients. As such, they owed their clients a duty of honesty, undivided loyalty, fair-dealing and full disclosure. The complaint further alleged that Fuqua and KHF Advisors breached their fiduciary duties by: (1) misappropriating client funds, (2) materially misrepresenting the nature and risk of the investments made on behalf of the clients, and (3) investing client funds in a manner contrary to client instructions. Clients gave Fuqua and KHF Advisors discretionary authority over their money, with the caveat that the money not be invested in high-risk investments. Instead of investing the clients' funds according to their instructions, KHF Advisors and Fuqua used the funds to pay business expenses and personal expenses of Fuqua, and to repay money misappropriated from other investors.

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. are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(e) 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, 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 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 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 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.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy
Secretary