

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 84198 / September 19, 2018

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3973 / September 19, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18790

In the Matter of

Karen Bruton, CPA

Respondent.

ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS AND
IMPOSING TEMPORARY SUSPENSION
PURSUANT TO RULE 102(e)(3) OF THE
COMMISSION'S RULES OF PRACTICE

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 Rule 102(e)(3)¹ of the Commission's Rules of Practice against Karen Bruton ("Respondent" or "Bruton").

II.

The Commission finds that:

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

A. RESPONDENT

1. Karen Bruton, age 69, is the owner of Hope Advisors, LLC (“Hope”) and resides in Brentwood, Tennessee. Bruton is registered with the U.S. Commodity Futures Trading Commission (“CFTC”) as an associated person of Hope, a registered commodity pool operator (“CPO”), and with the National Futures Association (“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, permanently enjoining her 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 the investment adviser that she owned and controlled, Hope Advisors, LLC, perpetrated a scheme to charge unearned fees to a fund they managed. Specifically, the 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 fund realized a profit every month, thus allowing Hope to circumvent the high-water-mark structure and collect a fee.

III.

Based upon the foregoing, the Commission finds that a court of competent jurisdiction has permanently enjoined Bruton, a CPA, from violating the Federal securities laws within the meaning of Rule 102(e)(3)(i)(A) of the Commission’s Rules of Practice. In view of these findings, the Commission deems it appropriate and in the public interest that Bruton be temporarily suspended from appearing or practicing before the Commission.

IT IS HEREBY ORDERED that Bruton be, and hereby is, temporarily suspended from appearing or practicing before the Commission. This Order shall be effective upon service on the Respondent.

IT IS FURTHER ORDERED that Bruton may within thirty days after service of this Order

file a petition with the Commission to lift the temporary suspension. If the Commission within thirty days after service of the Order receives no petition, the suspension shall become permanent pursuant to Rule 102(e)(3)(ii).

If a petition is received within thirty days after service of this Order, the Commission shall, within thirty days after the filing of the petition, either lift the temporary suspension, or set the matter down for hearing at a time and place to be designated by the Commission, or both. If a hearing is ordered, following the hearing, the Commission may lift the suspension, censure the petitioner, or disqualify the petitioner from appearing or practicing before the Commission for a period of time, or permanently, pursuant to Rule 102(e)(3)(iii).

This Order shall be served upon Bruton as provided for in the Commission's Rules of Practice.

By the Commission.

Brent J. Fields
Secretary