

KFX INC  
Form 4  
December 02, 2004

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
WESTCLIFF CAPITAL  
MANAGEMENT LLC/CA

(Last) (First) (Middle)

200 SEVENTH AVENUE, SUITE  
105

(Street)

SANTA CRUZ, CA 95062

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
KFX INC [KFX]

3. Date of Earliest Transaction  
(Month/Day/Year)

12/01/2004

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_X\_\_\_ 10% Owner  
\_\_\_ Officer (give title below) \_\_\_ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)

\_\_\_ Form filed by One Reporting Person  
\_X\_ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		
Common Stock					2,950,500 <sup>(1)</sup> <u>(2) (3) (4) (5)</u>	I	By managed account <sup>(1)</sup> <u>(2) (3) (4) (5)</u>

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
Warrants to Purchase Common Stock	\$ 2.75					06/21/2002 06/21/2010	Common Stock 7,288,750
							(1) (2) (3) (4) (5)

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WESTCLIFF CAPITAL MANAGEMENT LLC/CA 200 SEVENTH AVENUE, SUITE 105 SANTA CRUZ, CA 95062		X		
SPENCER RICHARD S III 200 SEVENTH AVENUE, SUITE 105 SANTA CRUZ, CA 95062	X	X		

## Signatures

Westcliff Capital Management, LLC, by Richard S. Spencer III, Manager and Majority Member	12/02/2004
**Signature of Reporting Person	Date
Richard S. Spencer III	12/02/2004
**Signature of Reporting Person	Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
  - \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- The reporting persons ("Reporting Persons") are Westcliff Capital Management, LLC, an investment adviser ("WCM") and Richard S. Spencer III ("Spencer"), a manager and the majority member of WCM. Each Reporting Person disclaims membership in a group with any non-reporting person within the meaning of Rule 13d-5(b)(i) and Rule 16a-1(a)(1) under the Exchange Act.
- (1) This amount includes securities owned directly in various accounts managed by WCM. These include investment limited partnerships of which WCM is the general partner and investment adviser and separately managed accounts in which neither WCM nor Spencer has any ownership or other economic interest other than entitlement to investment advisory compensation. Spencer and WCM disclaim beneficial ownership of any securities except to the extent of their respective pecuniary interests.
  - (2)

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- This is a voluntary filing. As of December 1, 2004, certain securities were transferred from one account managed by WCM to other
- (3) accounts managed by WCM. This event did not result in any change in WCM's or Spencer's pecuniary interest in any securities reflected in the Tables.

Some accounts pay WCM performance-based compensation; others pay only asset-based compensation. WCM may, in the future, become entitled to performance-based compensation from one or more of the accounts that currently pay only asset-based compensation.

- (4) WCM and Spencer specifically disclaim any beneficial interest in securities held by accounts that do not pay performance-based compensation and in securities held by accounts that do pay performance-based compensation except to the extent WCM receives such compensation under circumstances in which that receipt does not qualify for the exclusion in Rule 16a-1(a)(2)(ii)(C)(1) and (2).

WCM has the right to designate two persons ("WCM Nominees") for appointment to the Issuer's board of directors in certain circumstances. Spencer has been so appointed. WCM Nominees so appointed will serve until the next stockholders meeting at which their terms expire. Thereafter, the Issuer will nominate WCM Nominees for election and recommend voting for those nominees. WCM

(5) Nominees that are elected to the board are to be appointed to the board's executive committee. These rights terminate immediately when WCM and its affiliates hold less than 400,000 shares of the Issuer's common stock. These rights could cause WCM and Spencer to be deemed insiders of the Issuer without regard to their ownership of Issuer's common stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.