

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
June 15, 2004

ADMINISTRATIVE PROCEEDING

File No. 3-11519

In the Matter of

IAN L. RENERT,

Respondent.

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**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS AND NOTICE OF HEARING
PURSUANT TO SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940**

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(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Ian L. Renert (“Renert” or “Respondent”).

II.

As a result of an investigation, the Division of Enforcement alleges that:

A. Background

1. Renert, age 41, formerly resided in Wilton, Connecticut. He is the founder and control person of Hawthorne Sterling & Co. (“Hawthorne”).

2. Hawthorne, now defunct, was a Delaware corporation formed by Renert in 1996 with its principal place of business at Renert’s home in Wilton, Connecticut. At all relevant times, Hawthorne was an unregistered investment adviser and Renert was an associated person of Hawthorne.

B. Permanent Injunction Entered Against Renert

3. On June 6, 2001, the Commission filed a complaint against Respondent in the United States District Court for the District of Connecticut, based on alleged violations of certain provisions of the federal securities laws in a civil action entitled SEC v. Ian L. Renert et al., Civil Action No.3:01cv1027 (PCD). The complaint alleged that from at least June 1997 through June 2000, Renert, the owner and control person of Hawthorne, an unregistered investment adviser, was the architect of a \$22 million fraudulent offering of interests in unregistered offshore mutual funds. The complaint further alleged that Renert and Hawthorne induced more than 700

investors in 49 states and more than 100 investors overseas to purchase interests in 30 entities known as the Hawthorne Sterling Family of Funds. According to the complaint, Renert and Hawthorne misrepresented via the Internet, offshore seminars and a network of sales agents that the funds would invest in bank debentures, which in this case were fictitious prime bank instruments. The complaint also alleged that Renert and Hawthorne failed to disclose that Renert used fund assets to engage in day trading in internet stocks, losing at least \$2.2 million, and to fund a mortgage on one of Renert's homes. Renert was served with the complaint and filed an answer on September 10, 2001. On October 7, 2003, after substantial discovery had been conducted, Renert withdrew his answer and default was entered against him by the court clerk on October 17, 2003.

4. On April 14, 2004, the United States District Court for the District of Connecticut entered a Final Judgment of Permanent Injunction, Disgorgement and Other Relief against Renert (i) permanently enjoining Renert from, directly or indirectly, violating Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, Sections 206(1) and 206(2) of the Advisers Act, and Section 7(d) of the Investment Company Act of 1940; (ii) ordering Renert to pay disgorgement of \$717,276 (representing profits gained as a result of conduct alleged in the complaint) plus prejudgment interest of \$117,264, for a total disgorgement of \$834,540; and (iii) ordering Renert to pay a civil penalty of \$250,000.

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 pursuant to Section 203(f) of the Advisers Act 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 and in the public interest 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 and before an Administrative Law Judge to be designated by further order as provided by Rule 200 of the Commission's Rules of Practice, 17 C.F.R. § 201.200.

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), 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 proceedings 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.

Jonathan G. Katz
Secretary