

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER

DON A. RASCHKE
DEPUTY SECURITIES COMMISSIONER

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Texas State Securities Board

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IN THE MATTER OF
THE INVESTMENT ADVISER
REGISTRATION OF HAWTHORN
FINANCIAL ADVISORS, INC. AND
THE INVESTMENT ADVISER
REPRESENTATIVE REGISTRATION
OF HUBERT FRANKLIN HAWTHORN, JR.

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Order No. IC05-CAF-10

TO: Hubert Franklin Hawthorn, Jr., President
Hawthorn Financial Advisors, Inc. (IARD No. 114162)
2121 Sage Road, Suite 375
Houston, TX 77056

Hubert Franklin Hawthorn, Jr. (CRD No. 2574805)
Hawthorn Financial Advisors, Inc.
2121 Sage Road, Suite 375
Houston, TX 77056

DISCIPLINARY ORDER

Be it remembered that Hawthorn Financial Advisors, Inc. ("Respondent HFA"), by and through its President, Hubert Franklin Hawthorn, Jr., and Hubert Franklin Hawthorn, Jr. ("Respondent Hawthorn"), individually, (collectively "Respondents") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondents have waived (a) Respondents' right to notice and hearing in this matter; (b) Respondents' right to appear and present evidence in this matter; (c) Respondents' right to appeal this Order; and (d) all other procedural rights granted to Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2004-2005) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §2001.001 et seq. (Vernon 2000 & Supp. 2004-2005) ("Administrative Procedure Act").

2. From on or about December 3, 1997 to on or about December 31, 2002, Respondent HFA was registered with the Securities Commissioner as an investment adviser.
3. On or about July 8, 2003, Respondent HFA registered with the Securities Commissioner as an investment adviser, which is currently effective.
4. From on or about December 3, 1997 to on or about December 31, 2002, Respondent Hawthorn was registered with the Securities Commissioner as an investment adviser representative of Respondent HFA.
5. On or about July 8, 2003, Respondent Hawthorn registered with the Securities Commissioner as an investment adviser representative of Respondent HFA, which is currently effective.
6. From on or about January 1, 2003 to on or about July 7, 2003, Respondent Hawthorn, for compensation, and on behalf of Respondent HFA, rendered investment advice in Texas to the clients of Respondent HFA at a time when neither Respondent HFA nor Respondent Hawthorn were registered with the Securities Commissioner.
7. Section 12.B of the Texas Securities Act, prohibits rendering services as an investment adviser or investment adviser representative in Texas unless the person is registered under the Texas Securities Act, submits a notice filing as provided by Section 12-1 of the Texas Securities Act, or is otherwise exempt.
8. On or about December 3, 1997, Respondent HFA consented to the entry of Order No. CAF-1244 with the Securities Commissioner based on the fact that Respondent HFA had conducted business as an investment adviser at a time when Respondent HFA was not properly registered with the Securities Commissioner.

UNDERTAKING

Respondents undertake and agree to engage outside compliance specialist and/or legal counsel to monitor and report to Respondent, on an annual basis, Respondents' compliance with the registration requirements under the Texas Securities Act. This condition is automatically waived if Respondents maintain all necessary registrations with the Securities Commissioner for a period of two (2) years from the date of this Order.

CONCLUSIONS OF LAW

1. Respondent HFA advised others, for compensation, with respect to the value of securities and the advisability of investing in, purchasing, or selling securities, and therefore constituted an "investment adviser" as the term "investment adviser" is defined by Section 4.N of the Texas Securities Act.

2. Respondent Hawthorn, for compensation, provided investment advice to the clients of Respondent HFA and therefore constituted an "investment adviser representative" as the term "investment adviser representative" is defined by Section 4.P of the Texas Securities Act.
3. Respondent HFA violated Section 12.B of the Texas Securities Act by rendering services as an investment adviser in Texas at a time when Respondent HFA was not registered as an investment adviser with the Securities Commissioner.
4. Respondent Hawthorn violated Section 12.B of the Texas Securities Act by rendering services as an investment adviser representative in Texas for Respondent HFA at a time when Respondent Hawthorn was not registered as an investment adviser representative with the Securities Commissioner.
5. Pursuant to Section 14.A(6) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order reprimanding a registered investment adviser and a registered investment adviser representative.
6. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations constitute bases for the assessment of an administrative fine against an investment adviser and an investment adviser representative.

ORDER

1. It is therefore ORDERED that Hawthorn Financial Advisors, Inc. and Hubert Franklin Hawthorn, Jr. are hereby REPRIMANDED.
2. It is further ORDERED that Hawthorn Financial Advisors, Inc. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Two Thousand and Five Hundred Dollars (\$2,500.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Two Thousand and Five Hundred Dollars (\$2,500.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
3. It is further ORDERED that Hawthorn Financial Advisors, Inc. and Hubert Franklin Hawthorn, Jr. comply with the terms of the Undertaking contained herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 11th day of April, 2005.


DENISE VOIGT CRAWFORD
Securities Commissioner

Respondents:

Hawthorn Financial Advisors, Inc.


Hubert Franklin Hawthorn, Jr., President


Hubert Franklin Hawthorn, Jr., Individually

Approved as to Form:

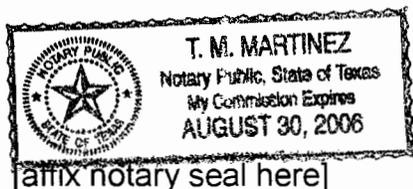

Benette L. Zivley
Director
Inspections and Compliance Division


Janet Mortenson
Attorney for Respondents

ACKNOWLEDGMENT

On the 6 day of April, 2005, Hawthorn Financial Advisors, Inc. ("Respondent HFA"), by and through its President, Hubert Franklin Hawthorn, Jr., personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Hubert Franklin Hawthorn, Jr. is duly authorized to enter into the foregoing Order on behalf of Respondent HFA;
2. Hubert Franklin Hawthorn, Jr. has read the foregoing Order;
3. Respondent HFA has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent HFA knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent HFA, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



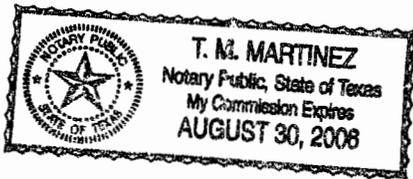
T.M. Martinez
Notary Public in and for
the State of TEXAS

My commission expires on: Aug. 30, 2006

ACKNOWLEDGMENT

On the 6 day of April, 2005, Hubert Franklin Hawthorn, Jr. ("Respondent Hawthorn") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent Hawthorn has read the foregoing Order;
2. Respondent Hawthorn has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Hawthorn knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
4. Respondent Hawthorn, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

T. M. Martinez

Notary Public in and for
the State of Texas

My commission expires on: Aug. 30, 2006