

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 64993 / July 29, 2011**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14294**

**In the Matter of**

**KENNETH R. PAYNE,**

**Respondent.**

**ORDER MAKING FINDINGS AND  
IMPOSING REMEDIAL SANCTIONS**

**I.**

On March 11, 2011, the Securities and Exchange Commission (“Commission”) instituted public administrative proceedings pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Kenneth R. Payne (“Payne” or “Respondent”).

**II.**

In response to the institution of these administrative proceedings, Respondent has submitted an offer of settlement (“Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.D. below, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions (“Order”).

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

A. From 1991 until August 2000, Payne was the president and owner of now-defunct Heartland Financial Services, Inc. ("Heartland"), an unregistered entity that held itself out as a broker-dealer and insurance and estate-planning firm. Payne participated in the investment decisions for Heartland, including making recommendations to investors on their stock purchases through Heartland. Payne was also a registered representative of Jonathan Roberts Financial Group, Inc., a broker-dealer which was then registered with the Commission.

B. On August 10, 2000, the Commission filed a Complaint in the United States District Court for the Southern District of Indiana ("Court"), captioned *Securities and Exchange Commission v. Payne, et al.*, Case No. 1:00-cv-01265, naming Payne, among others, as a defendant.

C. The Complaint alleged that Payne, in connection with the sale of securities, misused and misappropriated investor funds, commingled investors' funds in a common bank account and caused investors to be sent false trade confirmations and monthly statements purporting to verify the nature and amount of their investments. The Complaint alleged that Payne violated Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act"); Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder; and aided and abetted Heartland's and JMS' violations of Sections 15(a)(1) and 15(c)(1) of the Exchange Act, and Rule 15c1-2 promulgated thereunder.

D. On December 23, 2010, the Court entered summary judgment as to liability against Payne. On February 18, 2011, the District Court entered an order permanently enjoining Payne from future violations of Sections 5(a), 5(c), 17(a) of the Securities Act, as well as Sections 10(b), 15(a)(1) and 15(c)(1) of the Exchange Act, and Rules 10b-5 and 15c1-2 promulgated thereunder.

E. In the December 23, 2010 ruling, in which the Court found in favor of the Commission as to the Commission's claims that Payne violated the anti-fraud and registration provisions of the federal securities laws, the Court noted Payne was precluded from contesting his liability for violations of Section 17(a) of the Securities Act and Sections 10(b), 15(a)(1) and 15(c)(1) of the Exchange Act and Rules 10b-5 and 15c1-2 thereunder, based on his prior conviction for the same conduct. The Court also found that the evidence was undisputed that Payne violated Section 5 of the Securities Act.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act that Respondent be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy  
Secretary