

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
July 30, 2007

ADMINISTRATIVE PROCEEDINGS
File No. 3-12716

In the Matter of

GARY M. KORNMAN,

Respondent.

**CORRECTED ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
AND NOTICE OF HEARING**

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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Gary M. Kornman (“Respondent”).

II.

After investigation, the Division of Enforcement alleges that:

A. From May 1992 to October 2006, Kornman owned Heritage Securities Corporation, a registered broker-dealer. In addition, Kornman individually held Series 6 and 63 securities licenses and was a registered representative of Heritage Securities Corporation. He also controlled a limited liability company that served as an investment adviser to two Kornman-controlled hedge funds. Kornman, 63 years old, is a resident of Dallas, Texas.

B. On April 9, 2007, Kornman pled guilty to one count of making a false statement to the SEC in connection with its investigation into his trades in MiniMed common stock, in violation of Title 18 United States Code, Section 1001. Kornman entered his guilty plea before the United States District Court for the Northern District of Texas, in United States v. Gary M. Kornman,

Crim. No. 3:05-CR-0298-P. On July 11, 2007, a judgment of conviction in the criminal case was entered against Kornman. He was sentenced to two years of supervised probation and ordered to pay \$143,465.

C. The criminal count to which Kornman pled guilty alleged that Kornman stated falsely to the SEC that he did not know who possessed trading authority over the brokerage account for a hedge fund through which he conducted trading in MiniMed stock in February 2001. In the factual resume accompanying the plea agreement, Kornman admitted that: the statement was false; he knew that he personally possessed trading authority over the brokerage account; he made the statement intentionally, knowing that it was both false and material to the SEC's investigation; and he made the false and material statement for the purpose of misleading the SEC in its investigation into his MiniMed trading activity.

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 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;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act; and

C. What, if any, remedial action is appropriate in the public interest against Respondent 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 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

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), 201.221(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 proceeding 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.

For the Commission, by its Secretary, pursuant to delegated authority.

Nancy M. Morris
Secretary