

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 64831 / July 7, 2011**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14455**

**In the Matter of**

**JAMES L. HERTZ,**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE PROCEEDINGS  
PURSUANT TO SECTIONS 15(b) AND  
15B(c) OF THE SECURITIES  
EXCHANGE ACT OF 1934, MAKING  
FINDINGS, AND IMPOSING REMEDIAL  
SANCTIONS**

**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 Sections 15(b) and 15B(c) of the Securities Exchange Act of 1934 (“Exchange Act”) against James L. Hertz (“Hertz” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “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.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Sections 15(b) and 15B(c) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

**III.**

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

1. Hertz, from 1994 through December 2007, was an employee of J.P. Morgan Securities Inc. (“JPMSI”), a Delaware corporation with its principal place of business in New York,

New York. JPMSI has been registered with the Commission, pursuant to Section 15(b) of the Exchange Act, as a broker-dealer since 1986, and is also, pursuant to Section 15B(a) of the Exchange Act, a registered municipal securities dealer. During the relevant time period, Hertz worked in JPMSI's municipal derivatives group, in New York City, as a vice president and marketer of investment agreements and other municipal finance contracts. In that capacity, Hertz was authorized to act as an agent for J.P. Morgan Chase, N.A. ("JPMC Bank"), in marketing investment agreements and other municipal finance contracts. JPMC Bank is a federally-chartered bank, whose primary regulator is the Office of the Comptroller of the Currency. Hertz, age 53, is a resident of Cranford, New Jersey.

2. On November 30, 2010, in United States v. James L. Hertz, Criminal No. 10-cr-1178, Hertz pled guilty to two counts of conspiracy in violation of 15 U.S.C. § 1 and 18 U.S.C. § 371, respectively, and to one count of wire fraud in violation of 18 U.S.C. § 1343 before a United States Magistrate Judge in the United States District Court for the Southern District of New York; his plea allocution was subsequently accepted by the District Court on December 6, 2010. Hertz is currently scheduled to be sentenced on September 16, 2011.

3. The criminal information to which Hertz pled guilty charged, among other things, that Hertz engaged in fraudulent misconduct in connection with the competitive bidding process for the selection of the firms to provide instruments in which municipal issuers, in accordance with federal tax laws and regulations, temporarily invested the proceeds of tax-exempt municipal bonds. More specifically, the information charged that, from as early as October 2001 until at least November 2006, Hertz conspired to allocate and rig bids for investment agreements or other municipal finance contracts, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1. The information further charged that, from as early as 1998 until at least November 2006, Hertz, in violation of 18 U.S.C. § 371, conspired to defraud the United States and an agency thereof, the Internal Revenue Service of the United States Department of Treasury ("IRS"), by impeding, impairing, obstructing, and defeating the lawful government functions of the IRS in the ascertainment, computation, assessment, and collection of revenue due and owing from municipal issuers and in exercising its responsibilities to monitor compliance with Treasury regulations related to tax-exempt municipal bonds. In addition, the information charged that, as a part and an object of the latter conspiracy, Hertz and other persons devised a scheme and artifice to defraud municipal issuers that used a certain unnamed broker and to obtain money and property from these municipal issuers by means of false and fraudulent pretenses, representations and promises, namely a scheme to deprive municipal issuers of money by causing them to award investment agreements and other municipal finance contracts brokered by the unnamed broker at artificially determined or suppressed rates, and to deprive municipal issuers that used the unnamed broker of the property right to control their assets by causing them to make economic decisions based on false and misleading information, and for the purposes of executing such scheme and artifice transmitted and caused to be transmitted certain false and misleading information by means of wire, radio or television communication in interstate or foreign commerce any writings, signs, signals, pictures or sounds, in violation of 18 U.S.C. § 1343.

#### IV.

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

Accordingly, it is hereby ORDERED:

Pursuant to Sections 15(b)(6) and 15B(c)(4) of the Exchange Act, Respondent Hertz 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 from participating in any offering of 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