



October 5, 2009

Ms. Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Ms. Schapiro:

I am Chairman and Founder of Audit Integrity, Inc., an independent financial research and risk modeling firm. I am writing to express my concern about Hertz Global Holdings, Inc.'s blatant attempt to induce more than 19 companies to consider legal action against Audit Integrity because of a critical report we recently issued warning about Hertz's and the other companies' potential for filing bankruptcy. As Hertz's ultimate goal was to silence an independent research firm calling regulatory and investor attention to the company's real and material financial risk, the matter warrants an investigation by the Securities and Exchange Commission.

Audit Integrity in mid-September made public a new quantitative Bankruptcy Risk Model, and identified and publicly disclosed the 20 large-cap companies shown by the model to be most at risk of declaring bankruptcy in the next 12 months (report enclosed). Hertz was among the companies identified as being most at risk, and the company subsequently filed a lawsuit against us alleging defamation and trade libel (lawsuit enclosed). The lawsuit is frivolous and without merit, and we are confident it will be dismissed. Our findings are objective and verifiable, and we stand by them.

Of concern to the SEC should be the enclosed letter we received in advance of the lawsuit from Jeffrey Zimmerman, General Counsel and Secretary of Hertz, threatening us with litigation. Although Mr. Zimmerman's concerns and arguments related entirely to Hertz, he copied his counterparts at the other 19 companies we identified as having the highest probability of bankruptcy risk. A comment by a Hertz spokesman in a September 30 Dow Jones article saying it's "still early" is an intimation that additional lawsuits are forthcoming, and may also indicate possible attempts at collusion or improper discussions (article enclosed).

Audit Integrity is an independent and conflict-free firm that focuses on developing quantitative risk models for the financial markets. Our statistical models are entirely objective and use publicly-available data. We are not compensated for our ratings. Our clients are professionals at highly-regarded firms in the investment industry, including national regulatory agencies in the U.S. and Canada; the largest pension plans; several of the "Top Four" auditing firms; and the largest insurance companies. Our quantitative research has proven to be quite useful to our clients: Audit Integrity was among the first to issue warnings about Bank of America, Lehman Brothers, Bear Stearns, and Countrywide Financial. We also warned about Huron Consulting, a company founded by former Arthur Andersen employees, whose recently issued major restatement has provoked an SEC investigation.

Mr. Zimmerman has offered no evidence of factual errors or inaccuracies in our analysis. Nonetheless, he falsely charges that Audit Integrity "focused exclusively on narrow data points." In fact, our Bankruptcy Risk Model incorporates numerous algorithms, many of which have been used widely in academic and commercial circles for the past 40 years. Our conclusion that Hertz has one of the highest probabilities of filing bankruptcy was based on a series of rigorous statistical tests.

In maligning our research, Mr. Zimmerman also charges that we “ignored qualitative information” and notes that various equity analysts support his company. The fact that analysts who make qualitative judgments support his company is meaningless since in fact we intentionally do not engage in this type of analysis.

Hertz is entitled to protest Audit Integrity’s findings. It also has the right – in fact, we believe the obligation -- to address the areas of risk which we identified, and take steps to correct them. Such actions would benefit Hertz’s shareholders and would show that fact-based research was being used to improve the transparency and financial health of the company. Instead, the company has chosen to defame our methods – which are published on our website, but which the company’s management apparently has not read – and to invite unrelated companies to file action against us.

Frivolous attempts to crush independent research do not benefit investors. Publicly dismissing our model as “misinformation and untruths” also is a materially misleading statement about Hertz’s current financial condition. Indeed, the company’s recent 10-K filing contains two dozen pages of financial and business continuity warnings.

As you have stated that you plan to step up the SEC’s enforcement efforts and better protect investors, it is my hope you will investigate this matter. It is possible Hertz will yet prove to be one of America’s great corporate success stories, but there is a disturbing trend of financially precarious companies aggressively trying to silence or tarnish their critics in the months immediately prior to their demise (Enron, Tyco, and Lehman immediately come to mind). If Hertz is allowed to mask serious financial risk by attempting to discredit quantitative research, Hertz’s shareholders may follow in the footsteps of others who suffered from a lack of warning.

The SEC would serve the markets and investors well by insisting that companies with material financial risks not be allowed to deny these problems exist without providing substantiating evidence. It is my hope that you will investigate this matter and insist that companies and their managements be held accountable for their public statements and actions.

I am enclosing the White Paper describing our Bankruptcy Risk Model, for your interest. Should you, or members of your staff, desire further information, please contact me directly at (310) 478-3396.

Yours truly,

James A. Kaplan

JAK/p

Enclosures: Audit Integrity Bankruptcy Risk Report
Complaint filed against Audit Integrity
Letter from J. Jeffrey Zimmerman
Dow Jones article
Audit Integrity Bankruptcy Risk Model White Paper

cc: Jack Zwingli
Audit Integrity/CEO