

Independent Investment Research Focused on Public Company Interactions with the SEC.

Confirmed, Undisclosed SEC Investigation

Watch List Status: Maintained on Watch List of Companies with Undisclosed SEC Investigations

Quick Take: Maintained on Watch List. The last time Hertz disclosed SEC investigative activity, which it said had ended, was in Feb-2019. Undisclosed SEC investigative activity found at Hertz Global Holdings Inc. since 08-Nov-2019, confirmed most recently on 25-Aug-2020. Note: Hertz initiated bankruptcy proceedings in May 2020.

An undisclosed SEC investigation is again confirmed. We filed our first Freedom of Information Act (FOIA) request on this company in **Sep-2012**. Since then, the most recent FOIA response indicating an SEC investigation was dated 08-Nov-2019, and then twice confirmed in an appeal response, most recently on 25-Aug-2020. We have documents from earlier SEC undisclosed investigative activity, summarized below.

Feb-2019	Hertz 10-K Filing	Hertz's FCPA investigation ended in Jun-2018. The last time Hertz disclosed this SEC investigative activity was in Feb-2019
8-Nov-2019	FOIA Response with Document(s)	Two-part response: 1) SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities"; and, 2) Documents released on separate, closed SEC probe(s) of this company. However, access to certain of these investigative records was denied.
17-Dec-2019	Appeal Response	Two-part appeal response: Existence of on-going SEC enforcement proceedings officially confirmed on appeal; Access to those records remains blocked. Appeal to try to access certain records (previously identified) from a closed, but separate SEC probe(s) of this company was also denied on grounds they are internal SEC documents.
14-Jul-2020	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
25-Aug-2020	Appeal Response	Existence of on-going SEC enforcement proceedings officially confirmed on appeal; Access to records remains blocked.

Clients are invited to contact us anytime, in total confidence, to discuss the data, documents, and/or risks we identify here.

Disclosure Insight®

This section offers analysis and opinion regarding the exposure(s) we identify in this report.

The timing of SEC responses to us suggests that **Hertz Global Holdings Inc. management may have known about an SEC probe since at least Nov-2019.**

We first warned Hertz was going to be investigated by the SEC after the company announced a massive restatement in Jun-2014. See our report, [If Hertz Wasn't Under](#)

[Investigation by the SEC Already, It Will be Now.](#) This was fully six months before the company first disclosed an SEC investigation that expanded to include unspecified "communications" with the US Attorney.

The company later disclosed a Foreign Corrupt Practices (FCPA) investigation involving Hertz Global Holdings Brazil.

Per the Hertz 10-K filed Feb-2019, all disclosed investigative activity was resolved –

“In November 2018, the U.S. Attorney's Office for the District of New Jersey advised that it would be declining prosecution of the Company. On December 31, 2018, the SEC approved and authorized the entry of an administrative order with respect to the Company, to which the Company consented without admitting or denying the order's assertions of factual findings ... The matters associated with the FCPA and other federal matters have been resolved without further action by the applicable U.S. government entities. The Company is continuing its cooperation with respect to matters under local Brazilian laws.”

In FCPA investigations, settlements or terminations can be announced, but they can have many tentacles. That could explain why the SEC is confirming enforcement proceedings in the present day. Having said that, Hertz's FCPA investigation ended in Jun-2018, so this becomes

less likely the basis for the SEC confirming ongoing enforcement proceedings today.

If FCPA matters are offered up as the answer as to why the SEC is confirming that enforcement proceedings are ongoing, press for more details. Remember, public companies can provide investors with far more substantive detail and updates on SEC investigative activity than most do.

Finally, keep in mind that a public company can be involved in more than one SEC investigation at a time. As such, we routinely recommend asking a company if there are any investigations beyond what is disclosed or reported in media stories – or even in our research.

Clients are invited to contact us anytime, in total confidence, to discuss how to better assess the risks we identify here.

– John P. Gavin, CFA

Our full research history with select disclosure excerpts appears below.

Documents Acquired Under the Freedom of Information Act

24-Sep-2018 and again on 08-Nov-2019: The SEC released records from the “Hertz Global Holdings Brazil” investigation, which show it ended on 28-Jun-2018. Per an SEC letter to us, “The remaining 3 pages of records consist of a case closing recommendation and an opening narrative. These records are being withheld in their entirety ...” A Case Closing Recommendation is the SEC's report that tells you why an investigation was opened, what work was done, and the conclusions reached. In the Nov-2019 response, the SEC again asserted the law enforcement exemption to block our access to other investigative records on Hertz.

Sep-2013: We have 71 pages of analytically rich documents from a formal 2011 SEC investigation into Hertz's then-proposed business combination with Dollar Thrifty Automotive Group, Inc.

We have no other documents or information that would help the investor to better gauge the timing, duration, or scale of the above closed matters.

Regarding the Current Warning –

If we alert you to the existence of an undisclosed SEC investigation – or any response from the SEC – that means we filed a Freedom of Information Act (FOIA) request on the company in question and have a response, in black-and-white on government letterhead, that supports our statement.

As can be seen in the table above, at least once in the past the SEC cited the "law enforcement exemption" of the FOIA as basis to deny the public's access to the detailed records we sought on this company. As a matter of law, the SEC is acknowledging some sort of investigative activity with this response.

We filed an appeal with the SEC's Office of the General Counsel to challenge that response. In response to our latest appeal(s), the date(s) of which is/are also shown in the table above, the SEC stated,

"We have confirmed with staff that releasing the withheld information could reasonably be expected to interfere with on-going enforcement proceedings."

Editor's Note: When the SEC denies access to records on closed SEC investigations, they are frequently blocking internal SEC documents known as "Opening and Closing Reports, including 'Case Closing Recommendation,' 'Matter Under Inquiry Summary,' 'Investigation Summary,' and/or similar documents and/or reports." A Case Closing Report is merely the cover page for a report called a Case Closing Recommendation. A Case Closing Recommendation is the SEC's report that tells you why an investigation was opened, what work was done, and the conclusions reached. To date, the SEC almost always refuses to release its Case Closing Recommendations and similar documents, a practice for which we remain sharply critical of the agency.

Notable Events and Disclosures

A search of this company's filings since Feb-2019, when the company said previously-disclosed investigations had ended, found no clear disclosure of SEC investigative activity. Related excerpts on the disclosed matters appear below.

As you review the following disclosure excerpts, keep in mind that public companies can provide investors with far more substantive detail and updates on SEC investigative activity than most do. Public companies can – if they choose – disclose greater detail on such things as:

- First contact with the SEC.
- Records / testimony requested.
- Time period [now] covered by the investigation.
- Areas it is [now] focused on.
- Whether the investigation has expanded.
- Whether the investigation is formal.
- Involvement by other agencies.
- Company personnel asked to give testimony.
- Subpoenas (there can be many over time).
- Who got subpoenas / what they sought?
- Last contact with the SEC on the investigation(s).

- Probes Reporter

From the Hertz Global Holdings 10-K filed on 25-Feb-2019:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission ("SEC") that it was investigating the events disclosed in certain of the Company's filings with the SEC. In addition, starting in June 2016, the Company had communications with the U.S. Attorney's Office for the District of New Jersey regarding the same or similar events. The investigations and communications generally involved the restatements included in the Old Hertz Holdings Form 10-K for the year ended December 31, 2014, as filed with the SEC on July 16, 2015 and related accounting for prior periods. In November 2018, the U.S. Attorney's Office for the District of New Jersey advised that it would be declining prosecution of the Company. On December 31, 2018, the SEC approved and authorized the entry of an administrative order with respect to the Company, to which the Company consented without admitting or denying the order's assertions of factual findings. The order directs (i) Hertz Global to cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 and Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder and (ii) Hertz to cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A), 13(b)(2)(B) and 15(d) of the Exchange Act and Rules 12b-20, 15d-1, 15d-11 and 15d-13 thereunder. In connection with the order, Hertz Global agreed to pay a civil penalty in the amount of \$16.0 million to the SEC. Pursuant to the agreements governing the separation of Herc Holdings from Hertz Global that occurred on June 30, 2016, Herc Holdings is responsible for 15% of the civil penalty,

leaving Hertz Global with a net obligation of \$13.6 million as of December 31, 2018. On January 18, 2019, Hertz Global paid the SEC the \$16.0 million civil penalty.

Additionally, the Company previously identified certain activities in Brazil that raised issues under the Foreign Corrupt Practices Act (the "FCPA") and other federal and local laws, which the Company self-reported to appropriate government entities. The matters associated with the FCPA and other federal matters have been resolved without further action by the applicable U.S. government entities. The Company is continuing its cooperation with respect to matters under local Brazilian laws.

From the Hertz Global Holdings 10-Q filed on 8-Nov-2018:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission ("SEC") that it is investigating the events disclosed in certain of the Company's filings with the SEC. In addition, starting in June 2016 the Company has had communications with the U.S. Attorney's Office for the District of New Jersey regarding the same or similar events. The investigations and communications generally involve the restatements included in the Old Hertz Holdings Form 10-K for the year ended December 31, 2014, as filed with the SEC on July 16, 2015 and related accounting for prior periods. The Company has and intends to continue to cooperate with all requests related to the foregoing. The Company is engaged in discussions with the enforcement staff of the New York office of the SEC ("Staff") to resolve certain matters under investigation. Additionally, the Company previously identified certain activities in Brazil that raised issues under the Foreign Corrupt Practices Act (the "FCPA") and other federal and local laws, which the Company self-reported to appropriate government entities. The matters associated with the FCPA and other federal matters have been resolved without further action by the applicable U.S. government entities.

From the Hertz Global Holdings 10-Q filed on 6-Aug-2018:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission ("SEC") that it is investigating the events disclosed in certain of the Company's filings with the SEC. In addition, starting in June 2016 the Company has had communications with the U.S. Attorney's Office for the District of New Jersey regarding the same or similar events. The investigations and communications generally involve the restatements included in the Old Hertz Holdings Form 10-K for the year ended December 31, 2014, as filed with the SEC on July 16, 2015 and related accounting for prior periods. The Company has and intends to continue to cooperate with all requests related to the foregoing. The Company is engaged in discussions with the enforcement staff of the New York office of the SEC ("Staff") to resolve certain matters under investigation. Any proposed settlement that might result from discussions with the Staff would be subject to additional reviews and approvals, including acceptance and authorization by the SEC. Additionally, the Company previously identified certain activities in Brazil that raised issues under the Foreign Corrupt Practices Act (the "FCPA") and other federal and local laws, which the Company self-reported to appropriate government entities. The matters associated with the FCPA and other federal matters have been resolved without further action by the applicable government entities.

From the Hertz Global Holdings 10-Q filed on 7-May-2018:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission ("SEC") that it is investigating the events disclosed in certain of the Company's filings with the SEC. In addition, in December 2014, a state securities regulator requested information - an investigation that has since closed - and starting in June 2016 the Company has had communications with the U.S. Attorney's Office for the District of New Jersey regarding the same or similar events. The investigations and communications generally involve the restatements included in the Old Hertz Holdings Form 10-K for the year ended December 31, 2014, as filed with the SEC on July 16, 2015 (the "Old Hertz Holdings 2014 10-K") and related accounting for prior periods. The Company has and intends to continue to cooperate with all requests related to the foregoing. Due to the stage at which the proceedings are, Hertz is currently unable to predict the likely outcome of the proceedings or estimate the range of

reasonably possible losses, which may be material. Among other matters, the restatements included in the Old Hertz Holdings 2014 Form 10-K addressed a variety of accounting matters involving the Company's Brazil vehicle rental operations.

Additionally, the Company has identified certain activities in Brazil that raise issues under the Foreign Corrupt Practices Act and may raise issues under other federal and local laws, which the Company has self-reported to appropriate government entities and the processes with certain of these government entities continue.

From the Hertz Global Holdings 10-K filed on 27-Feb-2018:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission ("SEC") that it is investigating the events disclosed in certain of the Company's filings with the SEC. In addition, in December 2014 a state securities regulator requested information - an investigation that has since closed - and starting in June 2016 the Company has had communications with the United States Attorney's Office for the District of New Jersey regarding the same or similar events. The investigations and communications generally involve the restatements included in the Old Hertz Holdings Form 10-K for the year ended December 31, 2014, as filed with the SEC on July 16, 2015 (the "Old Hertz Holdings 2014 10-K") and related accounting for prior periods. The Company has and intends to continue to cooperate with all requests related to the foregoing. Due to the stage at which the proceedings are, Hertz is currently unable to predict the likely outcome of the proceedings or estimate the range of reasonably possible losses, which may be material. Among other matters, the restatements included in the Old Hertz Holdings 2014 Form 10-K addressed a variety of accounting matters involving the Company's Brazil vehicle rental operations.

Additionally, the Company has identified certain activities in Brazil that raise issues under the Foreign Corrupt Practices Act and may raise issues under other federal and local laws, which the Company has self-reported to appropriate government entities and the processes with these government entities continue. The Company is continuing to investigate these issues.

From the Hertz Global Holdings 10-Q filed on 9-Nov-2017:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission ("SEC") that it is investigating the events disclosed in certain of the Company's filings with the SEC. In addition, in December 2014 a state securities regulator requested information - an investigation that has since closed - and starting in June 2016 the Company has had communications with the United States Attorney's Office for the District of New Jersey regarding the same or similar events. The investigations and communications generally involve the restatements included in the Old Hertz Holdings Form 10-K for the year ended December 31, 2014, as filed with the SEC on July 16, 2015 (the "Old Hertz Holdings 2014 10-K") and related accounting for prior periods. The Company has and intends to continue to cooperate with all requests related to the foregoing. Due to the stage at which the proceedings are, Hertz is currently unable to predict the likely outcome of the proceedings or estimate the range of reasonably possible losses, which may be material. Among other matters, the restatements included in the Old Hertz Holdings 2014 Form 10-K addressed a variety of accounting matters involving the Company's Brazil vehicle rental operations.

From the Hertz Global Holdings 10-Q filed on 8-Aug-2017:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission ("SEC") that it is investigating the events disclosed in certain of the Company's filings with the SEC. In addition, in December 2014 a state securities regulator requested information and starting in June 2016 the Company has had communications with the United States Attorney's Office for the District of New Jersey regarding the same or similar events. The investigations and communications generally involve the restatements included in the Old Hertz Holdings Form 10-K for the year ended December 31, 2014, as filed with the SEC on July 16,

2015 (the “Old Hertz Holdings 2014 10-K”) and related accounting for prior periods. The Company has and intends to continue to cooperate with all requests related to the foregoing. Due to the stage at which the proceedings are, Hertz is currently unable to predict the likely outcome of the proceedings or estimate the range of reasonably possible losses, which may be material. Among other matters, the restatements included in the Old Hertz Holdings 2014 Form 10-K addressed a variety of accounting matters involving the Company’s Brazil vehicle rental operations.

From the Hertz Global Holdings 10-Q filed on 8-May-2017:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission (“SEC”) that it is investigating the events disclosed in certain of the Company’s filings with the SEC. In addition, in December 2014 a state securities regulator requested information and starting in June 2016 the Company has had communications with the United States Attorney’s Office for the District of New Jersey regarding the same or similar events. The investigations and communications generally involve the restatements included in the Old Hertz Holdings Form 10-K for the year ended December 31, 2014, as filed with the SEC on July 16, 2015 (the “Old Hertz Holdings 2014 10-K”) and related accounting for prior periods. The Company has and intends to continue to cooperate with all requests related to the foregoing. Due to the stage at which the proceedings are, Hertz is currently unable to predict the likely outcome of the proceedings or estimate the range of reasonably possible losses, which may be material. Among other matters, the restatements included in the Old Hertz Holdings 2014 Form 10-K addressed a variety of accounting matters involving the Company’s Brazil vehicle rental operations.

From the Hertz Global Holdings 10-K filed on 6-Mar-2017:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission (“SEC”) that it is investigating the events disclosed in certain of the Company’s filings with the SEC. In addition, in December 2014 a state securities regulator requested information and starting in June 2016 the Company has had communications with the United States Attorney’s Office for the District of New Jersey regarding the same or similar events. The investigations and communications generally involve the restatements included in the Old Hertz Holdings Form 10-K for the year ended December 31, 2014, as filed with the SEC on July 16, 2015 (the “Old Hertz Holdings 2014 10-K”) and related accounting for prior periods. The Company has and intends to continue to cooperate with all requests related to the foregoing. Due to the stage at which the proceedings are, Hertz is currently unable to predict the likely outcome of the proceedings or estimate the range of reasonably possible losses, which may be material. Among other matters, the restatements included in the Old Hertz Holdings 2014 Form 10-K addressed a variety of accounting matters involving the Company’s Brazil vehicle rental operations.

Note that there is a time gap between excerpts we captured ...

From the 10-K filed on 29-Feb-2016:

Governmental Investigations - In June 2014, the Company was advised by the staff of the New York Regional Office of the SEC that it is investigating the events disclosed in certain of the Company’s filings with the SEC. In addition, in December 2014 a state securities regulator requested information regarding the same events. The investigations generally involve the restatements included in the Company’s 2014 Form 10-K and related accounting for prior periods. The Company has and intends to continue to cooperate with both the SEC and state requests. Due to the stage at which the proceedings are, Hertz is currently unable to predict the likely outcome of the proceedings or estimate the range of reasonably possible losses, which may be material. Among other matters, the restatements included in the Company’s 2014 Form 10-K addressed a variety of accounting matters involving the Company’s Brazil rental car operations. The Company has identified certain activities in Brazil that may raise issues under the Foreign Corrupt Practices Act and local laws, which the Company has self-reported to appropriate government entities.

Note that there is a time gap between excerpts we captured ...

From the 10-Q filed on 10-Aug-2015:

In June 2014 the Company was advised by the staff of the New York Regional Office of the Securities and Exchange Commission (the "SEC") that it is investigating the events disclosed in certain of the Company's filings with the SEC. In addition, in December 2014 a state securities regulator requested information regarding the same events. The investigations generally involve the restatements included in the Company's 2014 Form 10-K and related accounting for prior periods. The Company has and intends to continue to cooperate with both the SEC and state requests. Due to the stage at which the proceedings are, Hertz is currently unable to predict the likely outcome of the proceedings or estimate the range of reasonably possible losses, which may be material.

From the 8-K filed on 8-Jun-2015:

Some important factors that could affect the Company's actual results include, among others, the thorough review and investigation of the Company's internal financial records that is being conducted, additional time that may be required to complete the review, the ability of the Company to remediate any material weaknesses in its internal control over financial reporting, the ability of the Company's lenders to exercise any remedies under the Company's indebtedness, the final results of the SEC's inquiry or any other governmental inquiries or investigations, and those that may be disclosed from time to time in subsequent reports filed with the SEC and those described under "Risk Factors" set forth in Item 1A of the annual report on Form 10-K for the year ended December 31, 2013 of the Company.

From the 8-K filed on 24-Mar-2015:

Some important factors that could affect the Company's actual results include, among others, the thorough review of the Company's internal financial records that is being conducted, additional time that may be required to complete the review, the ability of the Company to remediate any material weakness in its internal control over financial reporting, the ability of the Company's lenders to exercise any remedies under the Company's indebtedness, the final results of the SEC's inquiry or any other governmental inquiries or investigations, and those that may be disclosed from time to time in subsequent reports filed with the SEC and those described under "Risk Factors" set forth in Item 1A of the annual report on Form 10-K/A for the year ended December 31, 2013 of the Company.

From the 8-K filed on 14-Nov-2014:

In June 2014 the Company was advised by the staff of the New York Regional Office of the SEC that it is investigating the events disclosed in certain of the Company's filings with the SEC. The Company has and intends to continue to cooperate with the SEC in its investigation.

Note that there is a time gap between excerpts we captured ...

From the 10-K/A filed on 20-Mar-2014:

As previously disclosed, on June 15, 2011 we received a subpoena from the staff of the Securities and Exchange Commission, or "SEC," seeking production of documents related to our proposed business combination with Dollar Thrifty. On February 14, 2013, we were informed by the staff that the investigation has been completed and that no action was taken by the staff or the SEC.

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Notes: The SEC reminds us that its assertion of the law enforcement exemption should not be construed as an indication by the Commission or its staff that any violations of law have occurred with respect to any person, entity, or security.

New SEC investigative activity could theoretically begin or end after the date covered by the latest information in this report, which would not be reflected here. The SEC did not disclose the details on investigations referenced herein. All we know is that they somehow pertain to the conduct, transactions, and/or disclosures of the companies referenced above. Companies with undisclosed SEC investigations are maintained on our Watch List of companies with undisclosed SEC investigations.

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