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Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-2026-18, Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies (Release Nos. 33-11419; 34-105515)

Dear Ms. Countryman,

I am writing to comment on the Commission's proposed rule to simplify the filer status framework and extend EGC and SRC disclosure accommodations to all non-accelerated filers. I focus my comments on a narrow but, I think, consequential question: how this proposal would affect disclosure quality for AI infrastructure companies in the period around and after their initial public offerings.

I am a doctoral candidate in sociology at SUNY Binghamton, where my dissertation research examines the financial architecture of AI infrastructure investment. In June 2026, I filed a petition for rulemaking with the Commission requesting amendments to Regulation S-K for disaggregated disclosure of cloud computing revenue from commercially entangled entities. I have also published on the accounting and market-structure dimensions of AI investment in ProMarket (Stigler Center) and Tech Policy Press. I raise the points below not as a securities lawyer but as a researcher who has spent the last several years tracing money flows between the largest technology companies and the AI firms they have simultaneously invested in and sold cloud services to.

I. The Five-Year On-Ramp and AI Companies' Likely IPO Window

The proposal would require 60 consecutive months of Exchange Act reporting before a newly public company can become a large accelerated filer. In practice, this creates a five-year window during which a recently listed company would file under the less demanding NAF framework, with access to scaled disclosure accommodations including two rather than three

years of audited financial statements, no ICFR auditor attestation under Section 404(b), reduced executive compensation disclosure, and no pay-versus-performance tables.

Several of the largest private AI companies—including OpenAI, Anthropic, and xAI—are widely expected to pursue public listings in the near to medium term. OpenAI's recent conversion from a nonprofit to a for-profit structure and its multibillion-dollar fundraising rounds have been covered extensively in the financial press as precursors to a public offering. If any of these companies were to go public under the proposed framework, they would spend their first five years of public life under the accommodated NAF regime, regardless of how rapidly their market capitalization grew past the $2 billion LAF threshold.

That timing matters because the first five years after an AI company's IPO are likely to coincide with the period in which investors most need detailed disclosure—the period when the company's revenue relationships with its strategic equity investors are still being unwound, renegotiated, or deepened.

II. Why Scaled Disclosure Is Poorly Suited to AI Infrastructure Companies

The case for extending disclosure accommodations rests on the premise that smaller and newer public companies face disproportionate compliance costs relative to their size, and that the information lost from scaled disclosure is marginal. For many companies that is probably right. But AI infrastructure companies present a specific set of circumstances that cut against the general logic.

The largest private AI firms have a financial architecture with no close precedent in U.S. capital markets. The same companies that hold large equity stakes in them—Amazon in Anthropic, Microsoft in OpenAI, Alphabet in various AI ventures—are simultaneously their biggest customers, supplying cloud computing infrastructure and, in many cases, providing cloud credits as part of the investment arrangement. As I documented in a May 2026 ProMarket article, this means a single capital deployment can generate two distinct streams of reported earnings for the investor: cloud services revenue recognized under ASC 606 and unrealized fair value appreciation on the equity stake recognized under ASC 321. The AI company, for its part, reports the invested capital as its primary revenue source even though the money circulates back to the investor through cloud consumption.

These relationships are complex enough to warrant the full disclosure regime available to LAFs—three years of audited financials, ICFR auditor attestation, full executive compensation disclosure including CD&A, and pay-versus-performance tables—from the moment the company is public. The five-year on-ramp would delay this fuller picture for precisely the companies whose financial relationships are the hardest for investors to parse without it.

III. Specific Accommodations That Raise Concerns

ICFR auditor attestation. The proposal would exempt all NAFs from the Section 404(b) auditor attestation requirement. For an AI company whose reported revenue consists substantially of payments from a company that is also a major equity investor, independent auditor review of internal controls over the classification and presentation of that revenue is not a formality. The risk of misclassification—between revenue, capital contributions, and intercompany transfers—is higher in these arrangements than in most commercial relationships, and the auditor's attestation provides a check that management's own assessment alone does not.

Scaled executive compensation disclosure. AI companies have used unconventional compensation structures, including equity grants tied to technology licensing arrangements, retention packages funded by strategic investors, and performance metrics keyed to cloud consumption targets. Full CD&A disclosure, including the relationship between compensation and the company's commercial arrangements with its equity investors, would be material to investors evaluating executive incentives. The scaled disclosure framework would reduce this to three named executive officers with no CD&A narrative, obscuring the alignment (or misalignment) between executive pay and the commercial relationships that drive the company's reported revenue.

Two years of audited financials. For a company whose revenue is concentrated in a small number of commercially entangled counterparties, the three-year lookback provides a baseline for trend analysis that two years does not. With three years of data, investors can observe whether the concentration is increasing or decreasing, whether the terms of cloud computing arrangements are shifting, and whether the revenue trajectory reflects genuine commercial traction or continued capital circulation. Two years materially limits this analysis.

IV. A Targeted Condition, Not Opposition to the Proposal

I want to be clear about what I am and am not arguing. I do not oppose the simplification of the filer status framework or the extension of scaled disclosure accommodations as a general matter. The Commission has made a credible case that the current multi-tiered system is unnecessarily complex and that many public companies would benefit from the proposed consolidation. The data point that 81 percent of registrants would qualify as NAFs, while representing only about 6.5 percent of total public float, suggests that the full LAF disclosure requirements can reasonably be focused on the largest companies.

My concern is with a specific subset of companies for which the general logic does not hold. I would ask the Commission to consider whether the proposed rule should include a condition—either as an eligibility limitation or as a supplemental disclosure requirement—for companies that derive a material portion of their revenue from entities that are also holders of their equity securities. Several approaches are possible:

Option A: Eligibility carve-out. Companies that derive more than a specified percentage of their revenue (e.g., 25 percent) from one or more holders of their equity securities could be required to comply with the full LAF disclosure framework regardless of their public float or seasoning. This is a bright-line test that the Commission and issuers could administer without undue complexity.

Option B: Supplemental disclosure. Alternatively, NAFs that have such revenue relationships could remain in the accommodated framework but be required to provide additional disclosure of the revenue derived from equity holders, the terms of any cloud credit or service arrangements associated with equity investments, and the fair value methodology used for equity interests held by commercial counterparties. This is a lighter-touch approach that preserves the simplification objective while filling the specific informational gap.

Option C: ICFR attestation retention. At minimum, NAFs with material revenue from equity holders could be required to maintain ICFR auditor attestation under Section 404(b), even if other disclosure accommodations apply. Given the classification risks inherent in these commercial arrangements, the auditor's independent assessment of internal controls over revenue recognition and related-party transactions is worth preserving.

V. Interaction with the Semiannual Reporting Proposal

I note that the Commission has also proposed optional semiannual reporting under File No. S7-2026-15. I have submitted a separate comment on that proposal raising related concerns. If both proposals are adopted, a newly public AI company could simultaneously elect semiannual reporting and benefit from the five-year NAF on-ramp, producing a situation in which investors receive only two semiannual filings per year, each prepared under scaled disclosure requirements, with no ICFR auditor attestation, for the first five years of the company's public life. The Commission should consider the cumulative effect of these proposals on disclosure quality for companies whose financial structures are among the most complex in U.S. capital markets.

VI. Conclusion

The proposed simplification of filer status categories is a reasonable response to a reporting framework that has grown too complicated. But reasonable simplification should not be uniform simplification. The AI infrastructure companies that are most likely to enter public markets in the coming years have financial relationships—with their strategic investors, their cloud computing providers, and the interplay between the two—that are far more intricate than those of the typical NAF. Extending the full suite of scaled disclosure accommodations to these companies, for five years, without any tailored conditions, would leave investors without the information they need at precisely the moment they need it most.

Thank you for the opportunity to comment. I am happy to discuss any of these points further.

Respectfully,

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