Lincoln Churchill
ADVISORS

August 28, 2020

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Reporting Threshold for Institutional Investment Managers, Release No. 34-89290; File No. S7-08-20

Dear Ms. Countryman:

On behalf of Lincoln Churchill Advisors, a strategic communications firm headquartered in Evanston, IL, we are writing to express our opposition to the Commission's proposed amendments to the Form 13F reporting rules for institutional investment managers.

All of our clients are public companies and rely on quarterly 13F filing information to understand their institutional shareholder ownership. We believe that the SEC's proposal, which would allow 89 percent of current 13F filers to essentially disappear from public view, would result in a significant loss of market transparency for all publicly traded companies. The proposed rule, if enacted, would impair engagement with shareholders, impede our clients' ability to attract new long-term investors and deprive us of timely information about activist investors that take positions in our clients' stock.

We do not believe that the Commission has adequately considered the potential impact of this 13F proposal to public companies and their obligation to regularly confer with their investors. We work predominately with small- and mid-cap companies and are particularly concerned about how the reduction of 13F transparency would impair our ability to identify our clients' most active shareholders and engage effectively with them.

Reduced Engagement Due to Lack of Transparency

On behalf of our clients, we use 13F data to prioritize and allocate the limited time of senior executives among the many requests that we receive from investors for one-on-one calls or meetings. The current system of 13F filings allows us to ascertain the quality of potential shareholders based on their track record of ownership with other stocks, including smaller firms who are interested in buying the stocks of our clients. With this proposed increase in the 13F threshold, we would not have visibility into this important group.

Negative Impact on Capital Formation

The loss of 13F data also would impede our clients' ability to attract new long-term institutional investors. Like many other issuers, we use 13F filings to identify potential shareholders (such as those who have invested in similar companies) and to measure the effectiveness of our outreach efforts to prospective investors. Both of these practices are essential for our clients to effectively access the capital markets. Under the proposed threshold, the loss of transparency around who is holding as well as buying shares each quarter would hinder their ability to continue to compete for and raise capital. As required by the agency's mission, the SEC should fully consider the impact on capital formation before proceeding with this rulemaking.

Increased Risk of Activism

The Commission's proposal to significantly reduce 13F disclosures also is at odds with recent requests by the SEC that we and other public companies "provide as much information as is practicable" to investors amid the market uncertainty caused by the global COVID-19 pandemic. Just as there is a need for greater transparency to investors, our need for ownership data is even greater during these uncertain times, when market volatility is high and many activist investors have taken advantage of share declines to amass larger stakes in target companies. Under the proposed $3.5 billion threshold, we would be unable to monitor those activist investors who would be exempt from reporting their positions, thus "gaming the system" and using the increased lack of transparency for their benefit - not that of our clients' long-term shareholders.

The loss of 13F data under the proposed rule potentially exposes our company to a greater risk of activism by short-term-oriented fund managers who may demand that we eliminate jobs, reduce research funding, increase share buybacks, or take other measures that may not be part of their long-term strategy. According to Activist Insight, 2019 was a record year for activism as 470 U.S. companies were targeted and 95 proxy contests were launched. Many corporate advisers are warning companies to prepare for another surge in activism in 2021-22 after the pandemic subsides (as there was after the financial crisis of 2008-09), so the timing of the SEC's proposed reduction of 13F transparency would be especially unfortunate for these companies.

For these reasons, we request that the Commission withdraw its proposed 13F amendments and instead pursue the reforms detailed in the rulemaking petitions submitted by National Investor Relations Institute, the NYSE Group, the Society for Corporate Governance, and Nasdaq. Rather than reduce 13F transparency, we urge the SEC to promote more timely and complete disclosure by supporting monthly reporting, requiring the public disclosure of short positions, and reducing the 45-day reporting period.

Sincerely,

Chris Kettmann & Nathan Elwell
Co-Founders and Partners
Lincoln Churchill Advisors