

September 8, 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 Zebra Technologies Corporation (Nasdaq: ZBRA), a global leader providing Enterprise Asset Intelligence (“EAI”) solutions in the Automatic Identification and Data Capture industry, headquartered in Lincolnshire, Illinois, I am writing to express our opposition to the Commission’s proposed amendments to the Form 13F reporting rules for institutional investment managers.

We believe that the SEC’s proposal, which would allow nearly 90 percent of current 13F filers to be exempt from reporting their positions, would result in a significant loss of market transparency to our company and other public companies in the United States. The proposed rule, if enacted, would impair identification of, and engagement with, shareholders, impede our analytical approach to attracting new long-term investors, and deprive us of timely information about activist hedge funds.

The 13F filings are the only accurate source of ownership information available to our company as well as other U.S. issuers. While 13F data is not as timely as it could be, it is the only data that we have that shows which “street name” investors are buying or selling our shares each quarter. This information cannot be fully replaced by hiring stock surveillance firms, which themselves rely on quarterly 13F data as a starting point for their research efforts.

We do not believe that the Commission has adequately considered the potential impact of this 13F proposal to our company and our obligation to plan and prioritize our investor interactions. We are particularly concerned about how the reduction of 13F transparency would impair our ability to identify our most active shareholders and engage effectively with them. We estimate that the proposed increase in the 13F threshold to \$3.5 billion would allow 10 percent of our top 100 investors to evade disclosure. While some of our largest investors would continue to disclose shares held, many of those institutions are passive, indexed holders with positions that do not change appreciably each quarter. For our company and many others, it is the 13F data from the active investment managers and hedge funds under the proposed \$3.5 billion threshold that is more valuable.¹

¹ According to Edelman’s financial communications practice group, 60 percent of activist asset managers would fall under the \$3.5 billion threshold. See Jeremy Cohen and Jeff Zilka, Edelman, “SEC Proposed Rule Change Is A Step

Reduced Engagement Due to Lack of Transparency

Our company uses 13F data to allocate the limited time of our senior executives among the many requests that we receive from investors for one-on-one calls or meetings. Because of the limited time and resources of senior management, we try to give priority to not only our largest investors, but also those active shareholders with smaller positions who are interested in increasing their holdings in our company. With this proposed increase in the 13F threshold, we would not have visibility into this important group.

Like many other issuers, we have an analytical approach to 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 company to effectively access the capital markets. Under the proposed threshold, the loss of transparency around who is holding as well as buying our shares each quarter would hinder the ability of our company to continue to effectively compete for capital.

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.² Transparency goes both ways, and should be balanced. Just as there is a desire for greater transparency on our part to our 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 price declines to amass larger stakes in potential 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. They could use the increased lack of transparency for their benefit and not for the benefit our company's 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 our long-term strategy or consistent with the investment strategy of our long-term investors. According to Activist Insight, 2019 was a record year for activism as 470 U.S. companies were

Backwards for Shareholder Democracy," July 29, 2020, available at: <https://finance.yahoo.com/news/sec-proposed-rule-change-step-193708183.html>.

² As Chairman Jay Clayton and Corporation Finance Director William Hinman observed, "The SEC's three-part mission -- maintain market integrity, facilitate capital formation, and protect investors -- takes on particular importance in times of economic uncertainty. Disclosure — providing the public with the information necessary to make informed investment decisions — is fundamental to furthering each aspect of our mission. . . . We urge companies to provide as much information as is practicable regarding their current financial and operating status, as well as their future operational and financial planning." Chairman Jay Clayton and William Hinman, Director, Division of Corporation Finance, "The Importance of Disclosure – For Investors, Markets and Our Fight Against COVID-19," April 8, 2020.

targeted and 95 proxy contests were launched.³ 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 companies and long-term investors.⁴

Without the 13F data we receive now, our company will not know if an activist fund manager that falls under the \$3.5 billion threshold is plotting a proxy contest until 10 days after the fund crosses the 13D disclosure threshold and publicly surfaces with a 5 percent, or greater, position.

While we agree that SEC should modernize its ownership disclosure rules, we believe that the negative impacts of this 13F proposal on our company's ability to engage effectively with our shareholders, attract new long-term investors, and detect potential activists would far outweigh the modest cost savings for investment managers. The proposed 35-fold increase in the 13F threshold is not consistent with the incremental approach the SEC has taken when adjusting economic thresholds in other rules, such as the Commission's inflation-based increase in the gross revenue cap for emerging growth companies,⁵ the adjustments to the transition thresholds for companies that exit accelerated filer status and large accelerated filer status,⁶ and the proposed updates to SEC's rules on shareholder resolutions.⁷

For the foregoing 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.⁸ Rather than reduce 13F transparency, we urge the SEC to promote more timely

³ See Lisa Silverman, Bloomberg Law, "Insight: Preparing for Post-Pandemic Corporate Activism," May 4, 2020, available at: <https://news.bloomberglaw.com/corporate-governance/insight-preparing-for-post-pandemic-corporate-activism>.

⁴ See, e.g., Q4 Blog, "Activism in the Post-Pandemic Market: What You Need to Know," May 12, 2020, available at: <https://q4blog.com/2020/05/12/activism-in-the-post-pandemic-market-what-you-need-to-know/>; Frank Aquila and Melissa Sawyer, Sullivan & Cromwell, *Corporate Secretary*, "How boards can prepare for post-pandemic activism," April 6, 2020; available at: <https://www.corporatesecretary.com/articles/boardroom/32040/how-boards-can-prepare-post-pandemic-activism>.

⁵ Inflation Adjustments and Other Technical Amendments Under Titles I and II of the JOBS Act, Release Nos. 33-10332; 34-80355; File No. S7-09-16 (March 31, 2017).

⁶ Accelerated Filer and Large Accelerated Filer Definitions, Release No. 34-88365; File No. S7-06-19 (March 12, 2020) (the SEC increased the threshold for exiting accelerated filer status by 20 percent from \$50 million to \$60 million, while the threshold for exiting large accelerated filer status increased by 12 percent from \$500 million to \$560 million).

⁷ Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8, File No: S7-23-19 (Nov. 5, 2019) (The Commission proposed to increase the minimum holding requirement for shareholder resolutions from \$2,000 to \$25,000, but would mitigate the impact of that change on small investors by allowing them to use the \$2,000 threshold if they continuously hold a company's shares for at least three years.)

⁸ See NYSE Group, NIRI, and Society for Corporate Governance, Request for Rulemaking Concerning Amendment of Beneficial Ownership Reporting Rules Under Section 13(f) of the Securities Exchange Act of 1934 in Order to Shorten the Reporting Deadline under Paragraph (a)(1) of Rule 13f-1, Petition No. 4-659, February 4, 2013,

and complete disclosure by requiring the public disclosure of short positions and reducing the 45-day reporting period.

Sincerely,

Michael Steele
Vice President, Finance/Investor Relations
Zebra Technologies Corporation

available at: <https://www.sec.gov/rules/petitions/2013/petn4-659.pdf>; NYSE Group and NIRI, Petition for Rulemaking Pursuant to Sections 10 and 13(f) of the Securities Exchange Act of 1934, Petition No. 4-689, October 7, 2015, available at: <https://www.sec.gov/rules/petitions/2015/petn4-689.pdf>; and Nasdaq, Petition for Rulemaking to Require Disclosure of Short Positions in Parity with Required Disclosure of Long Positions, Petition No. 4-691, December 7, 2015, available at <https://www.sec.gov/rules/petitions/2015/petn4-691.pdf>.