



September 14, 2020

Via email to: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

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

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

Dear Ms. Countryman,

Thank you for the opportunity to comment on the Commission's proposed amendments to 17 CFR 240.13f-1 ("rule 13f-1") and Form 13F under the Securities Exchange Act of 1934 ("Exchange Act").

PotlatchDeltic Corporation ("PotlatchDeltic" or "the Company") is a Real Estate Investment Trust ("REIT") that owns approximately 1.8 million acres of timberlands and operates six sawmills, an industrial-grade plywood mill, a residential and commercial real estate development business and a rural timberland sales program. PotlatchDeltic's market capitalization is approximately \$3 billion.

We do not support the proposal to increase the Form 13F reporting threshold from \$100 million to \$3.5 billion. As discussed in more detail below:

- Such a change would significantly erode the effectiveness of our shareholder outreach;
- The negative effects clearly outweigh the benefits; and
- It does not appear that the Commission has the statutory authority to increase the Form 13F reporting threshold.

### **Shareholder Outreach**

Effective shareholder outreach is an important part of our strategy focused on increasing the value of our shares over the long term and is aligned with the Commission's mission to maintain fair, orderly and efficient markets and to facilitate capital formation. Conversations with existing and prospective shareholders are a key input to their investment decisions through discussion of the Company's strategy and its alignment with industry fundamentals, our relative competitive position, and our capital allocation strategy and priorities.

The prerequisite to having appropriate conversations and to make efficient use of limited management time is accurate shareholder information. That includes information about shareholdings in competitors, the sector, and similar size companies in addition to information about PotlatchDeltic's shareholders.

The only accurate source of institutional holdings available is Form 13F filings. Schedules 13D and 13G and Form N-PORT reports, which were cited by the Commission as alternate sources for some of the information reported in Form 13F, are not adequate replacements because they either apply only to holdings greater than five percent in a registrant or to registered management investment companies, and such information is publicly available only on a delayed basis. Holders of less than five percent of our shares represent some of our more active and engaged shareholders.

As a mid-cap company, PotlatchDeltic would be disproportionately affected by the proposed 35-fold increase in the Form 13F reporting threshold. Based on an analysis as of March 31, 2020, we would lose visibility to the holdings of 95 of our active shareholders representing 36.5% of active shareholders that filed a Form 13F and the 13% of Company shares held by the group. As a result, the proposal would lead to a significant loss of market transparency of our holders which is not in the public interest.

The proposed revision to the Form 13F reporting threshold would also allow a significant number of the most prolific activist hedge funds to cease filing Form 13F. This increases the risk that PotlatchDeltic and other companies could be subjected to activist campaigns focused on short-term objectives at the expense of long-term value creation and the orderly and efficient operation of capital markets.

A 35-fold increase in the Form 13F reporting threshold would significantly decrease the effectiveness of our shareholder outreach efforts, which in turn would constrain our access to the capital markets and our ability to grow the Company. In addition, the proposal would increase the risk that we would be subjected to a disruptive and expensive activist campaign that is not in the interest of our long-term shareholders.

### **Cost vs. Benefit Analysis**

As the only accurate source of institutional holdings available, use of 13F data has expanded well beyond the original intended purpose. While acknowledging that "the pool of users have expanded to include academics, market researchers, the media, attorneys pursuing private securities class action matters, and market participants (including institutional investors themselves) who use the data to enhance their ability to compete," Release 34-89290 did not provide an assessment of the effect that a change in the Form 13F reporting threshold would

have on that pool of users. This is a glaring gap that needs to be addressed prior to implementing any change in the reporting threshold.

Release 34-89290 stated that the proposal would decrease the cost incurred by a small manager by an estimated \$15,000 to \$30,000 annually. Multiple commenters, including Commissioner Allison Herren Lee, have called into question the veracity of the Commission's cost estimates. This issue needs to be addressed prior to implementing any change in the reporting threshold.

Front-running and copycatting were both cited as negative effects of the current \$100 million Form 13F reporting threshold. Given that Form 13Fs are not due until 45 days after the end of each quarter, it is not clear to us how either front-running or copycatting are exacerbated by the current Form 13F reporting threshold. We believe that the argument is disingenuous at best.

Given the Commission's overarching mission to maintain fair, orderly and efficient markets and to facilitate capital formation, the effect on constituents that rely on Form 13F information needs to be considered rather than narrowly focusing on the original intent of the legislation that established Form 13F reporting requirements in 1975. The cost-benefit analysis associated with the proposed change stated in Release 34-89290 is incomplete and does not support the change recommended by the Commission.

### **Commission Authority**

As has been pointed out by others, including the dissenting statement from Commissioner Herren Lee, it appears that the Commission does not have the statutory authority to increase the reporting threshold for institutional investment managers. The Exchange Act states the following in Section 13(f)(1):

Every institutional investment manager which uses the mails, or any means or instrumentality of interstate commerce in the course of its business as an institutional investment manager and which exercises investment discretion with respect to accounts holding equity securities of a class described in section 13(d)(1) of this title having an aggregate fair market value on the last trading day in any of the preceding twelve months of at least \$100,000,000 **or such lesser amount** (but in no case less than \$10,000,000) **as the Commission, by rule, may determine**, shall file reports with the Commission in such form, for such periods, and at such times after the end of such periods as the Commission, by rule, may prescribe, but in no event shall such reports be filed for periods longer than one year or shorter than one quarter. [emphasis added]

The pertinent language in the Exchange Act indicates that the Commission has the authority to establish a reporting threshold lower than \$100 million, but not to increase the reporting

threshold. Release No. 34-89290 did not address the statutory authority question or provide rationale on why the Commission believes it has the authority to increase the Form 13F reporting threshold. The apparent conflict needs to be resolved before implementing any increase to the Form 13F reporting threshold.

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We support efforts to modernize the Form 13F reporting regime. We believe that the Commission should withdraw the proposal to increase the Form 13F reporting threshold 35-fold and encourage the Commission to consider the rule-making petitions submitted by the National Investor Relations Institute, the Society for Corporate Governance, NYSE and Nasdaq.<sup>1,2,3</sup>

Your consideration is appreciated.

Sincerely,



Jerald W. Richards  
Vice President and Chief Financial Officer

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<sup>1</sup> [File No. 4-659: 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](#)

<sup>2</sup> [File No. 4-689: Request to require the periodic public disclosure of short-sale activities by institutional investment managers](#)

<sup>3</sup> [File No. 4-691: Request to require disclosure of short positions in parity with required disclosure of long positions](#)