



September 11, 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:

I am writing on behalf of The Joint Corp. to express our opposition to the Commission's proposed amendments to the Form 13F reporting rules for institutional investment managers. The Joint develops, owns, operates, supports, and manages chiropractic clinics through direct ownership and franchising throughout the United States and is headquartered in Scottsdale, AZ.

Of The Joint's 105 institutional investors, the SEC's proposal would require only Vanguard, a passive index fund, to file a 13F. We believe that would significantly impair engagement with our institutional investors about our business strategy and corporate governance, reduce our ability to attract new investors, deprive us of timely information about activist funds that take significant positions in our stock, and exacerbate short-term pressures on our company at the expense of long-term shareholder value.

We do not believe that the Commission has adequately considered the potential impact of this 13F proposal on public companies and their obligation to confer regularly with their investors. As a \$240 million market cap company, 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.

While 13F data is not as timely it could be, it is the only data that U.S. companies have that shows in which "street name" investors are buying or selling their shares each quarter. This data cannot be replaced by hiring stock surveillance firms, which themselves rely on quarterly 13F data as a starting point for their research efforts.

The loss of this essential 13F data also would impede our company's ability to attract new investors. Like many other small-cap 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 a company to effectively access the capital markets and to grow its business. The loss of transparency around who is buying our shares each quarter would hinder the ability of our company to continue to raise growth capital. As required by the agency's mission, the SEC should fully consider the negative impact on capital formation before proceeding with this rulemaking.

The loss of 13F data will also expose our company to a greater risk of ambush activism by short-term-oriented fund managers, who may demand that we slash jobs, reduce corporate development spending, increase share buybacks, or take other measures that may not be in the interest of our long-term investors. Proxy contests can be a costly distraction, so many public companies (especially small and mid-cap issuers) often conclude that they have no choice but to settle with short-term activists. Market observers expect another surge in proxy fights after the Covid-19 pandemic subsides (as there was after the financial crisis of 2008-09), so the timing of the SEC's reduction of 13F transparency would be especially unfortunate for affected companies and their long-term investors.

Without the 13F data we receive now, our company would not know if activist fund managers (who fall under the \$3.5 billion threshold) are planning a proxy contest until 10 days after one of those funds crosses the 13D disclosure threshold and publicly surfaces with a 5 percent (or often more) position.

For the foregoing reasons, we request that the Commission withdraw these proposed 13F amendments and instead pursue the common-sense reforms detailed in rulemaking petitions submitted by National Investor Relations Institute, the NYSE Group, the Society for Corporate Governance, and Nasdaq.¹ Rather than reduce market transparency, we urge the SEC to modernize 13F by cutting the archaic 45-day reporting period, requiring the public disclosure of short positions, and supporting monthly disclosure by 13F filers.

Jake L. Singleton, CFO
The Joint Corp.

¹ 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, 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>.