



September 29, 2020

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

Re: Comments on Proposed Rules Relating to the Reporting
Threshold for Institutional Investment Managers
Release No. 34-89290; File No. S7-08-20

Dear Ms. Countryman:

In July, the U.S. Securities and Exchange Commission (the "Commission") proposed for public comment an amendment to Form 13F that would increase the 13F reporting threshold from \$100 million to \$3.5 billion (the "Proposed Amendment"). We respectfully submit this letter in response to the Commission's solicitation for comments on the Proposed Amendment.

We are concerned that the Proposed Amendment runs counter to the broader trend towards greater transparency in the securities markets by severely limiting the number of investors subject to Form 13F's reporting requirements and reducing the information available to public companies, stakeholders and investors generally. Reducing the already limited transparency of the securities market may have uncertain and negative consequences.

As the Commission considers whether or not to move forward with the Proposed Amendment, we believe it is important that the Commission have information it may not have previously had affirming that 13F information is actually used by market participants (including public companies). We also hope that the Commission reflects upon how the 13F framework has become a foundational and bedrock part of how companies, the public and investors know who their investors are and what types of investors are attracted to particular companies and industries, facilitating capital formation. It is also our understanding that 13F reporting has not imposed meaningful hurdles or burdens on reporting investors and that compliance, even under the current \$100 million threshold, has become a routine, cost-effective, technology-assisted and fairly seamless and straightforward exercise.

The Company today has approximately 1,805 investors based on ownership information that is made publicly available. Based on information available to the Company, were the Proposed Amendment to go into effect, only roughly 543 of those investors, or 30 percent, would have to disclose their holdings, with the remaining 70 percent "going dark." Additionally, the Company today has approximately 1,252 actively managed investors based on ownership information that is made publicly available (that is, the shareholders who more directly drive the trading price of our stock through their trades as opposed more "passive" investors). Similarly,

the Proposed Amendment would reduce the number of active investors that would have to disclose their holdings to 391, an approximately 70 percent reduction.

Given the Company's size, market capitalization and shareholder base, while an increased threshold would still elicit disclosure from our largest investors who hold a substantial portion of our outstanding shares, the above demonstrates that we would lose visibility into our smaller – but still important – investors individually and lose visibility into a material portion of our overall investor base in the aggregate. We gain many valuable insights from tracking smaller investors and their holdings; indeed, some of those smaller investors may be among the most respected voices in their field and have perspectives and insights that differ from the largest funds. We have also found it useful to follow investment trends that are revealed by comprehensive 13F reporting, not just at our own company, but also in the industry at large, and would be disappointed to lose some measure of that visibility.

We would also like the Commission to be aware that relying on comprehensive 13F reporting is an important part of public company due diligence processes in assessing possible partners or strategic counterparties in acquisition transactions that we might consider – losing access to that information would result in our not having it as an input in our capital allocation assessments and decision-making. This is especially the case with respect to smaller-cap companies in our industry. It is also important to note that the effects of the Proposed Amendment may also vary by industry and that making such a drastic change may have more unanticipated effects in some industries than others, creating more unpredictability. For example, market capitalizations in the industry in which we operate are subject to significant fluctuations depending on commodity pricing, and other factors and the visibility into investors that focus on industries that experience significant valuation changes may be especially harmed by the Proposed Amendment.

It remains the case that public companies do not have a clear way to know who all of their investors are. As investor relations becomes a more salient part of corporate strategy, having a meaningful percentage of stockholders “go dark” could hamstring our and others' efforts to engage and cooperate with shareholders as partners in corporate governance and long-term value creation. We value, as many of our peers and competitors do, the input of our shareholders and regularly consult with them to understand what is important to them. We also seek to be thoughtful in cultivating and developing a high-quality investor base and designing approaches for targeting new investors who might be interested in owning a position in our stock and existing investors who might be interested in increasing their holdings (including those who may fall below the new \$3.5 billion threshold). Form 13F – and a reasonably low threshold for reporting on 13F – gives us an easy and accurate way to do so. More generally, we want to encourage the right behaviors in the securities markets: transparency, collaboration and dialogue. 13F reports also enable us to confirm information provided by investors about their holdings and can prompt – and inform – the dialogue we have with investors. Having easily accessible, accurate information about investors and their holdings is key to keeping those behaviors at the forefront.

Further, the revised, higher disclosure threshold will make it more difficult for market observers to compare investors and their holdings. Since the universe of reporting investors will

be limited if the Proposed Amendment is adopted, market observers' ability to understand and track the evolution of investors' holdings will be affected, especially since many active managers will fall under the revised threshold. Given the sharp decrease in the number of reporting investors and such a high billion-dollar plus threshold, investors may be incentivized to engage in strategic behavior, increasing or reducing their measured assets under management in order to move in and out of the reporting regime. Such unpredictable consequences could have meaningful effects on the reporting universe and market behavior, possibly increasing volatility. This would be an unwelcome development.

We are firmly of the view that there is a broader need for reform of the Commission's reporting rules, whether with respect to short-selling and derivatives disclosure or more timely reporting of positions under Schedule 13D and Form 13F, and would applaud the Commission moving forward with efforts toward transparency and reform. We, however, question the piecemeal nature of the Proposed Amendment. One suggestion we respectfully make is to shorten the period between the end of the quarter and the required filing of the Form 13F while maintaining a threshold that is sufficiently low to ensure Form 13F remains a comprehensive and relevant regime for many investors. Investors with sufficient assets under management to be required to file a Form 13F generally already use electronic tracking, so there is no need from a records collection point of view for the current 45-day period. Shortening this period would also work towards increasing transparency in the securities markets.

In addition to our views in this letter, we write to second the arguments made in other letters either previously submitted or planned to be submitted to the Commission, including those submitted by Wachtell, Lipton, Rosen & Katz, the New York Stock Exchange, Nasdaq, the Society for Corporate Governance, the National Investor Relations Institute, The Business Roundtable, the U.S. Chamber of Commerce and the National Association of Manufacturers.

We would be happy to respond to any questions you may have with respect to this letter or our view on the Proposed Amendment. If you have any questions or if you would like to discuss more generally, please feel free to contact Kelly Rose at (281) 293-2029 or Shannon Kinney at (281) 293-2623.

Very truly yours,



Kelly Rose

*Senior Vice President, Legal, General
Counsel and Corporate Secretary*