



RGC Resources, Inc.

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NASDAQ: RGCO

May 13, 2013

Securities and Exchange Commission
Ms. Elizabeth M. Murphy, Secretary
100 F Street NE
Washington, DC 20549-1090

Responded via email to rule-comments@sec.gov

RE: NASDAQ Notice of Filing of Proposed Rule Change to Require That Listed Companies Have an Internal Audit Function – File Number SR-NASDAQ-2013-032

Dear Ms. Murphy,

RGC Resources, Inc. (“RGC”) appreciates the opportunity to comment on the U.S. Securities and Exchange Commission’s (“SEC”) *Notice of Filing of Proposed Rule Change to Require that Listed Companies Have an Internal Audit Function* issued by the NASDAQ Stock Market LLC (“NASDAQ”). RGC is a micro-cap, diversified energy company with a market capitalization of approximately \$95 million. We have been an SEC registered public company since 1965 and listed on the NASDAQ stock market since 1994. We respectfully submit our comments to object and discourage the SEC and NASDAQ from implementing this rule as it is currently stated.

We are a firm believer in the establishment and maintenance of an effective system of internal controls; however, we believe that establishing an internal audit function is redundant to our current processes, and therefore costly and unnecessary, based on the following. First, our company has an effective, comprehensive Sarbanes-Oxley control program that includes risk assessment, testing and evaluation of all internal controls over financial reporting. The results from these activities are submitted, reviewed and certified by the CEO and CFO as to their effectiveness, as well as presented semi-annually to the Audit Committee and our independent audit firm.

Secondly, an internal audit function would be redundant to the role performed by our independent, outside auditor. Our outside auditors perform an extensive annual audit and three quarterly reviews, which includes a thorough, independent review and opinion on the controls over financial reporting. The outside auditor reports quarterly to the Audit Committee.

Third, we are a small company. We have approximately 125 employees and a seven person accounting department. We have a strong management team and good separation of duties. We take internal controls very seriously. Almost everything about our business is known by the executive officers and many of the accounting department. There is little or no opportunity for any material fraud or impropriety to go undetected.

For these reasons, we believe the excessive costs and burdens imposed by the rule are not in the best interests of our shareholders, customers and employees. We respectfully object to the proposed rule and recommend that the proposed rule be withdrawn in its entirety. If withdrawal is not possible, we urge that further consideration be given for small and micro-cap companies, at least those under \$500 million in market capitalization, to be excluded from compliance of this rule. We would be pleased to discuss these comments with you.

Best Regards,

A handwritten signature in black ink that reads "Paul Nester".

Paul Nester
Vice-President, Treasurer and Chief Financial Officer