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July 22, 2009

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

RE: Proposed Amendments to Rule 206(4)-2
Release No. IA-2876
File No. S7-09-09

Dear Ms. Murphy:

Cascade Investment Advisors, Inc ("CIA) appreciates the opportunity to comment on the proposed amendments to Rule 206(4)-2 ("Rule"). Whereas, CIA is a Registered Investment Advisory firm whose sole form of custody of client assets would be defined by the capacity to deduct management fees from client accounts that are maintained by an independent, qualified custodian, CIA strongly objects to the specific language of the rule that mandates advisors with such a form of custody to undergo an annual surprise audit.

Although CIA appreciates the spirit of the Rule to mitigate the incidence of fraud, CIA believes the mandate to conduct annual surprise audits will assuredly result in additional costs being passed along to clients in the form of management fees. The unseen effect is the opportunity costs of how the funds would otherwise be employed, such as investment in more efficient software, research, and staffing that directly add value to clients.

The fundamental measure of the efficacy of a policy is its expected benefit and the related cost of its implementation. In compliance with the current iteration of Rule 206(4)-2 current iteration, CIA's third-party, independent, qualified custodian delivers, on at least a quarterly frequency, account statements to investment management clients. However, most clients have online access to their accounts offering review at any time. Paper account statements and online access present clearly all transaction activity. As CIA's account management agreement plainly states the manner in which CIA calculates fees, clients may reconcile expected fee debits with either paper account statements or real-time account activity offered through online access. As such statements are prepared without CIA's influence or intervention, the clients can be confident in the statements' objective and independent quality. Therefore, an annual audit would at best be superfluous, wasteful, costly, and detract from account performance while providing dubious incremental client protection especially as broker-dealer/custodians are already subject to annual audits and oversight of their operations.

Furthermore, CIA affords the client the ability to remit management fees by check through an invoice process or opt to have their fees directly debited from any one of their investment accounts. Such a policy demonstrates our efforts to accommodate our clients.

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Any insidious practices to embezzle client funds are already illegal. The expectation that surprise audits will limit or prevent abuse is dubious at best given that the accounting firm that audited Madoff's operations was apparently complicit in the perpetuation of fraud. Therefore, CIA believes that the surprise audit mandate would be ineffective and punitive.

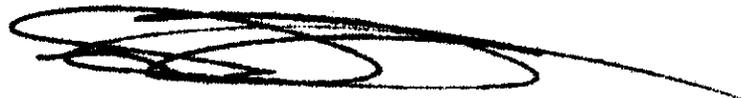
Perhaps the Commission should consider employing those powers and means already at their disposal to investigate illegal activities. Given that the Madoff scandal was seemingly allowed to persevere by an apparent lack of regulatory resources, as whistle-blowers had previously highlighted the suspicious business operations while Madoff was registered with the SEC and his related brokerage firm was audited by FINRA and the NASD, a more meaningful solution may be an increase in the staffing of the regulatory authorities who investigate allegations of criminal behavior.

Furthermore, it is CIA's understanding that the Madoff fraud was not predicated on the practice of deducting management fees from client accounts. We are not aware of any incidence of fraud occurring from the practice of directly debiting management fees from client accounts.

With substantial safeguards already in place, CIA requests that the Commission maintain the current language of Rule 206(4)-2 with respect to those firms that explicitly employ independent, qualified custodians and who, by virtue of the client-granted authority to deduct management fees from client accounts, have custody of client assets.

Thank you for your time and consideration of our request.

Respectfully,



Michelle Rand, CFA
President
Cascade Investment Advisors, Inc.

MR:jll