

MERIT ADVISORS, INC.

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June 08, 1992

Congressman Mickey Edwards
U.S. House of Representatives
2330 Rayburn Building
Washington, D.C. 20515

Re: House Resolution 1597

Dear Senator:

The Securities and Exchange Commission has proposed to raise investment advisers' fees from the current annual of \$150.00 to \$300.00 through \$7,000.00 per year to increase the SEC's ability to audit the advisors. Originally, Congress was to eliminate the many conflicting state regulation requirements as the quid pro quo for this increase. Now this benefit for the industry is being eliminated while the fees are still being raised.

Our company presently manages \$41,000,000 in mutual fund assets. We are registered to do business in 10 states. Our Registration fees are currently about \$2,400.00 per year. If this proposed legislation were enacted today, our fees would more than double. And, I ask the question: "What does the investor and our company get for these fees?" We are told it will finance a once-every-5-years examination of our company by SEC examiners. How could an SEC examination of my company cost this much now or later on?

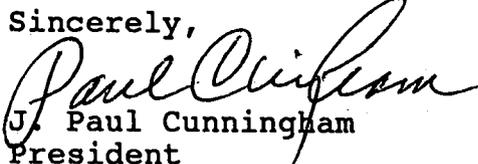
As I see it, with this new cash flow from fees, it will be the beginning of a whole new bureaucracy which will only get bigger and bigger. Rather than advance the money to the SEC every year, why not simply require the examinee to reimburse the SEC for the cost of the examination at the time it is conducted?

The advantages of this approach are several:

- a. The SEC must make an examination before collecting the fee, thus discouraging the use of these fees for other SEC staff duties.
- b. If the company being examined is assessed fees only at the time of examination, there is more opportunity to manage the cost.
- c. This approach would be more equitable to the smaller companies like ours. The larger the company being examined, the larger the fee should be.

The formula in the proposed legislation does not adequately provide for this. Your support for this position will be appreciated.

Sincerely,


J. Paul Cunningham
President

JPC/ah

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