



September 27, 2005

Dear Advisor,

I'd like to take this opportunity to update you on our ongoing efforts to raise awareness and push for change of the broker-dealer exemption or "Merrill Lynch Rule." As you may be aware, the SEC voted in April to adopt the Final Rule, which allows broker-dealers to offer fee-based investment advice without registering as investment advisors under the Investment Advisors Act of 1940.

As you know from our past comment letters to the SEC, we were disappointed in the initial proposal and have been similarly disappointed in the adoption of the Final Rule. TD Waterhouse has been an active participant in the debate and we have repeatedly and publicly called for a uniform standard of protection for all investors receiving fee-based investment advice. The action this spring by the SEC has strengthened our resolve to pursue a regulatory and - if necessary - legislative path to achieve this.

As part of our efforts, we recently conducted a nationwide survey of RIAs regarding the broker-dealer exemption. The survey, which was sent exclusively to Independent Registered Investment Advisors like yourself, sought to determine advisors' level of concern about the SEC's final ruling, and to gather feedback on what should be done to address the differing levels of investor protection sanctioned by the rule.

I'd like to share some of the survey highlights with you. I'm also including the [press release](#) and [fact sheet](#) we issued to the media. You may have seen this story reported recently in both *Investment News* and *Investment Advisor*. We plan to continue our campaign to raise awareness of this matter through the media and ongoing public relations activities.

Survey highlights:

- An overwhelming **92%** of advisors that responded agreed that all providers of fee-based advice should offer equal levels of protection to investors.
- In fact, **88%** of advisors said further reform of the broker-dealer exemption was necessary to achieve this.
- As such, **82%** of advisors responding would support new legislation that sets forth one clear, uniform standard of investor protection for all providers of fee-based financial advice.

It is encouraging to know that RIAs are squarely behind the rights of investors in this matter. Interestingly, while **70%** of advisors responding to the survey said that the greater investor protections offered by RIAs does provide a competitive advantage over broker-dealers, **an overwhelming majority still agreed that all providers of fee-based advice should offer equal levels of protection to investors.** In other words, advisors would sacrifice a competitive advantage in order to protect investors.

Although the final rule was adopted in April, we remain optimistic that further reform is still a possibility. The SEC has acknowledged that, under the rule, the lines between full-service broker-dealers and RIAs will continue to blur, and it has stated its intent to study the issue. Additionally, the ruling concedes that the final approach "addresses many, but not all, concerns about investor confusion." As a result, we plan to make your voice and the voice of investors heard both at the SEC and in the halls of Congress.

I'd like to thank those of you who participated in the survey as well as those of you who have shared your thoughts with me directly.

I encourage you to review and share these results with your colleagues and clients. It is our hope that reform of this rule will serve to maintain investor confidence in the financial industry and in the services you provide. As always, I welcome any feedback and would be happy to answer any questions.

Best regards,

A handwritten signature in black ink that reads "J. Thomas Bradley, Jr." in a cursive script.

J. Thomas Bradley, Jr.
President
TD Waterhouse Institutional Services