

RBC CAPITAL MARKETS, LLC

# RBC FINANCIAL PLANNING DISCLOSURE BROCHURE

Form ADV, Part 2A: Firm Brochure

June 29, 2012

*This RBC Financial Planning Disclosure Brochure provides you with information about the qualifications and business practices of RBC Wealth Management, a division of RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC ("RBC CM"), an indirectly wholly-owned subsidiary of Royal Bank of Canada. This brochure describes only RBC Financial Planning services offered by RBC CM. This document provides investors with information about RBC CM and our Financial Planning Services that should be considered before becoming a client of the program. Please contact us at (612) 371-2711 if you have any questions about the content of this brochure. This information has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority. Registration of an investment adviser does not imply a certain level of skill or training.*

Additional information about RBC Wealth Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**RBC Wealth Management®**

A division of RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC.

## ITEM 2: MATERIAL CHANGES

In this Item 2, RBC WM is required to identify and discuss all material changes to its RBC Financial Planning Disclosure Brochure. Since the January 27, 2012 version of the RBC Financial Planning Disclosure Brochure, we have the following material updates.

It is alleged by FINRA that RBC Capital Markets, LLC ("RBC CM") violated FINRA/NASD rules 1122, 2010, 2110, 3010 by failing to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to comply with applicable rules and regulations pertaining to short-term transactions in Closed-End Funds. On May 10, 2012 RBC CM was censured, fined \$200,000 and ordered to pay partial restitution of \$70,000 to a customer.

The Massachusetts Securities Division alleged that RBC CM failed to supervise and made unsuitable recommendations to brokerage and advisory clients regarding the purchase of leveraged, inverse and inverse-leveraged Exchange Traded Funds. On May 2, 2012 RBC CM entered into a consent order with the Massachusetts Securities Division under which RBC CM has paid a fine of \$250,000 and offered restitution of approximately \$2,900,000 to certain clients.

RBC WM will provide you with a new RBC Financial Planning Disclosure Brochure without charge, upon request to your Financial Advisor. Our RBC Financial Planning Disclosure Brochure is also available on the SEC's web site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with RBC WM who are registered, or are required to be registered, as investment adviser representatives of RBC WM.

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## ITEM 4: ADVISORY BUSINESS

### About RBC Capital Markets

RBC Capital Markets, LLC ("RBC CM") is a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange ("NYSE") and has been registered with the SEC since 1977. Our parent company, Royal Bank of Canada, is publicly held and is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant. As a registered investment adviser, we complete a Part I of Form ADV, which contains additional information about our business and our affiliates. This information is publicly available through our filings with the SEC at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). This information is current as of the date of this document and is subject to change at our discretion.

### RBC Financial Planning

This disclosure document describes the financial planning services offered by the RBC Wealth Management division of RBC CM along with the features and fees. Our financial planning services provide a personalized report to help you assess your financial situation and your ability to pursue specific financial goals. For the purposes of this disclosure document RBC Wealth Management and RBC Capital Markets, LLC will be collectively referred to as "RBC CM" and the financial planning services offered by RBC CM will be referred to as RBC Financial Planning.

RBC Financial Planning may include financial planning for individuals and for employees of entities. RBC Financial Planning - Individual Client is designed for individuals as a long-term, comprehensive financial planning relationship.

RBC Financial Planning - Corporate Client is designed for certain employees of entities choosing to participate in RBC Financial Planning.

Both RBC Financial Planning-Individual Client and RBC Financial Planning- Corporate Client closely follow a three step process which may include:

- Gather Information - Complete a Wealth Management Questionnaire and review your important personal financial documents
- Analyze Information - Complete strategic, diagnostic, and analytical activities.
- Propose Recommendations - Develop written financial recommendations in the form of an Executive Summary specific to your financial situation

### RBC Financial Planning Topics

RBC Financial Planning provides individuals with generalized guidance on one or more financial goals and objectives. Using information that you provide, the financial plan consists of various sections predetermined by you and your Financial Advisor based on your specific

needs. The plan may include an analysis of one or more of the following areas:

- Assistance in development of an investment plan (i.e. goal identification, asset allocation, and diversification)
- Accumulating wealth (i.e. retirement funding, lifestyle maintenance, major purchase planning, and employee stock options)
- Protecting wealth (i.e. income/earning power protection, managing debt, and risk management)
- Converting wealth to income (i.e. retirement income planning)
- Transferring wealth (i.e. charitable planning, gifting strategies, estate planning, and business succession/continuation planning)
- Advanced/other planning

### Implementing Financial Planning Recommendations

Financial planning is an investment advisory service that creates a fiduciary relationship. This means that we must place your interests above our own. This disclosure document explains your rights and our obligations in providing you with your financial plan. Please read it carefully and keep it for your records. Please note that although we act as your investment adviser in providing a financial plan to you, this does not affect any other relationship you may have with your Financial Advisor or RBC CM. The nature of your existing RBC CM accounts, your rights and obligations relating to these accounts, and the terms and conditions of any RBC CM account agreement in effect do not change in any way.

Our financial planning service does not include any advice regarding specific securities or other investments. In addition, you should understand that our financial planning service ends upon our delivery of the plan to you, as will the fiduciary relationship that arises from providing you with this service.

Any information presented in a financial plan regarding potential tax considerations is not intended as tax advice and should not be relied upon for the purpose of avoiding any tax penalties. Neither RBC CM nor any of its employees provide tax or legal advice and our financial planning services are not intended to provide, and should not be construed as providing, such advice. You must consult with your legal or tax advisors regarding your personal circumstances. In addition, our financial plans assume that you are a U.S. citizen or resident and subject to U.S. taxes. Our financial plans may therefore not be applicable to or appropriate for non-US citizens or those persons subject to other tax jurisdictions and requirements

You should also understand that a financial plan does not address every aspect of a client's financial life (e.g., areas not covered include analysis of property and casualty, homeowners, medical and excess liability coverage, etc.). Please consult with your Financial Advisor regarding the

specific topics included in your financial plan. Please note that a topic may not be included in your financial plan for a variety of reasons (e.g., insufficient data provided, separate analysis to be provided, etc.) and that such omission does not indicate that the topic is not applicable to your financial situation. Also, unless otherwise noted, our financial planning services does not analyze your estate planning documents and, accordingly, the current estate and death tax liabilities illustrated are estimates. You are advised to seek the counsel of your legal and tax advisors for a complete analysis of your estate and death tax liabilities.

### **Qualifications of Financial Advisors and Specialists Who Offer RBC Financial Planning**

We impose special requirements such as length of service, education or qualification requirements (in addition to the required registrations) for Financial Advisors who participate in our Financial Planning Service.

Generally, our Financial Advisors and professional personnel who provide financial planning services to clients have a college degree and/or securities industry experience. In addition, certain Financial Advisors and other RBC CM employees participating in financial planning services may possess a professional designation (e.g. Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC), etc.) or an internal certification. Holding a professional designation typically indicates that the Financial Advisor or RBC CM employee has completed certain courses or continuing education. However, use of such designations does not change the nature of RBC CM's or the Financial Advisor's obligation with respect to the advisory or brokerage products and services that may be offered to you.

### **Other Advisory Services**

RBC CM offers several types of Advisory Programs, including:

- Consulting Solutions
- Managed Account Program
- Portfolio Focus
- RBC Advisor
- RBC Total Portfolio

At this time not all Advisory Programs are available to all clients; contact your Financial Advisor for more information. Please review the RBC Wealth Management Wrap Fee Program Brochure for a full description of these services.

As of January 23, 2012; RBC CM manages \$16,654,805,193 on a discretionary basis and manages \$27,942,951,541 on a non-discretionary basis.

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## **ITEM 5: FEES AND COMPENSATION**

### **RBC Financial Planning Fee Schedule**

The fee that you pay (in the case of RBC Financial Planning - Individual Client), or your employer pays on your behalf

(in the case of RBC Financial Planning - Corporate Client) for our financial planning service covers our advice and the development and delivery of a financial plan.

Fees for RBC Financial Planning Services are negotiated within a range of \$500 to \$10,000, but in certain cases a fee higher than \$10,000 may be negotiated

Fees for our financial planning services are negotiable, and are at our sole discretion, may be waived, and may differ from client to client based on a number of factors. These factors include, but are not limited to:

- the financial planning service selected,
- the scope of the engagement,
- the complexity of the services provided, and
- the nature and amount of client assets involved.

Your Financial Advisor receives a percentage of the financial planning fees you pay to us.

### **Billing Practices**

When RBC Financial Planning fees are assessed, all fees associated with the financial planning service are disclosed, in advance, in a separate service agreement. The fees for the service are generally payable at delivery of the plan. However, other fee arrangements may be offered at our sole discretion. Payment is made by check or by debit from a RBC CM account you designate. You may terminate the financial planning agreement without penalty within five business days if you do not receive the RBC Financial Planning Disclosure Documents at least 48 hours prior to entering into the Agreement.

### **Employee Programs and Promotions**

Our ability to negotiate the fee or waive the fee may result in one client paying for the same set of services provided to another client at a lower fee or free of charge. We may also discount fees for clients purchasing multiple financial planning reports and services or in connection with sales promotions or marketing campaigns.

Fees as well as other account requirements may vary as a result of the application of prior policies depending upon when you received financial planning services from us. From time to time, the fees for financial planning or certain advisory services available through RBC CM may be reduced for our employees, certain other family members or employees of our affiliates.

Other types of fee arrangements-such as a wrap fee arrangements, or fee plus commission, are available in other advisory programs and services. We may enter into special agreements to provide other services involving specific clients, Financial Advisors or any of our branch offices. For more information regarding the above, contact your Financial Advisor.

You are not required to establish accounts, purchase products that RBC CM distributes, or otherwise transact business with RBC CM or any of our affiliates in order to put into action any aspect of your financial plan. If you would like RBC CM to be involved with helping you develop an investment strategy, the capacity in which we act when helping you implement an investment strategy will depend on, and vary by, the nature of your accounts (i.e., brokerage or advisory accounts) used for such implementation,

#### **Transaction-based Brokerage Account**

You pay commissions and other charges (such as sales loads on mutual funds) at the time of each individual securities transaction.

#### **Fee-based Investment Advisory Account**

You pay a fee on a monthly or quarterly basis based on the assets held within, and services provided for, your account rather than a commission on each individual transaction.

Within its investment advisory business, RBC CM receives less than 50% of its revenue from its advisory clients for the sale of investment products recommended by its Financial Advisors, including asset-based distribution fees from the sale of mutual funds.

It is important to understand that brokerage and investment advisory services are separate and distinct and each is governed by different laws and separate contracts with you. While there are similarities among the brokerage and advisory services we provide, depending on the capacity in which we act, our contractual relationship and legal duties to you are subject to a number of important differences.

The fee you pay covers only the RBC Financial Planning Service as set forth in the service agreement you enter into with us. The fee does not cover any other services, accounts or products. Therefore, if you maintain accounts with us, or if we assist you in implementing your financial plan, you will pay other charges, such as compensation for the sale of securities or other investment products, in addition to the financial planning fee. This will add to the overall compensation that we receive and may present a conflict of interest based on an incentive to recommend investment products based on the compensation received, rather than based on your needs. The financial planning Fees will not be reduced or offset by these other fees.

In general, we pay our Financial Advisors a percentage of clients' commissions and fees (called a payout or grid rate), less certain adjustments requested by our Financial Advisors, according to an established schedule based on the revenues the Financial Advisor generates with the clients he or she services. For transactions-based accounts-which hold products such as stocks, bonds, options and mutual funds-the payout rate ranges from 20% to 45% of the commissions or sales charges paid to the firm. Generally, for stock and option transactions, the payout is adjusted downward to account for a \$12 per

transaction fee. For asset-based fee programs and financial planning fees, the payout ranges from 20% to 48% of the commissions or sales charges paid to the firm.

We may reduce or terminate the above payouts to Financial Advisors in connection with accounts they service that do not meet certain prescribed asset levels on a household basis. This will only affect the amounts paid to your Financial Advisor and will not mean that you will pay less.

**The percentage of firm revenues credited to Financial Advisors in asset-based programs is higher than the percentage of firm revenues credited on most other products and services, including the compensation they would receive if you paid separately for advice, brokerage and other services. The differences in compensation create an incentive for Financial Advisors to recommend products for which they receive higher compensation.**

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors may be compensated differently. Financial Advisors also receive certain revenue awards based on their production amount, business mix and net new assets. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

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#### **ITEM 6: PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT**

We do not have any performance-based fees for any advisory programs.

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#### **ITEM 7: TYPES OF CLIENTS**

RBC Financial Planning is generally intended for individuals; married couples; domestic partners; and entities with financial planning needs, such as trusts, estates, nonprofit organizations and business entities. Clients are not required to maintain accounts at RBC CM to receive financial planning services.

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#### **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

##### **Methods of Financial Analysis:**

When developing an analysis and recommendations for you, your Financial Advisor compares your financial goals with your investment risk tolerance. Your Financial Advisor may use asset value, current and projected return, and other assumptions you provide, as well as historical return analysis prepared by RBC CM. Your financial plan may be prepared through the use of one or more computer software packages to analyze your goals using one or more methods of analysis, including probability and deterministic modeling. Forward looking analyses, including probabilistic modeling (which presents the likelihood that the client may be able to achieve certain goals) are hypothetical in nature, do not reflect actual investments results and are not a guarantee of future



results. These analyses do not analyze specific securities. Actual market conditions may result in outcomes significantly different than those illustrated. With respect to probabilistic modeling, the results may vary over time and with each use if any of the underlying assumptions or profile data is adjusted. In addition, the analysis does not present the results that could occur from an extreme market event, either positive or negative, due to the low probability of such an occurrence

### **Investment Strategies**

Your financial plan also may include an asset allocation analysis designed to assist you in positioning your investment assets. If your financial plan includes such analysis, the recommended portfolio allocation will be determined based on a variety of factors, including your personal financial information, risk tolerance, and the historical and anticipated performance of different asset classes.

Our asset allocations are based on a proprietary methodology. In developing those allocations, RBC CM considers asset class risk and return results that are based on estimated forward-looking return and risk assumptions, as measured by standard deviation ("capital market assumptions"), which are based on RBC CM proprietary research. The development process includes a review of a variety of factors, including the return, risk, correlations and historical performance of various asset classes, inflation and risk premium. The process assumes a situation where the supply and demand for investments is in balance and in which expected returns of all asset classes are a reflection of their expected risk and correlations regardless of timeframe. These capital market assumptions do not assume any particular investment time horizon.

RBC CM periodically reviews the economic or market conditions or other general investment considerations that it believes may impact the capital market assumptions. The capital market assumptions may change from time to time at the discretion of RBC CM. RBC CM has changed its risk and return assumptions in the past and may do so in the future. Neither RBC CM nor your Financial Advisor is required to provide you with an updated proposal based upon changes to these or other underlying assumptions. Changes in the assumptions may affect your Target Allocation on the broad, subclass or style level. We may also add or remove asset classes, subclasses and styles from the allocation methodology at any time. Once we have delivered a financial plan to you, we are not required to provide you with an updated analysis based upon changes to these capital market assumptions or resulting changes to your Target Allocation. It is important to note that implementing changes to your Target Allocation may result in tax consequences to you. Please consult your tax advisor if this occurs.

There is no guarantee that if you adopt your financial plan, you will meet all of your objectives. As actual investment

returns, inflation, taxes, and other economic conditions will vary from the assumptions used in our reports, your actual results will vary from those presented and may impact your ability to reach your financial planning goals.

The asset allocation analysis does not provide a comprehensive financial analysis of your ability to reach your other financial planning goals, and it does not identify the impact of your investment strategy on your tax and estate planning situations.

Our financial planning reports do not:

- make investment recommendations
- analyze particular securities
- provide on-going advice regarding specific securities or other investments, regardless of whether or not a fee is assessed; rather, a general asset allocation strategy based upon your stated risk tolerance, investment objectives, financial needs, age, current asset allocation and value of the assets is suggested in the financial planning report.

**Before you actually sell any such assets, consult with your legal and tax professionals regarding the tax and other implications of any such sale.**

### **Sources of Information**

The primary source of information used by your Financial Advisor is the data provided by you, such as your personal data, assets and liabilities, income expectations, assumed overall rates of interest and inflation, short-term and long-term financial goals, risk tolerance associated with goals, and other relevant information.

If you decide to implement any portion of your financial plan with RBC CM, at your request, your Financial Advisor can make specific product recommendations and help you develop an investment strategy. Your Financial Advisor may use training and marketing materials; prospectuses and annual reports for the investment; financial and insurance products distributed by RBC CM or its affiliates. We may utilize research, model portfolios and asset allocation services generated by RBC CM, RBC CM affiliates, third parties, by or through brokers or dealers or investment advisers, including research, model portfolios and asset allocation advice purchased through economic arrangements with such parties. Investing in securities involves risks that may result in losses, which you should be prepared to bear.

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### **ITEM 9: DISCIPLINARY INFORMATION**

In the past, we have entered into various orders, consent and settlements with our regulators and other third parties and have been the subject of adverse legal and disciplinary events. Below are summaries of certain events that may be material to your decision in selecting or maintaining our services for your investment advisory needs. Please note that certain disclosures discuss disciplinary events associated with Tucker Anthony, Inc.; Sutro & Co., Inc.;

Rauscher Pierce Refnes; Seasingood & Mayer, LLC; Ferris, Baker Watts LLC; J.B. Hanauer & Co. and RBC Dain Rauscher Inc. These disclosures are adverse events that involved a company that was either a predecessor broker-dealer or was merged or acquired by us.

It should be noted that the disciplinary reporting requirements for broker-dealers and investment advisors differ. Since we are registered as both a broker-dealer and investment adviser, we file information as required by both sets of regulatory requirements. In addition to the descriptions below, you can find additional information about us and management personnel on the Securities and Exchange Commission's website located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) as well as the Financial Industry Regulatory Authority's ("FINRA") website located at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

Please note that in each of the instances described below, we entered into various orders, consent and settlements without admitting or denying any of the allegations.

It is alleged by FINRA that RBC CM violated FINRA/NASD rules 1122, 2010, 2110, 3010 by failing to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to comply with applicable rules and regulations pertaining to short-term transactions in Closed-End Funds. On May 10, 2012 RBC CM was censured, fined \$200,000 and ordered to pay partial restitution of \$70,000 to a customer.

The Massachusetts Securities Division alleged that RBC CM failed to supervise and made unsuitable recommendations to brokerage and advisory clients regarding the purchase of leveraged, inverse and inverse-leveraged Exchange Traded Funds. On May 2, 2012 RBC CM entered into a consent order with the Massachusetts Securities Division under which RBC Capital Markets has paid a fine of \$250,000 and offered restitution of approximately \$2,000,000 to certain clients.

FINRA alleged that RBC CM violated FINRA rule 2010, 2110 and 3010 by charging markups and markdowns on Collateralized Mortgage Obligations (CMO) with mostly retail, non-institutional customers that exceeded the internal guidelines based on the type and maturity. In addition, RBC CM did not adjust or justify in writing on the order records the reason for the markup and markdown. RBC CM also failed to establish, maintain and enforce a supervisory system and written supervisory procedure reasonably designed to ensure that the markup and markdowns were fair, reasonable and compliant with FINRA rule 2440. On January 3, 2012; RBC CM was censured and fined \$25,000.

FINRA alleged that RBC CM violated various FINRA, MSRB and SEC rules because it failed to report the following to the trade reporting and compliance engine (TRACE) for TRACE eligible securities: block transactions within 15 minutes of execution time, transactions it was required to report, the correct contra-party's identifier, the time of

trade execution in the correct format, the correct price and symbol indicating whether the trade was a buy or sell and the correct trade execution time. RBC CM also reported transactions to TRACE it was not required to report and double reported TRACE transactions. RBC CM also failed to report information regarding purchase and sale transactions and block purchase and sale transactions effected in municipal securities to the real-time transaction reporting system (RTRS) within 15 minutes of the time of trade to a RTRS portal. RBC CM also improperly reported information to RTRS, failed to report information and reported a transaction it should not have. RBC CM failed to report the correct yield for municipal securities to the RTRS and provided written notification disclosing to customers the incorrect yield. RBC CM failed to transmit to the OTC reporting facility (OTCRF) last sale reports of transactions within 90 seconds after execution and to designate the reports as late. RBC CM failed to report to the OTCRF the correct execution time for transactions in reportable securities. It is also alleged that RBC CM failed to show the correct execution time on brokerage order memoranda, execute orders fully and promptly, use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price for customers were as favorable as possible under the prevailing market conditions. On November 8, 2011; RBC CM was censured and fined \$125,000 and ordered to pay \$241.26, plus interest, in restitution to investors.

ICE Futures U.S., Inc. alleged that RBC CM violated Exchange Rule 27.09(a) by failing to assign unique login IDs to three employees of a corporate affiliate who accessed the Exchange's electronic trading platform through the Firm. On September 28, 2011, RBC CM was ordered to cease and desist and pay a fine of \$15,000.

It is alleged by the SEC that RBC CM violated Sections 8A, 17(A)(2) and 17(A)(3) of the Securities Act of 1933 (the "Securities Act"), Section 15(B) of the Securities Exchange Act of 1934 ("Exchange Act"), Section 203(E) of the Investment Advisers Act of 1940 by negligently marketing and selling Collateralized Debt Obligations ("CDOs") to five school districts in Wisconsin that may have been inadequate or unsuitable. On September 27, 2011, RBC CM was censured, ordered to cease and desist and paid \$6.6 million in disgorgement and restitution, plus interest of \$1.8 million. RBC CM also paid a civil penalty of \$22 million.

FINRA alleged that in several transactions RBC CM violated MSRB Rules G-17 & G-30(A) by purchasing municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable. On August 25, 2011, RBC CM was censured and was ordered to pay \$43,157 plus interest in restitution and a fine of \$95,000.

FINRA alleged that Ferris, Baker Watts, Inc.'s (FBW), a firm acquired by RBC CM, violated FINRA rules 2110, 2310,



3010(A), and 3010(B) because it failed to have adequate written supervisory procedures governing suitable sales of reverse convertible notes and to reasonably supervise certain accounts that purchased the notes. On October 20, 2010, RBC CM was censured and paid \$189,723 in restitution and a fine of \$500,000.

It is alleged by NYSE ARCA that RBC CM failed to reasonably supervise the activities of its associated persons by implementing adequate controls, including a reasonable system of follow-up and review, designed to detect and prevent potential violation of wash trading activity on the NYSE ARCA marketplace. On September 15, 2010, RBC CM was censured and was fined \$95,000.

The Nebraska Department of Banking & Finance alleged that RBC CM did not enforce policies and procedures designed to prevent a RBC Financial Consultant from engaging in trading in a customer's account that appeared to be excessive in size or frequency in view of the customer's financial resources and the character of the account. On May 1, 2010, RBC CM was fined \$60,000, plus disgorgement and restitution.

FINRA alleged that RBC CM violated various FINRA, MSRB and SEC rules because it had fail-to-deliver positions and failed to immediately take proper action before executing proprietary short sales in the security. RBC CM sent information to OATS that contained inaccurate, incomplete or improperly formatted data and made this data available a report on the covered orders in National Market System Securities. RBC CM acted as principal for its own account and failed to provide written notification disclosing to its customers that it was a market maker in each such security. The supervisory system was not reasonably designed to achieve compliance with applicable securities laws and regulations concerning the use of multiple market participant identifiers (MPIDS). RBC CM did not make available in a timely manner a report on the covered orders in National Market System Securities that it received. RBC CM also did not, in a timely manner, make publicly available the reports on the routing of non-directed orders in covered securities or execute orders fully and promptly. RBC CM did not use reasonable diligence to ascertain the best inter-dealer market, accept or decline transactions in reportable securities within 20 minutes after execution in the trade reporting facility. RBC CM transacted in municipal securities for its own account and with customers at an aggregate price (including any markdown or markup) that was not fair and reasonable. RBC CM failed to report trade reporting and compliance engine (TRACE) transactions in eligible securities within 15 minutes of the time of execution. Information regarding transactions and block transactions effected in municipal securities to the RTRS was not made within 15 minutes to a portal. RBC CM failed to report the correct special condition indicator code to the RTRS in municipal securities transaction reports and over-reported transactions in municipal securities. RBC CM

was censured, ordered to revise its written supervisory procedures, and pay a fine of \$150,000, plus restitution payments of \$7,254, plus interest.

NASDAQ alleged that RBC CM entered orders into the NASDAQ market center that failed to correctly indicate whether the orders were a buy, short sale or long sale, in violation of NASDAQ Rule 4755. On January 6, 2010, RBC CM was ordered to pay a fine of \$5,000 to NASDAQ.

FINRA alleged that RBC CM failed to maintain adequate written supervisory procedures relating to non-cash compensation that was relevant for its non-cash compensation monitoring compliance and FINRA's non-cash compensation rules, in violation of FINRA Rules 2110 and 3010(B). On January 4, 2010, RBC CM was ordered to pay a fine of \$5,000.

FINRA alleged that RBC CM violated MSRB Rule G-36 by, acting as an underwriter in primary offerings and advance refunding of municipal securities, failing to submit forms G-36 (OS) and related official statements with the MSRB in a timely manner. In addition, it is alleged that RBC CM failed to submit Forms G-36(ARD) and related advance refunding documents to the MSRB in a timely manner and Form G-36(OS) with inaccurate information. On January 4, 2010, RBC CM was censured and fined \$7,500.

FINRA alleged the RBC CM sold unregistered securities in violation of Section 5 of the Securities Act and failed to establish, maintain and enforce a supervisory system reasonably designed to detect and prevent the sale of unregistered securities, in violation of FINRA Rules 2110 and 3010. On January 4, 2010 RBC CM was censured and was ordered to pay a fine of \$135,000.

FINRA alleged that certain research analysts at RBC CM did not have the proper registrations and the names of those analysts had appeared on numerous research reports, in violation of FINRA Rules 1050 and 2110. On July 8, 2009, RBC CM was censured and fined \$150,000.

It is alleged by FINRA that RBC CM violated FINRA Rules 2110, 2420, 3010, 3110, NYSE Rule 345(A), Sections 15(A) and 17(A) and Rules 17a-3 and 17a-4 of the Exchange Act because it permitted a non-registered finder to act in the capacity of a registered broker-dealer in the conduct of certain stock loan transactions and made or caused profit-based payments to be made to the non-registered finder. RBC CM allowed the non-registered finder to negotiate the terms of the stock loan transactions, select the counterparties to those transactions, and was aware of and arranged with the non-registered finder for another broker-dealer to make payment to the non-registered finder based on the profits of related arbitrage transactions. RBC CM also failed to reasonably supervise the activities of its stock loan department in that it did not have adequate supervisory procedures in place to detect and deter these types of transactions and payments. On March 16, 2009, RBC CM was censured and fined \$400,000.

It is alleged by the SEC that RBC CM violated the fair dealing, gifts and gratuities, and supervisory rules of the Municipal Securities Rulemaking Board for advances made on behalf of and expenses reimbursed to one of its municipal clients during the client's municipal bond issuance process, in violation of MSRB rule G-17, G-20, G-27 and Section 15B of the Exchange Act. On February 24, 2009, RBC CM was censured, ordered to cease and desist and fined \$125,000.

The NYSE alleged that RBC CM violated NYSE rules by entering for execution odd-lot orders that aggregate 100 shares or more without having those orders consolidated into round lots as far as possible and filed with the NYSE inaccurate daily program trade reports. In addition, it is alleged that RBC CM failed to file certain daily program trade information with the NYSE within the required time frames and failed to provide for, establish and maintain appropriate procedures of supervision and control, including a system of follow-up and review reasonably designed to achieve compliance with NYSE Rules and policies pertaining to odd-lot orders and the submission of daily program trade reports. On October 8, 2008, RBC CM was censured and fined \$125,000.

Seasongood & Mayer, LLC, a broker-dealer acquired by RBC Dain Rauscher allegedly violated MSRB Rule G-14 by failing to report information about transactions effected in municipal securities within 15 minutes to the real-time transaction reporting system (RTRS) in the manner prescribed by Rule G-14 RTRS procedures and the RTRS users manual. On January 10, 2008, Seasongood & Mayer was censured and fined \$7,500.

It is alleged by FINRA that RBC Dain Rauscher violated FINRA Rule 3370 by accepting customer short sales in certain securities and failed to make/annotate an affirmative determination to receive delivery of the security on behalf of the customer for delivery by settlement date. On January 3, 2008, RBC Dain Rauscher was fined \$5,000.

The NYSE alleged violations of NYSE Rules 342, 401(A) and 1100(B) by RBC Dain Rauscher, in connection with the delivery of prospectuses and product descriptions for sales of registered securities and exchange traded funds as well as providing for, establishing, and maintaining appropriate supervision and control procedures relating to the delivery of prospectuses and product descriptions. RBC Dain Rauscher was censured and ordered to pay a fine of \$500,000 on October 2, 2007.

It is alleged by the NYSE that RBC Dain Rauscher violated NYSE Rules 351(A)(8) and 445 by failing to establish written procedures regarding the filing of Suspicious Activity Reports; conduct an adequate review for structuring and have an adequate monitoring system to review and document follow-up on exceptions found by the firm's Anti-Money Laundering Department. It is also alleged that RBC Dain Rauscher failed in certain instances to promptly report to the exchange the settlement of customer

complaints. RBC Dain Rauscher was censured and ordered to pay a fine of \$90,000 on April 18, 2007.

The NASD alleged that from January 2002 through July 2004, RBC Dain Rauscher violated NASD Rules 2110 and 3010 rules by failing to establish, maintain and enforce systems and procedures designed to ensure that all eligible investors received the benefit of net asset value transfer programs offered by various mutual fund companies. RBC Dain Rauscher was censured, ordered to pay restitution and a fine of \$250,000 on December 11, 2006.

It is alleged by the NASD that RBC Dain Rauscher failed to submit to the Order Audit Trail System (OATS) required information for reporting members, in violation of NASD Rule 6955(A). On January 3, 2008, RBC Dain Rauscher was censured and fined \$20,000.

The SEC alleged that RBC Dain Rauscher violated Section 17(a)(2) of the Securities Act by engaging in one or more of the following practices: completion of open or market bids, intervention in auctions, bids to prevent failed auctions, bids to set a "market" rate, bids to prevent all-hold auctions, prioritization of bids, submission or revision of bids after deadlines, allocation of securities, partial orders, express or tacit understanding to provide higher returns, and providing certain customers with information that gave them an advantage over other customers. RBC Dain Rauscher was ordered to cease and desist and pay a fine of \$1.5 million on May 31, 2006.

It is alleged that RBC Dain Rauscher violated Section 7-11-203 of the Rhode Island Uniform Securities Act of 1990, wherein five investment adviser representatives conducted investment advisory business in the state without being licensed or exempt from licensing. On October 28, 2005, RBC Dain Rauscher was ordered to pay a fine of \$10,000 plus \$750 in back taxes to the state of Rhode Island.

The NASD alleged that RBC Dain Rauscher violated Exchange Act Rules 17a-3 and 17a-4 and various NASD Conduct Rules because it bought a security for its own account from a customer or sold a security for its own account to a customer and failed to buy or sell such security at a price that was fair. RBC Dain Rauscher's supervisory system for its high-yield bond desk did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and NASD rules concerning fair pricing and NASD's mark-up policy. On October 28, 2005, RBC Dain Rauscher was censured, ordered to revise its supervisory procedures and ordered to pay a fine of \$1 million and made restitution payments totaling \$158,467 plus interest.

The NASD alleged that RBC Dain Rauscher violated Section 17(A) and Rule 17a-4 of the Exchange Act, and NASD Conduct Rules 2830(K), 2110, 3110 and 3010 by maintained shelf space (or revenue sharing) programs in which participating mutual fund complexes paid a fee in return for preferential treatment which included enhanced access to

the sales forces and hyperlinks to those fund's web sites on the internal web site, in. Participating fund complexes paid all or some of their fees for participating in the programs by directing mutual fund portfolio brokerage commissions to RBC Dain Rauscher. In addition, RBC Dain Rauscher failed to establish and maintain a system and procedures reasonably designed to detect and prevent the electronic mail retention violations. RBC Dain Rauscher was censured and ordered to pay a fine of \$1.7 million of June 8, 2005.

It is alleged that RBC Dain Rauscher violated NASD conduct Rules 2110 and 3010, and NASD marketplace Rule 6130(b) relating to violations of ACT reporting and firm procedure to review trade reports for compliance with Rule 6130(b). On June 3, 2005, RBC Dain Rauscher was censured and fined \$15,000.

The NASD alleged that during the period December 23, 2002 to January 21, 2003, RBC Dain Rauscher failed to report fifteen short sale transactions with the appropriate short sale modifier, in violation of NASD Rule 6130. On February 8, 2005, RBC Dain Rauscher was censured and fined \$8,000.

The NASD alleged that RBC Dain Rauscher violated Article V, Sections 2(c) and 3(b) of NASD's by-laws, and NASD Rules 2110 and 3010 due to not filing in a timely manner at least 140 late amendments to Forms U4 and U5, which represented approximately 35% of the required amendments relating to reportable customer complaints, terminations, regulatory actions, and criminal disclosures. It was also alleged that during the relevant period, RBC Dain Rauscher's supervisory system and procedures were not reasonably designed to achieve compliance with its Article V reporting obligations. On November 30, 2004, RBC Dain Rauscher was censured and fined \$150,000.

It is alleged that RBC Dain Rauscher violated NASD Conduct Rule 2110 and 1021(a) having permitted an individual to engage in activities requiring registration as a general securities principal when he was not so registered. On October 25, 2004, RBC Dain Rauscher was censured and ordered to pay a fine of \$5,000.

The NASD alleged that based on bids obtained from a broker, RBC Dain Rauscher purchased securities from public customers for its own account and then sold the securities to a broker at a nominal gain, which were below the fair market value, in violation of MSRB Rules G-17 and G-30(A). By relying on the bids, RBC Dain Rauscher failed to ensure that the transactions were executed at aggregate prices that were fair and reasonable. On October 21, 2004, RBC Dain Rauscher was censured and ordered to pay a fine of \$10,000, plus \$8,714 plus interest in restitution.

The SEC alleged violations of Exchange Act Rule 15c3-3 for failing to fund RBC Dain Rauscher's proprietary account for introducing brokers causing a hindsight deficiency. The NYSE alleged violations of NYSE Rule 92(b) by entering proprietary orders while representing customer orders without using separate proprietary accounts. There were

also alleged violations of Exchange Act Rules 17a-3(a)(6) and 17a-4(b)(1) and NYSE Rule 440 for failing to make, maintain and preserve certain required records of customer orders. Alleged violations of NYSE Rules 342(a) and (b) for failing to provide appropriate procedures of supervision and control and establish a system of follow-up and review to prevent such violations. On September 21, 2004, RBC Dain Rauscher was censured and fined \$80,000.

The NASD alleged that Rauscher Pierce Securities Corporation, a division of RBC Dain Rauscher, violated NASD Marketplace Rule 6130(b) and NASD Conduct Rule 2110 relating to violations of the automated confirmation transaction service (ACT). On August 27, 2003, RBC Dain Rauscher was censured and fined \$7,500.

The NYSE alleged that RBC Dain Rauscher failed to make and preserve timely records relating to the designation and execution of customer orders, in violation of NYSE Exchange Rules 342 and 440 and Exchange Act Rules 17a-3 and 17a-4. On August 22, 2003, RBC Dain Rauscher was censured and fined \$275,000.

The NASD alleged that RBC Dain Rauscher caused locked/cross market and failed to timely respond to trade or move messages, in violation of NASD Marketplace Rule 4613(E)(1)(C). On June 26, 2003, RBC Dain Rauscher was censured and ordered to pay a fine of \$17,500.

It is alleged by the NYSE that Tucker Anthony, Inc and Sutro & Co., Inc failed in the supervision of joint NYSE Floor trading activity, maintenance of outside accounts and Continuing Education requirements in violation of NYSE rules. On February 5, 2003, RBC Dain Rauscher was censured and fined \$125,000.

It is alleged that RBC Dain Rauscher failed to timely report Fixed Income Pricing System (FIPS) transactions, in violation of NASD Conduct Rule 2110 and NASD Marketplace Rule 6240(A)(2). On January 30, 2003, RBC Dain Rauscher was censured and ordered to pay a fine of \$12,500.

The SEC alleged that Rauscher Piece Refsnes Inc. violated anti-fraud provisions of the Securities Act and Exchange Act in connection with their capacity as underwriter or financial advisor on 12 one-year taxable note offerings and one pooled tax and revenue anticipated note offering. On August 13, 2002, RBC Dain Rauscher was ordered to cease and desist and fined \$500,000.

The NASD alleged that RBC Dain Rauscher caused locked/cross market, failed to respond to trade or move messages and failed to meet the Firm's firm quote, in violation of NASD Conduct Rule 3320, NASD Marketplace Rule 4613(B), 4613(E)(1)(C) and Exchange Act Rule 11Ac1-1. On August 5, 2002, RBC Dain Rauscher was censured and ordered to pay a fine of \$35,000

The SEC, as well as 46 States/Territories, alleged in separate allegations that the RBC CM failed to disclose



in communications with customers the increasing risks associated with Auction Rate Securities that the firm underwrote, marketed and sold. Between June of 2009 and July of 2011, RBC CM was ordered to cease and desist, repurchase/provide opportunities for liquidity and was fined an aggregate amount of \$7,678,992.96.

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**ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

RBC CM is a full-service brokerage and financial services firm and is registered as a broker-dealer and an investment adviser with the SEC. RBC CM is also registered with the Commodity Futures Trading Commission as a futures commission merchant. Further, RBC CM is a member of the NYSE, FINRA, the Securities Investor Protection Corporation ("SIPC"), and several other exchanges and self-regulatory organizations.

RBC CM does not make recommendations or select investment advisors for you nor are you required to establish accounts, purchase products that RBC CM distributes, or otherwise transact business with RBC CM or any of our affiliates in order to put into action any aspect of your financial plan. If you would like RBC CM to be involved with helping you develop an investment strategy, the capacity in which we act when helping you implement an investment strategy will depend on and vary by the nature of your accounts (i.e., brokerage or advisory accounts) used for such implementation and may result in different conflict of interests.

RBC Global Asset Management (U.S.), Inc. ("RBC GAM (U.S.)") is an affiliate of RBC CM. RBC GAM (U.S.) is a SEC-registered investment adviser providing taxable and tax-exempt fixed income and portfolio management services to federal, state and local entities (separately managed and pooled funds); corporations; financial, insurance and health care institutions; pension and profit-sharing plans; foundations and endowments; registered investment companies and individuals. On occasion, RBC CM solicits clients for RBC GAM (U.S.) individually managed account services. RBC CM also sweeps some account credit balances into RBC GAM (U.S.)-advised money market funds.

RBC CM and RBC GAM (U.S.) are wholly-owned subsidiaries of RBC USA Holdco Corporation, which is a wholly-owned indirect subsidiary of Royal Bank of Canada, one of the largest financial institutions in Canada.

Royal Bank of Canada owns shares of certain series of preferred stock in Placemark Holdings, Inc., the parent company of Placemark Investments, Inc. Royal Bank of Canada does not control Placemark Investments, Inc. for regulatory purposes and Placemark Investments, Inc. disclaims control by Royal Bank of Canada.

Client may select O'Shaughnessy Asset Management ("O'Shaughnessy") as their Investment Manager in the Managed Account Program. Royal Bank of Canada owns a

minority interest in O'Shaughnessy, but Royal Bank of Canada does not control O'Shaughnessy for regulatory purposes.

RBC CM and its affiliated banks, RBC Bank (USA) and RBC Bank (Georgia), N.A, receive financial benefits in connection with the RBC Bank Deposit Program. In addition to the fees RBC CM receives from the banks, RBC CM receives other compensation that is reflected by allocations made for reporting purposes. Through the RBC Bank Deposit Program, RBC Bank (USA) and RBC Bank (Georgia), N.A., will receive a stable source of deposits at a cost that may be less than other funding sources available to them. RBC Bank (USA) and RBC Bank (Georgia), N.A., intend to use deposits to fund current and new businesses, including lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or "spread," between the interest rate paid on the deposits and other costs of maintaining the deposit accounts, and the interest rate and other income earned on those loans and investments made with the deposits. Fees earned by RBC CM through the RBC Bank Deposit Program will be in addition to the advisory fees paid to RBC CM. It should be noted that Royal Bank of Canada, through its affiliate, has entered into an agreement for the sale of RBC Bank (USA) to an unaffiliated third party. The closing of such sale is currently anticipated to be on or around March 2, 2012. At such time, RBC Bank (USA), will no longer be an affiliated bank. Prior to the closing of the sale, and pending any necessary regulatory approvals, it is anticipated that balances in RBC Bank (USA) will be transferred to RBC Bank (Georgia), a bank affiliated with RBC CM.

The Credit Interest Program option represents our direct obligation to repay the invested amount, on demand, plus interest. We invest Credit Interest Program assets and periodically adjust the interest rate payable on Credit Interest Program accounts. The spread between interest earned by us from our investments and the rate paid to Credit Interest Program account holders may be favorable to us. Because we do not waive the advisory fees, to the extent that your cash balance is invested in the Credit Interest Program, we earn duplicate income on such investments. The Credit Interest Program is not available to retirement account clients or to those clients who reside in Louisiana or Utah.

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**ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING****Code of Ethics**

Our Investment Adviser Code of Ethics, summarized below, is available separately at the request of a client or prospective client:

We are committed to ensuring that in our capacity as an investment adviser as well as a broker-dealer we:

- Act in the best interests of our clients and not allow personal interests of those of the organization to take precedence over the interests of our clients;

- Act with due skill, care and diligence in conducting our business and all transactions and trading activities;
- Preserve client confidentiality at all times;
- Respect the intellectual property rights of others;
- Prevent and/or fully disclose any perceived or real conflicts of interest;
- Protect and promote the integrity of the market; and
- Preserve honesty, integrity and trust in all communications with clients, employees and shareholders.

#### *Objectives of the RBC CM Investment Adviser Code of Ethics*

- To encourage and foster an organization and work environment that prompts the internal reporting through a defined escalation path regarding violations of the Investment Adviser Code of Ethics as related to securities transactions, personal trading activities of employees and supervisory personnel, employee behavior, and the RBC Code of Conduct.
- To promote compliance with applicable securities laws, rules, and regulations through leveraging an ethically-based approach;
- To promote honest and ethical conduct by all employee, Financial Advisors, and executives including the ethical management of actual or apparent conflicts of interest between external, personal and professional relationships;
- To promote full, fair, accurate, and understandable disclosure in reports, documents, and client communications that we create, submit, and disseminate; and
- To establish accountability on the part of employees, Financial Advisors, and executives regarding adherence to the Investment Adviser Code of Ethics.

#### **Participation or Interest in Client Transactions and Personal Trading**

Many of the conflicts related to participation or interest in client transactions and personal trading may not apply in the context of financial planning because the financial plan does not make specific investment recommendations or analyze particular securities. Moreover, we do not require you to establish accounts, purchase products or otherwise transact business with us. Nevertheless, we attempt to address potential conflicts of interest through this and other disclosure documents.

We sponsor other investment advisory programs and engage in a broad range of brokerage and other financial services. These include public and private investment banking and underwriting, retail and institutional brokerage and trading, institutional research and numerous other brokerage, advisory and financial services. Our broker-dealer activities are our principal business and account for the vast majority of our time, energies and resources.

As a full service broker-dealer, on an ongoing basis and as permitted by applicable law, we may, when appropriate:

- act as principal, buy securities from, or sell securities to you;
- act as broker or agent, effect securities transactions for compensation for you;
- act as broker or agent for any person other than an advisory client, effect transactions in which an advisory client's securities are sold to or bought from a brokerage client;
- recommend to you that you buy or sell securities or investment products in which we or a related person has some financial interest; or
- buy or sell for ourselves securities that we also recommend to you.

We have adopted and enforce internal policies and procedures with respect to conflicts of interest between us and our clients. Pursuant to these policies and procedures, we, when engaging in the activities enumerated above, treat your orders fairly and do not give our own orders preference over your orders. Where required by applicable law or exchange rules, we obtain the consent of affected clients in advance of any transactions in which we will be engaging in the activities referenced above. When we engage in the activities referenced above, all statements and/or confirmations of such transactions contain the disclosures required by applicable law and exchange rules. Securities activities are monitored daily to detect and prevent employees from trading ahead of client accounts.

In certain situations, investment managers may execute trades through us. It is the duty of the investment manager to seek the best net price and execution on securities trades for their clients. In the event that we sell a security to you or buy a security from you, we will use all reasonable efforts to assure that you obtain the best net price and execution on the purchase or sale based on prevailing inter-dealer market prices. In some circumstances, the change in market price may result in a financial benefit to us. We may consider it appropriate to use our own execution services to effect purchases and sales of securities for investment advisory clients. We may receive brokerage commissions in connection with such transactions and, in accordance with Section 11(a) of the Securities Exchange Act of 1934, may execute transactions for investment advisory accounts over which we have discretion on the floors of securities exchanges of which we are a member. Mark-ups and mark-downs charged by a dealer unaffiliated with us may be included in the price of certain transactions.

From time to time, we may incur trade errors. In these instances, we may profit from the error or may incur a loss. Regardless, your transaction will not be affected. We may from time to time receive compensation from executing transactions for securities for which we have also received compensation as a result of providing research services.



We and our affiliates may give advice and take action in performing our duties to other clients that differs from advice given, or the timing and nature of action taken, with respect to you. In the course of our respective investment banking activities or otherwise, we and our affiliates may from time to time acquire material nonpublic or other information about corporations or other entities or their securities. We and our affiliates are not obligated and may not be permitted to divulge any such information to or for the benefit of clients, or otherwise act on the basis of any such information in providing services to clients. We, our related persons and affiliates may purchase for our own accounts securities that are recommended to clients.

We have no control over where investment managers execute its trades; however, in situations where investment managers execute trades through us, a financial incentive may exist for us and we may recommend investment managers or model portfolios with lower portfolio turnover rates. This arrangement may also create a financial incentive for investment managers or overlay managers to refrain from searching as actively among other securities brokers and dealers for best execution.

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**ITEM 12: BROKERAGE PRACTICES**

Our financial planning services do not include the review or recommendation of broker-dealers for client transactions.

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**ITEM 13: REVIEW OF ACCOUNTS**

Complex Directors or their delegates are responsible for the supervision and review of financial planning reports generated by the Financial Advisors in accordance with our supervisory guidelines. The current procedures require Complex Directors or their delegates to review every financial plan prepared for clients prior to delivery to the client. The guidelines provide steps for the Complex Directors or their delegates to follow to review the content of the plans and document any variations from the standards. The financial plan consists of various sections pre-determined by the Financial Advisor and the client. Each section includes static text that cannot be changed or modified by the individual users.

In addition, when a fee is charged for a financial plan the Financial Advisor is required to document the advice specific to the client and related to the analysis in an executive summary and present the executive summary to the client at plan delivery. When a financial plan is delivered to the client, the financial planning service terminates. Our financial planning services do not include ongoing advice or reporting.

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**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Through our Advisory Referral Program, we provide investment advisory services to individuals, institutions, and other persons who have been referred to us by an independent third-party ("Solicitor"). We enter into an agreement with the Solicitor whereby the Solicitor will refer

potential clients to us. We will share a portion of the advisory fee we receive from clients (generally about 25% of the client fee) for successful referrals that result in the opening of one of our sponsored advisory program accounts. We may pay a fee greater or less than 25% depending on the facts and circumstances of the relationship.

We may receive referral fees from third-party investment advisers for successful client referrals made by RBC CM Financial Advisors. The investment adviser shares a portion of the advisory fee it receives from the client with us pursuant to a referral agreement between us and the investment adviser. The client acknowledges the referral fee arrangement by signing the investment adviser's consent and disclosure document.

A RBC CM employee or an affiliate may also refer a client to a RBC CM Financial Advisor. As an incentive, the referring employee may receive a percentage or a portion of the fees paid by the client for selected services. The referring employee's role in the ongoing client relationship, if any, may vary depending on each client's particular situation. The amount of the referral fee paid to us by a third-party investment adviser or by us to an employee providing a referral varies depending on the facts and circumstances.

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**ITEM 15: CUSTODY**

We do not require you to custody your assets with RBC CM to participate in RBC Financial Planning. However, if you do custody your assets with us, we will send you periodic account statements reflecting the details in your account. We urge you to carefully review your statements upon receipt.

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**ITEM 16: INVESTMENT DISCRETION**

Our financial planning services do not involve the delegation or exercise of discretion on our part over your assets. However, your Financial Advisor may offer discretionary portfolio management services which are described in a separate brochure. Please contact your Financial Advisor with questions.

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**ITEM 17: VOTING CLIENT SECURITIES**

Our financial planning services do not include proxy voting services.

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**ITEM 18: FINANCIAL INFORMATION**

We are not required to include a balance sheet in this disclosure document because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We do not have any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients.

RBC CM and its predecessors has not been the subject of a bankruptcy petition during the past 10 years.