

RBC WEALTH MANAGEMENT

INVESTMENT SERVICES PROGRAM DISCLOSURE DOCUMENT

Form ADV, Part 2A Appendix 1, Wrap Fee Program Brochure

January 27, 2012

This wrap fee program 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 WM"), a wholly-owned subsidiary of Royal Bank of Canada. This brochure describes only the Investment Services Program offered by RBC WM. This document provides investors with information about RBC WM and the Investment Services Program that should be considered before becoming a client of the program. 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. Please retain for your records.

Additional information about RBC Wealth Management is available on the SEC's website at 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

On July 28, 2010, the U.S. Securities and Exchange Commission published amendments to Form ADV, the disclosure document that we provide to clients in our investment advisory programs as required by SEC rules. This wrap fee program brochure ("Disclosure Document") dated January 27, 2012, is a new document prepared in accordance with the SEC's new requirements for Form ADV.

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This Disclosure Document provides a complete description of the services provided and the fees payable under the Investment Services Program

("Program") sponsored by RBC Wealth Management ("RBC WM", "we", "us", or "our").

ITEM 4: SERVICES, FEES AND COMPENSATION

Program services are provided pursuant to an Investment Services Program Agreement ("Client Agreement"). The Program provides for discretionary management of your assets custodied in a previously established securities account with an unaffiliated broker-dealer (the "Account"), meaning that the portfolio manager, will buy, sell, and otherwise effect transactions in stocks, bonds, and other securities or assets without consulting you and without your prior consent.

In this customized advisory program, we will manage the assets in your Account on a discretionary basis in accordance with your investment objectives and needs. We owe a fiduciary duty to each Program client under the Investment Advisers Act of 1940, as amended ("Advisers Act").

Account assets may consist of a variety of securities, including but not limited to:

- equity securities;
- bonds (both taxable and non-taxable);
- mutual funds (load-waived and no-load);
- exchange traded products ("ETPs"), including exchange traded funds (ETFs), and exchange traded notes.

Securities selected are subject to any limitations imposed by you or us.

Analysis of Client Investment Objectives

We review and analyze your investment objectives, financial condition, time horizons, and risk parameters based on the information you provide to us. At the outset, your Financial Advisor consults with you to identify and evaluate your needs, perceived risk tolerance, and other pertinent investment considerations. This information is used to determine a risk profile ("Risk Profile"). You may also establish written investment guidelines to be used in addition to the Risk Profile, subject to acceptance by us, the overlay manager and any third-party investment managers, if applicable.

Based on our understanding of your investment needs and objectives gained from the consultation process and the Risk Profile (and any additional written investment guidelines), the Portfolio Manager develops an appropriate investment strategy for the management of your account. You are responsible for promptly bringing to our attention any material changes in the information provided in the Risk Profile or your financial condition, as well as any additional written investment guidelines.

A. General Description of Program

In the Program, we will manage the assets in your Account on a discretionary basis in accordance with your Risk Profile and subject to our guidelines for the Program. In the exercise of this discretion, we will designate a Financial Advisor ("Portfolio Manager") to carry out this function for us and they will work closely with you to analyze and define your investment objectives and needs. Based on this analysis and evaluation, we provide discretionary investment management, reporting, and other services to you.

Account assets may include a variety of securities including, but not limited to: eligible equity securities; investment grade bonds (both taxable and non-taxable); wrap-eligible mutual funds (load-waived and no-load); and ETPs. To assist in the management of Program Accounts, we provide the Portfolio Managers with various sources of information, which may include research materials, financial publications and public filings. We may also provide the Portfolio Manager with various model portfolios which the Portfolio Manager may consider for discretionary management. We may offer different investment options in the Program based on the Portfolio Manager's experience and qualifications.

Other Considerations for Program Accounts

Brokerage and Custody

Your Account will be custodied at an unaffiliated broker-dealer (the "Broker") designated by you. You understand, that we shall not execute transactions on behalf of your Account or serve as custodian of the assets held in the Account. We have no role in the selection of the Broker for the Account nor did we negotiate the commissions and fees charged, or to be charged, to you by Broker. You further understand that the payment of interest on any uninvested cash in the Account, or the investment of any such uninvested cash in money market or equivalent mutual fund shares, is subject entirely to the Broker making available to you programs that permit the investment of such cash holdings, and that we have no control over whether the Broker makes any such program available to you.

Withdrawals

You may effect withdrawals from the Account (including withdrawals upon termination of this Client Agreement) upon three (3) days' written notice to us. Upon notice from you that such withdrawals should be made, we shall use commercially reasonable efforts to cause Broker to (a) liquidate any Account assets you wish to withdraw, and (b) deliver such liquidation proceeds to you as soon as practicable following settlement; provided, however, that we shall not be liable to you for any delay(s), or the consequence of any delay(s), by the Broker in acting on such withdrawal or liquidation instructions.

Termination

You may terminate your Program Agreement with us at any time by written notice to us. The Program Agreement will terminate upon our receipt of your written notice of termination. We may terminate our Program Agreement with you upon written notice to you, or upon the occurrence of certain events as described in the Program Agreement. As further described below under *General Information on Fees*, upon termination, we may owe you a prorated portion of fee.

Performance Monitoring and Client Communications

We may provide you with a performance evaluation of the account, on periodic basis ("Portfolio Review"). The Portfolio Review may include the performance of the account in terms of rate of return and compare the account's performance to that of selected benchmarks.

To compute the value of assets held in your account we must rely on the information provided to us by the Broker. In order for us to produce reports, we need to receive duplicate copies of all monthly and other Account statements and transaction confirmations produced by the Broker (collectively, the "Transaction Documents"). Additionally, the information utilized by us to produce reports is in the sole possession and under the exclusive control for the Broker.

Portfolio Reviews merely provide historical information regarding an account and should not be relied upon as predictive of future performance.

Risks

You are advised and should understand that:

- past performance of Investment Managers, model portfolios, RBC WM, Financial Advisors, or securities selected by you does not guarantee future results;
- market conditions, interest rates, and other investment-related risks may cause losses in the account;
- the risk parameters or comparative index selections provided for accounts are guidelines only - the selected risk parameters may be exceeded and index comparisons may outperform an account;
- all trading in your account is at your risk;
- the value of the assets in your account is subject to a variety of factors, such as the liquidity and volatility of the securities markets.

Risks Relating to Money Market Funds

An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, there is no assurance that will occur, and it is possible to lose money if the fund value per share falls.

Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. If this happens, the fund's holdings are liquidated and distributed to the fund's shareholders. This liquidation process is likely to take a month or more. During that time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

Risks Relating to Differing Classes of Securities

Different classes of securities have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders' rights generally are more favorable than shareholders' rights in a bankruptcy or reorganization.

Tax Considerations

The payment of the fees described below under Program Fees may produce income tax results different from those resulting from the payment of brokerage commissions or other transactional charges on a per trade basis. We do not offer advice with respect to these matters and that you should seek the counsel of a qualified tax advisor, accountant and/or other professional in this respect. If you are not a tax-exempt entity, the sale, redemption or exchange of investments may result in taxable gains or losses. Further, it is your responsibility to ensure that the payment method selected, and subsequent treatment of the related expenses, complies with applicable tax laws and other regulations.

General Information on Fees

The Program fee, as described below may be negotiated between the Financial Advisor and you and is set forth in the Client Agreement. Generally, minimum initial account values will be required in accordance with Program guidelines. You may pay higher or lower fees depending on considerations such as the size of the your account, the amount of time the you have had an account with us, the combined value of related advisory accounts, the total amount of business you conduct through us, the types of securities and services provided, and other relevant criteria.

Program fees include compensation for:

- an initial analysis of your investment objectives and needs, with periodic re-evaluations by us;
- consulting services provided by us as to investments as applicable under the Program;
- investment advisory services and portfolio management services rendered by us; and
- other account related services provided by us.

Asset-based Program fees are calculated as a percentage of the account value. Fees are generally payable in advance on a quarterly basis, and are calculated based

on value of your account as of the last business day of the preceding calendar quarter.

Upon proper authorization fees will be automatically deducted from your account. Quarterly fee payments will not be adjusted for deposits and withdrawals during the quarter.

Termination of Program Agreement

The Agreement may be terminated by either party without penalty with ten (10) days prior written notice to the other party. In the event the Agreement is terminated thereafter, the fee paid by you to us shall be refunded on a pro rata basis, less reasonable start-up costs. In the event of termination, you shall be responsible for monitoring the securities in the Account and neither us nor Portfolio Manager shall have any further obligation to act or advise with respect to the assets in the Account. Upon termination, we shall be under no obligation to liquidate or purchase any securities on behalf of you.

B. Comparing Costs

Your total cost of each of the services provided through the Program, if purchased separately, could be more or less than the costs of the Program. Cost factors may include:

- your ability and the costs to obtain the desired investment advisory services;
- your ability to retain the desired investment or Portfolio Manager where applicable;
- your ability to obtain reports comparable to those provided through the Program.

C. Additional Fees

Program fees cover only the services provided under the Program Agreement and do not cover certain additional fees for which you may be responsible. Such fees may include the following:

- commissions, mark-ups, spreads and other transactional charges imposed by the Broker on securities transactions, including, without limitation, bid-ask spreads, odd-lot differentials; exchange fees, transfer taxes and other fees required by law;
- Broker's usual and customary transaction charges, if any, on the liquidation of assets not eligible for custody in the Account;
- any transaction or processing fees charged by us to maintain the Account at the Broker
- redemption fees imposed by certain mutual funds or alternative investments (see the fund prospectus or Private Placement Memorandum (PPM) for details);
- any contingent deferred sales charge assessed on the sale or liquidation of mutual fund shares, where applicable;

- management and other fees on certain securities, which may include open-end and closed-end mutual funds, UITs, ETPs and alternative investments; and
- short-term trading charges for purchases and corresponding redemptions of certain mutual fund shares (see fund prospectus for details) made within short periods of time. These short-term trading charges are imposed by mutual funds to deter "market timers" who trade in fund shares.

D. Compensation to Financial Advisors

If you invest in the Program described in this brochure, we allocate to your Financial Advisor, on an ongoing basis, part of the fees payable to us in connection with your account. The Financial Advisor may receive different compensation depending on the rate and amount of your fee. The amount of the fee you pay is a factor we use in calculating the compensation we pay your Financial Advisor. Therefore, Financial Advisors have a financial incentive not to reduce fees. If your fee rate is below a certain threshold, we give your Financial Advisor credit for less than the total amount of your fee in calculating his or her compensation. Therefore, Financial Advisors also have a financial incentive not to reduce fees or below that threshold.

ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Account Requirements

The Program generally has a minimum account size of \$50,000. We have the discretion to accept accounts that are below the minimum account size.

We will not serve as custodian for securities, cash and other assets, nor will we be identified as broker/dealer of record.

Types of Clients

We provide advisory services to individuals, foundations, endowments, employee benefit plans, trusts and estates, educational institutions, corporations, businesses, government entities and other entities. The Programs are available for both non-retirement and retirement accounts, including individual retirement accounts (IRAs).

ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION

A. Selection and Review of Portfolio Managers

In the Investment Services Program, we will manage the assets in your Account on a discretionary basis in accordance with the Investment Guidelines and subject to our guidelines for the Program. We, in the exercise of this discretion, will designate a Portfolio Manager to carry out this function on its behalf.

Generally, Portfolio Managers who are granted participation in the Program have met standards of education, industry experience, investment management experience and compliance.

B. Related Persons

You may be able to invest in certain investment products that are manufactured by us or our affiliates. Certain conflicts of interests among the fund, the fund manager, and/or the fund's broker may exist as described in the funds's prospectus. Where we are affiliated, through common ownership and control by the Royal Bank of Canada, with a fund or fund manager, we may be incented to recommend the proprietary or affiliated product over a nonproprietary or non-affiliated product, so that fees and expenses charged by the fund or manager are earned by us, or its affiliate rather than a non-affiliate.

If, and to the extent that, your cash balances are invested in a money market fund managed by an affiliate of ours, you will indirectly pay duplicate advisory and other fees to us in connection with such cash balances (i.e., the Program fees and, as a fund shareholder, your prorated portion of the fund's fees and expenses).

Each of RBC's money market funds is a series of RBC Funds Trust, a registered open-end investment company managed by RBC Global Asset Management (U.S.) Inc. ("RBC GAM (U.S.)"). RBC GAM (U.S.) is an affiliate of ours. We may recommend to clients the purchase of shares in such funds or other RBC funds managed by RBC GAM (U.S.).

Additional information regarding money market funds, including investment policies and fees and expenses, is set forth in the fund's current prospectus. Clients should read the fund's prospectus carefully prior to making a selection.

C. Supervised Persons

We may act as a Portfolio Manager, in Investment Services Program. Our participation in the Program may create an incentive for us to recommend ourselves over other qualified and suitable Portfolio Managers. Our supervised persons may not be subject to the same scrutiny that would be applied to third-party Portfolio Managers. However, we maintain appropriate controls and procedures to ensure that our supervised persons meet eligibility standards for inclusion in our Programs.

We may designate selected Financial Advisors to act as portfolio managers within the Investment Services Program. Selected Financial Advisors will manage assets in the Account on a discretionary basis based on your Risk Profile and subject to our guidelines for the Program.

Additional information on the advisory program offered by us can be found above under Item 4: *Services, Fees and Compensation*.

Performance-Based Fees and Side by Side Management

We do not have any Performance -based fees for any advisory Programs.

Methods of Analysis, Investment Strategies

We prepare and disseminate various research reports on mutual funds, securities and affiliated and unaffiliated investment advisers that are utilized by RBC WM Financial Advisors in providing investment advice to you.

There is no guarantee of performance for any investment strategy implemented. Past performance with respect to other accounts does not predict your account's future performance. Investing in securities involves risk of loss that you should be prepared to bear. Raising the awareness of this risk and discussing the factors that could lead to a loss is an important consideration for clients evaluating a potential investment opportunity.

Additional information on the Program offered by us can be found above under Item 4: *Services, Fees and Compensation*.

Voting Client Securities (Proxy Voting)

We will not vote proxies on behalf of any account. You retain sole authority to exercise voting rights relative to proxy solicitation and tender offer materials, annual reports, and other related materials (collectively, the "Proxy Materials") published by or on behalf of the issuer of securities held in the Account, and otherwise act with respect to securities in the Account.

ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Except as otherwise agreed to in writing or as required or permitted by law, we shall keep confidential all information concerning your identity, financial data and investments. Recommendations and advice given to you shall be regarded as confidential.

ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS

We do not restrict you from contacting and consulting with your Portfolio Manager.

ITEM 9: ADDITIONAL INFORMATION

Disciplinary Information

In the past, we have entered into various orders, consents 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

Refsnes; Seasongood & Mayer, LLC; Ferris, Baker Watts, LLC; J.B. Hanauer & Co. and RBC Dain Rauscher Inc. ("RBC Dain Rauscher"). 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 advisers 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 as well as the Financial Industry Regulatory Authority's website located at www.finra.org/brokercheck.

Please note that RBC WM is a division of RBC Capital Markets, LLC, ("RBC CM") and in each of the instances described below, we entered into various orders, consents and settlements without admitting or denying any of the allegations.

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 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 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"), and 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 and 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, LLC (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 an 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 Order Audit Trail System (OATS) that contained inaccurate, incomplete or improperly formatted data and made this data available in 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 and 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, or 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 mark-down or mark-up) that was not fair and reasonable and 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 real-time transaction reporting system (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 submitted 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

timeframes 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 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. It also failed to 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 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 tactic 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 maintaining 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 funds' websites on the internal website. 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 on 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 automated confirmation transaction service (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 15 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 bylaws, 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 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. The NYSE also 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 also 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 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 Pierce 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 NASD alleged that RBC Dain Rauscher inaccurately reported FIPS transactions, in violation of NASD Marketplace Rules 6240(A)(3) and 6240(B)(3). On April 2, 2002, RBC Dain Rauscher was censured and ordered to pay a fine of \$7,500.

The SEC, as well as 46 states and territories, alleged in separate allegations that 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 or provide opportunities for liquidity and was fined an aggregate amount of \$7.6 million.

Other Financial Industry Activities and Affiliations

RBC WM is a division of RBC CM, LLC ("RBC CM"), which is a full-service brokerage and financial services firm and

is registered as a broker-dealer and an investment adviser with the U.S. Securities and Exchange Commission (SEC). RBC CM is also registered with the Commodity Futures Trading Commission (CFTC) as a futures commission merchant. Further, RBC CM is a member of the New York Stock Exchange (NYSE), the Financial Industry Regulatory Authority (FINRA), the Securities Investor Protection Corporation (SIPC), and several other exchanges and self-regulatory organizations.

RBC CM sponsors other investment advisory programs and engages 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 a Program client, effect transactions in which a Program 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.

It is the duty of the entity with brokerage discretion under a Program to seek the best net price and execution on securities trades for client accounts. In the event that we sell a security to you or buy a security from you, we will use all reasonable efforts to ensure 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, 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, the client 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 non-public 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 Program clients.

RBC WM executive offices are located at RBC Plaza, 60 South Sixth Street, Minneapolis, MN 55402-4422. We service our clients from numerous branch offices located throughout the United States.

RBC CM corporate headquarters are located at 3 World Financial Center, 200 Vesey Street, New York, NY 10281.

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.

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.

O'Shaughnessy Asset Management, LLC ("O'Shaughnessy") serves as investment sub-adviser to certain Van Kampen O'Shaughnessy mutual funds that are offered by us. Royal Bank of Canada owns a minority interest in O'Shaughnessy but Royal Bank of Canada does not control O'Shaughnessy for regulatory purposes.

We may receive payments from mutual fund companies, investment managers, and ETF companies. We use this money for general marketing and educational programs, to offset compliance and product management costs, and to support client education, Financial Advisor education, and other internal programs and educational seminars. In return for the payments, fund companies and investment managers are given access to our branch offices for the purpose of educating our Financial Advisors and informing them about the available products. Our Financial Advisors do not receive any extra commission for selling funds from these companies, nor do they receive additional compensation by using a specific investment manager or overlay manager in one of our advisory Programs.

Code of Ethics

Our Investment Adviser Code of Ethics, summarized below, is available separately upon your request. All covered personnel are subject to our Code of Ethics and must certify receipt and compliance with the Code of Ethics annually.

We are committed to ensuring that in our capacity as an investment adviser as well as a broker-dealer, we achieve the objectives below, as reflected in our Code of Ethics:

- Act in the best interests of our clients and not allow personal interests or the interests 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;
- Preserve honesty, integrity and trust in all communications with clients, employees and shareholders;

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

Reviewing Accounts

At account opening, your Financial Advisor confirms that the account and the investment strategy are suitable investments for you. Your Financial Advisor is then responsible for reviewing your account on an ongoing basis. Your Financial Advisor will contact you at least annually and be available for consultation with you to discuss your accounts as well as your investment objectives and financial condition.

We conduct various account checks on a periodic basis (e.g., identifying and reviewing accounts with a high cash balance, and inactive accounts). See Item 4: *Services, Fees and Compensation* above for a discussion of account statements, investment monitoring and performance reports.

Financial Information

We are not required to include a balance sheet in this brochure 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.

Neither RBC WM nor its predecessors have been the subject of a bankruptcy petition during the past ten years.