

**RBC CORRESPONDENT SERVICES**

# ADVISOR PROGRAM DISCLOSURE DOCUMENT

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

September 28, 2012

*This wrap fee program brochure provides you with information about the qualifications and business practices 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 the Advisor program offered by RBC CM. This document provides investors with information about RBC CM and the Advisor program that should be considered before becoming a client of the Advisor 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 Capital Markets is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**RBC Correspondent Services**

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

## **ITEM 2: MATERIAL CHANGES**

In this Item 2, RBC CM is required to identify and discuss all material changes to its Advisor Program Disclosure Document (Form ADV Part 2A Appendix 1, Wrap Fee Program Brochure). Since the January 27, 2012 version of the Advisor Program Disclosure Document, we have the following material updates.

FINRA alleged that RBC CM violated SEC rules 15C3-1, 15C3-3, 17A-3, 17A-5, FINRA Rule 2010, NASD Rules 2110, 3010 (A) and (B), NYSE Rules 416(A), 440.20 by failing to properly and accurately reconcile its accounts, due to complications stemming from a merger and conversion. This resulted in customer reserve, net capital, recordkeeping and supervisory violations. On July 16, 2012, RBC CM was censured and paid a fine of \$250,000.

RBC CM will provide you with a new Advisor Program Disclosure Document without charge, upon request to your Financial Advisor. Our Advisor Program Disclosure Document 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 CM who are registered, or are required to be registered, as investment adviser representatives of RBC CM.

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This Disclosure Document provides a complete description of the services provided by RBC Capital Markets, LLC ("RBC CM", "we", "us", or "our") and the fee payable to RBC CM under the Advisor program ("the Program"). The Program is sponsored by RBC CM and is offered by RBC Correspondent Services ("RBC CS"), a division of RBC CM.

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**ITEM 4: SERVICES, FEES AND COMPENSATION**

In the Advisor Program, you engage correspondent firm ("Correspondent Firm") to provide investment advisory and other services. Correspondent Firm has entered into an agreement with us whereby we will provide certain services to you and Correspondent Firm.

Program services are provided pursuant to an Advisor Client Agreement ("Client Agreement") and Advisor Program Terms and Conditions (collectively, the "Program Agreement"). The Program provides for non-discretionary management of your account, meaning you have sole discretion whether to accept or reject an investment strategy or any specific recommendation to purchase, sell or redeem securities.

For brokerage execution and other services rendered under the Program, you pay Correspondent Firm and us a single quarterly Program fee based on the value of your account (regardless of the number of trades completed by you).

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), and
- Exchange traded products ("ETPs"), including exchanged traded funds (ETFs), and exchange traded notes (ETNs).

Securities selected are subject to any limitations imposed by RBC CM.

**Analysis of Client Investment Objectives**

We and Correspondent Firm require you to provide information sufficient to determine a risk profile ("Risk Profile"), which is intended to measure your investment time horizons and risk parameters. You may also establish written investment guidelines in addition to the Risk Profile, subject to acceptance by Correspondent Firm.

Based on the Correspondent Firm's Financial Advisor's ("Financial Advisor") understanding of your investment needs and objectives gained from the consultation process and the Risk Profile (and any additional investment guidelines), the Financial Advisor develops an appropriate investment strategy for the management of your account. You are responsible for promptly bringing to the Correspondent Firm's 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**

The Program is a customized investment consulting program through which accounts of clients of the Correspondent Firm named in the Client Agreement receive non-discretionary advice for investing in eligible securities.

The Financial Advisor may recommend eligible securities, including mutual funds offered at their net asset value without any front-end or deferred sales charge, which may also include no-load funds that the Correspondent Firm believes possess investment characteristics that are consistent with your Risk Profile. If the investment strategy will be implemented with mutual funds only, you select from the various eligible mutual funds and specify, in writing, the mutual funds in which account assets are to be invested and the allocation among those funds. This written fund allocation may subsequently be modified by you by notifying the Correspondent Firm. It is your responsibility to advise the Correspondent Firm at such times as you determine rebalancing should occur.

Neither RBC CM nor the Correspondent Firm has discretionary authority with respect to the Program account. You have sole discretion to accept or reject an investment strategy or any specific recommendation to purchase, sell, or redeem securities. You receive investment advice from the Correspondent Firm and the Correspondent Firm's Financial Advisor, and not RBC CM. We do not assume responsibility for the performance of the securities selected by you, or for the conduct or particular recommendation of the Financial Advisor because the advisory relationship is between you and the Financial Advisor.

An Advisor account is not for day trading or excessive trading, including trading in securities based on market timing, and accounts may be restricted or terminated at the discretion of RBC CM upon written notice to you.

**Eligibility and Classification of Investments**

We generally consider and select for the Program securities that are SEC-registered. In identifying and selecting securities eligible for use in the Program, we may use many sources of information and analysis about securities, including data provided by independent third parties. This information includes, but is not limited to, various internally and externally produced research materials, model portfolios, rating services, timing services, annual reports, prospectuses, financial newspapers and magazines, other SEC filings and company press releases.

Generally, SEC-registered mutual funds are eligible for the Program if the funds are either "no-load" or agree to waive any front-end sales charges, have no contingent deferred sales charges (unless otherwise specified), and trade through standard facilities utilized by us.

Thus, a broad array of funds is available for evaluation by you and the Financial Advisor in the context of implementing your investment strategy. In accordance with regulations, we will deliver a current prospectus of each mutual fund or ETP only when you purchase the mutual fund or ETP shares through us.

In general, you may utilize the account to hold or execute transactions in any or all of the following types of investments:

- American depositary receipts (ADRs)
- Closed-end funds
- Designated option strategies
- Publicly traded master limited partnerships (MLPs)
- Rights and warrants
- Listed and unlisted stocks
- Certificates of deposit (CDs)
- Corporate bonds
- Convertible bonds (domestic)
- Government and agency bonds
- Municipal bonds
- Preferred stocks
- Treasury notes, bills and bonds
- Designated open-end mutual funds (both load-waived and no-load)
- Designated unit investment trusts (UITs)
- ETPs

Certain types of securities are ineligible and may not be purchased within a Program Account. Ineligible securities include, without limitation: annuities; commodities; currency options; foreign currency; foreign debt; foreign stocks and bonds that are not designated as eligible; futures; insurance products; limited partnership or other partnership interests that are not publicly traded; options that are not designated as eligible; open-ended and other mutual funds that are not designated as eligible, including, without limitation, all class B and C shares; precious metals; private placements; UITs that are not designated as eligible and alternative investments. This list is not exhaustive and is subject to change without notice. Please confirm with RBC CM in advance whether a specific security is eligible.

Certain securities purchased within a Program Account may be accompanied by a prospectus. You should obtain and read the prospectus carefully before investing.

Certain securities, such as annuities that are not designated as eligible and not held by RBC CM, may appear on your periodic activity statements for informational purposes only. These assets are not considered to be advisory assets covered under the

Program Agreement and are not subject to the advisory fee.

## **Other Considerations for Program Accounts**

### ***Cash Balances***

If selected by you, cash custodied at RBC CM will be automatically invested or deposited the next business day (as applicable). This automatic process is referred to as a “Cash Sweep Option.” Investments for non-retirement accounts will be made in shares in a money market fund managed by RBC Global Asset Management (U.S.) Inc. (“RBC GAM (U.S.)”), an affiliate, or in RBC CM’s Credit Interest Program, RBC Bank Deposit Program or an unaffiliated money market fund. Investments for retirement accounts will be made in shares of a money market fund unaffiliated with us. You should review the RBC Correspondent Services Customer’s Agreement for details regarding RBC CM’s Cash Sweep Option and the Credit Interest Program. The Credit Interest Program and the RBC Bank Deposit Program are described in more detail in Item 9: *Other Financial Industry Activities and Affiliations*.

### ***Deposits***

You may deposit additional money into a Program account at any time (subject, for retirement accounts, to any limitations imposed under the retirement plan documents or the Internal Revenue Code of 1986, as amended).

### ***Withdrawals***

You may make withdrawals from a Program account upon prior notice to Correspondent Firm which will, in turn, give such notice to us (effective upon actual receipt of such notice by us from Correspondent Firm). Unless otherwise directed by you, withdrawals will be funded first from available amounts in the Cash Sweep Option, then from the proceeds of sales or redemption of securities in the account. In the event that an orderly liquidation of securities cannot be accomplished by us in a timely manner, we may effect any such withdrawal by delivering securities in kind to you.

### ***Termination***

You may terminate your Program Agreement with us and the Correspondent Firm at any time by written notice to the Correspondent Firm, which will in turn notify us. The Program Agreement will terminate upon our receipt of your written notice of termination. We or the Correspondent Firm may terminate its Program Agreement with you upon written notice to the other parties, 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 your fee.

## Performance Monitoring and Client Communications

We may provide Correspondent Firm with a performance evaluation of your account on a periodic basis ("Portfolio Review"), which the Correspondent Firm may provide to you. 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 an account custodied at RBC CM, we value the mutual fund shares at their respective net asset values as reported on the valuation date by each mutual fund. Securities traded on a national securities exchange will be valued at the last sale price on the exchange or if there has been no sale that day, at the last known bid price. Securities that are traded over-the-counter and on a stock exchange will be valued according to the broadest and most representative market. Securities for which market quotations are readily available will be valued at the known current bid price believed by us to most nearly represent current market value. Other securities and all other assets will be valued at fair value as determined in good faith by us or an independent third-party retained by us.

Assets not held at RBC CM may not be included in any performance calculations on the Portfolio Review.

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

We provide you and the Correspondent Firm with the following reports of relevant activity in the account:

- trade confirmations reflecting all transactions effected with or through Correspondent Firm and RBC CM (other than cash sweep transactions);
- monthly statements itemizing all transactions in cash and securities and all deposits and withdrawals of principal and income during the preceding calendar month and a listing of securities in custody held in the account (monthly statements may not be generated if there is no activity in the account during the month); and
- quarterly statements listing securities in custody held in the account.

## Risks

You are advised and should understand that:

- past performance of selected investments is no guarantee of future results;
- market conditions, interest rates, and other investment-related risks may cause losses in your account;

- the risk parameters or comparative index selections provided for an account 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; and
- 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 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 *General Information on 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 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 and other regulations.

## General Information on Fees

The Program fee may be negotiated between your Financial Advisor and you and is set forth in your 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 your account, the amount of time you have had an account with the Correspondent Firm, the total amount of business you conduct through the Correspondent Firm, the types of securities and services provided, and other relevant criteria.

The Program fee includes compensation for:

- an initial analysis of your investment objectives and needs, with periodic re-evaluations, provided by Correspondent Firm;
- consulting services provided by Correspondent Firm as to an appropriate investment strategy and as to specific securities to implement the strategy;
- investment advisory services rendered by the Correspondent Firm;
- custodial and execution services (including brokerage commissions) provided by us; and
- other account-related services provided by us.

Your Program fees are calculated as a percentage of the account value. Fees are generally payable in advance on a quarterly basis and calculated based on our appraisal of the market value of the billable assets in the account as of the last business day of the preceding calendar quarter or alternative quarter as elected. Under limited circumstances, client may elect to be billed on an alternative quarterly cycle. Fees are assessed on all billable assets under management, including securities, cash, money market funds, RBC Bank Deposit Program balances or Credit Interest Program balances.

Fees are prorated for any billing period that is less than a complete quarter, and your fee may be adjusted proportionately based on the value of cash or securities added to or withdrawn from the account between billing periods.

The Correspondent Firm's Disclosure Document (brochure) or Part 2 of the Form ADV, if applicable contains important information regarding the fees in your account. A portion of the fee, up to 0.50%, is retained by us for execution and other account-related services based on the size of the account and overall fee. The remainder of the fee is retained by the Correspondent Firm for advisory services based on the size of the account and overall fee.

You can elect to be invoiced for the amount of the fees, authorize us to deduct the amount of the fees from your account, or direct us to deduct the fees from another of your RBC CM accounts (provided the account is not a retirement account). Automatic fee deductions will be funded from available cash or the proceeds of the sale of securities in the account.

### ***Transferred Mutual Fund Shares***

We may, in our discretion, accept into a Program account shares of mutual funds held in other Correspondent Firm advisory or brokerage accounts and purchased outside of a Program account at the Correspondent Firm or at other financial institutions. Mutual fund shares transferred into a Program account are referred to as "Transferred Shares." You may have been assessed a sales load, sales charge, or distribution fees on Transferred Shares prior to their transfer into your Program account. You will not be charged the applicable Program fee on Transferred Shares that were purchased at Correspondent Firm through RBC CM with a front-end sales load until you have held those shares for two (2) or more years from the date of initial purchase. Transferred Shares purchased at other financial institutions will be subject to the applicable Program fee immediately, regardless of whether you paid a front-end load or other compensation. Because the exception is not available for Transferred Shares purchased at another financial institution, the overall cost to you of transferring mutual fund shares into the Program account may be higher for shares you purchased at another financial institution. You should review the costs carefully before making a decision to transfer mutual fund shares into a Program account.

### ***Ineligible Securities***

If your Program account is funded with assets that are ineligible for the Program, generally those assets will be liquidated by us or moved to another account by Correspondent Firm where such assets are eligible. Your account may incur certain transaction charges.

### ***Fees Upon Termination***

If the Program Agreement is terminated prior to the last day of the quarter, a prorated portion of the Program fee paid by you, based upon the days remaining in the quarter, will be refunded to you as required by law.

## **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 can include:

- your ability and the costs to obtain the desired investment advisory services;
- your costs of obtaining custodial services;
- your ability to invest in and rebalance the desired investments without payment of a sales charge;
- trading and execution costs (including principal markups and markdowns) to you; and
- your ability to obtain reports comparable to those provided through the Program.

When making cost comparisons, you should be aware that the combination of investment advisory services, custodial, consulting, and brokerage services available through the Program may not be available separately or may require multiple accounts, documentation and fees. You should also consider the amount of trading activity you anticipate when assessing the overall cost of the Program. If an account is actively traded, the Program fees may be less expensive than separately paying consulting fees and commissions. If an account is not actively traded, then the Program fees may be more expensive than separately paying consulting fees and commissions.

When utilizing no-load mutual funds within the account, you will be paying a fee on assets that could otherwise be purchased outside of an advisory account at no additional cost. Additionally, by investing in mutual funds within the Program account, management fees and other fees charged by a mutual fund company are not included as a part of the Program fees, and could result in higher costs to you.

### **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 on securities transactions effected through or with brokers and dealers other than us and our affiliates;
- interest on debit account balances, where applicable;
- the entire public offering price (including underwriting commissions or discounts) on securities purchased from an underwriter or dealer (including us and our affiliates) involved in a distribution of securities;
- bid-ask spreads, odd lot differentials, exchange fees, transfer taxes and other fees required by law;
- Investment Access® Account fees, where applicable;
- Individual Retirement Account (IRA) fees, qualified retirement plan account fees, and other account maintenance fees, where applicable;
- our usual and customary transaction charges on the liquidation of assets not eligible for the Program;
- any contingent deferred sales charge assessed on the sale or liquidation of mutual fund shares, where applicable;
- check reordering costs and fees, where applicable;
- redemption fees imposed by certain mutual funds (see the fund prospectus for details);

- 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;
- management and other fees on certain securities, which may include open-end and closed-end mutual funds, UITs and ETPs;
- RBC Express Credit (margin) interest;
- Non-sponsored alternative investment processing and maintenance fees;
- safekeeping fees for physical securities; and
- RBC Bank Deposit Program fees.

Other account maintenance fees may apply and certain investment products, such as closed-end funds, UITs or ETPs may incur management and operating expenses that are not covered by the Program fees. Refer to each investment product's disclosure document for a more detailed description of the fees and expenses you may pay as an investor.

Each mutual fund pays separate management fees and other fees and expenses as detailed in the fund's prospectus. Some of the fees and expenses are paid to and, where permitted under applicable regulatory requirements, may be retained by us or Correspondent Firm for advisory, distribution and/or other services. As a result, you may indirectly pay duplicate advisory and other fees in connection with such investments. Certain mutual funds may charge you redemption fees that are not imposed by us.

### **D. Compensation to Financial Advisors**

Correspondent Firm may pay a portion of the program fee to your Financial Advisor. This compensation may be more than your Financial Advisor would receive if you participated in another Correspondent Firm or RBC CM program or paid separately for investment advice, brokerage, and other services. Therefore, Financial Advisors may have a financial incentive to recommend the Program over other available services and programs.

Mutual fund companies make payments, which may be based on assets and/or sales volume, to us via the fund's distributor, investment advisor, or other entity. These payments are generally made from the management fees they earn and may, where permitted under applicable regulatory requirements, be made to and retained by us and Correspondent Firm who may in turn pass on to Financial Advisors. Correspondent Firm may receive a portion of these payments for distribution and servicing expenses related to shares of mutual funds.



## ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

### Account Requirements

In general, a minimum initial account value of \$25,000 in investable assets is required under this Program.

### Types of Clients

The Program is offered to individuals, foundations, endowments, employee benefit plans, trusts and estates, educational institutions, corporations, business and government entities and other entities. The Program is available for both non-retirement and retirement accounts, including individual retirement accounts (IRAs).

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## ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION

### A. Selection and Review of Portfolio Managers

The Advisor Program is a non-discretionary advisory program where the client retains authority to make investment decisions. We do not review, select or recommend portfolio managers.

However, on occasion, we may provide information to the client regarding replacement of one or more securities held in the Program account. This information may concern the particular mutual fund manager's adherence to a fund's stated investment strategy, a material change in the professional staff of the mutual fund or unexplained poor performance.

We may provide additional reports to you regarding the performance and activity of your account. For details, see Item 4: *Performance Monitoring and Client Communications*.

### B. Related Persons

You may be able to invest in certain investment products that are manufactured by us or our affiliates (also referred to as a related person), including RBC's money market funds, as described above in Item 4: *Services, Fees and Compensation*. Certain conflicts of interest among the fund, the fund manager, and/or the fund's broker may exist as described in the fund'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 make available 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 our 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 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 GAM (U.S.), an affiliate of ours. We may make available to Correspondent Firm and its clients the ability to purchase 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. You should read the fund's prospectus carefully prior to making a selection.

### C. Supervised Persons

In the Program no affiliates, related persons or supervised persons of RBC CM act as portfolio manager.

We may make model portfolios created by our internal research group(s), referred to herein as Portfolio Advisory Group ("PAG") available to Correspondent Firm and you in the program. PAG provides timely, independent information to Correspondent Firm's Financial Advisors and you by independently analyzing research from its research providers. The research that is produced by PAG seeks to provide a broad and extensive array of fundamental research in the marketplace by focusing on key analysts, recommendations, and trends within their research sources, including those of RBC CM, as well as through nationally recognized correspondents. PAG does not receive compensation for providing these models to Correspondent Firms and you in the Program.

We may make model portfolios created by our internal Advisory Research Group available to Correspondent Firm and you in the Program. While the research conducted in creating model portfolios is independent, we may have an indirect incentive to use certain mutual funds in a model, since we may receive additional compensation from the investments made in certain mutual funds.

### 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 the Correspondent Firm and 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 investments available for the Advisor Program can be found above under Item 4: *Services, Fees and Compensation*.

#### **Voting Client Securities (Proxy Voting)**

Neither we nor Correspondent Firm shall vote proxies on behalf of your Account. We will forward all proxy solicitation and related materials, including annual and interim reports and any other issuer mailings that are received with respect to the securities in your Account, to you to vote.

With respect to retirement accounts that are subject to Title I of ERISA ("ERISA Accounts"),

- Neither we nor Correspondent Firm shall have responsibility or authority to vote proxies on behalf of your Account.
- We and the Correspondent Firm shall deem the authority to vote proxies as expressly reserved to a named fiduciary of the plan.

In addition, we and the Correspondent Firm are expressly precluded from voting proxies on behalf of an ERISA Account (although the Correspondent Firm may, in its capacity as broker, act pursuant to the instructions of a named plan fiduciary). We deem the authority to vote proxies as expressly reserved to a named plan fiduciary and we have no obligation whatsoever to take action on your behalf with respect to proxy-related material.

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#### **ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

The Program described in this brochure does not use portfolio managers. The Advisor Program is a non-discretionary advisory program where you retain the authority to make investment decisions; we do not review, select or recommend 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. We share relevant client information with certain companies that we partner with to service your accounts. Recommendations and advice given to you will be regarded as confidential.

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#### **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

The Program described in this brochure does not use portfolio managers.

We do not restrict you from contacting and consulting with Correspondent Firm or your Financial Advisor.

#### **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](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, consents and settlements without admitting or denying any of the allegations.

FINRA alleged that RBC CM violated SEC rules 15C3-1, 15C3-3, 17A-3, 17A-5, FINRA Rule 2010, NASD Rules 2110, 3010 (A) and (B), NYSE Rules 416(A), 440.20 by failing to properly and accurately reconcile its accounts, due to complications stemming from a merger and conversion. This resulted in customer reserve, net capital, recordkeeping and supervisory violations. On July 16, 2012, RBC CM was censured and paid a fine of \$250,000.

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 \$2,900,000 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 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 Page 19 of 24 Advisory Programs Disclosure Document 25213 (01/12) 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 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 Page 20 of 24 Advisory Programs Disclosure Document 25213 (01/12) 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, 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.

### **Education and Business Background of Correspondent Firm Personnel**

The Correspondent Firm is required to provide you with a copy of its regulatory brochure or other comparable document. This Disclosure Document describes the disciplinary history of Correspondent Firm, general standards of education and business experience that the Correspondent Firm requires of its professionals, and other information about the Correspondent Firm. We have no affiliation with Correspondent Firm, other than providing custody and clearing services for securities transactions.

Refer to Correspondent Firm's regulatory brochure for its Code of Ethics.

### **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 U.S. Securities and Exchange Commission. RBC CM is also registered with the Commodity Futures Trading Commission (CFTC) as a futures commission merchant. Further, it 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.

In addition to sponsoring the Program, RBC CM sponsors other investment advisory programs. Contact your Correspondent Firm Financial Advisor for information regarding these programs. RBC CM also 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.

Through our Correspondent Services division, we provide and market correspondent clearing services on a fully disclosed basis to broker-dealers, including Correspondent Firm, who are charged fees based on their use of these services. We, in our capacity as a securities broker-dealer, investment banker and investment adviser, are routinely

engaged in various securities transactions and trading activities for various clients and customers (in addition to you) which could create conflicts of interest among our duties to you and our duties to other clients and customers.

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;
- make available to Correspondent Firm, 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 may make available to Correspondent Firm.

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.

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 CS, a division of RBC CM, headquarters are located at RBC Plaza, 60 South Sixth Street, Minneapolis, MN 55402-4422.

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 an 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.

Client may select O'Shaughnessy Asset Management ("O'Shaughnessy") as their Investment Manager. 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 WM.

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 Program 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.

We may receive payments from mutual fund companies, investment managers, model portfolio providers, ETP companies and overlay managers. 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. Each Correspondent Firm individually evaluates the mutual fund, investment manager and model portfolio, and then works with you to choose the appropriate investment for your individual financial needs.

We may also receive payments to help offset administrative costs and the cost of maintaining shareholder accounts, a service which is typically performed by the mutual fund’s transfer agent. Such services could include sending shareholder transaction confirmations and account statements; sending federal income tax information; maintaining shareholder records; calculating and disbursing dividends and capital gains; facilitating enforcement of prospectus requirements; and performing regulatory mailings.

## Role of RBC Capital Markets

RBC Capital Markets does not serve as investment adviser, investment manager, or broker-dealer to the client and has no fiduciary duties or responsibilities to the client. RBC Capital Markets provides certain execution and account-related services for the accounts pursuant to a separate agreement with the Correspondent Firm, including:

- valuing the assets held in each account;
- billing for services provided; and
- executing of transactions for the accounts.

## 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 Correspondent Firm 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 Correspondent Firm 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.

**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 CM nor its predecessors have been the subject of a bankruptcy petition during the past 10 years.