

WRAP FEE BROCHURE
A+ PROGRAM
ACCESS MANAGER SELECTION PROGRAM
PRIVATE INVESTMENT MANAGEMENT PROGRAM

JANUARY 28, 2014

RBC PRIVATE COUNSEL (USA) INC.

155 Wellington Street West, 17th Floor

Toronto, ON, M5V 3K7

416- 956-9619

This brochure provides information about the qualifications and business practices of RBC Private Counsel (USA) Inc. If you have any questions about the contents of this brochure, please contact us at 416-956-9619. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

RBC Private Counsel (USA) Inc. is an SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about RBC Private Counsel (USA) Inc. is available on the SEC's website at www.adviserinfo.sec.gov.



RBC Wealth Management

Item 2 - MATERIAL CHANGES

This Wrap Fee Brochure (the “Brochure”), dated January 28, 2014, has been prepared in accordance with regulatory requirements. The following is a summary of the specific material change to the Brochure since the last update on January 24, 2013:

Prudential Investment LLC has been replaced with RBC Global Advisory Research Group for the purpose of providing research, due diligence and monitoring of the Investment Managers and Sub-Advisors in the Access Program and A+ Program respectively. The process is described in item 6 Investment Manager and Sub-Advisor Selection and Evaluation.

Other changes in the A+ Program and the Access Program are as follows:

In the A+ Program references to “Investment Managers” have been replaced with “Sub-Advisors”.

Item 4.3.2 has been updated to clarify that the A+ Program and Access Program fees include the cost of securities transactions where we or our affiliates act as your agent, using various broker-dealers for trade execution. In addition, amendments have been made to the tiered fee schedule in the A+ Program.

Item 7 has been updated to clarify that we will not share client information with the Sub-Advisors in the A+ Program.

Item 8 has been updated to clarify that clients will generally not have direct contact with Investment Managers or Sub-Advisors.

Item 9.7 has been updated to clarify account review procedures and client reporting provided in the A+ Program and in the Access Program.

RBC PC USA will provide you with a copy of the new Brochure without charge, upon request to your Investment Counsellor or Advisory Representative. This Brochure is also available on the SEC’s website, www.adviserinfo.sec.gov.

Item 3 - TABLE OF CONTENTS

Item 1 – COVER PAGE

Item 2 - MATERIAL CHANGES..... 1

Item 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS..... 5

Item 6 – INVESTMENT MANAGER AND SUB-ADVISOR SELECTION AND EVALUATION..... 5

Item 7 – CLIENT INFORMATION PROVIDED TO INVESTMENT MANAGERS OR SUB-ADVISORS 9

Item 8 - CLIENT CONTACT WITH INVESTMENT MANAGERS AND SUB-ADVISORS 10

Item 9 – ADDITIONAL INFORMATION – A+ PROGRAM, ACCESS PROGRAM & PIM PROGRAM..... 10

Item 4 - SERVICES, FEES AND COMPENSATION

This section provides a general description of our firm, services provided under the wrap fee programs that we offer – namely, the A+ Program, the Access Manager Selection Program and Private Investment Management Program, and the wrap fee charged for each program. It also provides information on how we are compensated for our advisory services.

4.1 GENERAL DESCRIPTION AND OWNERSHIP

RBC Private Counsel (USA) Inc. ("RBC PC USA") is a wholly-owned direct subsidiary of Royal Bank Holding Inc., which is a wholly-owned subsidiary of the Royal Bank of Canada ("RBC"), and is a member of the RBC group of companies. RBC is an internationally diversified organization with operations in many areas of the financial services industry and is a publicly held company (symbol: RY on TSX, NYSE and SWX). RBC PC USA was established in 1998 to provide discretionary investment management and supervisory services to U.S. residents and is registered with the U.S. Securities and Exchange Commission (the "SEC") as an investment adviser under the U.S. *Investment Advisers Act of 1940*, as amended (the "Advisers Act").

4.2 USE OF PARTICIPATING AFFILIATES

In order to provide investment advisory services to you, we have entered into service arrangements with our Canadian affiliate RBC Dominion Securities Inc., ("RBC DS" or "Participating Affiliate") that allow us to utilize its facilities, services and other investment management capabilities, including personnel such as Investment Advisors, in rendering advice to our clients.

RBC DS is a Canadian corporation that is registered as an investment dealer with the securities authorities in each of the provinces and territories in Canada and is a member of the Investment Industry Regulatory Organization of Canada. In addition to providing investment dealer services, RBC DS provides discretionary and non-discretionary investment management and supervisory services to retail clients in Canada.

Although RBC DS is not registered as an investment adviser in the U.S, in reliance on a no-action letter issued to RBC by the SEC in addition to other guidance provided by the SEC, we make use of its services and other management capabilities, including personnel.

4.3 A+ PROGRAM AND ACCESS MANAGER SELECTION PROGRAM

4.3.1 Services

Through the A+ Program and Access Manager Selection Program ("Access Program"), your account is managed on a fully discretionary basis. Our Investment Counsellors choose between investment vehicles or a select group of investment managers (collectively, the "Investment Managers") in the Access Program or sub-advisors (collectively, the "Sub-Advisors") in the A+ Program to pick the most appropriate model portfolio or investment vehicle(s) for your account(s) based on your stated investment objectives and risk tolerance, together with any other instructions provided by you.

Depending on your investment objectives and tolerance for risk your Access or A+ portfolio can be diversified by:

- ▶ Asset class (fixed income, equities)
- ▶ Geography (U.S., Canada, international)
- ▶ Capitalization (large cap, small cap, all cap)
- ▶ Management style (value, growth, core).

No mutual funds may be purchased or sold within the A+ Program or the Access Program.

4.3.2 Fees

As consideration for rendering discretionary investment services and providing access to the Investment Managers or Sub-Advisors and other investment vehicles, we receive a fee from you, payable quarterly, in advance, based on a percentage of your assets under management. Fees will be calculated and paid in the currency of your account. If for any reason the Discretionary Investment Advisory Agreement ("DIAA") with you is terminated, any unearned, prepaid fees will be refunded.

Access Program Fees

Fees are calculated on the aggregate amount that a client has allocated to the Access Program at the following per annum rates:

Assets under Management	Maximum fee
Equity/Balanced	
US \$ 100,000 to \$ 999,999	2.75%
US \$ 1,000,000 to \$1,999,999	2.50%
US \$ 2,000,000 to \$9,999,999	2.15%
Fixed Income	
US \$ 100,000 to \$999,999	1.65%
US \$ 1,000,000 to \$9,999,999	1.50%

A+ Program Fees

Fees are calculated on the aggregate amount that a client has allocated to the A+ Program at the following per annum rates:

Assets under Management	Maximum fee
\$50,000 to \$499,999	2.75%
\$500,000 to \$999,999	2.60%
\$1,000,000 to \$1,999,999	2.50%
\$2,000,000 to \$9,999,999	2.15%

The fee is weighted based on the composition of the client's portfolio. When an Access portfolio consists of both Equity and Fixed Income accounts, the total Access portfolio value can be used to determine the fee level for both schedules. In addition, when a portfolio consists of multiple A+ accounts, the total A+ portfolio value can be used to determine the fee level for all accounts within the A+ portfolio. For example: a portfolio consisting of \$1Million in one A+ account and \$1.5million in a second A+ account for the same client, can be priced at \$2Million to \$9.9Million tier for both accounts.

The A+ Program and Access Program fee includes:

- Services provided by the Investment Manager(s) or Sub-Advisor(s) with regard to your portfolio;
- Services provided by RBC Global Advisory Research Group for its research, ongoing monitoring and due diligence support. Please refer to item 6.1 for further information;
- Services provided by RBC DS as custodian for your account, including all transactions cleared through RBC DS, and for the calculation of your account performance.
- The cost of securities transactions where we, or our affiliates, act as your agent for buying, selling and

generally dealing in securities for you, using various broker-dealers. Refer to section 9.4 for further details. However, in the event that an Investment Manager in the Access Program executes trades directly through an unaffiliated broker-dealer in order to get best execution, the cost of execution is not included in the fee paid by you and will be included in the net price of the particular transaction and charged to your account. By accepting the DIAA you acknowledge that the fee does not include any fees or commissions payable to third parties when the Investment Manager executes trades directly through an unaffiliated broker-dealer. We believe that it is rare that an Investment Manager will execute securities transactions directly through an unaffiliated broker-dealer.

In addition to the above fees, certain other charges unrelated to the advisory and brokerage services, including fees and expenses relating to the operation of the account such as administrative fees, may apply, in accordance with the terms of the Client Account Agreements.

In some cases, the investment advisory fees are negotiable and may vary from the schedules above.

Depending on the size of a client's account, the frequency of trading and type of securities purchased, the fee may cost a client more or less than the cost of purchasing such services separately. Smaller accounts, however, would be unable to have access to the individual Investment Managers or Sub-Advisors without using the A+ or Access programs due to those Investment Managers' and Sub-Advisors' standard investment minimums.

Foreign Exchange

RBC DS, as custodian, may perform foreign currency transactions on your behalf when a trade is made in securities denominated in a currency other than the currency of your account ("Foreign Trade"). The foreign currency conversion rate that appears on your account statement includes RBC DS' spread-based revenue ("spread") for performing this function, in addition to any commissions or fees related to the Foreign Trade or your account. Spread is the difference between the rate obtained and the rate you receive. The foreign currency conversion rate and the spread will depend on market fluctuations as well as the amount, date and type of foreign currency transaction. Foreign currency conversions take place at such rates as are available to retail customers of RBC DS for currency conversions of a similar amount, date and type. In performing foreign currency transactions, RBC DS may act as agent or principal. RBC DS may, at its discretion, reject a foreign currency transaction request. Foreign

currencies are converted on the day your Foreign Trade is carried out. A different day may be used for: (a) mutual fund transactions; (b) transactions that you and RBC DS agree on; and (c) other transactions that RBC DS deems necessary.

4.3.3 Compensation

Our Advisory Representatives act as client relationship managers and receive compensation as a result of your participation in the A+ and Access Programs. If you choose to participate in one of our other RBC PC USA programs, you may no longer deal with your Advisory Representative. As a result, the Advisory Representative may have a financial incentive to recommend the A+ or Access Program, over our other RBC PC USA programs or services, to you.

4.4 PRIVATE INVESTMENT MANAGEMENT PROGRAM (“PIM”)

4.4.1 Services

PIM is a program for individuals who wish to have their investments managed on a fully discretionary basis directly by one of our Investment Counsellors.

An Investment Counsellor/Associate Investment Counsellor builds, monitors and adjusts a client’s portfolio based on the client’s individual investment objectives and market conditions. The process of building a portfolio begins with the Investment Counsellor assessing a client’s investment objectives, risk tolerance, financial goals and tax circumstances using information provided by the client. This assessment is documented in an Investment Policy Statement, which forms the blueprint for the design and creation of a client’s portfolio. The Investment Counsellor then builds the client’s portfolio. No U.S. registered mutual funds may be purchased or sold within a PIM account.

4.4.2 Fees

As consideration for rendering discretionary investment management services under PIM, we receive a fee, payable monthly or quarterly, in arrears, based on a percentage of the client assets under management. Fees are calculated and paid in Canadian or U.S. dollars at the following per annum rates, subject to specific arrangements made with the client:

Account Size (Cdn\$)	Maximum Fee
Equity/Balanced Portfolios	
\$0 - \$499,000	2.75%
\$500,000 - \$999,999	2.50%
\$1,000,000 - \$1,999,999	2.20%
\$2,000,000 - \$4,999,999	1.95%
\$5,000,000 - \$5M Plus	1.65%

Account Size (Cdn\$)	Maximum Fee
Fixed Income* Portfolios (Up to 25% Equities):	
\$0 - \$499,000	1.95%
\$500,000 - \$999,999	1.65%
\$1,000,000 - \$1,999,999	1.40%
\$2,000,000 - \$2M Plus	1.25%

** Defined as Term Investments such as GICs, Bonds, Debentures, Preferred Shares and Money Market Securities such as T-Bills, Bankers Acceptances and Commercial Paper.*

The fee paid by a client includes our management fees, RBC DS custodial fees (if applicable), and brokerage costs for transactions which we executed and cleared through a brokerage firm affiliated with us.

In some cases, the investment advisory fees are negotiable and may vary from the schedules above.

Depending on the size of a client’s account, the frequency of trading and type of securities purchased, the fee may cost a client more or less than the cost of purchasing such securities and services separately

Early Termination Fee

Due to the significant time and effort involved in initially setting up a PIM portfolio for a client, we may charge an early termination fee if the client terminates its PIM investment management relationship with us within twelve months of opening an account. The early termination fee may equal an amount up to the aggregate fee that would have otherwise been paid to us with respect to such account during the first twelve months of the relationship, less the amount of any fees already paid by the client.

Foreign Exchange

RBC DS, as custodian for your account, may perform foreign currency transactions on your behalf when a trade is made in securities denominated in a currency other than the currency of your account (“Foreign Trade”). The foreign currency conversion rate that appears on your trade confirmation and/or account statement includes RBC DS’s spread-based

revenue (“spread”) for performing this function, in addition to any commissions or fees related to the Foreign Trade or your account. Spread is the difference between the rate obtained and the rate you receive. The foreign currency conversion rate and the spread will depend on market fluctuations as well as the amount, date and type of foreign currency transaction. Foreign currency conversions take place at such rates as are available to retail customers of RBC DS for currency conversions of a similar amount, date and type. In performing foreign currency transactions, RBC DS may act as agent or principal. RBC DS may, at its discretion, reject a foreign currency transaction request. Foreign currencies are converted on the day your Foreign Trade is carried out. A different day may be used for: (a) mutual fund transactions; (b) transactions that you and RBC DS agree on; and (c) other transactions that RBC DS deems necessary.

In addition, certain other charges unrelated to the advisory and brokerage services, including fees and expenses relating to the operation of the account such as administrative fees, may apply.

4.4.3 Compensation

The Investment Counsellor/Associate Investment Counsellor who recommended the PIM Program to you and manages your account receives compensation as a result of your participation in the program. If you choose to participate in any of our other RBC PC USA programs, the Investment Counsellor/Associate Investment Counsellor may not be entitled to any compensation. As a result, the Investment Counsellor/Associate Investment Counsellor may have a financial incentive to recommend PIM, over our other programs or services, to you.

Item 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

This section provides a description of requirements in order to open an account and the types of clients to whom we typically provide investment advice.

Our clients are typically individuals, their families and personal holding companies, and trusts.

5.1 A+ PROGRAM AND ACCESS PROGRAM

In order to participate in the A+ Program, the initial investment is generally \$100,000 and the minimum investment with an individual Sub-Advisor is typically

\$50,000. For the Access Program, the initial investment is generally U.S. \$250,000. The minimum investment with an individual Investment Manager is typically \$100,000. However, the minimum threshold to achieve a diversified portfolio that matches the client’s investment objectives and risk tolerance may be higher. The actual investment amount will be dependent on the portfolio models and the minimum investable per Investment Manager or Sub-Advisor, as applicable, to satisfy the underlying asset, geographic and style allocations.

5.2 PIM PROGRAM

Generally, the minimum account size to open a PIM account is Canadian or U.S. \$100,000.

Item 6 – INVESTMENT MANAGER AND SUB-ADVISOR SELECTION AND EVALUATION

This section provides a description of our process for selecting, evaluating and providing performance reporting of Investment Managers in the Access Program and Sub-Advisors in the A+ Program. It also provides certain information about our PIM Program and a description of some of the risks of which you should be aware and of our proxy voting practices.

6.1 A+ PROGRAM AND ACCESS PROGRAM

6.1.1 Selection of Investment Managers and Sub-Advisors and Analysis by the Investment Committee

RBC Global Advisory Research Group recommends fixed income and equity Investment Managers and Sub-Advisors for both the Access Program and the A+ Program based on research, as described below.

From these recommendations, the Investment Committee (the “Committee”) has selected approximately 50 Investment Managers for the Access Program and approximately 50 Sub-Advisors for the A+ Program to which client assets can be allocated. In selecting the Investment Managers and Sub-Advisors, consideration is given to, among other things, firm and product, investment professionals, investment approach and historical performance.

The Committee consists of at least four investment professionals from one or more of our affiliates. The initial

evaluation concludes when the most promising Investment Managers and Sub-Advisors are considered for approval by the Committee. To be approved, each Investment Manager and Sub-Advisor must pass a thorough review by the Committee that includes a detailed discussion of facts and informed opinions derived from a comprehensive due diligence and evaluation process. Our analysts employ well-defined research, evaluation, and reporting activities when assessing each category. The process typically begins with the following minimum screening criteria:

- Three years of operating and performance histories
- \$100 million of firm assets under management
- \$25 million of product assets under management
- Three years of portfolio management tenure
- Reasonable management fees and expenses

Investment Managers and Sub-Advisors meeting the above criteria are then subjected to a more rigorous evaluation focused on four broad categories:

- Firm and Product
- Investment Approach
- Investment Professionals
- Performance

Objectively understanding the quality and effectiveness of an Investment Manager and Sub-Advisor or particular portfolio strategy requires in-depth examination of performance, including a detailed analysis of the sources of returns. Not all Investment Managers and Sub-Advisors should be compared to one another, nor are all products directly comparable. Information learned in performance reviews is used to build expectations about each Investment Manager's and Sub-Advisor's capabilities and the potential return behaviour of different portfolio strategies during various market environments. Analyzing performance within the context of these predetermined expectations is a major philosophical underpinning of our approach to Investment Manager and Sub-Advisor research.

6.1.2 Review and Replacement of Investment Managers and Sub-Advisors

Ongoing due diligence of Investment Managers and Sub-Advisors is performed via on-site visits, conference calls, and in-house meetings to confirm the factors that contributed to the past successes of each model are still meaningfully intact. A watch list is maintained, which provides a means to communicate developments of potential concern. The termination of an Investment Manager or Sub-Advisor may

be recommended if the original thesis is materially and permanently impaired. This is most commonly the result of fundamental developments that are determined to be detrimental to the potential longer-term success of the Investment Manager's or Sub-advisors underlying investment strategy.

Investment performance is routinely monitored to ensure it conforms to the basic expectations about each model. Quarterly, the Committee will assess the performance and quality of the Investment Managers and Sub-Advisors selected. In the absence of a material cause for concern that would lead to more frequent evaluation, a more formal due diligence is generally conducted annually.

6.1.3 Performance of Investment Managers and Sub-Advisors

Performance information on the Investment Managers and Sub-Advisors is calculated by the respective Investment Managers and Sub-Advisors. We calculate your individual account performance and periodically compare it to performance reported by the Investment Manager or Sub-Advisor, as applicable. This review is designed to determine whether an Investment Manager's or Sub-Advisor's reported performance data is consistent with the actual experience of our clients. We do not review the performance data provided by the individual Investment Managers or Sub-Advisors to ensure they are calculated on a uniform and consistent basis; review the appropriateness of the methodology used to calculate performance or audit the mathematical accuracy of the calculation or compliance with any standards an Investment Manager or Sub-Advisor has stated it follows.

6.1.4 Structuring a Client's Portfolio of Investment Managers or Sub-Advisors

For the initial structure of the portfolio, an Advisory Representative collects information about the client's investment objectives and risk tolerance. One of our Investment Counsellors will select a mix of Investment Managers in the Access Program or a mix of Sub-Advisors in the A+ Program, as applicable, based on the stated investment objectives.

To the degree that a client has placed restrictions on an account, we take this into consideration when determining which Investment Managers or Sub-Advisors, as applicable, to select. If necessary, specific client-restrictions will be noted on the account.

6.1.5 Related Persons

None of the Investment Managers in the Access Program are affiliates of ours. However, RBC Global Asset Management Inc., a Manager in the A+ Program, is an affiliate of RBC PC USA.

6.1.6 Performance Based Fees and Side by Side Management

We do not accept performance-based fees, that is, fees based on a share of capital gains on or capital appreciation of the assets of a client account. As mentioned in Item 4 above, our investment advisory fees are based on the month-end market value of your portfolio.

6.1.7 Risk of Loss

There are a number of sources of risk to which a typical portfolio may be exposed. These risks could result in unexpected losses of capital, reduce the generation of income, or decrease the probability of you achieving your goals.

Most of these risks can generally be mitigated through diversification: constructing your portfolio so there is not a significant exposure to any single investment or group of investments that may be impacted in a similar manner as a result of a particular risk event. For some of the risks outlined below, there may be additional techniques that can be employed to further reduce risk.

The following is an overview and description of some of the risks of which you should be aware:

- **Market Risk** – This is the risk that a change in the economy and the market as a whole will affect the price of individual securities in ways that were not anticipated. While a change in the broader market is based on the underlying securities, not all individual securities are affected in the same way or to the same degree.
- **Interest Rate Risk** – This is the risk that a change in interest rates will impact the returns on interest rate-sensitive investments, such as bonds and mortgage-related securities. Generally, rising interest rates result in a decline in asset prices.
- **Political/Geographic Risk** – This is the risk that policies or instability in a region or nation will impact performance.
- **Purchasing Power or Inflation Risk** – This is the risk that investments will return less than the rate of inflation and

therefore your portfolio will not maintain its purchasing power.

- **Currency/Foreign Exchange Risk** – This risk exists for any investment made in an international market where payments or principal are exposed to another currency.
- **Credit or Company Specific Risk** – This encompasses risks generally associated with individual companies.
- **Sector/Industry Risk** – This encompasses risks associated with a particular sector or industry (e.g. technology)
- **Liquidity** – investing in less liquid securities may result in the difficulty or even inability to sell, as well as potentially a negative impact on price received, if you need the money.
- **Capital Markets** – securities regulators can impose limitations on trading activity, which may prevent a profit or increase losses to your portfolio.
- **Concentration** - A high concentration of assets in a single or small number of issuers may reduce diversification and liquidity within a portfolio and increase its volatility.

Unless specifically indicated in your Investment Policy Statement, our approach to investment management is to maintain well diversified portfolios that seek to minimize the impact each of these risks might have on your overall portfolio. In addition, we may selectively employ currency hedging to further attempt to reduce the impact of this specific risk.

The discussion above is general in nature and is not intended to apply in respect of your specific portfolio or personal circumstances, either of which may give rise to additional risks not set out above. Your risk tolerance is considered along with your investment objectives and time horizon when constructing your portfolio. Please consult your Advisory Representative for more information.

6.1.9 Voting Client Securities

We have retained an independent, external service provider to vote client proxies in accordance with pre-determined guidelines, subject to our ability to override recommendations in appropriate cases. Proxies are voted in the best interest of our clients. In any case where we may have a conflict of interest in the outcome of a vote, we will not influence or otherwise interfere with our service provider's proxy voting recommendations. Voting records

and a copy of the Policy will be provided to clients on request. Should clients wish to provide specific voting instructions, they may contact their Advisory Representative.

Where economically feasible, we will file applicable class action settlement claims on behalf of our existing client accounts.

6.2 PIM PROGRAM

6.2.1 Advisory Services, Constructing and Managing Your Portfolio

As outlined in the beginning of the brochure, in the PIM Program, a client's portfolio is managed on a fully discretionary basis by one of our Investment Counsellors/Associate Investment Counsellors, who are responsible for building a client's portfolio by selecting individual securities based on investment objectives set out in the client's Investment Policy Statement. The PIM Program does not make use of model portfolios provided by other Managers, rather, each Investment Counsellor/Associate Investment Counsellor is charged with selecting appropriate individual investments for a client's portfolio based on investment objectives and internal investment management guidelines and portfolio guidance.

Clients may impose reasonable restrictions on management of their accounts, including by restricting particular securities and types of investments, provided RBC PC USA accepts those restrictions.

6.2.2 Methods of Analysis

In making decisions for a client, an Investment Counsellor/Associate Investment Counsellor may use charting, fundamental, technical or cyclical methods of analysis and portfolio guidance. Strategies include long-term and short-term purchases and may also involve active trading (i.e., securities bought and sold within 30 days).

In addition to the ongoing management and review undertaken by the Investment Counsellor/ Associate Investment Counsellor, quarterly reviews of each PIM client's portfolio are conducted by one of our Portfolio Risk Advisors to ensure that the client's investment objectives are being diligently pursued. Any issues raised during a review are documented and followed-up with the client's Investment Counsellor/Associate Investment Counsellor.

6.2.3 Performance Based Fees and Side By Side Management

We do not accept performance-based fees, that is, fees based on a share of capital gains on or capital appreciation of the assets of a client account. As mentioned in Item 4 above, our investment advisory fees are based on the month-end market value of your portfolio.

6.2.4 Risk of Loss

There are a number of sources of risk to which a typical portfolio may be exposed. These risks could result in unexpected losses of capital, reduce the generation of income, or decrease the probability of you achieving your goals.

Most of these risks can generally be mitigated through diversification: constructing your portfolio so there is not a significant exposure to any single investment or group of investments that may be impacted in a similar manner as a result of a particular risk event. For some of the risks outlined below, there may be additional techniques that can be employed to further reduce risk.

The following is an overview and description of some of the risks of which you should be aware:

- **Market Risk** – This is the risk that a change in the economy and the market as a whole will affect the price of individual securities in ways that were not anticipated. While a change in the broader market is based on the underlying securities, not all individual securities are affected in the same way or to the same degree.
- **Interest Rate Risk** – This is the risk that a change in interest rates will impact the returns on interest rate-sensitive investments, such as bonds and mortgage-related securities. Generally, rising interest rates result in a decline in asset prices.
- **Political/Geographic Risk** – This is the risk that policies or instability in a region or nation will impact performance.
- **Purchasing Power or Inflation Risk** – This is the risk that investments will return less than the rate of inflation and therefore your portfolio will not maintain its purchasing power.
- **Currency/Foreign Exchange Risk** – This risk exists for any investment made in an international market where payments or principal are exposed to another currency.

- Credit or Company Specific Risk – This encompasses risks generally associated with individual companies.
- Sector/Industry Risk – This encompasses risks associated with a particular sector or industry (e.g. technology)
- Liquidity – investing in less liquid securities may result in the difficulty or even inability to sell, as well as potentially a negative impact on price received, if you need the money.
- Capital Markets – securities regulators can impose limitations on trading activity, which may prevent a profit or increase losses to your portfolio.
- Concentration - A high concentration of assets in a single or small number of issuers may reduce diversification and liquidity within a portfolio and increase its volatility.

Unless specifically indicated in your Investment Policy Statement, our approach to investment management is to maintain well diversified portfolios that seek to reduce the possible impact each of these risks might have on your overall portfolio. In addition, we may selectively employ currency hedging to further attempt to reduce the impact of this specific risk.

The discussion above is general in nature and is not intended to apply in respect of your specific portfolio or personal circumstances, either of which may give rise to additional risks not set out above. Your risk tolerance is considered along with your investment objectives and time horizon when constructing your portfolio. Please consult your Investment Counsellor for more information.

6.2.5 Voting Client Securities

We have retained an independent, external service provider to vote client proxies in accordance with pre-determined guidelines, subject to our ability to override recommendations in appropriate cases. Proxies are voted in the best interest of our clients. In any case where we may have a conflict of interest in the outcome of a vote, we will not influence or otherwise interfere with our service provider's proxy voting recommendations. Voting records and a copy of the Policy will be provided to clients on request. Should clients wish to provide specific voting instructions, they may contact their Investment Counsellor/Associate Investment Counsellor.

Since we have discretionary authority over our clients' portfolios, where economically feasible, we will file applicable class action settlement claims on behalf of our existing client accounts.

Item 7 – CLIENT INFORMATION PROVIDED TO INVESTMENT MANAGERS OR SUB-ADVISORS

For clients in the Access Program, this section describes client information communicated to the Investment Managers selected for each client. This section is not applicable to clients in the PIM program or the A+ Program since PIM does not make use of Investment Managers or Sub-advisors and the A+ Program does not share client information with the Sub-Advisors.

We keep your personal information confidential and will only share information as required or permitted by law or as agreed to in writing.

7.1 A+ AND ACCESS PROGRAMS

In the A+ Program and Access Program, an Advisory Representative works with the client to collect and document information about the client's investment objectives and risk tolerance. Our Investment Counsellors use this information to select a model portfolio containing the appropriate mix of Investment Managers in the Access Program or Sub-Advisors in the A+ Program based on the stated investment objectives. Clients are required to complete a questionnaire on an annual basis for purposes of updating the record we maintain of their investment objectives.

In respect of the Access Program, we provide the following information about our clients to the respective Investment Manager(s) selected for each client:

- Name and Address
- Investment Objectives and Risk Tolerance (Know Your Client information)
- Financial positions held, account balances and daily transactions related to the client's separate managed account

In respect of the A+ Program, we do not share information about our clients with the Sub-Advisors.

7.2 PIM PROGRAM

Our Investment Counsellors are directly responsible for selecting individual securities for a client's account and do make use of other Investment Managers' model portfolios.

Item 8 - CLIENT CONTACT WITH INVESTMENT MANAGERS AND SUB-ADVISORS

This section explains the restrictions, if any, placed on your ability to contact and consult with your Investment Managers or Sub-Advisors.

8.1 A+ PROGRAM AND ACCESS PROGRAM

Our Advisory Representatives are responsible for developing and managing our client relationships. They are your primary contact, but are not involved in the selection of Investment Managers for your Access Program portfolio or Sub-Advisors for your A+ Program. As mentioned in Item 6 above, the responsibility for selecting Investment Managers and Sub-Advisors for your portfolio rests with our Investment Counsellors. Generally, clients will not have any direct contact with Investment Managers and Sub-Advisors. If you have any questions about your account or the Investment Manager(s) or Sub-Advisors, as applicable, in your portfolio, please contact your Advisory Representative.

8.2 PIM PROGRAM

Your Investment Counsellor is responsible for constructing and managing your accounts and will schedule regular meetings with you to review your portfolio and investment objectives and is also available upon your request.

Item 9 – ADDITIONAL INFORMATION – A+ PROGRAM, ACCESS PROGRAM & PIM PROGRAM

This section discloses additional information that is material to your evaluation of our advisory business or the integrity of our management.

9.1 DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose legal or disciplinary events that would be material to your evaluation of our advisory business or the integrity of our management.

RBC PC USA and our management personnel have no reportable disciplinary event to disclose.

9.2 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As indicated under Item 4, RBC PC USA is an indirect wholly owned subsidiary of RBC. In addition to RBC PC USA, the following companies are affiliates of RBC:

- Entities registered under applicable U.S. securities legislation:
 - BlueBay Asset Management Ltd.
 - O'Shaughnessy Asset Management, LLC
 - RBC Capital Markets, LLC
 - RBC Global Asset Management (U.S.) Inc.
 - Sky Investment Counsel Inc.
- Entities registered under applicable Canadian securities legislation:
 - BonaVista Asset Management Ltd.
 - O'Shaughnessy Asset Management, LLC
 - Phillips, Hager & North Investment Funds Ltd.
 - RBC Dominion Securities Inc.
 - RBC Global Asset Management Inc.
 - RBC Phillips, Hager & North Investment Counsel Inc.
 - Sky Investment Counsel Inc.
- Entity registered under applicable U.K. securities legislation: BlueBay Asset Management Ltd.
- Entity registered under applicable Australian and Cayman Islands securities legislations: RBC Capital Markets, LLC

RBC also holds an indirect non-controlling interest in Sky Investment Counsel Inc. and a non-controlling interest in O'Shaughnessy Asset Management, LLC.

In addition, RBC PC USA is an affiliate of The Royal Trust Company, Royal Trust Corporation of Canada and RBC Wealth Management Financial Services Inc., which are wholly owned subsidiaries of RBC.

Material Relationships and Arrangements with Related Persons

RBC PC USA may obtain portfolio management, trade execution, product and manager selection, and other services for your account from affiliated portfolio managers, RBC GAM and RBC PH&N IC, and an affiliated dealer, RBC Dominion Securities Inc. ("RBC DS"). In providing portfolio management

11 RBC Private Counsel (USA) Inc.

and trade execution services, these affiliates are contractually and ethically bound to carry out their duties honestly and in good faith, and in the best interests of clients. They are also bound to exercise the degree of care, diligence and skill that a reasonably prudent person or portfolio manager, as applicable, would exercise in comparable circumstances.

In providing discretionary investment management services, RBC PC USA is responsible for:

- the advice that it receives from affiliates, and
- losses you incur that arise out of the failure of an affiliate to meet the applicable standard of care.

Affiliates of ours may sponsor or manage Canadian pooled investments transferred into our clients' portfolios and model portfolios that we may select for our clients. RBC PC USA may pay a fee to an affiliated sub-advisor for managing a model portfolio and a pooled fund. An Investment Counsellor's decision to select a specific model portfolio or a pooled fund for a client must not be influenced by any factors other than the best interest of that client and must be in line with the investment objectives, guidelines, restrictions and other applicable provisions of the client's Investment Policy Statement and DIAA.

RBC PC USA may also obtain from, or provide to, RBC and its subsidiaries, management, administrative, back office, referral or other services in connection with its ongoing business. For instance, RBC DS is the custodian for your account.

Further, certain directors and officers of RBC PC USA are also directors and officers of one or more of the registrants listed above. Investment Counsellors with RBC PC USA may also be registered with another related registrant and provide services to clients of that registrant. These relationships are subject to legislative and regulatory restrictions on dealings between related registrants and/or individuals that are dually registered with registrants. These restrictions are intended to minimize the potential for conflicts of interest resulting from these relationships. RBC PC USA has also adopted internal policies and procedures that supplement these restrictions, including policies on privacy and confidentiality of information, broker allocation and fair allocation of investment opportunities. Information concerning related advisors can be found on Schedule D of Form ADV Part 1 for each of RBC PC USA's registered advisory affiliates.

RBC PC USA is an indirect wholly owned subsidiary of Royal Bank of Canada, an internationally diversified organization with operations in many areas of the financial services industry. Information concerning related advisors can be

found on Schedule D of Form ADV Part 1 for each of RBC PC USA's registered advisory affiliates.

The relationships with related companies are subject to legislative and regulatory restrictions on dealings between related registrants and/or individuals that are dually registered with registrants. These restrictions are intended to minimize the potential for conflicts of interest resulting from these relationships. RBC PC USA has also adopted internal policies and procedures that supplement these restrictions, including policies on privacy and confidentiality of information, broker allocation and best execution.

The underwriting and investment banking activities of our Participating Affiliate, RBC DS, are operated on a separate and distinct basis from the discretionary investment business of RBC PC USA pursuant to Information Barriers and Privacy Policies adopted by the members of the RBC.

9.3 RELATED AND CONNECTED ISSUERS

Sometimes we trade in or advise clients about securities of issuers to which we or certain other parties related to us, is related or connected:

- An issuer of securities is "related" to us if, through the ownership of, or direction or control over voting securities,
 - we may control that issuer,
 - that issuer may control us, or
 - the same third party may control both the issuer and us.

RBC is a reporting issuer under applicable securities laws and is a related issuer of ours. It is expected that RBC may have a controlling influence in the investment funds to which it provides seed capital from time to time.

- An issuer is "connected" to us if, due to indebtedness or other relationships, a reasonable prospective purchaser of securities of the connected issuer might question our independence from the issuer.

We will ensure that any dealings in securities of related or connected issuers in your account will comply with the investment objectives, guidelines, restrictions and other applicable provisions of your DIAA and Investment Policy Statement.

Recommending that you buy or sell securities or investment products in which we or a related person has some financial interest may create a conflict between our and our affiliates'

financial interest and your interest in buying or selling a particular security or investment product. We have a fiduciary obligation to put the interest of our clients ahead of our own and our affiliates' interest, and have adopted policies and procedures that help identify and manage potential conflicts of interest arising from recommending and investing clients in related and connected issuers.

9.4 TRADING IN YOUR ACCOUNT

We, or our affiliates, may act as your agent for buying, selling and generally dealing in securities for you. Securities transactions for your account will be effected using various broker-dealers, as determined by RBC PC USA from time to time, consistent with the duty to seek best execution for our clients. Purchases and sales of all securities for your account, except for certain fixed income securities, are executed by non-affiliated brokers. However, an affiliated broker may end up on the other side of the transaction, as agent or principal, as a result of the automated systems of the Canadian marketplaces which match trades on an automated basis and neither we, nor our affiliates, have any knowledge or control over which orders are matched. Purchases and sales of fixed income may be made by our affiliate RBC DS acting as a principal (i.e. buy securities from you or sell securities to you for or from its own account), in which case RBC DS may charge you its customary institutional rate mark-up on the security. With respect to securities transactions affected through RBC DS acting as your agent, you authorize the aggregation of contemporaneous purchase or sell orders for the same securities with orders of other customers in accordance with applicable legal and regulatory guidelines.

9.5 CODE OF ETHICS

We have adopted a Code of Ethics, which is comprised of the RBC Code of Conduct and policies pertaining to Personal Trading, Privacy, Gifts and Entertainment, Conflicts of Interest & Outside Activities and Insider Trading. Copies of these will be provided upon request.

Our Compliance Manual requires that in advising clients with respect to securities of parties related to us: (i) we will deal fairly, honestly and in good faith with our clients; (ii) we will maintain operational and decision-making autonomy; and (iii) investment decisions will be made on the basis of the business judgment of the responsible Investment Counsellors uninfluenced by considerations other than the best interests of clients. We may purchase securities of persons related us for client accounts. Any such transactions will adhere to all applicable laws and regulations.

9.6 PERSONAL TRADING

Employees must conduct their personal trading responsibly and in such a manner that does not, (i) take advantage of material information about a listed issuer that has not been disclosed to the public or, (ii) place their own interests ahead of the interests of clients.

To prevent potential conflicts of interest, we monitor and control personal trading by employees who have access to information about actual and proposed trades for client portfolios. Trade orders on behalf of clients will have priority in normal order flow and will rank ahead of any employee accounts trading alongside firm trading accounts.

We prohibit improper use of confidential information, or of any inside information not publicly disclosed, for personal gain or for the benefit of another person.

9.7 ACCOUNT REVIEW PROCEDURES AND CLIENT REPORTING

9.7.1 A+ Program and Access Program

The Branch Managers together with Trade Surveillance review your accounts on a daily and periodic basis to assess know your client, trade suitability and risk tolerance.

In the Access Program the Portfolio Risk Advisors ("PRAs") from the Portfolio Risk Group conduct quarterly reviews of your portfolio, to ensure that your portfolio is in line with your stated investment objectives, as set out in your Investment Policy Statement. If your portfolio requires rebalancing with respect to the allocation across selected Investment Managers, it will be coordinated through your Advisory Representative. The Investment Managers selected for your Access portfolio are responsible for the ongoing monitoring and rebalancing of individual securities held in each of your Access accounts.

In the A+ Program, the RBC DS Overlay Portfolio Manager conducts quarterly reviews of your portfolio against your stated investment objectives, as set out in your Investment Policy Statement. If your portfolio requires rebalancing with respect to allocation across selected Sub-Advisors/investment vehicles or individual securities as a result of a market drift or recommendation by one of your Sub-Advisors, the RBC DS Overlay Portfolio Manager will implement those changes accordingly.

If your investment objectives and/or risk tolerance were to change materially, your Advisory Representative in

consultation with the Investment Counsellor will send you a revised proposal/Investment Policy Statement to document these changes. If required your Access or A+ portfolio will be rebalanced accordingly.

To keep you fully apprised of how your portfolios are being managed, we provide a comprehensive portfolio and performance reporting package, including:

- ▶ A quarterly performance report in which overall portfolio results are emphasized. (You have the option of viewing each account separately or as a combined portfolio consisting of multiple accounts). The report will include: securities holdings at the end of the reporting period, a summary of trading activity for the reporting period and a summary of income earned for the reporting period.
- ▶ Individual net-of-fee, time-weighted rate of return for each of your accounts and for your combined overall portfolio if, in the case of A+ and Access, you so choose.
- ▶ Investment Manager and Sub-Advisor commentaries on the quarter-in-review, as available.
- ▶ RBC DS custody statements at least quarterly and monthly if there has been activity in your portfolio and it will list your holdings, the market value of your investments as at the end of the period as well as transaction activity during the period.

Upon request, Advisory Representatives will provide clients with individual Investment Manager or Sub-Advisor results, as applicable, reported separately in the currency of the model portfolio provided by that Investment Manager or Sub-Advisor.

9.7.2 PIM Program

Investment Counsellors are responsible for reviewing portfolios under their management on an ongoing basis. The Branch Manager supervising your Investment Counsellor, conducts various daily and monthly trade reviews to ensure investments made in your portfolio(s) are suitable. Portfolio Risk Advisors ("PRAs") in the Portfolio Risk Group review trade reports and follow up with the Investment Counsellors to ensure any identified action items are addressed. In addition, the PRAs review, on a periodic basis, all portfolios against the Investment Policy Statement and internal investment management guidelines. Variables considered in the review process: asset mix, income need, diversification, security quality and performance. In addition, from time to time, Branch Managers and other senior management may also be involved in the above mentioned reviews of your portfolio.

We will provide you with a quarterly portfolio review that will list your holdings, the market value of your investments, performance and trading activity in your portfolio during the quarter. In addition, your custodian, RBC DS, will provide you with a custodial statement at least quarterly and monthly if there has been activity in your portfolio and it will list your holdings, the market value of your investments as at the end of the period and transaction activity in your portfolio during the period. If you have retained a custodian other than RBC DS, your chosen custodian must provide you with separate reporting, on a quarterly basis, at a minimum.

9.8 CLIENT REFERRALS AND OTHER COMPENSATION

We may from time to time compensate non-affiliated solicitors for client referrals subject to compliance with all applicable laws and the policies of RBC. The compensation paid will typically consist of a cash payment stated as a percentage of our investment advisory fee at the time of the referral, but in no event shall any such compensation increase the fees charged to a client. Should we enter into a referral arrangement; all payments will be in compliance with Rule 206(4)-3 under the Advisers Act. This Rule permits an investment adviser that is registered under the Advisers Act to pay "cash" fees, directly or indirectly, to a "solicitor" with respect to "solicitation activities".

We do not pay referral fees to employees of our affiliates for client referrals.

9.9 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. In addition we have not been the subject of a bankruptcy proceeding during the past 10 years.



RBC Wealth Management

RBC Private Counsel (USA) Inc., RBC Phillips, Hager & North Investment Counsel Inc., RBC Global Asset Management Inc., RBC Dominion Securities Inc., Royal Trust Corporation of Canada, The Royal Trust Company and Royal Bank of Canada are separate legal entities that are affiliated. RBC Private Counsel (USA) Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. ® Registered trademark of Royal Bank of Canada. Used under license. © 2014. All rights reserved.