



# RBC Correspondent Services Advisory Programs Disclosure Document

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

March 31, 2020

**RBC Advisor**      **RBC Unified Portfolio**  
**Consulting Solutions**

*This wrap fee program brochure provides 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 RBC Advisor, RBC Unified Portfolio and Consulting Solutions programs offered by RBC CM. This document provides investors with information about RBC CM and the programs that should be considered before becoming a client of a 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.*

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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**Correspondent  
Services**

## ITEM 2: MATERIAL CHANGES

In this Item 2, RBC CM is required to identify and discuss all material changes to its RBC Correspondent Services Advisory Programs Disclosure Document (Form ADV Part 2A Appendix 1, Wrap Fee Program Brochure) (the “Disclosure Document”). Since the December 16, 2019 version of the Disclosure Document, we have the following material updates.

We have updated certain sections to enhance our existing disclosures on products and services and, in certain instances, to provide additional clarity related to our conflicts of interest, including:

***Item 4. Services, Fees and Compensation: section titled “General Description of Programs”; subsection titled “RBC Unified Portfolio”***

We have enhanced our disclosure to provide additional detail regarding the Overlay Manager fee clients pay on non-equity model portfolios, mutual funds and ETPs held in RBC Unified Portfolio accounts where tax management services and/or application of personal conviction overlay screens or other environmental, social and governance screening approaches are selected.

***Item 4. Services, Fees and Compensation: section titled “Risks and Tax Considerations”; subsection titled “Risks Relating to Money Market Funds”***

We have added disclosures pertaining cash balances held in RBC Cash Plus and how these balances are not insured by the Federal Deposit Insurance Corporation (“FDIC”), Securities Investor Protection Corporation (“SIPC”) or any governmental agency of the United States, Canada or any other jurisdiction. RBC Cash Plus amounts are obligations of the Branch only, and are not obligations of RBC CM. The payment of principal and interest on amounts held in RBC Cash Plus is subject to the creditworthiness of Royal Bank of Canada. In the unlikely event of the failure of the Branch, you will be a general unsecured creditor of Royal Bank of Canada.

***Item 4. Services, Fees and Compensation: section titled “Program Fees”; subsection titled “Program Fee Components”***

We have added clarity to the Program Fee components for clients enrolled in RBC Unified Portfolio where tax management services and/or application of personal conviction overlay screens or other environmental, social and governance screening approaches are selected. The fee you pay Envestnet is 0.10% which includes the fee for its services as Overlay Manager in addition to tax management services and/or personal conviction overlay screens or other social screening approaches.

For all programs, the following fee components will be added, where applicable, to compute your total Program Fee: 1) the Correspondent Firm Fee for Program services provided by Correspondent Firm, 2) the Program Sponsor Fee payable to RBC CM, 3) the fee for Investment Managers and Model Providers (the “Investment Manager Fee”), and 4) Overlay Manager Fee. Your Program Fee structure may vary depending on the Program and services selected by you and your Financial Advisor.

RBC CM will provide you with a new Disclosure Document without charge, upon request to your Financial Advisor. The Disclosure Document is also available on the SEC’s web site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ITEM 3: TABLE OF CONTENTS

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	3
Item 4	Services, Fees and Compensation.....	4
	Description of Services .....	4
	Investment Guidelines and Consultations.....	4
	A. General Description of Programs.....	5
	RBC Advisor .....	5
	Consulting Solutions.....	5
	RBC Unified Portfolio .....	5
	Account Opening and Maintenance.....	8
	Performance Monitoring and Client Communications .....	10
	Risks and Tax Considerations.....	10
	Program Fees .....	12
	B. Comparing Costs .....	15
	C. Additional Fees and Expenses.....	15
	D. Compensation to Financial Advisors.....	16
Item 5	Account Requirements and Types of Clients .....	16
	Program Minimums .....	16
	Types of Clients.....	16
Item 6	Portfolio Manager Selection and Evaluation.....	16
	A. Selection and Review of Portfolio Managers Eligibility.....	16
	Monitoring and Review.....	17
	Removal of an Investment Manager or Model Provider.....	17
	B. Related Persons and Certain Potential Conflicts of Interest .....	18
	C. Supervised Persons .....	19
	Performance-Based Fees and Side by Side Management.....	19
	Methods of Analysis, Investment Strategies .....	19
	Voting Client Securities (Proxy Voting).....	19
Item 7	Client Information Provided to Portfolio Managers .....	20
Item 8	Client Contact with Portfolio Managers .....	20
Item 9	Additional Information .....	20
	Disciplinary Information .....	20
	Education and Business Background of Correspondent Firm Personnel .....	25
	Other Financial Industry Activities and Affiliations .....	25
	Code of Ethics .....	28
	Reviewing Accounts .....	28
	Financial Information .....	28

This Disclosure Document provides a complete description of the services provided, and the fees payable to, RBC Capital Markets under each of the following advisory programs (individually, a “Program” and, collectively, the “Programs”) sponsored by RBC Capital Markets (“RBC CM,” “we,” “us,” or “our”) and offered by RBC Correspondent Services (“RBC CS”), a division of RBC CM.

- RBC Advisor
- RBC Unified Portfolio
- Consulting Solutions

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

In the Programs, you engage correspondent firm or its affiliate (“Correspondent Firm”) to provide investment advisory and other services. Correspondent Firm or its affiliate has entered into an agreement with us whereby RBC CM will provide certain advisory and/or other services to you and Correspondent Firm or its affiliate.

Program services are provided pursuant to your investment advisory agreement with RBC CM, Correspondent Firm and, if applicable, Tax Overlay Management Services Enrollment Form. Each of the Programs (other than RBC Advisor) provides for discretionary management of your account, meaning that the investment manager or overlay manager, as applicable, will buy, sell, and otherwise effect transactions in stocks, bonds, and other securities or assets without consulting you and without your prior consent.

##### **Description of Services**

The Programs are customized advisory Programs sponsored by RBC CM. The Correspondent Firm’s Financial Advisor (“Financial Advisor” or “FA”) will work with you to analyze and define your investment objectives and needs. Based on this analysis and the services selected by you, your Financial Advisor will recommend an appropriate investment strategy. Each of Correspondent Firm and RBC CM (to the extent RBC CM acts as overlay manager) owe a fiduciary duty to you under the Investment Advisers Act of 1940, as amended (“Advisers Act”).

For investment advisory, brokerage execution, and other services rendered under a Program, you pay Correspondent Firm and RBC CM a quarterly program fee (“Program Fee”) based on the value of your account (regardless of the number of trades placed).

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

- equity securities;
- bonds (both taxable and non-taxable);
- mutual funds;
- exchange traded products (“ETPs”), including exchange traded funds (“ETFs”), and exchange traded notes.

The mutual funds or other funds used in the Programs may be managed by RBC Global Asset Management (U.S.) Inc. (“RBC GAM - U.S.”), City National Rochdale, LLC each affiliates, or other RBC CM affiliates (individually, an “RBC Fund” collectively, the “RBC Funds”).

In addition, certain alternative investments funds and strategies used in the Programs may be manufactured and managed by BlueBay Asset Management LLP, an affiliate, or other RBC CM affiliates.

Securities selected are subject to any limitations imposed by you, Correspondent Firm, the Investment Manager, Overlay Manager, or us.

Each investment manager selected by you in a Program is referred to as an “Investment Manager” and the overlay manager for the Programs described herein is referred to as an “Overlay Manager.”

##### **Investment Guidelines and Consultations**

If you invest in a Program, your Financial Advisor will work with you to analyze and define your investment objectives, financial condition, time horizons, and risk parameters based on the information you provide. At the onset, your Financial Advisor consults with you to identify and evaluate your needs, perceived risk tolerance, and other pertinent investment considerations. Your Financial Advisor will use this information to ensure Program recommendations are suitable and appropriate for you. This information is used to determine a risk profile (“Risk Profile”). Subject to acceptance by Correspondent Firm, RBC CM, and, if applicable, the Investment Manager(s) and/or Overlay Manager(s), you may also establish reasonable restrictions that certain securities or categories of securities not be purchased for your account or other instructions to be used (referred to as the “Investment Guidelines”) in addition to the Risk Profile. It should be noted that any restrictions that you establish apply to individual stock, bond, open-end mutual fund and exchange traded fund securities only and do not apply to the underlying securities of commingled securities such as open-end or closed-end mutual funds, exchange traded funds, unit investment trust or other similar securities. Investment Managers and Overlay Managers may implement restrictions by taking one or more of the following actions: increasing the relative proportions of other securities to replace the restricted securities; increasing cash in the account; and selecting alternate securities. You are responsible for notifying Correspondent Firm, which will in turn notify RBC CM, and RBC CM, in turn, will notify the Overlay Manager or Investment Manager of any changes to your account restrictions. In the RBC Advisor Program you are ultimately responsible for ensuring adherence to any restrictions as RBC Advisor is a client-directed program.

Based on your Financial Advisor’s understanding of your investment needs and objectives gained from the consultation process and the Risk Profile (and any additional Investment Guidelines), he/she will develop an appropriate investment strategy for the management of your Account.

It is your responsibility to ensure the information you provided is complete and accurate. It is also your responsibility to promptly notify Correspondent Firm or your Financial Advisor if any of the information you provided to them changes.

## A. GENERAL DESCRIPTION OF PROGRAMS

### RBC Advisor

The RBC Advisor Program is a customized investment consulting Program through which you 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 the mutual funds in which account assets are to be invested and the allocation among those funds. This 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; however, if your investment allocation includes a mutual fund share class we deem to be ineligible for the Program, we may update the allocation to include the equivalent, eligible share class of the same mutual fund without notification to you. 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.

### Consulting Solutions

Consulting Solutions is an advisory Program through which accounts are managed by one or more professional Investment Managers participating in the Program. Your Financial Advisor may provide you with information on Investment Managers whose investment philosophy and objectives may be compatible with your Risk Profile.

RBC CM makes available Investment Managers who meet our eligibility requirements for participation in the Program. See Item 6: Portfolio Manager Selection and Evaluation.

In the Consulting Solutions Program, you sign an advisory agreement with us and the Correspondent Firm. You do not sign a separate agreement with the Investment Manager.

### *Client Selection of Investment Manager*

Based on your Financial Advisor's understanding of your Risk Profile (and any additional Investment Guidelines established by you) and the consultative process, your Financial Advisor provides you with information on participating Program Investment Managers. These Investment Managers have demonstrated an investment philosophy which the Correspondent Firm and your Financial Advisor believe are compatible with your Risk Profile. You then choose one or more Investment Managers to provide investment management services. We notify each Investment Manager selected by you and provide the Investment Manager with a copy of your Risk Profile and all amendments, as well as any additional Investment Guidelines established by you.

You or your designee will select or change the Investment Manager(s). Neither RBC CM or Correspondent Firm have discretionary authority with respect to the account.

### RBC Unified Portfolio

RBC Unified Portfolio is a unified managed account ("UMA") program through which your account is professionally managed by RBC CM as Overlay Manager or a third-party Overlay Manager, Envestnet. The Overlay Manager manages the account through investments in mutual funds, ETPs, and/or in accordance with one or more model portfolios provided by Model Providers or RBC CM, all in a single account.

If elected by you, the management of your account may include tax overlay management services ("Tax Management") and/or the application of personal conviction overlay screens ("Screens").

### *RBC CM as Overlay Manager*

Accounts not electing Tax Management or Screens will be managed by RBC CM as Overlay Manager. When RBC CM acts as Overlay Manager, the Overlay Manager fee is 0.05%, which will be retained by RBC CM as compensation for its services as Overlay Manager.

The services provided by RBC CM as Overlay Manager include, but are not limited to, the following:

- Discretionary management of your account, meaning RBC CM will buy, sell, and otherwise effect transactions in stocks, bonds, and other securities or assets without consulting you and without your prior consent. See *Recommendation of Investment Strategy* for more information.
- Rebalancing of assets. See *Rebalancing of Assets* for more information.
- Proxy voting, if in the Client Agreement you designate Manager vote proxies.

### *Envestnet as Overlay Manager*

Tax Management and/or Screens are available to you if you are utilizing an equity model portfolio(s). If you elect any of these services, your account will be managed by Envestnet as



Overlay Manager. When Envestnet acts as Overlay Manager, the Overlay Manager fee is 0.10% which includes the fee for these services.

The services provided by Envestnet as Overlay Manager include, but are not limited to, the following:

- Discretionary management of your account, meaning Envestnet will buy, sell, and otherwise effect transactions in stocks, bonds, and other securities or assets without consulting you and without your prior consent. See *Recommendation of Investment Strategy* for more information.
- Rebalancing of assets. See *Rebalancing of Assets* for more information.
- Proxy voting, if in the Client Agreement you designate Manager vote proxies.
- Tax Management, if elected. See *Tax Management Services* for more information.
- Overlay Screens, if elected. See *Personal Conviction Overlay Screens* for more information.

Tax Management and Screens are only available to accounts utilizing equity model portfolios. Accounts with allocations that include both equity model portfolios and non-equity model portfolios, mutual funds and/or ETPs ("Tax Management/Screens Ineligible Investments"), may still elect Tax Management and/or Screens but these services will not be applied to Tax Management/Screens Ineligible Investments. In such cases, despite the fact that the services are only applied to a portion of the account, the 0.10% Overlay Manager fee will be charged on all assets in the account including Tax Management/Screens Ineligible Investments. In lieu of paying the 0.10% Overlay Manager fee on Tax Management/Screens Ineligible Investments, you may place these assets in a separate RBC Unified Portfolio account and select RBC CM as Overlay Manager, in which case you will be charged a 0.05% Overlay Manager fee on these assets. Alternatively, you may place the Tax Management/Screens Ineligible Investments in another advisory program or brokerage account.

### ***Recommendation of Investment Strategy***

Your Financial Advisor may provide you with information on mutual funds, ETPs, and/or model portfolios representing different investment styles and strategies that may be compatible with your Risk Profile. Based on our understanding of your Risk Profile (and any additional Investment Guidelines established by you), your Financial Advisor will recommend an appropriate investment strategy for you. If the strategy includes an asset allocation, it will also include an investment allocation—that is, an assignment of a percentage of the overall value of the asset class to one or more mutual funds, ETPs, or model portfolios. You select from the eligible investments and specify the investments in which account assets are to be invested and the allocation among those investments. Your investment allocation may subsequently be modified by you by notifying Correspondent Firm, which will in turn notify RBC CM, of the changes. Any such changes will be effective only upon confirmation by RBC CM and the Overlay Manager. However, if your investment allocation includes a mutual fund

share class RBC CM deems to be ineligible for the Program, RBC CM may update the allocation to include the equivalent, eligible share class of the same mutual fund without notification to you.

The Overlay Manager will execute the securities transactions required to conform to revisions in the model portfolios as soon as practicable after they are received, subject to any client-specific Investment Guidelines such as security restrictions, Screens or Tax Management; however, delays may occur between the communication of model revisions and the execution of securities transactions for the account. The Overlay Manager will manage your account so that the estimated investment performance does not substantially deviate from the model portfolio(s), provided client-specific Investment Guidelines make it practicable to do so.

### ***Rebalancing of Assets***

You may choose between two rebalancing frequencies (quarterly or annually) to bring an account back to its targeted investment allocation. The Overlay Manager will rebalance the account either quarterly or annually, as selected, executing the trades necessary to rebalance the account as closely as practicable to your target investment allocation. The initial rebalance date will be based on the account start date. Your account may be rebalanced at any time when deemed appropriate by the Overlay Manager due to other factors that include, but are not limited to, contributions, withdrawals, and model portfolio changes. Any unscheduled rebalance of your account will reset the next rebalance date to the next quarter or a year, as applicable. If you have elected to receive tax management services (described below), Envestnet will evaluate the trade-off between rebalancing the account and the tax consequences of any client constraints or tax mandates. If your account is not tax-exempt, the sale, redemption or exchange of investments may result in taxable gains or losses. RBC CM will not be liable for any tax consequences or mutual fund redemption fees (see the fund's prospectus) as a result of rebalancing.

Alternatively, you may elect to not have the account rebalanced, in which case the account will only be rebalanced upon your request. In addition, if the Overlay Manager deems a rebalance is necessary to implement the allocation and investments selected, they may rebalance your account at its discretion.

In general, any contributions and withdrawals of assets to or from your account will be applied to the target investment allocation.

### ***Tax Management Services***

Tax Management services are available as an option for accounts utilizing equity model portfolios. If you elect Tax Management services, your account will be managed by Envestnet as Overlay Manager. Envestnet will develop a tax strategy for your account based on the information and instructions provided by you in the Tax Overlay Management Services Enrollment Form. Tax Management services in an investment account offer benefits and limitations, as described

below. The tax strategy developed for you by Envestnet is provided solely in connection with your account and Envestnet does not provide general tax planning services. If you do elect the Tax Management services option, please consider the following:

- Tax Management services are limited in scope and are not designed to eliminate taxes in the account.
- If you select Tax Management services for the account, information provided may result in Envestnet making substantial deviations from the investment allocation on a more than temporary basis.
- Envestnet intends to manage the account so that the estimated investment performance does not substantially deviate from the model portfolio(s), provided client-specific mandates make it practicable to do so.
- When providing Tax Management services to the account, short-term capital gains are avoided where possible, but long-term gains are not limited. Limits can be set by you in the Tax Overlay Management Services Enrollment Form.
- You may cancel your Tax Management services at any time. Cancelling your Tax Management services may result in the recognition of significant taxable capital gains or losses. If you cancel Tax Management services, but your account maintains or enrolls in Screens, Envestnet will continue to act as Overlay Manager and the 0.10% Overlay Manager fee will continue to be charged. If your account does not maintain or enroll in either Tax Management services or Screens, RBC CM will act as Overlay Manager and the 0.05% Overlay Manager fee will be charged.
- You should only complete the Tax Overlay Management Services Enrollment Form after consulting with a tax advisor.
- Tax Management services are only available to accounts utilizing equity model portfolios. Accounts with allocations that include both equity model portfolios and Tax Management/Screens Ineligible Investments, may still elect Tax Management services but these services will not be applied to Tax Management/Screens Ineligible Investments. In such cases, despite the fact that the services are only applied to a portion of the account, the 0.10% Overlay Manager fee will be charged on all assets in the account including Tax Management/Screens Ineligible Investments. In lieu of paying the 0.10% Overlay Manager fee on Tax Management/Screens Ineligible Investments, you may place these assets in a separate RBC Unified Portfolio account and select RBC CM as Overlay Manager, in which case you will be charged a 0.05% Overlay Manager fee on these assets. Alternatively, you may place the Tax Management/Screens Ineligible Investments in another advisory program or brokerage account.

Any capital loss carryover specified for the current calendar year may be taken into consideration by Envestnet in managing the account. You should update this information annually. On an ongoing basis, any capital losses in the account may be taken into consideration in managing the

account. If you recognize capital gains outside the account that result in the use of the specified capital losses, you must notify us and we will in turn notify Envestnet, so that the loss carryover amount may be reduced accordingly.

Mandates or the use of limits to restrict the amount of capital gains realized or your total tax bill may severely restrict trading in the account and could result in substantial deviations from the investment allocation. Mandates and limits should only be imposed on the account after you have consulted with your tax advisor. Amounts specified will be used annually until you specify otherwise.

For more information on tax management services, please refer to Envestnet's ADV.

### ***Personal Conviction Overlay Screens***

Clients may restrict their accounts from investing in certain securities or industries. If you elect Screens, your account will be managed by Envestnet as Overlay Manager. Envestnet relies on third-party providers for data of the industry classification and socially responsible classifications of individual securities, and Envestnet and RBC CM make no guarantee as to the accuracy of such third parties' classification. Changes may occur that affect the industry classification of a firm and Envestnet will make reasonable efforts to implement those changes in a timely manner. In general, Envestnet may implement restrictions by taking one or more of the following actions: increasing the relative proportions of other securities to replace the restricted securities; increasing cash in the account; and selecting alternate securities.

Many of the Screens have both a "Best in Class" and "Strict" restriction. Best in Class restrictions are designed for investors aiming to achieve alignment between their values and their need to ensure the prudent management of their investments while Strict restrictions are designed for investors who want to integrate more stringent environmental/social criteria into their investments by further evaluating sources of revenue and employing tighter revenue thresholds. They seek to minimize exposure to companies with specific products, services, and operations that do not meet the personal convictions criteria set by the client.

Screens are only available to accounts utilizing equity model portfolios. Accounts with allocations that include both equity model portfolios and Tax Management/Screens Ineligible Investments, may still elect Screens but these services will not be applied to Tax Management/Screens Ineligible Investments. In such cases, despite the fact that the services are only applied to a portion of the account, the 0.10% Overlay Manager fee will be charged on all assets in the account including Tax Management/Screens Ineligible Investments. In lieu of paying the 0.10% Overlay Manager fee on Tax Management/Screens Ineligible Investments, you may place these assets in a separate RBC Unified Portfolio account and select RBC CM as Overlay Manager, in which case you will be charged a 0.05% Overlay Manager fee on these assets. Alternatively, you may place the Tax Management/Screens Ineligible Investments in another advisory program or brokerage account.

## Account Opening and Maintenance

### Opening a Program Account

You must sign an advisory agreement with RBC CM prior to enrollment in the Programs. If you sign an Advisory Master Services Agreement (the “Master Agreement”), you are granting Correspondent Firm and RBC CM the authority to effect certain investment advisory transactions or make updates to your account(s) with verbal instruction to your Financial Advisor, including, but not limited to:

- Program enrollment;
- Establishing account fees;
- Program changes;
- Risk Profile;
- Investment Manager or Allocation Changes, if applicable;
- Changes to your Program Fees;
- Rebalancing frequency;
- Adding/removing account restrictions; and
- Advisory Program termination.

RBC CM will provide to you in writing changes made to your Program Account(s). In certain circumstances, RBC CM may require you to sign a separate Client Agreement or additional documentation relating to your Program Account(s).

Alternatively, you may have signed a separate client agreement (the “Single Program Agreement”) that contains terms and conditions that may differ from the Master Agreement. The Single Program Agreement and the Master Agreement are collectively referred to herein as the Client Agreements. client agreement (“Client Agreement”).

### Account Preferences

When you open a Program Account, you will select account preferences (“Preferences”). Except as described herein, preferences elected in the Master Agreement will be applied to all existing and future accounts subject to the Master Agreement. Where applicable, Preferences selected by you in the Master Agreement will supersede any and all elections made in a pre-existing Single Program Agreement. At your discretion, you may make changes to update existing Preferences upon written notice to Correspondent Firm who will, in turn, notify RBC CM. Preferences that you must select include:

- Proxy Voting; and
- Frequency of Trade Confirmation

In certain circumstances, based on the Program or Investment Manager selected by you, your Preferences will not be available. You should speak with your Financial Advisor to determine availability.

**1. Proxy Voting.** In the Client Agreement, you may elect to vote proxies for securities held in your Account(s) or designate a third-party agent to vote on your behalf. To the extent you designate an Investment Manager and/or an Overlay Manager to vote proxies on your behalf, your designation is only valid

if accepted by that designee. In addition, to the extent your designation cannot be implemented for one or more Programs (because it is not available as an option in such Program), you or another third-party agent as designated by you will be responsible for voting such proxies. See Voting Client Securities (Proxy Voting) under Item 6: Portfolio Manager Selection and Evaluation.

If you, Correspondent Firm or RBC CM terminate a Program Account, RBC CM will revert proxy voting authority to you or another third-party selected by you.

**2. Frequency of Trade Confirmations.** In the Client Agreement you elect whether you wish to receive trade confirmations on a Daily or Monthly basis. Clients of some Programs may not be eligible to receive monthly trade confirmations. If you are enrolled in the RBC Advisor Program, you can only receive trade confirmations on a trade-by-trade daily basis. At any time, you may request a copy of the trade confirmation from transactions that appear on the monthly transaction summary statement, as well as any subsequent transaction, or previous transaction effected through RBC CM at no additional cost.

If you or Correspondent Firm or RBC CM terminate a Program account, RBC CM will revert the frequency of trade confirmations to daily.

### Eligibility and Classification of Certain Investments

Correspondent Firm and/or RBC CM may restrict the purchase of or holding of certain investments in Program Accounts. If a Program Account is funded with investments deemed to be ineligible or unacceptable for the Program (“Non-Program Assets”), generally those assets will be liquidated by us, moved to another account where such assets are eligible, or in the case of mutual funds, converted to an equivalent eligible share class of the same mutual fund without notice to you. Your account may incur certain transaction charges as a result.

In identifying and selecting mutual funds eligible for recommendation in Advisory Programs, we may use many sources of information and analysis about funds, including data provided by independent third parties. RBC CM chooses which share classes are available in the Programs based on availability, eligibility requirements and payment of operational support from the fund company. We may not make the lowest cost share class available to you. Lower cost share classes may be available to you elsewhere, including, but not limited to, through Correspondent Firms of which you are not a client, if you meet the eligibility requirements. Where RBC CM offers a lower cost share class than the designated eligible share class for the Programs, in certain circumstances, RBC CM may grant exceptions for institutional clients to purchase the lower cost share class option. In certain circumstances, and when RBC CM determines that it is in your best interest to do so, RBC CM may convert your mutual fund positions to a lower cost share class offered by RBC CM of the same fund, without notice to you, where such share class is available and such conversion is permissible. Thus, a broad array of funds are available for evaluation by you, Investment Managers and Financial



Advisors in the context of implementing an investment strategy. In accordance with regulations, RBC CM will deliver a mutual fund's current prospectus to you only when you purchase the mutual fund or ETP shares through us. In situations where you purchase mutual fund shares or ETPs through another financial institution, you must rely on the firm through which the shares were purchased for delivery of a current prospectus.

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 Client Agreement and are not subject to the Program Fee.

### **Cash Balances**

If you elect to participate in the Cash Sweep Program, cash held in your account custodied at RBC CM will be automatically invested or deposited the next business day or the first business day of the following week based on your account type and features. This automatic process is referred to as a "Cash Sweep Option".

There are different Cash Sweep Options available, which are subject to eligibility restrictions.

- **Non-Retirement Accounts:** Cash held in non-retirement accounts will be swept to the Cash Sweep Option you direct. Available Cash Sweep Options for non-retirement accounts are:
  - RBC Insured Deposits - Amounts invested in RBC Insured Deposits will be deposited with our affiliate banks RBC Bank (Georgia), N.A. ("RBC Bank") and/or City National Bank ("City National") and third party banks up to applicable limits, as discussed in the RBC Insured Deposits program disclosures. Cash balances in RBC Insured Deposits in excess of such applicable limits will be swept to a money market fund managed by our affiliate, RBC Global Asset Management (U.S.) Inc. ("RBC GAM - U.S.");
  - A money market fund managed by our affiliate, RBC GAM - U.S., subject to eligibility and applicable minimum amounts; or
  - Credit Interest Program - Amounts invested in the Credit Interest Program represent 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 difference between amounts earned by us from our investments and the rate we pay to Credit Interest Program account holders is our profit.
- **Retirement Accounts:** Cash held in retirement accounts will be swept to an unaffiliated money market fund upon enrollment in the Program.

RBC CM may add, remove or change available Cash Sweep Options upon appropriate notice to you. You should review your Client Account Information Agreement and related Cash Sweep disclosures for details regarding our Cash Sweep

Options. The Credit Interest Program and the RBC Insured Deposits are also described in more detail in Item 9: Other Financial Industry Activities and Affiliations.

RBC CM has a conflict of interest in offering these Cash Sweep Options because RBC CM and/or its affiliates will receive compensation or benefits, in addition to the Program Fees assessed, from your cash balances swept to these Cash Sweep Options. This creates an incentive for RBC CM to offer these Cash Sweep Options to encourage deposits in these specific Cash Sweep Options.

- For RBC Insured Deposits cash balances placed with our affiliate banks RBC Bank and City National, these affiliates will receive a stable source of deposits at a cost that is less than other funding sources available to them. Our affiliated banks make a profit on the difference between the interest paid to you and other costs they incur on deposits, and the interest or other income they earn on loans, investments, and other assets. In addition, RBC CM receives compensation and benefits from these amounts in the form of a per account fee paid directly to RBC CM by the affiliate banks, and internal accounting credits to RBC CM that help us meet our internal profitability goals as reported to our mutual parent company. Our affiliate banks can change the interest rate they pay on deposits, which will lower the amount of interest you receive.
- For RBC Insured Deposit Cash Balances placed with third party banks, these banks pay RBC CM a fee based on a percentage of assets placed with the third party bank. This fee retained by RBC CM represents substantially all of the interest the banks pay on the assets. The banks can change the interest rate they pay on deposits and we can change the amount of the fee we retain, both of which will lower the amount of interest you receive.
- For amounts invested in shares of the RBC GAM - U.S. managed money market funds, RBC GAM - U.S. is an affiliate of RBC CM and RBC GAM - U.S. will receive fees for managing and servicing the fund (including management and other fees that all investors pay). RBC GAM - U.S. will also pay RBC CM fees based on a percentage of assets placed with the fund.
- For the Credit Interest Program, we invest and use such cash balances as free credit balances for our benefit. We will earn more on these balances than the rate we pay to you. We use free credit balances in the ordinary course of our brokerage business, subject to the requirements of Rule 15c3-3 under the Securities Exchange Act of 1934. Under these arrangements, we generally earn interest or a return based on short-term market interest rates prevailing at the time.
- For amounts invested in an unaffiliated money market fund, the third party money market fund pays RBC CM service fees in the form of a recordkeeping fee and a shareholder servicing fee.

We charge Program Fees on cash balances in your account and RBC CM and/or our affiliates receive substantial benefits from amounts invested in the Cash Sweep Options. This means that

we and/or our affiliates earn two layers of fees on the same cash balances in your account.

Except for amounts invested in the money market funds described above, the Cash Sweep Option does not offer access to other money market funds. Money market funds will usually pay a higher rate on cash balances than the RBC Insured Deposits and Credit Interest Program. Other firms may offer cash sweep options that pay you a higher rate than is available under the Program. You can also receive higher rates on cash balances in the Program by investing directly in money market funds or other cash equivalents outside of the Cash Sweep Option, however those investments must be directed from time to time and will not be automatically swept.

### ***Contributions & Withdrawals***

You may deposit additional cash and/or securities 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).

For RBC Advisor accounts, all deposits will remain in the Cash Sweep Option absent an instruction from you to the contrary.

Deposits to Consulting Solutions or RBC Unified Portfolio accounts will be invested by the Investment Manager, Overlay Manager, or Financial Advisor, as appropriate.

You may make withdrawals from a Program account upon prior notice to Correspondent Firm which will, in turn, notify RBC CM and/or Overlay Manager (effective upon actual receipt of such notice). 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 affect any such withdrawal by delivering securities in kind to you.

For RBC Advisor and RBC Unified Portfolio accounts, unless otherwise directed by you, withdrawals will be funded first from amounts in the Cash Sweep Option, then sufficient securities will be sold or redeemed according to the rebalancing process.

RBC CM reserves the right to terminate the Program account if a withdrawal or series of withdrawals results in the Program assets falling below the Program minimums set forth.

### ***Termination***

You may terminate your Program Account with Correspondent Firm and RBC CM at any time upon notice to your Correspondent Firm, which will in turn notify RBC CM (effective upon actual receipt of such notice by RBC CM). Correspondent Firm or RBC CM may terminate your Program Account upon written notice to you, or upon the occurrence of certain events as described in the Client Agreement. As further described below under Program Fees, upon termination, we may owe you a prorated portion of the Program Fee.

If you signed a Master Agreement with us, termination of a Program Account does not terminate that Master Agreement between you, Correspondent Firm and RBC CM. The Master

Agreement will remain in effect allowing you to open additional Program Accounts or make changes to existing Program Accounts upon verbal or written instruction to Correspondent Firm or your Financial Advisor.

You, or in certain instances Correspondent Firm or RBC CM, may terminate the Master Agreement at any time subject to the termination of all Program Accounts subject to that Master Agreement.

### **Performance Monitoring and Client Communications**

With respect to all Programs, we may provide Correspondent Firm with a performance evaluation of the 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.

For assets not custodied at RBC CM, we will rely on the information provided to us by custodian and will not validate the accuracy of such information. Additionally, 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 an account and should not be relied upon as predictive of future performance.

RBC CM will provide your Correspondent Firm (and, where appropriate, your Investment Manager(s) and/or Overlay Manager(s)) with the following reports of relevant activity in an account:

- trade confirmations reflecting all transactions effected with or through us or Correspondent Firm (other than cash sweep transactions) unless designated otherwise by you;
- 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 and Tax Considerations**

All investments involve varying degrees of risk. Prior to Program enrollment, you are advised and should understand that:

- market conditions, interest rates, and other investment-related risks may cause losses in your account;
- past performance of Investment Managers, Model Providers, Overlay Managers or securities selected by you is not a guarantee of future results;
- the risk parameters or comparative index selections provided for accounts are guidelines only—the selected risk parameters may be exceeded and index comparisons may outperform your account;

- benchmarks are selected by RBC CM or your Financial Advisor and are intended to be an accurate comparison to the performance of your account. However, your account performance may not correspond directly to the selected benchmark, which may be more or less volatile than your actual portfolio;
- certain securities in your account may be considered to be a complex product. Complex products may be used by Investment Managers, Model Providers, RBC CM, Financial Advisors or selected by you and may present additional risk due to the intricacy of these products and the possibility that the product will not perform as anticipated. For further information on complex products, please consult your Financial Advisor;
- certain securities and mutual fund share classes may be deemed ineligible for the Programs. If you have a systematic buy or sell transaction established for a security or mutual fund share class deemed ineligible for the program selected, the transaction may reject resulting in your trade(s) not being fulfilled;
- 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; and
- all trading in your account is at your risk.

You are encouraged to consult with your Financial Advisor if you have questions pertaining to the risks described herein.

#### ***Risks Relating to Extension of Credit and Collateral***

Certain Program accounts may be eligible for margin or other types of securities-based lending as part of RBC CM's brokerage services. The extension of credit may be obtained through an unaffiliated or affiliated loan program, such as, RBC Express Credit (margin), RBC Premier Line of Credit (pledge) and RBC Credit Access Line (collectively referred to as "Lending Programs"). Prior to enrollment in such Lending Programs, you should carefully review that Lending Program's disclosure document and understand the risks associated with leveraging your Account. In particular, you must carefully consider:

- Whether or not you can afford, and want, to assume the additional risks that losses in your account may be significantly greater than if you decide not to invest with borrowed funds (i.e., not to use leverage). You may lose more than your original investment;
- You will pay RBC CM and the Correspondent Firm interest on the outstanding loan balance; thus the use of leverage will increase your costs of investing;
- Leveraging your account may increase your risks and make your investment objectives more difficult to realize;
- Since the wrap fee is calculated as a percentage of assets under management, the use of margin to purchase securities in a managed account generally will increase the amount (but not the percentage of) the wrap fee that you pay to us. This will result in additional compensation to RBC CM and Correspondent Firm;

- RBC CM, or a third-party lender in the case of a pledged account, can force the sale of Program assets to satisfy collateral requirements without notice to you;
- Neither RBC CM, our affiliates nor Correspondent Firm will act as an investment advisor to you with respect to the liquidations of securities held in the Program account to meet collateral requirements;
- These liquidations will be executed in our capacity as broker-dealer and creditor and may, as permitted by law, result in executions on a principal basis in your Account; and
- Under these circumstances, RBC CM cannot guarantee a favorable price on the sale of Program assets or that the liquidations align with your investment strategy.

The costs associated with Lending Programs is not included in the Program Fee and will result in additional compensation to RBC CM, our affiliates and Correspondent Firm.

#### ***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.

Funds in RBC Cash Plus are not insured by the Federal Deposit Insurance Corporation ("FDIC"), Securities Investor Protection Corporation ("SIPC") or any governmental agency of the United States, Canada or any other jurisdiction. RBC Cash Plus amounts are obligations of the Branch only, and are not obligations of RBC CM. The payment of principal and interest on amounts held in RBC Cash Plus is subject to the creditworthiness of Royal Bank of Canada. In the unlikely event of the failure of the Branch, you will be a general unsecured creditor of Royal Bank of Canada.

#### ***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.

#### ***Risks Relating to Foreign Securities***

Investments in foreign securities may involve certain risks that are greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, and regulatory conditions; changes in currency exchange rates and currency controls; differing securities market structures; and higher transaction costs. Exchange rate risk between the U.S. dollar and foreign currencies may cause the value of investments

to decline. Investments in emerging markets may have these and other risks, including increased risk of volatility and political instability.

### ***Tax Considerations***

The payment of the fees described below under Program Fees may produce income tax results different from those resulting from the payment of brokerage commissions or other transactional charges on a per trade basis. We do not offer advice with respect to these matters and you should seek the counsel of a qualified tax advisor, accountant and/or other professional in this respect. If you are not a tax-exempt entity, the sale, redemption or exchange of investments may result in taxable gains or losses. Further, it is your responsibility to ensure that the payment method selected, and subsequent treatment of the related expenses, complies with applicable tax laws and other regulations. In addition, careful consideration should be made prior to purchasing or selecting strategies that may utilize investments with tax advantages in certain qualified accounts. This may result in no additional tax benefits at the expense of performance.

### ***Program Fees***

For Accounts enrolled in the Program, you will pay an annual asset-based Program Fee for services provided to you under the Client Agreements. The Program Fee is payable quarterly in advance.

Program Fees vary and may be negotiated between you and your Financial Advisor at the time of Program enrollment. You will receive written confirmation of your Program Fee upon enrollment and each time you and your Financial Advisor agree to changes to your Program Fee or Program Account. In certain circumstances, your Correspondent Firm or RBC CM may require you to sign additional documentation relating to your Program Fee(s). Program Fees are established at the account-level and may vary between your Program Accounts. 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 Correspondent Firm, the combined value of related advisory accounts, the total amount of business you conduct through Correspondent Firm, the types of securities and services provided, and other relevant criteria.

The Correspondent Firm's Disclosure Document (brochure) or Part 2 of the Form ADV, if applicable, contains important information regarding the Program Fees in your Account.

### ***Program Fee Components***

The Program Fee is comprised of the following fee components, where applicable, 1) the Correspondent Firm Fee for Program services provided by Correspondent Firm, 2) the Program Sponsor Fee payable to RBC CM, 3) the fee for Investment Managers and Model Providers (the "Investment Manager Fee"), and 4) Overlay Manager Fee. Your Program Fee structure may vary depending on the Program and services selected by you and your Financial Advisor.

Investment Manager, Model Provider, investment strategy and allocation changes in Consulting Solutions or RBC Unified Portfolio, agreed upon by you and your Financial Advisor may result in the Investment Manager Fee or Model Provider fee component of the Program Fee to increase or decrease, which could increase or decrease the amount of the fee the Correspondent Firm receives. If you are enrolled in these Programs, you will receive written confirmation of these changes and, if applicable, changes to your Program Fee that may result.

### ***Program Fee Coverage***

The Program Fee covers the investment advisory services detailed in this Disclosure Document, including (where applicable):

- an initial analysis of your investment needs and objectives with periodic re-evaluations provided by Correspondent Firm;
- consulting services provided by Correspondent Firm as to investments and/or Investment Managers/Model Providers, as applicable under the Program;
- ongoing evaluations provided by RBC CM on Model Providers and the Overlay Manager(s);
- investment advisory services and portfolio management services rendered by RBC CM, Correspondent Firm and, if applicable, the Overlay Manager(s), and/or the Investment Manager(s)/Model Provider(s) selected by you under a Program;
- custodial and execution services (including brokerage commissions) provided by RBC CM; and
- other account related services provided by RBC CM.

### ***Calculation of Program Fees***

The Program Fee is calculated as a percentage of assets under management, including securities, cash, money market funds, RBC Insured Deposit balances, or RBC Cash Plus balances or Credit Interest Program balances and the full value of any assets purchased on margin. Program Fees are generally payable in advance on a quarterly basis, and are 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.

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 within the past 45 days as provided by a third-party vendor. 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 not readily available will be valued at the known current bid price within the past 45 days as provided by a third-party pricing vendor, and believed by us to most nearly represent current market value. Other securities and all other assets will be valued as determined by an independent third-party retained by us or, if not available from a third-party, by a



statement of valuation provided by the issuer of the security on an annual basis, at minimum. Where fair value cannot be determined for certain securities and assets, no Program Fee will be charged by RBC CM on those securities and assets. For assets not custodied at RBC CM, we will rely on the information provided to us by custodian and will not validate the accuracy of such information.

In some circumstances, you may pay an annual rate that is a fixed percentage of the assets in the account. Alternatively, in limited circumstances, you may pay an annual fixed dollar amount. In either case, the fixed percentage rate or fixed dollar amount, as applicable, does not change as the value of your Account changes.

Program Fees are prorated for any billing period that is less than a complete quarter. Deposits to or withdrawals from the Account of cash or securities with a value equal to or greater than \$10,000 will be billed at the applicable fee rate on a pro-rata basis. Increases or decreases of assets may be caused by, but is not limited to, the following: deposits, withdrawals, and conversions or sale of certain mutual fund share classes. Increases and decreases will offset each other and the net amount will be used to calculate on a daily basis an additional Program Fee or refund to your Account. In each case, the additional fee or refund will be equal to the applicable fee rate times the amount of the increase or decrease, pro-rated based on the number of days from the date of the triggering event to the last day of the quarter.

If a Program, Overlay Manager, Investment Manager, investment style or investment allocation change (each referred to herein as an "Account Change") occurs in your Account before the end of quarter, your quarterly Program Fee calculation will be adjusted. A portion of the amount billed to you in advance will be refunded and a prorated Program Fee will be calculated using the market value of the billable assets in your Account at the time of the Account Change and based upon the number of days from the date of the Account Change to the last date of the quarter. At the time of an Account Change the market value of your Account may be higher or lower than the market value of your Account at the time your quarterly Program Fee was calculated. As a result, the prorated Program Fee may be higher or lower than the quarterly Program Fee when originally calculated.

Each of RBC CM and Correspondent Firm reserve the right, in their sole discretion, to adjust Program Fees for changes in security type, trading activity or Account size at any time without notice. Additionally, RBC CM reserves the right to increase any or all of the Program Fees and/or charges upon thirty (30) days' advance written notice to you.

#### ***Deduction of Program Fees***

The quarterly Program Fee will be deducted directly from your Program Account unless otherwise indicated by you. You may be able to pay Program Fees from assets outside your Program Account, provided the Account is not a retirement account, or with assets in which RBC CM is not custodian. Automatic fee deductions will be funded from available cash or the proceeds of the sale of securities in the account. If you have elected to be invoiced for Program Fees and such fees and/or other Program

charges are not paid within sixty (60) days of the date on the invoice for such fees and/or charges, RBC CM will debit the applicable Program Account for the invoiced amounts due from you.

Certain products, such as mutual funds and ETPs, have investment advisory expenses, and as such, you may actually incur two fees; one indirectly in the form of an investment advisory fee to the investment adviser of each mutual fund or ETP, which is charged as part of the expense ratio, and one to RBC CM as the Program sponsor. Except as otherwise described herein, RBC CM and its affiliates receive greater revenue if RBC Funds are included in the Programs, and therefore, RBC CM has a conflict of interest in including RBC Funds in the Program.

#### ***Mutual Fund Fees and Expenses***

If you are holding or investing in mutual funds in a Program Account, you should consider the following information as it pertains to transactions and fees in your account. RBC CM receives payments from certain mutual fund companies in part to offset certain administrative and operational costs that RBC CM incurs in connection with providing certain sub-accounting and sub-transfer services in distributing mutual funds ("Operational Support"). RBC CM also receives payments from certain mutual fund companies for general marketing and Financial Advisor educational programs, to offset compliance and product management costs and to support client education programs and seminars ("Marketing Support"). Oftentimes, mutual funds offer multiple share classes that are available based on various eligibility requirements designated by the fund company. RBC CM will decide which share classes to offer based on such eligibility requirements, availability of share classes under our distribution agreements and other considerations such as payments of Operational Support or Marketing Support. As a result, in some cases, we will choose to make a higher cost share class available or will choose not to offer a fund at all if we are unable to negotiate adequate Operational Support from a fund family for the use of a lower cost share class. In certain instances, additional funds and lower cost share classes may be available to you elsewhere including, but not limited to, through Correspondent Firms of which you are not a client, if you meet the eligibility requirements. Generally, it is in your best interest to invest in a lower cost share class as investment performance is impacted by expenses charged by the funds. RBC CM has a conflict of interest in offering certain funds and choosing share classes with higher expense ratios where we receive Operational Support from fund families. RBC CM has an incentive to choose share classes, fund families, or investment strategies in which we receive payments of either Operational Support or Marketing Support. RBC CM does not calculate compensation or provide incentives to Correspondent Firms or Financial Advisors based on the share class, fund family, or investment strategy that is chosen.

Mutual funds eligible for the Programs will be subject to Program Fees which could also subject you to a higher overall expense. Without notice to you, RBC CM may convert mutual funds in your Program Account to a lower cost share class of

the same mutual fund offered by RBC CM or make changes to your investment model or allocation in the event a lower cost share class of the same mutual fund is available at RBC CM. However, if you purchased a mutual fund from RBC CM with an up-front sales charge, those shares will not be subject to Program Fees for two or more years from the date of initial purchase. Mutual funds purchased at other financial institutions may be converted and subject to the applicable Program Fee immediately and irrespective of if you paid an up-front sales charge or other compensation. RBC CM may also elect not to convert particular share classes or lots of shares if, for example, there is no equivalent share class available in the Programs or if it may subject you to additional sales charges or in other circumstances, as determined by us.

Additionally, if you have a systematic buy or sell transaction established for a security or mutual fund share class deemed ineligible for the Program selected, the transaction may reject resulting in your trade(s) not being fulfilled.

Prior to enrolling in the Programs, you should review the costs and impact of converting your mutual fund share classes and discuss this with your Financial Advisor. If you do not want your mutual funds converted, or your investment model/ allocation updated, you should discuss transferring those holdings to another account that is not subject to Program Fees with your Financial Advisor.

#### ***Offset of Certain Fees to Retirement Plan Accounts***

With respect to retirement accounts in the Consulting Solutions or RBC Unified Portfolio Programs (including accounts that are subject to Title I of ERISA and individual retirement accounts), if you hold RBC GAM – U.S. Funds, including the Access Capital Community Investment Fund and funds sub-advised by BlueBay Asset Management, LLP, or City National Rochdale, LLC Funds, the management fee charged by the mutual fund company will be rebated to you. For other RBC CM affiliated funds, the Program Sponsor Fee payable to RBC CM, and when RBC CM acts as Overlay Manager, the Overlay Manager fee component of the Program Fee will not be assessed to the value of these funds maintained in Consulting Solutions and RBC Unified Portfolio retirement accounts. Unless required by applicable law, the credit or offset does not apply to other mutual fund expenses such as transfer agency fees and shareholder servicing fees, or actual distribution, shareholder servicing and other fees paid to RBC CM and its affiliates.

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

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

#### ***Consulting Solutions***

In Consulting Solutions, the Program Fee consists of the Correspondent Firm Fee negotiated between you and your Financial Advisor, the Program Sponsor Fee payable to RBC CM and the Investment Manager fee. The portion of the Program Fee paid by RBC CM to the Investment Managers typically ranges

from the annual rate of 0.00% to 0.50% of account assets under management depending on the type of investment strategy and the total amount of assets allocated to the Investment Manager. Investment Manager fee rates vary based on several factors including, but not limited to, type of investment strategy, types of services provided, and fee negotiations between RBC CM and the Investment Manager.

The portion of the Program Fee retained by RBC CM for advisory services typically ranges from the annual rate of 0.00% to 0.50% of account assets under management. In some cases fees RBC CM pays to Investment Managers may be lower than the fee charged to you. In other cases incremental fee schedules are negotiated which will lower the effective fee rate RBC CM pays to Investment Managers as the total amount of program assets allocated to the Investment Manager increase. Any differences in fees charged to you and fees RBC CM pays to the Investment Managers are retained by RBC CM. Program fees that are not paid to the Investment Manager or RBC CM will be paid to the Correspondent Firm.

Any difference in fees paid by you and fees RBC CM pays to Investment Managers may change from time to time without notice to you and such change will not impact the total fee paid by you. Any difference in fees paid by you and fees RBC CM pays to Investment Managers are either retained by RBC CM or paid to Correspondent Firm and Financial Advisors. When RBC CM pays fees to Correspondent Firm and Financial Advisors, there is an incentive for Correspondent Firm and Financial Advisors to recommend one Investment Manager over another Investment Manager offering the same strategy.

#### ***RBC Advisor***

In RBC Advisor, the Program Fee consists of the Correspondent Firm Fee negotiated between you and your Financial Advisor and the Program Sponsor Fee payable to RBC CM. The portion of the Program Fee retained by RBC CM for advisory services typically ranges from the annual rate of 0.00% to 0.40% of account assets under management.

#### ***RBC Unified Portfolio***

In RBC Unified Portfolio, the Program Fee is comprised of the following fee components: 1) the Correspondent Firm Fee for Program services provided by Correspondent Firm, 2) the Program Sponsor Fee payable to RBC CM, 3) the fee for Model Providers, and 4) the Overlay Manager fee.

When RBC CM acts as Overlay Manager, the Overlay Manager fee is 0.05%, which will be retained by RBC CM as compensation for its services as Overlay Manager. This fee is in addition to any other fees that RBC CM may receive or retain under the RBC Unified Portfolio Program. When Envestnet acts as Overlay Manager, the Overlay Manager fee is 0.10%, which includes the fee for its services as Overlay Manager and tax management services and/or personal conviction overlay screens. In such cases, the portion of the Overlay Manager fee paid by RBC CM to Envestnet ranges from an annual rate of 0.00% - 0.08% of Account assets under management depending on services selected by you.

Model Provider fees vary, typically ranging from 0.00% to 0.65%, and are based on a variety of factors including, but not limited to, type of investment strategy and fee negotiations between RBC CM and the Model Provider. The fees RBC CM pays to Model Providers and Envestnet may change from time to time without notice to you and such change may impact the total fee paid by you. The portion of the Program Fee retained by RBC CM for advisory services typically ranges from the annual rate of 0.00% to 0.25% of the account assets under management. Program Fees that are not paid to the Overlay Manager, Model Providers or RBC CM will be paid to the Correspondent Firm.

In RBC Unified Portfolio, you may select one or more model portfolios for your accounts. If more than one model portfolio is included in your account, RBC CM employs sleeve-level billing methodology to calculate the total Investment Manager Fee. The total Investment Manager Fee will be determined by calculating the value invested in each model portfolio, or “sleeve”, multiplied by the applicable fee for each model portfolio in your asset allocation at the time of each billing event. The weighted average of the sleeves are summed to determine the total Investment Manager Fee. As a result, the total Investment Manager Fee may go up or down based on market movement but the Program Fee you pay will remain the same.

Any difference in fees paid by you and fees RBC CM pays to Model Providers or Overlay Managers may change from time to time without notice to you and such change will not impact the total fee paid by you. Any difference in fees paid by you and fees RBC CM pays to Model Providers or the Overlay Managers are either retained by RBC CM or paid to Correspondent Firm and Financial Advisors. When RBC CM pays fees to Correspondent Firm and Financial Advisors, there is an incentive for Correspondent Firm and Financial Advisors to recommend one Model Provider over another Model Provider offering the same strategy.

## B. COMPARING COSTS

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

- your ability and the costs to obtain the desired investment advisory services;
- your ability to retain the desired Investment Manager(s) or Overlay Manager(s) and obtain model portfolio(s), where applicable;
- your ability to obtain expertise in selecting and monitoring Investment Managers, Overlay Managers, and Model Providers, where applicable;
- your costs of obtaining custodial services;
- your ability to invest in and, where applicable, rebalance the desired investments without payment of a sales charge;
- your cost and ability to obtain custodial services, trading and execution costs (including principal mark-ups and mark-downs) 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 management, custodial, consulting, and brokerage services available through a Program may not be available separately or may require multiple accounts, documentation, and fees. In addition, certain Investment Managers, Overlay Managers, and/or model portfolios may not be available to clients outside of a Program either because of minimum account size requirements, fee schedules, geographic availability, or other factors.

You should also consider the amount of trading activity you anticipate when assessing the overall costs of a Program. If a Program account is actively traded through Correspondent Firm and RBC CM, the Program Fees may be less expensive than separately paying investment management fees, consulting fees, and trading and execution costs. If an account is not actively traded, then the Program Fees may be more expensive than separately paying investment management fees, consulting fees, and commissions.

When utilizing no-load mutual funds within the account or certain alternative investments and annuities within or connected to the account, you will be paying a fee on assets related to these investments that could otherwise be purchased outside of an advisory account at no additional cost. Additionally, by investing in mutual funds within a 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 AND EXPENSES

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

- commissions, mark-ups, spreads, and other transactional charges on securities transactions effected, where applicable, by Investment Manager(s), Overlay Manager(s), through or with brokers and dealers other than RBC CM;
- account maintenance fees agreed upon between you and Correspondent Firm;
- the entire public offering price (including underwriting commissions or discounts) on securities purchased from an underwriter or dealer (including RBC CM) involved in the primary or secondary underwriting or distribution of securities;
- bid-ask spreads, odd-lot differentials, exchange fees, certain taxes, and other fees required by law;
- RBC CM’s usual and customary transaction charges on the liquidation of Non-Program Assets;
- any contingent deferred sales charges assessed on the sale or liquidation of mutual fund shares, where applicable;
- check reordering costs and fees, where applicable;
- redemption charges imposed by certain mutual funds or alternative investments (see fund prospectus or PPM for details);



- short-term trading charges for purchases and corresponding redemptions of certain mutual fund shares (see fund prospectus for details) made within a short period of time;
- management and other fees on certain securities, which may include open-end and closed-end mutual funds, UITs, ETPs, annuities and alternative investments;
- RBC Express Credit (margin) interest or interest on other debit account balances, where applicable;
- non-sponsored alternative investment processing and maintenance fees;
- safekeeping fees for physical securities;
- American Depositary Receipt (ADR) pass-through fees;
- additional costs incurred when purchasing foreign securities that are assessed by the foreign exchange. Additional fees may include, but are not limited to: exchange fees, taxes, conversion fees and currency translation costs. For example, when “ordinary shares” are purchased on a foreign exchange (which may charge a fee or tax on the trade) and are converted to American Depositary Receipts (“ADR”), the depository bank may charge a fee to convert the ordinary shares to ADRs and in doing so, there may be currency translation costs associated with the conversion;
- additional costs when investing in foreign securities and when you utilize GlobeTax Services, Inc. for Foreign Tax relief and reclaims;
- RBC Financial Planning Services fees;
- RBC Insured Deposits fees; and
- RBC Cash Plus fees.

Other account maintenance fees may apply and certain investment products, such as closed-end funds, unit investment trusts, ETPs or private placements may incur management and operating expenses that are not covered by the Program Fees. Please 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 charges 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, retained by us for advisory and/or other services. As a result, you may indirectly pay duplicate advisory and other fees in connection with such investments. Certain mutual funds or alternative investments may charge you redemption fees that are not imposed by RBC CM.

#### **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 in turn may 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.

Financial Advisors are compensated based on the market value of billable assets in the account. In certain instances, your account may contain assets that are not included in the billable value of the account. Therefore, Financial Advisors may have a financial incentive to sell these assets and purchase assets that would be included in the billable value of the account and directly impact compensation.

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### **ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

#### **Program Minimums**

The general minimum account sizes for the Programs are listed below. RBC CM has the discretion to accept accounts that are below the program minimums. Under certain circumstances, account minimums may be higher based on the services provided by us or the investment strategy employed by the Investment Manager.

- RBC Unified Portfolio: \$10,000
- Consulting Solutions: \$100,000. Fixed Income accounts generally require \$250,000.
- RBC Advisor: \$25,000

#### **Types of Clients**

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

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### **ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION**

#### **A. SELECTION AND REVIEW OF PORTFOLIO MANAGERS ELIGIBILITY**

RBC CM has certain standards of eligibility for Investment Managers, Model Providers and Overlay Managers (each, a “Portfolio Manager”) in our Programs. In RBC Unified Portfolio and Consulting Solutions, we consider and select only Investment Managers and Model Providers who meet our eligibility requirements. In identifying and choosing Investment Managers and Model Providers, we evaluate the financial and organizational stability of the firm and product, historical performance results, experience, and other factors. Based on the evaluation, Investment Managers and Model Providers are categorized by their respective investment styles. Each investment strategy added to the RBC Unified Portfolio and/or Consulting Solutions Programs are further categorized by the level of conviction RBC CM has in the Investment Manager and/or Model Provider and their respective



investment strategy. Information that we gather regarding Investment Managers and Model Providers is believed to be reliable and accurate, but we do not independently verify it.

As described above in Item 4: *Services, Fees and Compensation*, you will establish a Risk Profile. For Programs in which you select an Investment Manager(s) or Model Provider(s), Correspondent Firm and your Financial Advisor are available to consult with you regarding investment alternatives that may be compatible with your Risk Profile. You then choose one or more Investment Managers or Model Providers.

If a third-party Investment Manager(s) or Model Provider with a model portfolio is selected, the account is managed by such Investment Manager(s) or an Overlay Manager. Other than in connection with our responsibilities to you or in our capacity as Overlay Manager, we have no discretionary trading authority and do not assume responsibility for the conduct of third-party Portfolio Managers selected by you, including their performance or compliance with applicable law or regulations.

When required to do so by law or as otherwise agreed to with the Investment Manager, we will provide you with a copy of a third-party Investment Manager's and/or Overlay Manager's written disclosure statement (Part 2A of its Form ADV or other comparable document) at the time of Program enrollment.

When RBC CM serves as an Overlay Manager, we will provide you with a copy of our written disclosure statement to the extent required by law or as otherwise agreed to with you.

### **Monitoring and Review**

We review performance data of all RBC Unified Portfolio and Consulting Solutions Investment Managers and Model Providers on a periodic basis. The evaluation may involve, among other things, investment discipline and trends in investment philosophies. Comparisons are made to other accounts and to standard industry market statistics. In addition, we may compare account performance to the data that the Investment Manager or Model Provider reports to various consulting and database services. This review is designed to determine whether the reported performance data is consistent with the actual experience of Program Accounts. We monitor, review, and calculate account performance. We do not:

- audit the performance data reported to the databases to be sure they are calculated on a uniform and consistent basis;
- review the appropriateness of the methodology used to calculate performance;
- audit the mathematical accuracy of the calculations; or
- audit compliance with any standards an Investment Manager or Model Provider has stated it will follow.

The level of review applied to each investment strategy depends on RBC CM's conviction in the Investment Manager and Model Provider and their investment strategy. Investment strategies with the highest conviction are subject to a more comprehensive review by RBC CM's internal Global Manager Research group. This review is based on both the investment

style descriptions offered by the Investment Managers and Model Providers (qualitative factors) and analysis performed by RBC CM's internal Global Manager Research group (quantitative factors). RBC CM's internal Global Manager Research group's ratings and opinions for the highest conviction strategies are available to Correspondent Firm. These ratings and opinions are updated on a regular basis.

Investment strategies not deemed highest conviction are reviewed quarterly based solely on quantitative factors. A score is assigned to each investment strategy based on multiple factors related to the firm and product, investment professionals, investment approach and performance and weights assigned to the individual factors selected. Investment strategies not deemed highest conviction must meet these predefined scores to be added and maintained in the RBC Unified Portfolio and Consulting Solutions Programs.

Through our monitoring process, the level of conviction in an investment strategy may change and therefore the level of review applied to each investment strategy may change from time to time. If you would like information regarding RBC CM's conviction in an investment strategy you are considering or are already invested in, please contact your Financial Advisor. The level of conviction in an investment strategy is not indicative of the quality of the strategy nor is it a basis for how your Program Fee is determined and agreed upon by you.

As part of our Investment Manager/Model Provider monitoring process, RBC CM maintain a watch list of Investment Managers and Model Providers for which there may be developments of potential concern. Such developments may include the Investment Managers' or Model Providers' adherence to management style, consistency with client objectives, unexplained poor performance, or other matters that come to our attention. The watch list provides us with the means to review and communicate developments related to Investment Managers and Model Providers in RBC Unified Portfolio and Consulting Solutions. Placement of Investment Managers and Model Providers on the watch list initiates a probationary period that allows us adequate time to better assess the effects—negative or positive—stemming from the developments in question.

We conduct periodic reviews of Envestnet and our own Overlay Manager function to evaluate adherence to model portfolios and investment allocations selected by you.

### **Removal of an Investment Manager or Model Provider**

RBC CM may recommend to Correspondent Firm the termination of a Model Provider from RBC Unified Portfolio or Investment Manager from Consulting Solutions if our original opinion of the Investment Manager or Model Provider is materially changed. This is most commonly a result of fundamental developments that are determined to be detrimental to the potential longer-term success of the Model Provider, Investment Manager or underlying investment strategy.

RBC CM may remove a Model Provider from RBC Unified Portfolio or an Investment Manager from Consulting Solutions upon written notice to the affected clients. In the event that we

terminate any Model Provider or Investment Manager selected by you, RBC CM will promptly contact Correspondent Firm, which will in turn contact you and consult with you as to the reallocation of the applicable account assets.

In the event RBC CM removes an Investment Manager from the Consulting Solutions Program, RBC CM and the Correspondent Firm may terminate your Program Account. Alternatively, we may move your assets to an Investment Manager available under the Program that we deem to be consistent with the Investment Manager that is no longer available.

In the case of RBC Unified Portfolio, when RBC CM removes a Model Provider selected by you, if you do not select a new Model Provider, we will move your assets to a Model Provider available under the Program that we deem, in our sole discretion, to be consistent with the Model Provider that is no longer available. If an appropriate model portfolio is not available we will move your assets to an appropriate ETP or mutual fund.

In RBC Unified Portfolio, we may provide Correspondent Firm with information regarding the replacement of a mutual fund or ETP in the event that it is no longer eligible for inclusion in the Program. Correspondent Firm will contact you and consult with you as to the reallocation of the applicable account assets. If you do not select a new mutual fund or ETP available under the Program, we will move the assets to a mutual fund or ETP available under the Program that we deem to be most consistent with the mutual fund or ETP that is no longer available.

In RBC Unified Portfolio, we may change Overlay Managers upon advance written notice to the affected clients.

## **B. RELATED PERSONS AND CERTAIN POTENTIAL CONFLICTS OF INTEREST**

If you invest in certain Programs described in this Disclosure Document, your account may be managed by an Investment Manager that is an affiliate (also referred to as a related person) of ours, or that is a client of an affiliate of ours. In addition, our affiliates (or clients of our affiliates) may act as Model Providers. Related persons or their clients acting as Investment Managers or Model Providers are subject to the same eligibility, review, and removal procedures as non-affiliated Investment Managers and Model Providers, as described above. When related persons or their clients act as Investment Managers or Model Providers for Program clients, certain conflicts of interest exist.

In some cases, the same investment strategies are used in both Consulting Solutions and RBC Unified Portfolio. However, the fees associated with these investment strategies may differ, depending on the Program. Generally, the fee rates for investment strategies used in both Consulting Solutions and RBC Unified Portfolio are lower in RBC Unified Portfolio than Consulting Solutions. Consulting Solutions client accounts are separately managed to an investment strategy by one or more professional Investment Managers participating in the Program. Alternatively, RBC Unified Portfolio client accounts are professionally managed by us as Overlay Manager or a

third-party Overlay Manager, Envestnet, in accordance with model portfolios provided by Investment Managers or us. RBC Unified Portfolio accounts may include allocations to the same investment strategies available in Consulting Solutions. When we act as Overlay Manager, we retain 0.05% of the Program Fee. Any difference in fees paid by you and fees we pay to Investment Managers, Model Providers or the Overlay Managers are either paid by us or retained by us. Program Fees that are not paid to Investment Managers, Model Providers or RBC CM will be paid to the Correspondent Firm. However, in the Consulting Solutions program, RBC does, in certain instances, retain a larger portion of the Investment Manager fee we pay to Investment Managers than the portion of Model Provider or Overlay Manager fees we pay to Model Providers and Overlay Managers.

RBC CM and its affiliated banks, RBC Bank (Georgia), N.A., City National Bank and the Three World Financial Center Branch of Royal Bank of Canada will receive additional economic benefits, in addition to the Program Fees, from cash investments swept into the RBC Insured Deposits and the RBC Cash Plus. This conflict of interest is greater when higher cash balances are maintained in your account. At times, however, we and/or the Investment Manager or Model Providers may believe that it is in your best interest to maintain assets in cash, particularly for defensive purposes in volatile markets. We address these conflicts of interest through proper disclosure and by also offering in RBC Insured Deposits the ability to opt-out of having your deposits maintained in affiliated banks.

In select Programs and accounts, you may be able to invest in RBC Funds as well as certain other investment products that are manufactured by us or our affiliates, as described above in Item 4: Services, Fees and Compensation. Certain conflicts of interest among the issuer, fund, the fund manager, and/or the broker or agent may exist as described in the Private Placement Memorandum or prospectus. Where we are affiliated, through common ownership and control by the Royal Bank of Canada, with a fund, fund manager, issuer or agent, we have an incentive to recommend the proprietary or affiliated product over a non-proprietary or non-affiliated product, such that the fees and expenses charged by the fund, fund manager, issuer or agent are earned by us or our affiliate, rather than a non-affiliate.

If, and to the extent that your account is invested in a fund managed by an affiliate of ours, you will indirectly pay duplicate advisory and other fees to us in connection with such balances (i.e., the Program Fees and, as a fund shareholder, your prorated portion of the fund's fees and expenses). We address this conflict through disclosure and by subjecting the RBC Affiliated Funds to the same selection and evaluation standards as non-RBC Affiliated Funds. Further, if you hold RBC GAM-U.S. Funds including the Access Capital Community Investment Fund and funds sub-advised by BlueBay Asset Management, LLP, or City National Rochdale, LLC, the management fee charged by the mutual fund company will be rebated to you in Consulting Solutions and RBC Unified Portfolio retirement accounts. For other RBC CM affiliated funds, the Program Sponsor Fee payable to RBC CM, and

when RBC CM acts as Overlay Manager, the Overlay Manager fee component of the Program Fee will not be assessed to the value of these funds maintained in Consulting Solutions and RBC Unified Portfolio retirement accounts.

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

### **C. SUPERVISED PERSONS**

RBC CM may act as a Portfolio Manager in RBC Unified Portfolio. Our participation in a Program creates an incentive for us to recommend or select ourselves over other qualified and suitable Portfolio Managers.

Where RBC CM serves as the Overlay Manager, we will retain the Overlay Manager Fee, which is a portion of the Program Fee you pay. You do not pay more for selecting us as the Overlay Manager, however, we do retain additional compensation when we are selected over another qualified and suitable non-affiliated Investment Manager or Overlay Manager.

In select Programs, we may utilize model portfolios created by our internal research group(s), referred to herein as Portfolio Advisory Group ("PAG"). PAG provides timely, independent information to Correspondent Firm 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 Firm and you in the Program.

In select Programs, RBC CM may make model portfolios created by our internal Global Manager Research Group available to Correspondent Firm and you. While the research conducted in creating model portfolios is independent, RBC CM has a conflict of interest because we have an incentive to use certain mutual funds in a model and 1) receive additional compensation from the investments made in certain mutual funds and/or 2) use mutual funds managed by an affiliate of RBC CM. We mitigate this conflict of interest by disclosure and subjecting the model portfolios created by PAG and RBC CM's internal Global Manager Research Group to review by an RBC CM internal oversight committee on a regular basis, consistent with performance standards employed when reviewing non-affiliated Investment Managers and Model Providers.

Our advisory Programs offered are described in more detail above under Item 4: *Services, Fees and Compensation*.

### **Performance-Based Fees and Side by Side Management**

RBC CM does 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 Correspondent Firms and Financial Advisors in providing investment advice to clients.

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 method of analysis and investment strategies for the various advisory Programs offered by us can be found above under Item 4: *Services, Fees and Compensation* and Item 6: *Portfolio Manager Selection and Evaluation*.

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

Except as provided below, RBC CM will not vote proxies on behalf of any 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 an account, to you or another third-party agent as designated by you. You may change your proxy voting authorization election at any time upon written notice to Correspondent Firm, which will in turn notify RBC CM, at no cost to you. However, identification and selection of an independent third-party and payment of any additional costs associated with the voting of proxies shall be your express responsibility.

In Programs that utilize an Investment Manager or Overlay Manager you may designate to have the Investment Manager(s) and/or Overlay Manager receive proxy solicitations and to vote proxies on your behalf. Such designation is subject to acceptance by the applicable Investment Manager or Overlay Manager. Alternatively, you may give written instructions to Correspondent Firm, which will in turn notify RBC CM, to direct all proxy solicitations to an independent third-party selected by you to vote on your behalf.

In Program accounts in which you have given us proxy authorization, we have adopted proxy voting policies and procedures reasonably designed to exercise voting authority in a manner consistent with your best interest. This includes the use of proxy voting guidelines from a third-party proxy voting provider who is also retained to assist in vote execution and record keeping. You may request and obtain a copy of our proxy voting policies and procedures from your Financial Advisor.

The engagement of the third-party provider is not intended to be a delegation of our proxy voting responsibilities and does not relieve us of any fiduciary obligations with respect to the voting of proxies.



## **Retirement Accounts**

With respect to retirement accounts that are subject to Title I of ERISA (“ERISA Accounts”), we have no responsibility or authority to vote proxies on behalf of the account. For ERISA Accounts, the right to direct the voting of proxies is reserved to a named fiduciary of the plan as selected by you.

Unless you indicate otherwise in the Client Agreements, RBC CM, the Correspondent Firm, the Investment Manager(s) selected by you and/or the Overlay Manager(s) are expressly precluded from voting proxies on behalf of an ERISA Account (although we may, in our capacity as a 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 to take action on your behalf with respect to proxy-related material.

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

Except as otherwise agreed to in writing or as required or permitted by law, RBC CM will keep confidential all information concerning your identity, financial data and investments. We share relevant client information with (1) the Investment Manager(s) or Overlay Manager(s) selected by you in order for the selected Investment Manager or Overlay Manager to adequately manage your account, and/or (2) certain companies that we or your selected Investment Manager or Overlay Manager partner with to service your accounts. Recommendations and advice given to you will be regarded as confidential among you and, if applicable, the Investment Manager(s) and/or Overlay Manager(s).

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

Correspondent Firm, through RBC CM, shall serve as the liaison for communications between you and the Investment Managers and/or Overlay Managers selected by you.

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

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### **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.

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 RBC Correspondent Services is a division of RBC CM and in each of the instances described below, we entered into various orders, consents and settlements without admitting or denying any of the allegations.

The Commodity Futures Trading Commission alleged that RBC CM engaged in at least 385 non-competitive, fictitious wash exchange for physical transactions. It was further alleged that RBC CM failed to meet its supervisory obligations, resulting in additional violations including failures to prepare and file timely quarterly risk exposure reports, failures to disclose material non-compliance issues and failures to maintain and produce timely required records. On September 30, 2019, RBC CM was censured and fined \$5,000,000.

Without admitting or denying the findings, RBC CM consented to the sanctions and the entry of findings that RBC CM entered 670 principal orders with incorrect origin codes, indicating that the orders were for customers instead of RBC CM. The findings state that RBC CM ignored red flags and failed to remedy the pattern of entering and executing orders with incorrect origin codes. In addition, for the calendar year 2018 RBC CM conducted 11 of 12 monthly origin code reviews late because RBC CM failed to enforce its procedures requiring timely origin code reviews. Between August 28, 2019 and October 2, 2019, RBC CM settled for a total of \$100,000 across eight exchanges (NASDAQ PHLX LLC \$7,138; NASDAQ Stock Markets/The NASDAQ Options Market \$5,687; CBOE BZX Exchange, Inc. \$28,271; NASDAQ ISE, LLC Fine \$6,721; NYSE American LLC \$4,098; NYSE ARCA, Inc. \$5,509; CBOE Exchange, Inc.: \$36,592; and CBOE C2 Exchange, Inc., \$5,984).

FINRA alleged that from March 2008 to June 2016, RBC CM failed to make the statutorily required delivery of prospectuses to customers who purchased approximately 165,000 exchange traded funds and notes and hundreds of thousands of mutual funds. RBC CM failed to design, implement and enforce a reasonable supervisory system, procedures and set of controls to comply with prospectus delivery rules for ETFs, ETNs and mutual funds and as a result, failed to discover the delivery failures until FINRA’s investigation into the matter. On October 17, 2019, RBC CM was censured and fined in the amount of \$2,900,000.

The firm self-reported to the SEC the violations described below pursuant to the Division of Enforcement’s Share Class Selection Disclosure Initiative (“SCSD Initiative”). The SEC alleged that RBC CM, during the period of January 1, 2014 through March 27, 2017, failed to make adequate disclosures, in its Form ADV or otherwise, regarding its mutual fund share class selection practices, and the 12b-1 fees it received, in connection with advisory account transactions. Specifically, at times during the relevant period, RBC CM purchased, recommended or held in advisory accounts mutual fund share classes that charged 12b-1 fees instead of lower cost share classes in the same fund. The SEC alleged that RBC CM failed to adequately disclose the receipt of the 12b-1 fees and



the associated conflict of interest, thereby allegedly willfully violating sections 206(2) and 207 of the Investment Advisers Act. On March 11, 2019, without admitting or denying the findings the firm shall cease from committing or causing any violation and any future violations of sections 206(2) and 207 of the Advisers Act. Respondent is censured, shall pay disgorgement of \$10,494,813.38 and prejudgment interest of \$1,220,581.34, and shall comply with the undertakings enumerated in the offer settlement.

It was alleged that on two settlement dates RBC CM entered sell-side orders prior to the cut-off time for participation in the special opening quotation and subsequently changed its orders through submission of buy-side orders after the cut-off time which is a violation of Chicago Board Options Exchange, Inc. (CBOE) Rule 6.2B. It was further alleged that RBC CM violated CBOE Rule 4.2 for failing to supervise its associated persons to assure compliance with exchange Rule 6.2B for failing to establish and maintain adequate supervisory procedures for compliance with exchange Rule 6.2B. On August 30, 2018, without admitting or denying the findings, RBC CM consented to the described sanctions and to the entry of findings; therefore it was fined \$75,000.

It was alleged that RBC CM violated CBOE Futures Exchange, LLC (CFE) Rules 401A, 412B(A) and 609. On numerous dates from May 2016 through May 2017, due to a third-party service provider programming error and a failure to follow its own written procedures, RBC CM reported inaccurate open interest in various VX weekly contracts, resulting in overstatements of overall exchange open interest. In addition, on numerous dates between December 2016 and August 2017, due to a third-party provider inputting incorrect reportable levels and a failure to follow its own written procedures, RBC CM failed to report large trader positions in various VX weekly contracts. On June 13, 2018, without admitting or denying the findings, RBC CM consented to the described sanctions and to the entry of the findings which resulted in a fine of \$50,000.

The Clearing House Risk Committee of the Chicago Mercantile Exchange (CME) alleged that RBC CM violated CME Rule 971.A.1. On June 29, 2018, without admitting or denying the findings, RBC CM consented to the described sanctions and to the entry of findings, and was fined \$50,000.

Without admitting or denying the findings, RBC CM consented to the sanctions and to the entry of findings that it inappropriately used Options Clearing Corporation (OCC) adjustments to create a position without trading on an exchange and subsequently inappropriately used OCC adjustments to close out a position without trading on an exchange. The findings stated that further, it was determined that RBC CM, through 273 internal entries, triggered OCC adjustments in a total of 107 symbols for a total of 203,478 contracts, which created long and short positions at the OCC without trading on an exchange, and resulted in inflated open interest. The findings also stated that RBC CM failed to follow its written supervisory procedures related to the proper use of OCC adjustments. RBC CM further failed to establish and maintain a supervisory system that was reasonably designed

to achieve compliance with the applicable securities laws and regulations, and Box Options Exchange LLC rules, concerning OCC adjustments, as RBC CM did not have any procedures in place to verify that OCC adjustments were not associated with internal entries. On April 13, 2018, RBC CM was censured and fined \$150,000.

Without admitting or denying the findings, RBC CM consented to the sanctions and to the entry of findings that RBC CM failed to take reasonable steps to establish that certain of the intermarket sweep orders (ISOS) it routed met the definitional requirements set forth in Rule 600(B)(30) of Regulation NMS. The findings stated that on the review date, RBC CM failed to take reasonable steps to avoid displaying, and engaged in a pattern of practice of displaying, quotations that locked or crossed a protected quotation, without simultaneously routing an ISO to execute against the full displayed sized of any protected quotation that was a locking quotation or crossing quotation. The findings also stated that RBC CM's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the rules of the exchange, concerning ISOS that complied with the SEC's Regulation NMS. Specifically, RBC CM's supervisory system did not include written supervisory procedures that would enable it in certain instances to promptly identify issues with RBC CM's access to timely and accurate market data. RBC CM's regulation NMS compliance ISO exception reports, which were reviewed by RBC CM personnel, did not identify that RBC CM had locked or crossed a protected quotation on the review date. In October 2017, RBC CM settled for a total of \$94,000 across eight exchanges (Bats BYX \$10,500; Bats BZX \$10,500; Bats EDGA \$10,500; Bats EDGX \$21,000; Nasdaq BX \$10,500; Nasdaq \$10,500; NYSE Arca \$10,500; NYSE \$10,500).

It is alleged that RBC CM transmitted to the Order Audit Trail System (OATS) reports in which the special handling code field was not populated to indicate whether the orders were "held" or "not held." The findings alleged that RBC CM's supervisory system did not include written supervisory procedures (WSPs) providing for a review of RBC CM's OATS reports that was representative of the types of business in which RBC CM engaged to ensure its submissions were accurate. The findings also alleged that RBC CM failed to report to the Trade Reporting and Compliance engine (TRACE) transactions in TRACE eligible corporate debt securities, reporting block transactions that were to be allocated to separate managed accounts as a single block instead of reporting the allocations as individual transactions, as required. The findings also alleged that RBC CM effected customer transactions in a municipal securities in an amount lower than the minimum denomination of the issue, which were not subject to an exception under the applicable municipal securities rule making board (MSRB) rule and failed to disclose to its customers that the municipal securities transaction were in an amount below the minimum denomination of the issue. FINRA also alleged that RBC CM failed to report information regarding 18,634 purchase and sale transactions effected in municipal securities to the Real-time Transaction Reporting System (RTRS). For approximately 1,500 of these instances, RBC CM reported block transactions

that were to be allocated to separate managed accounts as a single block instead of reporting the allocations as individual transactions, as required. On May 3, 2017, without admitting or denying the findings, RBC CM was censured and fined \$225,000 (for the OATS reporting violations of NASD Rule 6955(A) and FINRA Rule 7450(A), supervision violations of NASD Rule 3010, FINRA Rule 3110, NASD Rule 2110 and FINRA 2010; TRACE reporting violations of FINRA Rule 6730(B); the municipal securities minimum denomination violations of MSRB Rule G-15(F); the municipal securities disclosure violations of MSRB Rule G-17 and MSRB Rule G-47; and the municipal securities trade reporting violations of MSRB Rule G-14). RBC CM will undertake to revise its written supervisory procedures with respect to providing for supervision reasonably designed to achieve compliance with respect to the OATS reporting violations, and offer rescission to the customers impacted by the minimum denomination issue at either the original purchase price or the current fair market value, whichever is higher; additionally the offer of rescission shall remain open with the affected customer for a period of 60 days.

It is alleged that RBC Capital Markets, LLC and RBC Capital Markets Arbitrage, S.A. (both noted together as “RBC” hereafter) failed to retain electronic records in WORM (“write once, read many”) format. RBC is also alleged to have failed to implement an audit system regarding the inputting of records in electronic storage media. RBC is alleged to have failed to obtain an attestation from their third-party vendor. RBC’s supervisory system was allegedly not reasonably designed to enforce specific procedures concerning storage of electronic broker-dealer records in WORM format. On December 21, 2016, without admitting or denying the findings, RBC consented to the described sanctions and to the entry of findings; therefore RBC was censured and fined \$3,500,000, which was paid jointly and severally, and RBC has undertaken to review relevant policies and procedures.

It is alleged by FINRA that RBC CM trading systems experienced issues during the review periods resulting in significant overstatements and inaccuracies of its advertised trade volume, in violation of NASD Rules 2110 (for conduct prior to December 15, 2008), 3010 (for conduct prior to December 1, 2014), and 3310 (for conduct prior to February 15, 2010), and FINRA Rules 2010 (for conduct on and after December 15, 2008), 3110 (for conduct on and after December 1, 2014), and 5210 (for on conduct on and after February 15, 2010). On November 3, 2016, RBC CM was censured and paid a fine in the amount of \$975,000.

It is alleged by the SEC that RBC CM caused Rural/Metro Corporation’s violations of the proxy statement provisions of the federal securities laws in connection with the sale of Rural/Metro Corporation (“Rural”) in 2011 to a private equity firm. RBC CM, which served as Rural’s lead financial adviser for the sale, rendered a fairness opinion to Rural’s board of directors that contained materially false and misleading information concerning RBC CM’s valuation analysis. RBC CM caused that information to be included in the proxy statement that Rural filed to solicit shareholder approval for the sale. As a result, RBC CM caused Rural to violation section 14(A) of the

Exchange Act and Rule 14A-9 thereunder, which prohibits solicitation by means of a proxy statement that contains any materially false or misleading statement. On August 31, 2016, RBC CM was ordered to cease and desist and paid \$500,000 in disgorgement, plus interest of \$77,759. RBC CM also paid a civil penalty of \$2 million.

It is alleged by the Chicago Board Options Exchange (“CBOE”) that RBC CM violated Exchange Rule 4.2 and Regulation SHO Rule 204 by failing to properly close out fail-to-deliver positions in seven sampled securities and failed to supervise its associated persons to assure compliance with the aforementioned rules. On April 11th, 2016, RBC CM was censured and fined \$75,000.

It is alleged by FINRA that RBC CM violated FINRA rule 2010 and 2081 when mediating a dispute with a claimant by including a “term or condition” that the claimant will not oppose expungement on a settlement agreement. It is also alleged that RBC CM violated NASD rule 3010(A) and FINRA rules 3110(A), 2010 and 2081 by failing to establish, maintain and enforce a supervisory system, including written procedures, which were reasonably designed to ensure compliance. On June 10, 2016, RBC CM was censured and fined \$125,000 and will undertake the adoption and implementation of supervisory systems and written procedures reasonably designed to achieve compliance with the requirements of FINRA rule 2081.

It is alleged by FINRA that RBC CM failed to identify and apply sales charge discounts to eligible customer transactions in Unit Investment Trusts (UITs). This resulted in approximately 4,399 eligible transactions paying an excess sales charge amount of approximately \$502,088.88. In addition, it is alleged that RBC CM failed to effectively inform and train registered representatives and supervisors to ensure the proper procedures were followed and applicable sales charge discounts were applied. On April 4, 2016; RBC CM was censured and fined \$225,000 and ordered to pay \$502,088.88 plus interest in restitution to customers.

It is alleged by FINRA that RBC CM failed to amend, or timely amend, the forms U4 for registered representatives to report unsatisfied tax liens and civil judgments. In addition, it is alleged that RBC CM failed to establish and maintain a supervisory system and written supervisory procedure reasonably designed to ensure sufficient inquiry and disclosure of reportable unsatisfied liens and judgments in instances in which a garnishment notice was sent. On March 1, 2016; RBC CM was censured and fined \$300,000 and required to provide FINRA a written certification that the systems, policies and procedures are now reasonably designed to ensure compliance with the applicable laws.

It is alleged by the NYSE that RBC CM violated NYSE rule 92(A) by entering a proprietary order on thirteen occasions to buy or sell an NYSE-listed security while knowingly was in possession of a customer order to buy or sell such security that could have been executed at the same price. This resulted in the proprietary order to be traded along with, or ahead of, the customer order

or caused the customer's order to be traded outside of their consent parameters. It is also alleged that on two occasions, the Firm violated NYSE Rule 2010 by failing to document customer consent to the allocation split as required by NYSE Rule 92(B). In addition, it is alleged that the Firm violated NYSE Rule 342 by failing to reasonably supervise and implement adequate controls reasonably designed to achieve compliance with certain NYSE rules and policies. On August 28, 2015; RBC CM was censured and fined \$80,000.

RBC CM self-reported to FINRA an Order Audit Trail System ("OATS") reporting issue which resulted in RBC CM failing to transmit 1,183,844,292 reportable order events ("ROES") to the Order Audit Trail System ("OATS") over the course of approximately 28 months in violation of FINRA rules 7450, 2010 and NASD rule 3010. FINRA alleged that RBC CM lacked Written Supervisory Procedures ("WSP") reasonably designed to provide for adequate OATS reporting. On July 27, 2015 RBC CM was censured and fined a total amount of \$450,000 and required to revise its WSP.

It is alleged by the Securities and Exchange Commission ("SEC") that RBC CM violated section 17(A)(2) of the Securities Act by conducting inadequate due diligence in certain municipal securities offering and, as a result, failed to form a reasonable basis on the validity of certain material representations in official statements issued in connection with those offerings. On June 18, 2015 RBC CM was fined \$500,000 and ordered to retain an independent consultant to conduct a review of the policies and procedures relating to municipal securities underwriting due diligence.

It is alleged by FINRA that between 2008 and 2012, RBC CM violated NASD rules 3010(A), 2310, 2110 and FINRA rule 2010 by failing to have in place supervisory systems and procedures reasonably designed to ensure compliance with applicable laws and regulations and its internal guidelines concerning suitability of reverse convertibles, a type of complex structured product. On April 23, 2015; RBC CM was censured and fined \$1,000,000 and ordered to pay \$433,898.10 plus interest in restitution to certain clients.

FINRA alleged that RBC CM violated FINRA and MSRB rules by allegedly (1) trading in its market-making account and then failing to execute customer limit orders at a price that would have satisfied the limit orders (2) purchasing and selling municipal securities at an aggregate price for its own account from or to a customer that was not fair and reasonable; and (3) failing to report eligible transactions to the Trade Reporting and Compliance Engine ("TRACE") as well as the correct contra-party identifier for TRACE eligible transactions and products. On November 13, 2013, without admitting or denying the findings, the Firm entered into an Acceptance Waiver and Consent agreeing to a censure and fine for \$50,000, \$15,000 of which was for the alleged MSRB rule violations.

It is alleged by the Colorado Division of Securities that RBC CM client associates, who were not appropriately licensed in accordance with applicable state laws, accepted orders for transactions in securities and the firm failed to establish and enforce an adequate system to monitor the licensing status

of such employees. On July 8, 2013 as part of a multi-state settlement, RBC CM entered into an agreement individually with each state for repayment of back licensing fees and penalties in the aggregate amount of \$2.8 million. In addition, the firm will reimburse the state of Colorado \$100,000 and the North American Securities Administrators Association \$10,000 for the costs associated with this matter. Lastly, RBC CM will establish and maintain policies, procedures and systems that are reasonably designed to supervise the trade process in accordance with applicable state licensing laws.

The New Jersey Bureau of Securities ("NJBS") alleged that RBC CM failed to follow its own procedures with respect to monthly account reviews ("MARS"), failed to reasonably supervise its agents, and also failed to maintain copies of the MARS, which may be considered to be a failure to keep accurate books and records. On March 11, 2013, without admitting or denying the findings of fact and conclusions of law by the NJBS, RBC CM entered into a consent order and was assessed a fine in the amount of \$150,000, of which \$100,000 was suspended due to RBC's extensive cooperation, and paid \$300,000 in disgorgement to the NJBS.

FINRA alleged that RBC CM violated various FINRA, NASD, MSRB and SEC rules by failing to use reasonable diligence in some transactions relating to corporate bonds to ascertain the best inter-dealer market and transact in such market ensuring prices to customers were as favorable as possible under prevailing market conditions. In addition, it is alleged that RBC CM transacted in municipal securities for its own account to and from some clients at an aggregate price that was not considered to be fair and reasonable at the time of the transaction. It is also alleged that RBC CM failed to transmit some reportable order events to the order audit trail system and transmitted some execution reports that failed to reflect partial executions. In addition, it is alleged that RBC CM failed to send written notifications to some clients disclosing its correct capacity in the transactions, that compensations details are available upon request and erroneously disclosing that a commission was charged for a principal transaction. RBC CM also allegedly accepted an equity short sale security or effected an equity short sale order in its own account without borrowing, entering into a bona fide arrangement to borrow or having a reasonable ground to believe that the security could be borrowed so that it could be delivered properly and failed to document compliance with Regulation SHO. RBC CM also allegedly failed to submit accurate or timely information regarding the result of an Auction Rate Security and numerous interest rate resets to the MSRB's short-term obligatory rate transparency system. Lastly, it is alleged that RBC CM failed to correctly report some required transactions for corporate debt, contra-party identifiers, market identifiers, execution date and new issue offerings for which RBC CM was managing underwriter/secritizer to the Trade Reporting and Compliance Engine. On April 24, 2013; RBC CM was censured and fined a total of \$97,500.

FINRA alleged that RBC CM violated various FINRA, NASD and MSRB rules by failing to report orders in an accurate or timely manner or to correct rejected orders transmitted to the Order Audit Trail System (OATS), FINRA/NASDAQ Trade Reporting



Facility (FNTRF) and the Trade Reporting and Compliance Engine (TRACE). It is also alleged that the RBC CM purchased and sold municipal securities for its own account at an aggregate price, taking into consideration all relevant factors, that was not considered to be fair and reasonable. Lastly, it is alleged that the RBC CM did not have a supervisory system reasonably designed to achieve compliance with the minimum requirements pertaining to TRACE-eligible securities. On December 12, 2012, RBC CM was censured and fined \$62,500 and required to revise its written supervisory procedures relating to the registration of TRACE-eligible securities within 90 days.

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, record keeping 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 CM has paid a fine of \$250,000 and offered restitution of approximately \$2,900,000 to certain clients.

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.

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 collateralize 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 Advisor 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.

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. This brochure describes the disciplinary history of Correspondent Firm, general standards of education and business experience that Correspondent Firm requires of its professionals, and other information about Correspondent Firm. We have no affiliation with Correspondent Firm, other than providing 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, RBC CM is a member of the New York Stock Exchange (NYSE), the Financial Industry Regulatory Authority (FINRA), the Securities Investor Protection Corporation (SIPC), and several other exchanges and self-regulatory organizations.

In addition to sponsoring the Programs, RBC CM sponsors other investment advisory programs and engages in a broad range of brokerage and other financial services. Contact your Correspondent Firm or Financial Advisor for information regarding these programs. 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. Clients of RBC CM may include Investment Managers and Overlay Managers under RBC CM Programs. 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;
- effect transactions between your Program account and another RBC CM client's account;
- make available to Correspondent Firm, securities or investment products in which we or a related person or a family member of an employee has some financial interest;

- buy or sell for ourselves securities that we also make available to Correspondent Firm; or
- sell or convert mutual fund shares or other unbilled assets, which will subject proceeds to Program Fees.

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

It is the duty of the entity with brokerage discretion under a Program to seek the best net price and execution on securities trades for client accounts. In the event that we sell a security to you or buy a security from you, we will use all reasonable efforts to ensure that you obtain the best net price and execution on the purchase or sale based on prevailing inter-dealer market prices. In some circumstances, the change in market price may result in a financial benefit to us. We may consider it appropriate to use our own execution services to effect purchases and sales of securities for investment advisory clients. We may receive brokerage commissions in connection with such transactions and, in accordance with Section 11(a) of the 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 receive compensation from executing transactions for securities for which we have also received compensation as a result of providing research services.

RBC CM 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.

It is contemplated that Investment Managers and Overlay Managers will effect substantially all portfolio trades for Program accounts with or through us. This arrangement

creates an incentive for us to recommend Investment Managers or Model Providers with lower portfolio turnover rates. This arrangement also creates a financial incentive for Investment Managers or Overlay Managers to refrain from searching as actively among other securities brokers and dealers for best execution.

If Investment Managers trade away from RBC CM with other broker/dealers, you should understand that commissions, mark-ups, spreads, and other transactional charges for transactions not effected through RBC CM are charged to you by the executing broker/dealer, whereas the Program Fees assessed by RBC CM covers these costs when the trade is effected through RBC CM. The executing broker/dealers net these commissions, mark-ups, spreads and other transactional charges into the purchase or sale price of the trades and would not be delineated from the purchase or sale price found on your RBC CM trade confirmation, monthly transaction summary or statement. RBC CM does not restrict an Investment Manager's ability to trade away, as the responsibility to determine the suitability of trading away from RBC CM falls under the Investment Manager's expertise in trading the securities in their portfolio and their individual fiduciary duty to you. RBC CM does not evaluate whether an Investment Manager is meeting its best execution obligation when trading away. You should understand that RBC CM is not a party to transactions that are traded away from RBC CM and we are not in a position to negotiate the price or transaction related charge(s) with the executing broker/dealer. Additional information regarding trade away practices of Investment Managers in the Consulting Solutions Program is publicly available via the Legal/Disclosures section of RBC CM's website, [www.rbcwm-usa.com/legal/rbc-cs/](http://www.rbcwm-usa.com/legal/rbc-cs/).

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

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

RBC GAM-U.S. is an affiliate of RBC CM. RBC GAM-U.S. is a federally registered investment adviser that provides portfolio management services to institutional separate accounts, registered investment companies, pooled vehicles, and portfolio management services for wrap fee accounts and model portfolios offered by other providers. RBC GAM-U.S. also serves as a sub-adviser to RBC CM sponsored wrap program and is a model provider.

On occasion, RBC CM solicits clients for RBC GAM - U.S. RBC CM also sweeps some account credit balances into RBC GAM-U.S. advised money market funds. RBC GAM-U.S. may also serve as investment adviser and/or sub-advisor to mutual funds that may be recommended by RBC CM. This is a conflict of interest as we are incented to recommend RBC GAM Funds over a non-RBC Fund. We address this conflict of interest by proper disclosure.

In addition, certain alternative investments funds and strategies used in the Programs may be manufactured and managed by BlueBay Asset Management LLP, an affiliate, or other RBC CM affiliates.

City National Rochdale, LLC is a subsidiary of City National Bank, an affiliate of RBC CM. City National Rochdale is a federally registered investment adviser that provides money management services to high net worth individuals, families and foundations. City National Rochdale may also serve as investment adviser and/or sub-advisor to mutual funds that may be recommended by RBC CM. This is a conflict of interest as we are incented to recommend City National Rochdale Funds over non-RBC Funds. To the extent permitted by applicable law, this conflict is addressed by proper disclosure as well as the offset of certain fees in Consulting Solutions and RBC Unified Portfolio retirement accounts, including accounts subject to Title I of ERISA and individual retirement accounts within those Programs.

RBC CM, RBC GAM-U.S. and City National Bank are wholly-owned subsidiaries of RBC USA Holdco Corporation, which is a wholly-owned indirect subsidiary of Royal Bank of Canada.

RBC Global Asset Management (UK) Limited ("GAM UK"), BlueBay Asset Management LLP ("BlueBay LLP") and BlueBay Asset Management USA LLC ("BlueBay LLC") are wholly owned indirect subsidiaries of RBC and affiliates of RBC CM. GAM UK, BlueBay LLP and BlueBay LLC serve as investment sub-advisers to certain U.S. registered mutual funds for which RBC GAM-U.S. serves as the investment adviser.

Royal Bank of Canada indirectly owns a majority interest in LMCG Investments, LLC ("LMCG"). LMCG is a privately owned, federally registered investment adviser that provides investment management services to institutional and high net worth individuals, consulting services for private equity and venture capital and portfolio management services for wrap fee accounts and model portfolios offered by other providers. LMCG also serves as an investment adviser or sub-adviser to mutual funds which may be recommended by RBC CM. This is a conflict of interest as we are incented to recommend LMCG mutual funds over a non-RBC fund. To the extent permitted by applicable law, this conflict is addressed by proper disclosure as well as the offset of certain fees to retirement accounts, including accounts subject to Title I of ERISA and individual retirement accounts.

Royal Bank of Canada owns a minority interest in Matthews International Capital Management, LLC ("MICM"). MICM is a privately owned, federally registered investment adviser that provides investment services to institutional clients, pension and profit sharing plans, insurance companies, endowments and foundations and other business entities. MICM also serves as an investment adviser or sub-adviser to mutual funds which may be recommended by RBC CM. This is a conflict of interest as we are incented to recommend MICM mutual funds over a non-RBC fund. To the extent permitted by applicable law, this conflict is addressed by proper disclosure as well as the offset of certain fees to retirement accounts, including accounts subject to Title I of ERISA and individual retirement accounts.

Client may select RBC Trust Company (Delaware) Limited, a Delaware chartered trust company and a division of RBC, or City National Bank, a nationally chartered bank and trust company and an affiliate of RBC CM, as a professional trust and estate settlement service provider.

Client may select TrustCorp America (TCA), a Washington DC chartered trust company, as a professional trust and estate settlement service provider. RBC CM has a controlling interest in TCA.

RBC CM and its affiliated banks, RBC Bank (Georgia), N.A., City National Bank and the Three World Financial Center Branch of Royal Bank of Canada (collectively, the “Affiliate Banks”), receive financial benefits in connection with the RBC Insured Deposits and the RBC Cash Plus (collectively, the “Insured Deposits Cash Plus Programs”), respectively. In addition to the fees RBC CM receives from the Affiliate Banks, RBC CM receives other compensation that is reflected by allocations made for reporting purposes. Through the Insured Deposits Cash Plus Programs, the Affiliate Banks will receive a stable source of deposits at a cost that may be less than other funding sources available to them. The Affiliate Banks 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 Insured Deposits Cash Plus Programs will be in addition to the advisory fees paid to RBC CM.

The Credit Interest Program option represents our direct obligation to repay the invested amount, on demand, plus interest. We invest Credit Interest Program assets and periodically adjust the interest rate payable on Credit Interest Program accounts. The spread between interest earned by us from our investments and the rate paid to Credit Interest Program account holders may be favorable to us. Because we do not waive the 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.

RBC CM receives payments from certain mutual fund companies, Investment Managers, Model Providers, ETP companies and Overlay Managers (“Marketing Support”). We use this money for general marketing and Financial Advisor educational programs, to offset compliance and product management costs, to support client education programs and seminars and to offset transaction fees that would otherwise be charged to you and/or your Correspondent Firm. In return for these payments, fund companies, Investment Managers, Model Providers, ETP companies and Overlay Managers are given access to branch offices for the purpose of educating Financial Advisors and informing them about their available products. Marketing Support payments received by RBC CM from mutual fund and ETP companies are generally calculated as a percentage of Client assets, excluding assets held in retirement accounts within the Consulting Solutions Program, invested in the funds. Marketing Support payments received from Investment Managers, Model Providers and Overlay Managers are paid based on a flat dollar amount to RBC CM. Neither the Correspondent Firm nor their Financial Advisors receive any

extra compensation for selling funds from these companies, nor do they receive additional compensation by using a specific Investment Manager, Model Provider or Overlay Manager in our Programs.

RBC CM receives payments from certain mutual fund companies which are used in part to offset certain administrative and operational costs that RBC CM incurs in connection with providing certain sub-accounting and sub-transfer services in distributing mutual funds and provides a financial benefit to RBC CM (“Operational Support”). Sub-accounting and sub-transfer services include, but are not limited to, 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.

RBC CM has a conflict of interest associated with utilizing third-parties that make Marketing Support and Operational Support payments to us because we have a financial incentive to select a third-party based on these payments.

Generally speaking, mutual fund and ETP companies that make Operational Support and Marketing Support payments have higher expense ratios than those that don’t. Additionally, RBC CM makes available share classes based on multiple factors including these payments to RBC CM by the fund company. RBC CM has a conflict of interest in utilizing firms that make these payments to RBC CM over firms that do not make these payments. RBC CM has a conflict of interest in choosing higher expense ratio share classes where we receive these payments from fund companies to help offset certain operational costs that RBC CM incurs in connection with distributing those funds. RBC CM mitigates these conflicts of interests by not making Correspondent Firms nor their Financial Advisors aware of the specific financial arrangements. These conflict of interests are also addressed by appropriate disclosure in this document. For a list of fund families from which RBC CM receives payments described in this paragraph, please reference the Mutual Fund Arrangements page and NTF Mutual Fund List at [www.rbccorrespondentservices.com/legal](http://www.rbccorrespondentservices.com/legal).

Under certain circumstances, your account may be invested in a mutual fund share class with a 12b-1 fee. This fee, which is also known as a distribution fee, is considered to be an operational expense used to pay for marketing and distribution expenses and is therefore included in the fund’s expense ratio. 12b-1 fees are part of the overall fund expense ratio, which is paid by you through deduction of assets in the fund’s daily net asset value calculation. 12b-1 fees may vary by share class, with certain share classes having lower or no 12b-1 fees. Typically, a portion of the 12b-1 fee is paid by a mutual fund company to the Correspondent Firm who may pass this along to your Financial Advisor as ongoing compensation for a period of time, as outlined in the applicable prospectus, creating an incentive for your Correspondent Firm or your Financial Advisor

to recommend a mutual fund and a share class that will pay a 12b-1 fee as opposed to a fund or share class that does not. RBC CM addresses this conflict of interest by (1) limiting offerings of share classes that pay a 12b-1 fee in the Program, and (2) crediting any 12b-1 fees that we receive back to you.

If you invest in international securities, we utilize a vendor provider, GlobeTax Services, Inc., for Foreign Tax relief and reclaims on your behalf. If you invest in Canada, Ireland or Japan securities\*, you will be automatically enrolled into the basic foreign tax relief service which allows you to receive the most favorable foreign withholding rate at the time of the dividend payments. An additional 3%\* fee that is not included in your Program Fees is associated with this service and deducted from your reclaim amount at the time of benefit. If you invest in countries other than Canada, Ireland or Japan and qualify to receive over \$500 in reclaims, you will have the option to enroll into the full service program. \*Fees and jurisdictions covered by this service are subject to change at any time.

### **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.

RBC CM is 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 be available for consultation with you to discuss your accounts as well as your investment objectives and financial condition.

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

### **Financial Information**

We are not required to include a balance sheet in this Disclosure Document because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. We do not have any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients.

Neither RBC CM nor its predecessors have been the subject of a bankruptcy petition during the past 10 years.