RBC CAPITAL MARKETS CORPORATION & SUBSIDIARIES

(A Wholly-Owned Subsidiary of RBC Capital Markets Holdings (USA) Inc.)

(SEC I.D. No. 8-45411)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

APRIL 30, 2009

(UNAUDITED)

RBC CAPITAL MARKETS CORPORATION & SUBSIDIARIES
(A Wholly-Owned Subsidiary of RBC Capital Markets Holdings (USA) Inc.)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
APRIL 30, 2009 (UNAUDITED)
(In thousands except share and per-share information)

ASSETS	
Cash and cash equivalents	$ 175,192
Cash segregated under Federal and other regulations	552,830
Securities purchased under agreements to resell	4,863,465
Securities borrowed	3,369,992
Securities owned, at fair value (includes securities pledged of $8,558,831)	10,455,862
Receivable from broker-dealers and clearing organizations	5,467,629
Receivable from Parent and affiliates	264,762
Receivable from customers	955,511
Other receivables	1,864,403
Deferred income taxes	285,407
Fixed assets, at cost, net of accumulated depreciation and amortization of $140,104	294,796
Goodwill	755,289
Intangible assets, net of accumulated amortization of $16,285	25,017
Other assets	447,292
TOTAL ASSETS	$ 29,777,447
LIABILITIES AND STOCKHOLDER'S EQUITY	
Short-term borrowings with affiliates	$ 1,025,000
Drafts payable	96,753
Securities sold under agreements to repurchase	12,016,015
Securities loaned	826,471
Securities sold, but not yet purchased, at fair value	2,614,254
Payable to broker-dealers and clearing organizations	1,156,410
Payable to affiliates	2,055,637
Payable to customers	2,321,199
Accrued compensation	913,868
Long-term borrowings with affiliates	600,000
Accounts payable and accrued liabilities	1,851,450
	25,477,057
Liabilities subordinated to claims of general creditors	1,465,000
TOTAL LIABILITIES	26,942,057
Stockholder's Equity:	
Non-voting, non-convertible, non-interest bearing preferred stock, par value $0.10 per share, 100 shares authorized, 1 share outstanding, $10,000 liquidation preference	10
Common stock, par value $0.125 per share, 160,000 shares authorized, 149,118 issued and outstanding	19
Additional paid-in capital	2,452,066
Retained earnings	383,295
TOTAL STOCKHOLDER'S EQUITY	2,835,390
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 29,777,447

1. ORGANIZATION AND NATURE OF BUSINESS

RBC Capital Markets Corporation and Subsidiaries (the "Company") is a wholly-owned subsidiary of RBC Capital Markets Holdings (USA) Inc. (the "Parent"), a Delaware corporation. The Parent is ultimately wholly-owned by Royal Bank of Canada ("RBC" or "Ultimate Parent"). The consolidated statement of financial condition includes the Company and its wholly-owned subsidiaries.

The Company is a registered broker-dealer, a Futures Commission Merchant and is a member of the New York Stock Exchange ("NYSE") and other securities and commodities exchanges. The Company offers full-service brokerage and investment banking services to individual, institutional, corporate and governmental clients. In conjunction with those services to its clients, the Company conducts principal trading primarily in municipal bonds and other fixed income securities. The Company provides asset management services for its customers and clearing services to unaffiliated correspondent firms through its RBC Correspondent Services division ("RBC CS"). The Company is a clearing broker for affiliated broker-dealers. The Company carries all customer accounts of the correspondent brokers and extends margin credit to these customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Consolidation* —** The consolidated statement of financial condition includes the accounts of the Company and its subsidiaries. Intercompany transactions and balances are eliminated in consolidation. Additionally, all entities that meet the criteria of a variable interest entity ("VIEs") requiring consolidation under Financial Accounting Standards Board ("FASB") Interpretation No. 46(R), *Consolidation of Variable Interest Entities,* have been consolidated into the statement of financial condition (see Note 21). The Company follows accounting principles generally accepted in the United States of America.

Use of Estimates — The preparation of the consolidated statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities (including valuation of certain securities owned and securities sold, but not yet purchased, the outcome of litigation and the carrying amounts of goodwill) and the disclosure of contingent assets and liabilities at the date of the consolidated statement of financial condition. Actual results could differ from those estimates.

Cash and Cash Equivalents — Cash and cash equivalents include cash on hand, cash in depository accounts with other financial institutions, and money market investments with original maturities of 90 days or less.

***Securities Transactions* —** Proprietary securities transactions in regular-way trades are recorded on trade date, as if they had settled. Profit and loss arising from all securities transactions entered for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis.

Securities owned and securities sold, but not yet purchased, are recorded at fair value. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net in the consolidated statement of financial condition.

***Resale and Repurchase Transactions* —** Transactions involving purchases of securities under agreements to resell ("reverse repurchase agreements") or sales of securities under agreements to repurchase ("repurchase agreements") are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts plus accrued interest. It is the policy of the Company to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under reverse repurchase agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

Securities Borrowed and Securities Loaned — Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash, securities, letters of credit, or other collateral with the lender. With respect to securities loaned, it is the policy of the Company to receive collateral in the form of cash, securities or other collateral in an amount equal to or in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

***Income Taxes* —** The Company is included in the consolidated income tax returns filed by RBC's U.S. – based holding company, RBC Holdings (USA), Inc. ("RBC Holdings"). The Company also files various separate as well as unitary and combined state income tax returns with various members of RBC Holdings consolidated group. The provision for income taxes is calculated as if the Company filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from RBC Holdings. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates.

The Company accounts for income taxes under the asset and liability method prescribed by FASB No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases using currently enacted tax rates.

Receivable from and Payable to Customers — Amounts receivable from customers are primarily related to margin balances. Other customer receivables and payables result from cash transactions. The Company does not include in its consolidated statement of financial condition the securities owned by customers or the securities sold short by customers.

Other Receivables — Included in other receivables are student loans of $1.4 billion related to the consolidation of VIEs (see Note 21). Also included in other receivables are forgivable loans made to financial consultants and other revenue-producing employees, typically in connection with their recruitment. These loans are forgivable based on continued employment and are amortized on a straight-line basis over the term of the loans, which is generally two to ten years.

Stock Based Compensation — The Company accounts for certain stock-based compensation plans in accordance with FASB No. 123(R), *Shared-Based Payments*.

Depreciation and Amortization — Depreciation for equipment and furniture is provided on a straight-line basis using estimated useful lives of one to five years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Capitalized software costs are amortized based on a straight-line basis over the estimated economic life, generally over three

to five years. Depreciation for equipment and furniture and amortization for leasehold improvements and capitalized software commence on the date placed into service.

Memberships in Exchanges — The Company maintains memberships on various domestic exchanges. Exchange memberships owned by the Company are carried at cost. Assessments of the potential impairment of carrying value, in accordance with FASB No. 144, *Impairment and Disposal of Long Lived Assets,* are made periodically.

Goodwill and Other Intangible Assets **—** Goodwill primarily relates to the acquisitions of First Institutional Securities, LLC, William R. Hough & Co., Carlin Financial Group ("Carlin"), Daniels & Associates, LP ("Daniels"), Seasongood & Mayer, LLC, Ferris, Baker Watts, Incorporated ("FBW") and Richardson Barr & Co ("Richardson Barr"). Under the provisions of FASB No. 142, *Goodwill and Other Intangible Assets*, intangible assets acquired in a business combination, which possess finite useful lives, are tested for impairment at least annually. An indicator of impairment of goodwill results if the net book value of the reporting unit exceeds its estimated fair value. The Company performed its annual assessment in August 2008 and no impairment loss was recorded as a result of this assessment.

The changes in the carrying amount of goodwill for the period ended April 30, 2009 are as follows (in thousands):

Balance as of October 31, 2008	$	768,054
Goodwill - Carlin		(16,774)
Goodwill - FBW		1,550
Goodwill - Richardson Barr		2,459
Balance as of April 30, 2009	$	755,289

The purchase accounting for the Carlin acquisition has been re-evaluated and $16.8 million was transferred from goodwill to other intangible assets.

Other intangible assets, which include customer relationships, software developments and non-compete agreements, are recorded in other assets and amortized over their estimated useful lives of three to ten years on a straight-line basis.

Financial Instruments and Fair Value — The Company adopted FASB issued Statement No. 157, *Fair Value Measurement*, on November 1, 2008. Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts, which approximate fair value. Changes in fair value are recognized in earnings of each period. A description of the Company's policies regarding fair value measurement and its application to these financial instruments are disclosed in Note 22. The adoption of this statement did not have a material impact to the Company's consolidated statement of financial condition.

Fair Value Option — The Company adopted FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*, on November 1, 2008. FASB No. 159 provides entities the option to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. FASB No. 159 permits the fair value option election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that

instrument. The adoption of this statement did not have a material impact to the Company's consolidated statement of financial condition.

Recent Accounting Pronouncements —In December 2007, the FASB issued Statement No. 141(R), *Business Combinations - Revised*. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This statement replaces FASB No. I41, *Business Combinations*. This statement is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects.

In February 2008, the FASB issued FASB Staff Position ("FSP") No. 140-3, *Accounting for Transfer of Financial Assets and Repurchase Financing Transactions*. The objective is to provide implementation guidance on accounting for a transfer of a financial asset and repurchase financing. Under this guidance, there is a presumption that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement for purposes of evaluation under FASB No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. If certain criteria are met, however, the initial transfer and repurchase financing shall not be evaluated as a linked transaction and shall be evaluated separately under FASB No. 140. FASB No. 140-3 is effective November 1, 2009. The Company is currently evaluating the impact of the adoption of this statement on its consolidated statement of financial condition.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*. This Statement is effective for the Company's fiscal year beginning November 1, 2009. This statement amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141(R), *Business Combinations,* and other U.S. generally accepted accounting principles. The Company is currently evaluating the impact of the adoption of this statement on its consolidated statement of financial condition.

In December 2008, the FASB issued FSP No. FAS 132(R)-1, *Employers' Disclosure about Postretirement Benefit Plan Assets*. FSP FAS 132(R)-1 amends FASB No. 132 (Revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets required by this FSP shall be provided for fiscal years ending after December 15, 2009. The Company is currently evaluating the impact of the adoption of this statement on its consolidated statement of financial condition.

In April 2009, FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* with an effective date of May 1, 2009. FSP FAS 157-4 provides additional factors to consider when measuring the fair value of an asset or liability when there has been significant decrease in the level of market activity for the instrument and quoted prices are associated with transactions that are considered to be not orderly. It also expands the disclosure requirements for the fair value of financial instruments. The Company is currently evaluating the impact of the adoption of this statement on its consolidated statement of financial condition.

In April 2009, FASB issued FSP No. FAS 107-1 and Accounting Principles Board 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ("FSP FAS 107-1 and APB 28-1) with an

effective date of May 1, 2009. FSP FAS 107-1 and APB 28-1 amends FASB No. 107, *Disclosures about Fair Value of Financial Instruments,* and APB Opinion No. 28, *Interim Financial Reporting,* by requiring an entity to increase the frequency of providing fair value estimates for any financial instruments not measured on the balance sheet at fair value from an annual basis to a quarterly basis.

In May 2009, the FASB issued Statement No. 165, *Subsequent Events*, with an effective date of May 1, 2009. FASB No. 165 intends to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued.

In June 2009, the FASB issued Statement No. 166, *Accounting for Transfers of Financial Assets – an Amendment of FASB No. 140.* The statement is effective November 1, 2010. FASB No. 166 is a revision to FASB No. 140 and requires additional information about transfer of financial assets including securitization transactions, and where companies have continuing exposure to the risks related to transferred financial assets. It also eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets. The Company is currently evaluating the impact of the adoption of this statement on its consolidated statement of financial condition.

In June 2009, the FASB issued Statement No. 167, *Amendments to FASB Interpretation No. 46(R).* This statement is effective November 1, 2010. FASB No. 167 is a revision to FASB Interpretation No. 46(R) and changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. It will require a company to provide additional disclosures about its involvement with VIEs and any significant changes in risk exposure due to that involvement. The Company is currently evaluating the impact of the adoption of this statement on its consolidated statement of financial condition.

3. CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

Rule 15c3-3 of the Securities Exchange Act of 1934 specifies when broker-dealers carrying customer accounts may be required to maintain cash or qualified securities in a special reserve account for the exclusive benefit of customers. At April 30, 2009, the Company had a balance of $550.1 million in the special reserve account.

The Company also computes a reserve requirement for the proprietary accounts of introducing brokers ("PAIB"). Based on this calculation, at April 30, 2009, the Company was not subject to a deposit requirement.

Cash of approximately $2.7 million has been segregated under the Commodity Exchange Act.

4. RELATED PARTY TRANSACTIONS

The Company provides certain services related to securities transactions with its Parent and other affiliates. The Company also manages the business affairs of certain of its affiliates under agency agreements, and acts as a computation agent, accounting resource, risk manager and legal representative for affiliates under technical service agreements.

RBC USA Holdco Corporation ("Holdco"), the parent company of RBC Capital Markets Holdings (USA) Inc., guarantees the due and punctual performance of all obligations to the New York Clearing Corporation arising out of accounts cleared by the Company.

In addition to the affiliate receivables and payables disclosed on the statement of financial condition or in other disclosures, the Company had the following outstanding receivables and payables with affiliates at April 30, 2009 (in thousands):

	Receivable	Payable
Securities purchased under agreements to resell	$ 1,249,626	$ -
Securities sold under agreements to repurchase	-	2,043,649
Securities borrowed	397,260	-
Securities loaned	-	93,979
Receivable from brokers-dealers and clearing organizations	4,490,681	-

5. RECEIVABLE/PAYABLE FROM/TO BROKER-DEALERS AND CLEARING ORGANIZATIONS

Amounts receivable from and payable to broker-dealers and clearing organizations at April 30, 2009, consisted of the following (in thousands):

	Receivable	Payable
Receivable from RBC Capital Markets Arbitrage S.A. (an affiliate)	$ 4,490,681	$ -
Trade date/settlement date accrual	-	155,967
Deposits with/payable to broker-dealers and clearing organizations	514,683	557,296
Fails to deliver/receive	462,265	443,147
	$ 5,467,629	$ 1,156,410

6. SECURITIES OWNED AND SECURITIES SOLD, BUT NOT YET PURCHASED

Securities owned and securities sold, but not yet purchased, at April 30, 2009 consisted principally of trading securities at fair value as follows (in thousands):

	Owned	Sold, But Not Yet Purchased
U.S. and Canadian government agency obligations	$ 4,350,025	$ 1,635,667
State and municipal obligations	1,654,639	877
Corporate obligations	2,524,372	763,407
Equities and warrants	515,325	84,461
Commercial paper	307,385	97,088
Money market funds	1,011,791	-
Other	92,325	32,754
	$ 10,455,862	$ 2,614,254

The Company pledges its securities owned to collateralize repurchase agreements and other securities financing. Pledged securities that can be sold or repledged by the secured party are parenthetically disclosed in securities owned on the consolidated statement of financial condition.

At April 30, 2009, the fair value of securities received as collateral where the Company is permitted to sell or repledge the securities was approximately $6.0 billion, and substantially all has been sold or repledged.

7. FIXED ASSETS

The Company's fixed assets at April 30, 2009 consisted of the following (in thousands):

Furniture and equipment	$ 29,756
Computer equipment and software	213,989
Leasehold improvements	153,629
Land	59
Work in Progress	37,467
	434,900
Accumulated depreciation and amortization	(140,104)
Net fixed assets	$ 294,796

Depreciation and amortization for work in progress begins when the assets are placed in service.

9. INTANGIBLE ASSETS

The Company's intangible assets at April 30, 2009 consisted of the following (in thousands):

Customer relationships	$	23,058
Software development		16,774
Non-compete agreements		1,470
		41,302
Accumulated amortization		(16,285)
Net intangible assets	$	25,017

Intangible assets are amortized over their estimated useful lives of three to ten years on a straight-line basis.

10. OTHER ASSETS

Other assets, at April 30, 2009, consist of the following (in thousands):

Investment in Wealth Accumulation Plan (see Note 18)	$	223,248
Dividend and interest receivables		170,537
Current income taxes		33,209
Other assets		20,298
Total other assets	$	447,292

11. INCOME TAXES

The Company is included in the consolidated federal income tax returns filed by RBC Holdings. The Company also files various separate as well as unitary and combined income tax returns with various members of RBC Holdings consolidated group. In accordance with the intercompany tax-sharing agreement, the Company calculates its taxes on a separate company basis and the total amount of taxes payable or receivable (current and deferred) are recorded on a net basis. Income taxes currently payable or receivable are paid to or received from RBC Holdings. Members of the combined group received tax benefits for the utilization of their tax attributes.

The Company's tax rate differs from the statutory Federal rate primarily due to tax exempt income, state and local taxes and the disallowance of meals and entertainment expenses.

At April 30, 2009, the Company had net deferred tax assets of $285.4 million. The tax effects of temporary differences that gave rise to deferred tax assets and liabilities relate primarily to a deferred gain on an intercompany sale of a business line in February 2004, compensation expense, reserves and goodwill. The Company has $8.9 million of foreign tax credits carryover, which will expire in 2014-2018. It is projected that $2.5 million of the foreign tax credits will be utilized by October 31, 2009. Thus, a valuation allowance of $6.4 million has been established against the foreign tax credits carryover not projected to be utilized by October 31, 2009.

The Company has a branch in Canada. Accordingly, it is subject to Canadian federal and provincial taxes on the net income of the branch.

The Company implemented FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (* "FIN 48"). FIN 48 provides specific guidance on the recognition, de-recognition, measurement and disclosure of income tax positions in financial statements, including the accrual of related interest and penalties. Under FIN 48, income tax benefits are recognized and measured based on a two-step model: (i) a tax position must be more-likely-than-not of being sustained where "more-likely-than-not" means a likelihood of more than 50%, and (ii) the benefit is measured as the dollar amount of the position that is more-likely-than-not of being realized upon ultimate settlement with a taxing authority. The difference between the tax benefit recognized in accordance with the FIN 48 model and the tax benefit claimed on a tax return in referred to as an unrecognized tax benefit ("UTB"). A reconciliation of the change in the UTB balance (excluding any related accrual for interest) from November 1, 2008 to April 30, 2009 is as follows (in thousands):

Unrecognized Tax Benefits as at October 31, 2008	$41,589
Add: Increases related to positions taken during prior years	-
Add: Increases related to positions taken during current year	-
Add: Positions acquired or assumed in business combinations	-
Less: Decreases related to positions taken during prior years	(1,936)
Less: Settlements	-
Less: Expiration of statute of limitations	-
Unrecognized Tax Benefits as at April 30, 2009	$39,653

As at April 30, 2009 and October 31, 2008, the balances of the Company's UTBs, excluding any related accrual for interest, were $39.7 million and $41.6 million, respectively, of which $39.7 million and $41.6 million, respectively, if recognized, would affect the Company's effective tax rate. It is difficult to project how unrecognized tax benefits will change over the next six months.

The following are the major tax jurisdictions in which the Company operates and the earliest tax year subject to examination.

Jurisdiction	Tax Year
Canada	2003
United States	2003

12. COMMITMENTS AND CONTINGENT LIABILITIES

Leases

The Company leases office space, furniture, and communications and information technology equipment under various non-cancelable operating leases. Most office space lease agreements include rate increases, which are recognized on a straight-line basis over the life of the lease, and cover payments of real estate taxes, insurance, and other occupancy expenses. At April 30, 2009, the aggregate future minimum rental payments were as follows (in thousands):

Year	
2010	$ 97,580
2011	87,402
2012	80,228
2013	71,195
2014	56,536
Thereafter	196,772
Total	$ 589,713

Exchange Memberships

The Company is a member of several exchanges and clearinghouses. Under the standard membership agreements, members are generally required to guarantee the performance of other members. Under the agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Company's maximum potential liability

under these arrangements cannot be quantified. However, the potential for the Company to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability was recorded for these arrangements at April 30, 2009.

Litigation

The Company is a defendant in various legal actions, suits, and proceedings before courts, arbitrators, and governmental agencies. Certain of these actions, including those described below, claim substantial damages and could have a material adverse effect on the Company's consolidated statement of financial condition should these matters not be resolved favorably. While the outcome of any litigation is uncertain, management believes, based in part upon consultation with legal counsel, that the resolution of all matters pending or threatened against the Company will not have a material adverse effect on the Company's consolidated statement of financial condition.

The Company is involved in a consolidated class action suit related to initial public offerings where the Company participated as an underwriter. A sample of "focus" cases has been selected from the total claims brought within the consolidated class action. The focus cases are proceeding through discovery and litigation. On December 5, 2006, the Court of Appeals for the Second Circuit held that six focus cases in the litigation could not be certified as class actions, although on April 9, 2007, the Court held on reconsideration that the plaintiffs could try to certify a "more modest class, one as to which the Rule 23 criteria might be met, according to the standards we have outlined". Rule 23 is the rule in the Federal Rules of Civil Procedure relating to certification of class actions. A tentative settlement agreement has been reached in this matter, but the settlement has not yet been finalized. Management does not believe the impact of this matter will have a material adverse effect on the Company's consolidated statement of financial condition, although the amounts involved could be substantial.

The Company is a defendant in a purported class action lawsuit related to claims by financial consultants that they were entitled to compensation for vesting under certain benefit plans and for overtime under certain state and federal laws. Management does not believe the impact of this matter will have a material adverse effect on the Company's consolidated statement of financial condition, although the damages claimed by the plaintiffs are substantial.

Repurchase offer of Auction Rate Securities ("ARS")

The Company's offer to repurchase ARS held by qualified retail brokerage, as announced on October 8, 2008 as part of an agreement in principle to settle with the U.S. regulators, is currently in effect. As at April 30, 2009, clients representing notional value of $726.4 million have accepted the offer. Remaining clients estimated to be eligible for the repurchase own $155.9 million.

The ultimate financial impact of the repurchase offer will depend on the number of clients who accept the repurchase offer and market conditions at the time they accept. In addition, the Company will also continue to work with issuers and other interested parties to provide liquidity solutions for institutional investors not covered by the repurchase offer.

13. SHORT-TERM BORROWINGS

The Company has $1.2 billion in short-term (overnight) credit facilities with non-affiliated banks. These facilities are used to manage short-term liquidity needs. As of April 30, 2009, there was no outstanding balance under these facilities. Interest is paid monthly and is based on a floating rate of the federal funds rate plus a variable spread which averages 0.50%.

The Company has an $850.0 million secured short-term (overnight) credit facility with RBC. This facility is used to manage short-term liquidity needs. As of April 30, 2009, there was $105.0 million outstanding balance under this facility. Interest is paid daily and is based on a floating rate of the federal funds rate plus 0.30% (0.50% at April 30, 2009).

The Company has a revolving credit agreement with RBC. The Company amended this facility on December 15, 2008 from $4.0 billion to $4.8 billion. At April 30, 2009, the amount available was $4.8 billion and there was $920 million outstanding under this facility. Interest is paid monthly and is based on a floating rate of 30-day LIBOR, as of each reset date, plus 0.63% (1.46% at April 30, 2009). Loans under this facility are unsecured.

14. LONG-TERM BORROWINGS FROM AFFILIATES

The Company has a $600 million unsecured term loan agreement with RBUS2 LLC, an RBC affiliate. The loan matures on April 4, 2011, with no scheduled principal payments until maturity and is unsecured. Interest is paid quarterly and is based on a floating rate of 90-day LIBOR, as of each reset date, plus 0.40% (1.57% at April 30, 2009).

15. LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The borrowings under subordination agreements at April 30, 2009, are as follows (in thousands):

Subordinated debt entered into on August 29, 2008 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing on August 31, 2011, with interest rate of 3 months LIBOR plus 1.46% (2.68% at April 30, 2009)	$ 525,000
Subordinated debt entered into on March 31, 2008 with RBC USA Holdco Corporation, maturing on March 31, 2011, with interest rate of LIBOR plus 0.50% (1.72% at April 30, 2009)	350,000
Subordinated debt entered into on May 30, 2008 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing May 31, 2011, with interest rate of 3 months LIBOR plus 1.25% (2.49% at April 30, 2009)	100,000
Subordinated debt entered into on September 7, 2006, maturing on September 30, 2009, with RBUS2 LLC, with interest rate of 3 months LIBOR plus 0.60% (1.82% at April 30, 2009)	79,000
Subordinated debt entered into on September 12, 2006, maturing on September 30, 2009, with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, with interest rate of 3 months LIBOR plus 0.60% (2.22% at April 30, 2009)	71,000
Subordinated debt entered into on October 28, 2005, with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, renewable annually, with interest rate of 3 months LIBOR plus 0.58% (2.88% at April 30, 2009)	100,000
Subordinated debt entered into on October 17, 2005 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing on October 31, 2010 with interest rate of LIBOR plus 0.75% (1.86% at April 30, 2009)	240,000
Total	$ 1,465,000

All liabilities subordinated to claims of general creditors are covered by agreements approved by the New York Stock Exchange and are available for computing the Company's net capital pursuant to the Securities and Exchange Commission's uniform net capital rule. To the extent that such liabilities are required for the Company's continued compliance with minimum net capital requirements they may not be repaid (see Note 20).

16. STOCKHOLDER’S EQUITY

The Company has authorized 160,000 shares of common stock and issued 149,118 shares of common stock to the Parent, at $0.125 par value.

The Company has authorized 100 shares and issued one share of non-voting, non-convertible, non-interest bearing preferred stock, with liquidation preference of $10 thousand, that was purchased by RBC Capital Markets Arbitrage S.A. (“CMA”) with par value of $0.10 per share.

17. EMPLOYEE BENEFIT PLAN

The Company sponsors a defined contribution retirement plan, the RBC-U.S.A. Retirement and Savings Plan (the "Plan"), available to substantially all full-time employees. Participants may contribute both on a pre-tax and/or Roth 401(k) basis, up to 50% of their eligible compensation subject to certain aggregate limitations. Participants, who are at least age 50, may make additional pre-tax contributions subject to certain aggregate limits. Additionally, all participants may contribute up to another 5% of eligible compensation on an after-tax basis. The Plan's year runs from January 1 to December 31.

The Company matches employee contributions up to a maximum of 6% of eligible pre-tax and/or Roth 401(k) compensation, which is invested at the direction of the participant. Employees must complete one year of service to be eligible to receive this contribution with at least 1,000 hours of service. Financial consultants are limited to a total company match of $1.5 thousand. Company matching contributions gradually vest over five years of service with RBC or any of its subsidiaries.

The Company's policy is to fund plan costs currently.

18. DEFERRED COMPENSATION & BENEFIT PLANS

Pension Plan

Effective October 31, 2002, the Company merged its defined benefit pension plan into the Pension Plan for United States Dollar-Based Employees of Royal Bank of Canada and Affiliates (the "RBC Plan"). The RBC Plan sponsored by the Ultimate Parent covers employees of the Company meeting certain eligibility requirements prior to December 31, 1996. Effective December 31, 1996, the plan was frozen. Under this curtailment, the plan will continue to exist but no further benefits will accrue to the participants.

Wealth Accumulation Plan

The Company maintains a non-qualified deferred compensation plan for key employees under an arrangement called the RBC US Wealth Accumulation Plan. This plan allows eligible employees to make deferrals of their annual income and allocate the deferrals among various fund choices, which include an RBC Share Account that tracks the value of RBC common shares. Certain deferrals may also be eligible for matching contributions by the Company. All matching contributions are allocated to the RBC Share Account. The fair value of matching contributions is based on quoted market prices. Other bonuses may also be paid into the plan. Employee deferrals are immediately 100% vested and matching contributions and/or bonuses can vest over a period of zero to five years starting after the plan year. Employees are entitled to the investment returns on their balances based on the performance of the funds they select as well as RBC common shares.

In connection with its obligations under the RBC US Wealth Accumulation Plan, the Company has purchased shares of the various funds offered in the Plan. These investments, which had a market value of $223.2 million at April 30, 2009, are included in other assets. The Company has also entered into total return swaps with an affiliate of RBC related to its RBC Share Account obligation under the Plan, which expires in March 2010. Under the swap agreements, the Company pays interest to the counterparty at a rate based on 30 day LIBOR plus 0.02% on the notional value in exchange for receiving the rate of return on RBC common stock on the notional value.

At April 30, 2009, the Company had liability for these plans of $414.6 million.

Performance Deferred Share Plan

The Company maintains a Performance Deferred Share Plan to make certain awards to select key employees of the Company. Beginning in December 2006, the Company began making Performance Deferred Share Plan awards in the form of phantom shares. The fair value of the phantom shares is based on the quoted market price of RBC common shares. The grants are 50% fixed and 50% variable performance-based awards. For the performance-based award, the ultimate number of RBC phantom shares earned by the employee may be increased or decreased by 50% depending on RBC's total shareholder return compared to a peer group of North American financial institutions, as defined in the plan. Upon vesting, all amounts are paid to employees in cash based on the market value of the phantom shares. The Company entered into total return swaps with an affiliate of RBC related to its phantom share obligation under the Plan, which expire in December 2009, December 2010 and December 2011. Under the swap agreements, the Company pays interest to the counterparty at a rate based on 90 day LIBOR plus 0.02% on the notional value in exchange for receiving the rate of return on RBC common stock on the notional value.

A summary of the status of the Company's non-vested phantom shares as of April 30, 2009, and changes since October 31, 2008, is presented below:

Non-vested Phantom Shares	Shares	Fair Value
Non-vested — October 31, 2008	251,886	38.73
Granted	234,201	28.24
Vested	(64,383)	29.89
Forfeited	(20,242)	35.34
Non-vested — April 30, 2009	401,462	35.34

The share-based liabilities paid in cash during the six months ended April 30, 2009 were $0.2 million. The total fair value of shares vested during the six months ended April 30, 2009 was $1.9 million.

Omnibus and Functional Unit Plan

The Company also maintains an Omnibus and Functional Unit Plan ("FUP") to make certain awards to select key employees of the Company. The awards consist of RBC common shares that vest two to five years from the date of grant. The fair value of the awards is based on quoted market prices.

A summary of the status of the Company's non-vested RBC common shares in the Omnibus and FUP as of April 30, 2009, and changes since October 31, 2008, is presented below:

Non-vested RBC Common Shares	Shares	Fair Value
Non-vested — October 31, 2008	87,748	38.73
Granted	25,969	23.36
Vested	(22,932)	26.52
Forfeited	(6,797)	35.34
Non-vested — April 30, 2009	83,988	35.34

The share-based liabilities paid during the six months ended April 30, 2009 were $0.4 million and the total fair value of shares vested during the six months ended April 30, 2009 was $0.2 million.

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities, at April 30, 2009, consist of the following (in thousands):

Payable to variable interest entities bondholders (see Note 21)	$ 1,388,700
Interest payable	109,519
Deferred revenue	60,187
Non-trade accounts payable	50,506
Current income tax payable	50,043
Money market fund customers reserve	35,000
Accrued rent reserve	27,266
Legal accruals	21,169
Other liabilities	109,060
Total accounts payable and accrued liabilities	$ 1,851,450

20. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of $1.5 million or 2% of aggregate debit balances arising from customer transactions, as defined.

The Company is also subject to the Commodity Futures Trading Commission's minimum financial requirements (Regulation 1.17) which require that the Company maintain net capital, as defined, equal to 8% of the total risk margin requirement for positions carried in customer accounts and 4% of the total risk margin requirement for positions carried in noncustomer accounts, as defined. In addition, the NYSE may require a member firm to reduce its business if net capital is less than 4% of aggregate debits and may prohibit a firm from expanding its business if net capital is less than 5% of aggregate debits. At April 30, 2009, the Company had net capital of $1.18 billion, which was $1.08 billion in excess of the required minimum net capital.

To allow RBC CMA to classify its assets held by the Company as allowable assets in their computation of net capital, the Company computes a separate reserve requirement for PAIB.

21. VARIABLE INTEREST ENTITIES

Structured Finance Variable Interest Entities

In 2008, the Company purchased ARS from entities which funded their long-term investments in student loans by issuing short-term senior and subordinated notes. Certain of these entities are VIEs. Principal and accrued interest on the student loans are largely guaranteed by government agencies. In the Company's role as auction remarketing agent to these entities, the Company is under no legal obligation to purchase the notes issued by these entities in the auction process. The Company holds significant variable interests in certain unconsolidated entities. The Company consolidates the entities where investments expose the Company to a majority of the expected losses.

The following table provides information about VIEs as of April 30, 2009, in which the Company has significant variable interests, and those the Company consolidates because the Company is the primary beneficiary (in millions):

	Total assets		Maximum exposure to loss
Unconsolidated VIEs in which we have significant variable interests (1)			
Structured finance VIEs	$	2,847	$ 817
Consolidated VIEs (2)			
Structured finance VIEs	$	1,459	$ -

(1) The maximum exposure to loss is the result of the Company's investment in these VIEs.

(2) Investors have recourse only to the assets of the related VIEs and do not have recourse to the Company's general assets unless the Company breaches contractual obligations relating to those VIEs.

The Company performs qualitative, and in certain cases, quantitative, analyses to determine whether the Company is a primary beneficiary of a VIE based on the facts and circumstances and the Company's interest in the VIE. The following table presents the assets and liabilities of consolidated VIEs recorded on the Company's statement of financial condition (in millions):

Consolidated Assets		
Cash and cash equivalents	$	72
Other receivables		1,385
Other assets		2
Total	$	1,459
Consolidated Liabilities		
Accounts payable and other liabilities	$	1,420
Total	$	1,420

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts, which approximate fair value, as defined below.

Securities owned and securities sold, but not yet purchased, are carried at fair value. Fair value is generally based on quoted market prices. If quoted market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations, price activity for equivalent securities and valuation pricing models.

Assets, which are recorded at contracted amounts approximating fair value, consist largely of short-term collateralized receivables, including securities sold under agreements to resell, securities borrowed and certain other receivables. Similarly, the Company's short-term liabilities, consisting of bank loans, repurchase agreements, securities loaned and certain other payables, are recorded at contracted amounts approximating fair value. These instruments generally have variable interest rates and short-term maturities, in many cases overnight, and accordingly, are not materially affected by changes in interest rates.

The carrying amount of liabilities subordinated to claims of general creditors closely approximates fair value based upon market rates of interest available to the Company at April 30, 2009.

Fair Value Measurement – Definition and Hierarchy

The Company adopted the provisions of FASB No. 157 effective November 1, 2008. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. FASB No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on transparency of inputs as follows:

- **Level 1** – inputs are quoted prices (unadjusted) of identical instruments in active markets that the reporting entity has the ability to access at the measurement date.

- **Level 2** – inputs are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data be correlation or other means.

- **Level 3** – one or more significant inputs used in a valuation technique are unobservable for the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. Valuation adjustments that may be made to ensure that financial instruments are reported at fair values include:

- Credit valuation adjustments that represent the estimated fair value of the credit risk of the external counterparties.

- Credit valuation adjustments to reflect the Company's credit quality in the valuation of the Company's liabilities.

- Liquidity adjustments for financial instruments that are not quoted in an active market when the Company believes that the amount realized on sale may be less than the estimated fair value due to low trading volumes.

- Model and parameter adjustments to reflect the impact of use of unobservable model inputs. These adjustments are necessary when instruments are valued using model inputs which are not observable and are subject to significant management judgment.

The following table presents the financial instruments measured at fair value on a recurring basis as at April 30, 2009 categorized by the valuation hierarchy set out in FASB No. 157 (in thousands):

	Fair value measurements using			
	Level 1	Level 2	Level 3	Assets/Liabilities at fair value
Financial assets				
Securities purchased under agreement to resell	$ -	$ 4,863,465	$ -	$ 4,863,465
Securities owned	74,845	6,627,425	3,753,592	10,455,862
	$ 74,845	$ 11,490,890	$ 3,753,592	$ 15,319,327
Financial liabilities				
Securities sold under agreements to repurchase	$ -	$ 12,016,015	$ -	$ 12,016,015
Securities sold, but not yet purchased	84,461	2,528,652	1,141	2,614,254
	$ 84,461	$ 14,544,667	$ 1,141	$ 14,630,269

23. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Company's clearance activities involve the execution, settlement and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet credit risk in the event the customer or other broker is unable to fulfill its contractual obligations. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell securities at prevailing market prices in order to fulfill the customer's obligations.

The Company enters into collateralized reverse repurchase and repurchase agreements and securities borrowing and lending transactions which may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Company attempts to minimize credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Company when deemed necessary.

Securities sold, but not yet purchased, represent obligations of the Company to deliver specified securities at contracted prices, thereby creating an obligation to purchase the securities in the market at prevailing prices. Consequently, the Company's ultimate obligation to satisfy the sale of securities sold, but not yet purchased, may exceed the amounts recognized in the consolidated statement of financial condition.

The Company has risk management policies that limit the size and risk of securities owned and securities sold, not yet purchased. The Company also monitors inventories for factors that include credit and concentration risk, contract length and inventory age. These inventories are held primarily for distribution to individual and institutional clients in order to meet those clients' needs.

As part of its broker-dealer activities, the Company purchases and sells a variety of cash and derivative financial instruments in order to reduce exposure to market risk. Market risk includes changes in interest rates, currency exchange rates, indices or value fluctuations in the underlying financial instruments. The

Company's hedging strategy involves the purchase and sale of derivative financial instruments to offset market risk associated with other transactions.

The Company may also pledge customers' securities as collateral for bank loans, securities loaned, or to satisfy margin deposit requirements of various clearing agents and exchanges. In the event the Company's counterparty is unable to return the securities pledged, the Company might need to acquire the securities at prevailing market prices. In the case of repurchase agreements, the Company risks holding collateral at a market value less than contract value of the repurchase agreement. To control these risks, the Company monitors the market value of securities pledged and requires adjustments of collateral levels when deemed necessary.

The Company mitigates risk by requiring customers to maintain margin collateral in compliance with both regulatory and internal guidelines. The Company monitors necessary margin levels daily and requires customers to either deposit additional collateral or reduce margin positions. Market declines could reduce the collateral value to below the amount the Company has loaned, plus interest, before the Company is able to sell the collateral. However, due to daily monitoring of valuations and the amount of collateral the Company requires, management believes this risk to be minimal.