RBC CAPITAL MARKETS, LLC & SUBSIDIARIES
(SEC I.D. No. 8-45411)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
APRIL 30, 2011
(UNAUDITED)

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APRIL 30, 2011 (UNAUDITED)
(In thousands)

ASSETS	
Cash	$ 257,740
Cash segregated under Federal and other regulations	475,826
Securities purchased under agreements to resell	12,765,171
Securities borrowed	6,820,111
Securities owned, at fair value (includes securities pledged of $12,944,758)	15,774,739
Receivable from broker-dealers and clearing organizations	6,091,868
Receivable from Parent and affiliates	39,918
Receivable from customers	1,669,069
Other receivables	383,867
Fixed assets, at cost, net of accumulated depreciation and amortization of $281,608	329,523
Goodwill	753,475
Intangible assets, net of accumulated amortization of $30,907	19,885
Other assets	691,470
TOTAL ASSETS	$ 46,072,662
LIABILITIES AND MEMBERS' EQUITY	
Drafts payable	96,509
Securities sold under agreements to repurchase	20,216,852
Securities loaned	5,180,303
Securities sold, but not yet purchased, at fair value	6,425,198
Payable to broker-dealers and clearing organizations	2,880,901
Payable to affiliates	2,473,652
Payable to customers	1,588,509
Accrued compensation	1,643,884
Long-term borrowings with affiliates	1,000,000
Accounts payable and accrued liabilities	401,451
	41,907,259
Liabilities subordinated to claims of general creditors	1,386,000
TOTAL LIABILTIES	43,293,259
Members' Equity:	
Preferred member's interest	10
Common members' interest	2,474,562
Distribution	(65,658)
Retained earnings	370,489
TOTAL MEMBERS' EQUITY	2,779,403
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 46,072,662

See notes to the unaudited consolidated statement of financial condition.

1. ORGANIZATION AND NATURE OF BUSINESS

RBC Capital Markets, LLC, a Minnesota limited liability company, (the "Company") is a subsidiary of RBC USA Holdco Corporation ("Holdco" or "Parent") and RB CM Member Corp. ("Member Corp"), both of which are Delaware corporations. The Company is 99% owned by Holdco and 1% by Member Corp., which is wholly-owned by Holdco. Holdco is directly 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 "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.

On November 1, 2010, RBC restructured its U.S. group of subsidiaries. As part of the restructuring, RBC Capital Markets Holdings (USA) Inc., formerly the Company's parent was eliminated in a merger with the former parent's sole stockholder, Holdco. Holdco was the surviving corporation in the merger and, as a result, became the sole direct parent of the Company.

As part of the restructuring, at close of business on November 1, 2010, the Company converted from a Minnesota corporation into a Minnesota limited liability company. In the conversion, the 150,708 outstanding common shares of the corporate Company were cancelled and converted into 200,000 common membership interests of the Company. Thereafter, and as part of the restructuring, Holdco exchanged 2,000 common membership interests in the Company (representing 1% of its ownership interest in the Company) for two common shares of Member Corp, with the result that Member Corp owns 1%, and Holdco owns 99%, of the issued and outstanding common membership interests of the Company.

Also as part of the restructuring and prior to the conversion of the Company, RBC Capital Markets Arbitrage S.A. ("CMA") exchanged the preferred share of the corporate Company that it owned for two common shares of RB CM Pref Holdco Corp. ("Pref Holdco"), a newly-formed wholly owned Delaware subsidiary of CMA. In the conversion, the outstanding preferred share of the corporate Company owned by Pref Holdco was cancelled and converted into a preferred membership interest in the Company, having the same terms and conditions as the prior preferred share of the Company. No cash was exchanged as part of the conversion.

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 ("VIE") requiring consolidation under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810-10, *Consolidation,* shall be consolidated into the financial statements (see Note 20). As of April 30, there were no VIEs that require consolidation. The Company follows accounting principles generally accepted ("GAAP") in the United States of America.

Use of Estimates — The preparation of the consolidated statement of financial condition in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated statement of financial condition and accompanying notes, these include; the valuation of certain securities owned and securities sold, but not yet purchased, the outcome of litigation, income taxes and the carrying amounts of goodwill. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Cash — Cash includes cash on hand and cash in depository accounts with other financial institutions.

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 in receivable from or payable to broker-dealers and clearing organizations.

Securities Sold Under Agreements to Repurchase and Securities Purchased Under Agreement to Resell — The Company purchases securities under agreements to resell ("reverse repurchase agreements") and takes possession of these securities. Reverse repurchase agreements are treated as collateralized lending transactions whereby the Company monitors the market value of the securities purchased and additional collateral is obtained when appropriate. The Company also has the right to liquidate the collateral held in the event of counterparty default. The Company also sells securities under agreements to repurchase ("repurchase agreements"), which are treated as collateralized borrowing transactions.

Reverse repurchase agreements and repurchase agreements are carried on the consolidated statement of financial condition at fair value.

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.

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 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 or a non-linear basis over the term of the loans, which is generally two to ten years.

Derivatives – Derivative contracts can be exchange-traded or over-the-counter ("OTC"). Exchange traded contracts include futures and are valued using exchange market closing levels. OTC contracts include to-be-announced securities ("TBAs") which are valued using market transactions and other market evidence whenever possible. All derivative instruments are recorded at fair value. Since the Company's commitments for the purchase of when–issued and TBAs can be net settled and the Company does not document that physical settlement is probable, the Company accounts for all such commitments as derivatives.

Derivatives with a positive fair value are reported in other assets and derivatives with a negative fair value are reported in other liabilities. Where we have both the legal right and intent to settle derivative assets and liabilities simultaneously with a counterparty, the net fair value of the derivative positions is reported as an asset or liability, as appropriate. Market valuation adjustments, margin requirements and premiums paid are also included in other assets, while premiums received are shown in other liabilities.

Goodwill and Intangible Assets —Under the provisions of ASC 350, *Intangibles - Goodwill and Other*, 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 of goodwill and intangible assets in August 2010.

There is no change in the carrying amount of goodwill for the period ended April 30, 2011.

Intangible assets, which include customer relationships and non-compete agreements, are amortized over their estimated useful lives of three to ten years on a straight-line basis.

Interests in Variable Interest Entities — The Company applies ASC 810, *Consolidation*, which provides guidance on how to identify a VIE and determine when assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated statement of financial condition. ASC 810 also requires additional disclosures by primary beneficiaries and other significant variable interest holders.

***Income Taxes* —** On November 1, 2010 the Company converted from a C Corporation to a limited liability company which is taxed as a partnership, and as such does not pay income tax. Each member is individually responsible for their share of the Company's income or loss for income tax reporting purposes, and accordingly, there is no provision for federal or state income taxes. However, the Company is liable for New York City and District of Columbia unincorporated business tax. A tax provision for the unincorporated business tax has been included in the consolidated statement of financial condition utilizing currently enacted tax rates.

The Company accounts for the unincorporated business tax under the asset and liability method prescribed by ASC 740, *Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated statement of financial condition carrying amount of existing assets and liabilities and their respective tax bases using currently enacted tax rates.

The Company also applies the accounting principles related to the accounting for uncertainty in income taxes. These principles prescribe a recognition threshold and measurement attribute for the consolidated statement of financial condition recognition and measurement of a tax position taken or expected to be taken in a tax return. These principles provide guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Stock Based Compensation — The Company accounts for stock-based compensation plans in accordance with ASC 718, *Compensation – Stock Compensation*.

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.

Significant accounting changes —

Transfers of Financial Assets and Interests in Variable Interest Entities (ASC 860 and 810). In June 2009, the FASB issued amended accounting principles which change the accounting for securitizations and VIEs. These principles were codified as ASU No. 2009-16, *Transfers and Servicing (Topic 860)—Accounting for Transfers of Financial Assets,* and ASU No. 2009-17, *Consolidations (Topic 810)— Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* in December 2009. ASU No. 2009-16 eliminates the concept of a QSPE, changes the requirements for derecognizing financial assets, and requires additional disclosures about transfers of financial assets, including securitization transactions and continuing involvement with transferred financial assets. ASU No. 2009-17 changes the determination of when a VIE should be consolidated. Under ASU No. 2009-17, the determination of whether to consolidate a VIE is based on the power to direct the activities of the VIE that most significantly impact the VIE's economic performance together with either the obligation to absorb losses or the right to receive benefits that could be significant to the VIE, as well as the VIE's purpose and design. ASU No. 2009-16 and 2009-17 were effective for the Company on November 1, 2010.

The Company has evaluated the impact of the amended guidance on the consolidated statement of financial condition. Under the adoption of this guidance, the Company removed the total assets and liabilities of the previously consolidated VIEs. In addition, a $25 million loss was recognized in retained earnings on transition. The impact is as follows (in millions):

Assets	$	1,218
Liabilities		1,193
Stockholder's equity		25

Improving Disclosures about Fair Value Measurements. In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures,* which amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance became effective for the Company on November 1, 2010. Adoption did not have a material effect on the Company's consolidated statement of financial condition. ASU 2010-06 also requires separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 financial instruments. This disclosure is effective for the Company on November 1, 2011 and will not have a material effect on the Company's consolidated statement of financial condition.

Consolidation Amendments for Certain Investment Funds. In February 2010, the FASB issued ASU 2010-10, *Consolidation: Amendments for Certain Investment Funds*. This update defers the application of SFAS No. 167 (Codified in ASC 810-10) for a reporting enterprise's interest in mutual funds, money market mutual funds, hedge funds, private equity funds and venture capital funds if certain conditions are met. The guidance is applicable for the Company beginning November 1, 2010. Adoption did not have a material effect on the Company's consolidated statement of financial condition.

Derivatives and Hedging – Scope Exception Related to Embedded Credit Derivatives. In March 2010, the FASB issued ASU No. 2010-11, *Derivatives and Hedging – Scope Exception Related to Embedded Credit Derivatives*. The guidance clarifies the determination of embedded credit derivative features, and permits a one-time election to apply the fair value option method to measure any investment in securitized financial assets, regardless of whether such investments contain embedded derivatives. The guidance is applicable for the Company beginning November 1, 2010. Adoption did not have a material effect on the Company's consolidated statement of financial condition.

Future accounting changes —

Intangibles - Goodwill and Other (ASC 350). In December 2010, the FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. The amendments in this update modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This guidance will be effective for the Company beginning November 1, 2012. The Company is currently assessing the impact of adopting this update on the Company's consolidated statement of financial condition.

Receivables (ASC 310). In April 2011, the FASB issued ASU 2011-02, *A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring (TDR).* The amendments in this update provide additional guidance related to the framework for evaluating modifications and restructurings. In order for a lender to conclude that a restructuring or modification is a TDR, two conditions have to be present: the lender has granted a concession and the borrower is having financial difficulties. This guidance will be effective for the Company beginning November 1, 2012. The Company is currently assessing the impact of adopting this update on the Company's consolidated statement of financial condition.

Transfers and Servicing (ASC 860). In April 2011, the FASB issued ASU 2011-03, *Reconsideration of Effective Control for Repurchase Agreements*. The amendments in this update remove from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and the collateral maintenance implementation guidance related to that criterion. The guidance will be applicable for the Company for the first interim period beginning November 1, 2012. The Company is currently assessing the impact of adopting this update on the Company's consolidated statement of financial condition.

Fair Value Measurement (ASC 820). In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in this update include guidance on the application of the highest and best use and valuation premise concepts, requirements specific to instruments such as equity interests issued as consideration in a business combination. The new guidance also includes an exception to the valuation premise when the Company manages its market risk and/or counterparty risk exposure within a portfolio and specifies that premiums and discounts that represent adjustment relating to the size of the Company's holding of the asset or liability (specifically, blockage factor) are not permitted. The amendments expand the disclosures about fair value measurements including for fair value measurements categorized within Level 3 of the fair value hierarchy the valuation processes used by the reporting. The Company's use of a nonfinancial asset in a way that differs from the asset's highest and best use when that asset is measured at fair value in the consolidated statement of financial position or when its fair value is disclosed on the basis of its highest and best use. The amendments in this update are to be applied prospectively. The guidance will be applicable for the Company in the fiscal year beginning November 1, 2012. The Company is currently assessing the impact of adopting this update on the Company's 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, 2011, the Company had a balance of $475 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, 2011, the Company did not have a deposit requirement.

In addition, cash of approximately $1.0 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 affiliates under agency agreements, and acts as a computation agent, accounting resource, risk manager and legal representative for affiliates under technical service agreements.

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

	Receivable	Payable
Securities purchased under agreements to resell	$ 3,163,409	$ -
Securities sold under agreements to repurchase	-	5,154,196
Securities borrowed	775,061	-
Securities loaned	-	649,698

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

Amounts receivable from and payable to broker-dealers and clearing organizations at April 30, 2011, consisted of the following (in thousands):

	Receivable	Payable
RBC Capital Markets Arbitrage S.A. (an affiliate)	$ 4,535,962	$ 206,031
Trade date/settlement date accrual	-	947,578
Broker-dealers (affiliates)	88,393	528,182
Broker-dealers and clearing organizations	273,378	9,162
Correspondent brokers	48,736	35,989
Fails to deliver/receive	1,119,399	1,130,548
Fails to deliver/receive (affiliates)	26,000	23,411
	$ 6,091,868	$ 2,880,901

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

Securities owned and securities sold, but not yet purchased, at April 30, 2011 consisted principally of trading securities at fair value as follows (in thousands):

	Owned	Sold, But Not Yet Purchased
U.S. and Canadian government and agency obligations	$ 7,588,863	$ 4,846,630
State and municipal obligations	1,492,872	489
Corporate obligations	3,960,436	1,136,136
Equities and warrants	464,392	315,196
Commercial paper	580,898	-
Money market funds	1,122,184	11,526
Other	565,094	115,221
	$ 15,774,739	$ 6,425,198

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, 2011, the fair value of securities received as collateral where the Company is permitted to sell or repledge the securities was approximately $27.6 billion, and substantially all has been sold or repledged. Additionally, the Company has approximately $1.1 billion in securities for securities transactions in which the Company is the borrower.

7. FIXED ASSETS

The Company's fixed assets at April 30, 2011, consisted of the following (in thousands):

Furniture and equipment	$ 31,749
Computer equipment and software	338,312
Leasehold improvements	170,378
Work in Progress	70,692
	611,131
Accumulated depreciation and amortization	(281,608)
Net fixed assets	$ 329,523

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

8. INTANGIBLE ASSETS

The Company's intangible assets at April 30, 2011 consisted of the following (in thousands):

Customer relationships	$	49,322
Non-compete		1,470
		50,792
Accumulated amortization		(30,907)
Net intangible assets	$	19,885

Intangible assets, which include customer relationships and non-compete intangible assets, are amortized over their estimated useful lives of three to ten years on a straight-line basis.

9. OTHER ASSETS

Other assets, at April 30, 2011, consist of the following (in thousands):

Investment in wealth accumulation plan (see Note 17)	$	447,854
Dividend and interest receivables		83,742
Derivatives, net (see Note 23)		60,072
Prepaid expense		44,092
Deferred income taxes		18,855
Current income taxes		3,990
Other assets		32,865
Total other assets	$	691,470

10. INCOME TAXES

At April 30, 2011, the Company had net deferred tax assets of $18.9 million. As a result of the conversion to a limited liability company, the Company's net deferred tax assets were reduced by $358.6 million with a corresponding increase in net deferred tax assets recorded on the books of its members. The tax effects of temporary differences that gave rise to deferred tax assets and liabilities relate primarily to compensation expense and general reserves.

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

The Company has no uncertain tax positions as of April 30, 2011.

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	2006

11. 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, 2011, the aggregate future minimum rental payments were as follows (in thousands):

Year	Gross Commitment	Sublease Income	Net Commitment
2012	$ 83,157	$ (3,806)	$ 79,351
2013	73,606	(2,638)	70,968
2014	64,051	(1,871)	62,180
2015	49,832	(1,189)	48,643
2016	31,129	(478)	30,651
Thereafter	103,341	-	103,341
Total	$ 405,116	$ (9,982)	$ 395,134

Exchange Memberships

The Company maintains memberships on various domestic exchanges. Exchange memberships owned by the Company are carried at cost in other assets on the consolidated statement of financial condition and assessed periodically for potential impairment in accordance with ASC 360, *Property, Plant and Equipments*. There were no exchange membership impairments in 2011.

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, 2011.

Litigation

The Company has been named, as a defendant in various legal actions, including arbitrations, class actions and other litigation including those described below, arising in connection with its activities as a broker-dealer. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. The Company is also involved, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding the Company’s business, including, among other matters, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

The Company contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, the Company cannot predict with certainty the loss or range of loss, if any, related to such matters; how or if such matters will be resolved; when they will ultimately be resolved; or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, the Company believes, based on current knowledge and after consultation with counsel, that the outcome of such pending matters will not have a material effect on the consolidated statement of financial condition of the Company, although the outcome of such matters could be material to the Company’s operating results and cash flows for a particular future period, depending on, among other things, the level of the Company’s revenues, income or cash flows for such period.

Legal reserves have been established in accordance with the requirements for accounting for contingencies. Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change.

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. The Company is a defendant in an action brought by five Wisconsin school districts alleging improper disclosures and other issues related to the sale of synthetic collateralized depository obligations to pension trusts established by the school districts. Management does not believe the impact of these matters will have a material effect on the Company’s consolidated statement of financial condition, although the damages claimed by the plaintiffs in each action are substantial.

12. 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, 2011, there was no outstanding balance under these facilities.

The Company has an $850.0 million short-term (overnight) credit facility with RBC. This facility is used to manage short-term liquidity needs. As of April 30, 2011, there was no outstanding balance under this facility.

The Company has a revolving credit agreement with RBC. The Company renewed the agreement on August 20, 2010, and the facility remained at $3.0 billion. At April 30, 2011, the amount available was $3.0 billion and there were no borrowings under this facility. Loans under this facility are unsecured.

13. LONG-TERM BORROWINGS FROM AFFILIATES

The Company has a $325.0 million term loan agreement with RB US Finance, LLC, a RBC affiliate. The loan matures on April 4, 2016, with no scheduled principal payments until maturity and is unsecured.

The Company has a $275.0 million term loan agreement with RB US Finance, LLC, a RBC affiliate. The loan matures on April 4, 2016, with no scheduled principal payments until maturity and is unsecured.

The Company has a $400.0 million term loan agreement with RB U.S. Credit Services, Inc, a RBC affiliate. The loan matures on July 15, 2013, with no scheduled principal payments until maturity and is unsecured.

14. LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The borrowings under subordination agreements at April 30, 2011, are as follows (in thousands):

Subordinated debt entered into on March 31, 2010 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing on March 31, 2013.	$ 590,000
Subordinated debt entered into on August 29, 2008 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing on January 31, 2014.	525,000
Subordinated debt entered into on February 27, 2009, with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing on February 29, 2012.	171,000
Subordinated debt entered into on May 30, 2008 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing October 31, 2013.	100,000
Total	$ 1,386,000

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 19).

15. MEMBERS' EQUITY

Prior to the restructuring, the Company had authorized 160,000 shares of common stock and issued 150,708 shares of common stock to the Parent, at $0.125 par value. On November 1, 2010, the Company was converted from a Minnesota corporation into a Minnesota limited liability company. The Company cancelled the 150,708 outstanding common shares and converted them to 200,000 common membership interests, with Holdco holding 198,000 and Member Corp holding 2,000.

In addition, prior to the restructuring, the Company had authorized 100 shares of preferred stock and issued one share of non-voting, non-convertible, non-interest bearing preferred stock, with liquidation preference of $10 thousand, that was purchased by CMA with par value of $0.10 per share. After the restructuring, CMA exchanged the preferred share for two common shares of Pref Holdco. The outstanding preferred share of the Company owned by Pref Holdco was cancelled and converted into a preferred membership interest in the Company, having the same terms and conditions as the prior preferred share of the Company.

16. 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 the first five years of service with RBC or any of its subsidiaries, with immediate vesting on contributions after five years.

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

17. 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 mutual 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 mutual funds offered in the Plan. These investments, which had a market value of $447.9 million at April 30, 2011, are included in other assets. The Company also entered into a total return swap with an affiliate of RBC related to its RBC Share Account obligation under the Plan, which expires in March 2012.

At April 30, 2011, the Company had liability for these plans of $881.9 million in accrued compensation.

Performance Deferred Share Plan

The Company maintains a Performance Deferred Share Plan to make certain awards to select key employees of the Company. The awards are in the form of phantom RBC common shares. The fair value of the awards is based on the quoted market price of RBC common shares at the date of the grant. The grants are 50% fixed and 50% variable performance-based awards. For the performance-based award, the ultimate award 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.

The Company records the awards as a liability over a three year vesting period and adjusts its liability to reflect changes in the fair value of the common shares. Upon vesting, all amounts are paid to employees in cash based on the market value of the phantom shares. If an employee terminates prior to the end of the vesting period, the grant is forfeited and the accrued liability is credited to compensation expense.

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 2011, December 2012 and December 2013.

A summary of the status of the Company's non-vested phantom shares as of April 30, 2011, and changes during the six months ended April 30, 2011, is presented below:

Non-Vested Phantom Shares	**Shares**	**Fair Value**
Non-Vested — October 31, 2010	480,734	53.38
Granted	216,860	52.15
Vested	(74,435)	58.57
Forfeited	(69,553)	58.57
Non-Vested — April 30, 2011	553,606	62.98

The share-based liabilities paid in cash for the six months ended April 30, 2011 were $5.2 million. The total fair value of shares vested during the six months ended April 30, 2011 was $4.4 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 deferred share units that notionally represent 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 of RBC common shares.

A summary of the status of the Company's non-vested RBC common shares in the Omnibus and FUP as of April 30, 2011, and changes during the six months ended April 30, 2011, is presented below:

Non-Vested RBC Common Shares	**Shares**	**Fair Value**
Non-Vested — October 31, 2010	271,676	53.38
Granted	17,545	53.83
Vested	(72,844)	58.57
Forfeited	(6,626)	58.57
Non-Vested — April 30, 2011	209,751	62.98

The share-based grants are paid in cash. During the six months ended April 30, 2011, there were no awards paid and the total fair value of shares vested was $4.3 million.

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities, at April 30, 2011, consist of the following (in thousands):

Derivatives, net (see Note 23)	$	95,585
Deferred revenue		58,001
Interest payable		55,741
Accrued rent reserve		40,257
Syndicate proceeds payable		32,763
Legal accruals		29,584
Non-trade accounts payable		22,445
Lease obligations		19,269
Employee compensation and benefit accruals		8,017
Other liabilities		39,789
Total accounts payable and accrued liabilities	$	401,451

19. 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 8% 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, 2011, the Company had net capital of $1.1 billion, which was $1.0 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.

20. VARIABLE INTEREST ENTITIES

Structured Finance Variable Interest Entities

In 2008, the Company purchased auction rate securities ("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 consolidates the entities where the Company has the power to direct the activities of the VIEs that most significantly impact the VIEs economic performance. As of April 30, 2011, there were no VIEs that meet the requirement for consolidation. The Company holds significant variable interests in certain unconsolidated entities.

The following table provides information about VIEs as of April 30, 2011, in which the Company has significant variable interests (in millions):

	Total assets	Maximum exposure to loss
Unconsolidated VIEs in which we have significant variable interests (1)		
Structured finance VIEs	$ 3,161	$ 518

(1) The maximum exposure to loss resulting from our significant variable interests in these VIEs consists of investments.

21. 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.

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 borrowed and certain other receivables. Similarly, the Company's short-term liabilities, consisting of bank loans, 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.

ASC 825-10 provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value are recognized in earnings as they occur for those assets and liabilities for which the election is made. The election is made 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 Company has elected the fair value option for securities sold under agreement to resell and repurchase agreements.

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, 2011.

Fair Value Measurement – Definition and Hierarchy

The Company applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*. Under this ASC, 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. ASC 820 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 inputs used in valuation technique are unobservable and significant to the overall fair value measurement.

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, 2011 categorized by the valuation hierarchy set out in ASC 820 (in thousands):

	Fair value measurements using			
	Level 1	Level 2	Level 3	Assets/ Liabilities at fair value
Financial assets				
Securities purchased under agreements to resell	$ -	$ 12,765,171	$ -	$12,765,171
Securities owned:				
U.S. and Canadian government and agency obligations	282,650	7,299,158	7,055	7,588,863
State and municipal obligations	-	533,011	959,861	1,492,872
Corporate obligations	-	3,147,797	812,639	3,960,436
Equities and warrants	253,501	210,891	-	464,392
Commercial paper	-	580,898	-	580,898
Money market funds	1,119,396	2,788	-	1,122,184
Other	78,571	468,081	18,442	565,094
Other assets				
Mututal funds (1)	447,854	-	-	447,854
Derivatives, net	-	60,072	-	60,072
	$ 2,181,972	$ 25,067,867	$ 1,797,997	$29,047,836
Financial liabilities				
Securities sold under agreements to repurchase	$ -	$ 20,216,852	$ -	$20,216,852
Securities sold, but not yet purchased:				
U.S. and Canadian government and agency obligations	1,768,688	3,077,942	-	4,846,630
State and municipal obligations	-	489	-	489
Corporate obligations	-	1,136,136	-	1,136,136
Equities and warrants	314,926	270	-	315,196
Money market funds	-	11,526	-	11,526
Other	74,714	1,308	39,199	115,221
Accounts payable and accrued liabilities				
Derivatives, net	-	95,585	-	95,585
	$ 2,158,328	$ 24,540,108	$ 39,199	$26,737,635

(1) Wealth accumulation plan assets (see Note 17) - inputs are quoted prices (unadjusted) of identical instruments

Valuation techniques:

Securities purchased/sold under agreements to resell/repurchase:

The fair value of reverse repurchase and repurchase agreements are determined using discounted cash flow models using multiple market inputs including interest rates and spreads. The inputs are generally from actively quoted markets and can be validated through external sources including brokers, pricing services, and market transactions.

U.S. and Canadian government and agency obligations:

U.S. and Canadian government and agency obligations are generally valued at a cusip level and leveled according to whether they are actively traded and have observable prices.

State and municipal obligations (excluding ARS):

State and municipal bonds are generally valued at a cusip level and leveled according to whether they are actively traded and have observable prices.

Corporate obligations (including commercial paper):

The fair value of corporate debt is estimated using market price quotations (where observable), bond spreads, or credit default swap spreads adjusted for any basis differences between cash and derivative instruments.

Equities and warrants:

Exchange traded securities are generally valued based on quoted prices from an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized in Level 1 of the fair value hierarchy. To the extent that the securities are not listed, actively traded or restricted, valuation adjustments are applied and the securities are generally categorized in Level 2 of the fair value hierarchy.

Money market funds:

Money market mutual funds are valued using the published net asset value ("NAV") of the fund. The NAV of the funds are at amortized cost, in accordance with rules under the Investment Company Act of 1940 (rule 2a-7). Generally, NAV represents the fair value of the investment given that the mutual fund stands ready to purchase and sell units of the fund at a published NAV on a daily basis. Given the nature of these funds (i.e. they do not contain complex features such as capital calls or allow for side pocket arrangements) and the liquidity provided by an open-ended fund, NAV would generally represent the price at which the investments would be sold in a transaction between independent market participants.

Certificates of deposits (in "Other")

The fair value of certificates of deposit is estimated using yield curves and credit spreads. The yield curves spreads are from actively quoted markets and can be validated through external sources including brokers, pricing services, and market transactions. Certificates of deposits are categorized in Level 2 of the fair value hierarchy.

Derivatives

Interest rate swaps are valued by model using interest rate swap curve based on mid prices. Futures are valued at settlement price or last traded price if settlement price is not available. Exchange traded equity options are valued using the mid price at closing for the valuation date. Due to the inactively traded nature, exchange traded equity options are categorized in Level 2 of the fair value hierarchy.

Level 3 valuation techniques:

Level 3 financial instruments are primarily ARS with long-dated maturities and significant unobservable spreads. The fair value of ARS is determined using independent external market data, where available, and an internally developed methodology to discount for the lack of liquidity and non-performance risk in the current market environment. Inputs that impact the valuation of the ARS are the underlying collateral types, structure, liquidity considerations, independent external market data, the maximum interest rate and quality of underlying issuers/insurers.

22. 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.

23. DERIVATIVES CONTRACTS

The Company enters into derivatives to satisfy the needs of it clients, for proprietary trading purposes and to manage the Company's exposure to risk resulting from its trading activities. The Company uses industry standard derivative contracts whenever appropriate.

Derivatives with a positive fair value are reported in other assets and derivatives with a negative fair value are reported in other liabilities. Where the Company has both the legal right and intent to settle derivative assets and liabilities simultaneously with a counterparty, the net fair value of the derivative positions is reported as an asset or liability, as appropriate. These balances generally represent future commitments to exchange payment streams based on contract or notional amounts or to purchase or sell physical assets at specified terms on a specified date. Both over-the-counter and exchange-traded derivatives, as of April 30, 2011, are reflected in the below (in thousands):

	Gross Assets - Fair Value	Gross Liabilities - Fair Value	Contract/Notional
TBA contracts	$ 37,581	$ 81,221	$ 8,521,752
Equity/Total return swaps (affiliate)	11,589	-	261,515
Interest rate swaps (affiliate)	10,902	14,364	1,728,425
	$ 60,072	$ 95,585	$ 10,516,592