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, 2010
(UNAUDITED)

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CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
April 30, 2010 (UNAUDITED)
(In thousands except share and per-share information)

ASSETS	
Cash	$ 424,854
Cash segregated under Federal and other regulations	450,287
Securities purchased under agreements to resell	12,679,660
Securities borrowed	5,242,335
Securities owned, at fair value (includes securities pledged of $13,869,029)	15,231,890
Receivable from broker-dealers and clearing organizations	3,358,746
Receivable from Parent and affiliates	364,004
Receivable from customers	915,146
Other receivables	1,794,037
Deferred income taxes	287,399
Fixed assets, at cost, net of accumulated depreciation and amortization of $205,199	287,016
Goodwill	753,475
Intangible assets, net of accumulated amortization of $23,155	18,382
Other assets	704,661
TOTAL ASSETS	$ 42,511,892
LIABILITIES AND STOCKHOLDER'S EQUITY	
Drafts payable	106,245
Securities sold under agreements to repurchase	22,157,920
Securities loaned	1,450,451
Securities sold, but not yet purchased, at fair value	4,722,109
Payable to broker-dealers and clearing organizations	1,785,836
Payable to affiliates	2,369,279
Payable to customers	1,925,235
Accrued compensation	1,328,466
Long-term borrowings with affiliates	600,000
Accounts payable and accrued liabilities	1,576,961
	38,022,502
Liabilities subordinated to claims of general creditors	1,386,000
TOTAL LIABILTIES	39,408,502
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, 150,708 issued and outstanding	19
Additional paid-in capital	2,474,543
Retained earnings	628,818
TOTAL STOCKHOLDER'S EQUITY	3,103,390
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 42,511,892

See notes to the consolidated statement of financial condition.

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 ("VIE") requiring consolidation under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810-10, *Consolidation*, have been consolidated into the consolidated statement of financial condition (see Note 20). 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 (including valuation of certain securities owned and securities sold, but not yet purchased, the outcome of litigation and the carrying amounts of goodwill). Actual results could differ from 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. 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* —** The Company purchases securities under agreements to resell ("reverse repurchase agreements") and take 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.

***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 consolidated statement of financial condition, utilizing currently enacted tax laws and rates.

The Company accounts for income taxes under the asset and liability method prescribed by FASB ASC 740, *Income Taxes* ("ASC 740"). 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.

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 approximately $1.4 billion related to the consolidation of VIEs (see Note 20). 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 stock-based compensation plans in accordance with ASC 718, *Compensation – Stock Compensation*.

Memberships in Exchanges — The Company maintains memberships on various domestic exchanges. Exchange memberships owned by the Company are carried at cost and assessed periodically for potential impairment.

Goodwill and 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 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 2009, resulting in no impairment.

There is no change in the carrying amount of goodwill for the period ended April 30, 2010.

Significant accounting changes —

Business Combinations (ASC 805). In December 2007, the FASB issued amended accounting principles related to business combinations, which changed the accounting for transaction costs, certain contingent assets and liabilities, and other balances in a business combination. In addition, in partial acquisitions, when control is obtained, the amended principles require that the acquiring company measure and record all of the target's assets and liabilities, including goodwill, at fair value as if the entire target company had been acquired. These amended accounting principles will apply to the Company's business combinations in the fiscal year beginning November 1, 2009. There were no acquisitions during the period ended April 30, 2010.

Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies (ASC 805-20). In April 2009, the FASB issued guidance under ASC 805-20, *Business Combinations – Identifiable Assets and Liabilities and Any Non-controlling Interest*, which requires an acquirer to measure assets acquired and liabilities assumed in a business combination that arise from contingencies at their acquisition-date fair value if they can be determined. If fair value cannot be determined, then the recognition criteria and guidance of ASC 450, *Contingencies* and ASC 450-20, *Contingencies – Loss Contingencies*, apply. Following initial recognition, a company shall develop a systematic and rational basis for subsequent measurement of liabilities, depending on their nature. There were no acquisitions during the period ended April 30, 2010.

Fair Value Measurements and Disclosures — Measuring Liabilities at Fair Value. In August 2009, the FASB issued amended accounting principles to ASC 820-10 as Accounting Standards Update ("ASU") No. 2009-05, "*Fair Value Measurements and Disclosures — Measuring Liabilities at Fair Value*." These amended principles provide guidance in measuring liabilities when a quoted price in an active market for an identical liability is not available and clarifies that a reporting entity should not make an adjustment to fair value for a restriction that prevents the transfer of the liability. These amended principles are effective for consolidated statement of financial condition issued for the first reporting period beginning after issuance of the ASU. Because the Company's current fair value measurement policies are consistent with the ASU, adoption will not affect the Company's consolidated statement of financial condition**.**

Future accounting changes —

Employers' Disclosure about Postretirement Benefit Plan Assets (ASC 715). In December 2008, the FASB issued amended accounting principles related to employers' disclosure about postretirement benefit plan assets. These amended principles provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan under ASC 715, *Compensation - Retirement Benefits*. The disclosures about plan assets required by these amended principles shall be provided for fiscal years ending after November 1, 2010. The Company is currently evaluating the impact of the adoption of these statements on its consolidated statement of financial condition.

Transfers of Financial Assets and Interests in Variable Interest Entities. In June 2009, the FASB issued guidance under ASC 810-10-15 (Statement of Financial Accounting Standards ("SFAS") No. 166, "*Accounting for Transfers of Financial Assets — an amendment of ASC 860 (formerly known as FASB Statement No. 140)*") and ASC 860-40 (SFAS No. 167, "*Amendments to ASC 810 (formerly known as FASB Interpretation No. 46(R)*),)" which change the accounting for securitizations and VIEs. SFAS No. 166 will eliminate the concept of a QSPE, change the requirements for derecognizing financial assets, and require additional disclosures about transfers of financial assets, including securitization transactions and continuing involvement with transferred financial assets. SFAS No. 167 will change the determination of when a VIE should be consolidated. Under SFAS No. 167, 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. The Company is currently evaluating the impact of the adoption of these statements on its 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 will be applicable for the Company after November 30, 2010. The Company is currently evaluating the impact of the adoption of these statements on its 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 will be applicable for the Company as of October 31, 2010. The Company is currently evaluating the impact of the adoption of these statements 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, 2010, the Company had a balance of $450 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, 2010, the Company was not subject to a deposit requirement.

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.

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 (in thousands):

	Receivable	Payable
Securities purchased under agreements to resell	$ 2,719,877	$ -
Securities sold under agreements to repurchase	-	3,696,917
Securities borrowed	595,862	-
Securities loaned	-	167,902

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

Amounts receivable from and payable to broker-dealers and clearing organizations at April 30, 2010, consisted of the following (in thousands):

	Receivable	Payable
RBC Capital Markets Arbitrage S.A. (an affiliate)	$ 2,038,725	$ -
Trade date/settlement date accrual	3,226	-
Broker-dealers and clearing organizations	364,477	667,654
Broker-dealers (affiliates)	-	292,899
Fails to deliver/receive	952,318	825,283
	$ 3,358,746	$ 1,785,836

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

Securities owned and securities sold, but not yet purchased, at April 30, 2010 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	$ 7,296,593	$ 3,523,961
State and municipal obligations	1,925,818	523
Corporate obligations	3,126,983	909,860
Equities and warrants	629,171	210,877
Commercial paper	741,854	2,621
Money market funds	1,200,118	145
Other	311,353	74,122
	$ 15,231,890	$ 4,722,109

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, 2010, the fair value of securities received as collateral where the Company is permitted to sell or repledge the securities was approximately $22.1 billion, and substantially all has been sold or repledged. Additionally, the Company has approximately $878.6 million in securities for securities transactions in which the Company is the borrower.

7. FIXED ASSETS

The Company's fixed assets at April 30, 2010, consisted of the following (in thousands):

Furniture and equipment	$ 23,451
Computer equipment and software	248,236
Leasehold improvements	166,681
Land/Building	899
Work in Progress	52,948
	492,215
Accumulated depreciation and amortization	(205,199)
Net fixed assets	$ 287,016

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, 2010 consisted of the following (in thousands):

Customer relationships	$	40,067
Non-compete		1,470
		41,537
Accumulated amortization		(23,155)
Net intangible assets	$	18,382

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, 2010, consist of the following (in thousands):

Investment in wealth accumulation plan (see Note 17)	$	354,741
Receivable from correspondents		119,568
Dividend and interest receivable		110,893
Current income taxes		39,633
Prepaid expense		39,256
Other assets		40,570
Total other assets	$	704,661

10. 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.

At April 30, 2010, the Company had net deferred tax assets of $287.4 million. The tax effects of temporary differences that gave rise to deferred tax assets and liabilities relate primarily to compensation expense, reserves, deferral of intercompany gain, and goodwill. The Company has $4.3 million of foreign tax credits carryover, which will expire in 2017-2018. The Company does not expect to utilize the foreign tax credits carryover before their expiration dates. Thus, a full valuation allowance of $4.3 million has been established against the foreign tax credits carryover.

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

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 this guidance 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, 2009 to April 30, 2010 is as follows (in thousands):

Unrecognized Tax Benefits as at October 31, 2009	$65,347
Add: Increases related to positions taken during prior years	5,573
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	(42,908)
Less: Settlements	(6,141)
Less: Expiration of statute of limitations	-
Unrecognized Tax Benefits as at April 30, 2010	$21,871

At April 30, 2010 and October 31, 2009, the balances of the Company's UTBs were recorded in current income taxes. The UTBs, excluding any related accrual for interest, amounted to $21.9 million and $65.3 million, respectively, of which $21.9 million and $65.3 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

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, 2010, the aggregate future minimum rental payments were as follows (in thousands):

Year	
2011	$ 85,630
2012	80,898
2013	69,366
2014	58,622
2015	48,187
Thereafter	160,177
Total	$ 502,880

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, 2010.

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 adverse effect on the consolidated statement of financial condition of the Company.

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. 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.

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, 2010, there was no outstanding balance under these facilities.

The Company has an $850 million short-term (overnight) credit facility with RBC. This facility is used to manage short-term liquidity needs. As of April 30, 2010, there was no outstanding balance under this facility.

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

13. LONG-TERM BORROWINGS FROM AFFILIATES

The Company has a $600.0 million 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.

14. LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The borrowings under subordination agreements at April 30, 2010, 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.	$ 525,000
Subordinated debt entered into on March 31, 2010 with RB U.S. Finance LLC.	590,000
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.	100,000
Subordinated debt entered into on February 27, 2009, maturing on February 29, 2012, with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent.	171,000
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. STOCKHOLDER’S EQUITY

The Company has authorized 160,000 shares of common stock and issued 150,708 shares of common stock to the Parent, at $0.125 par value.

The Company has 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 RBC Capital Markets Arbitrage S.A. (“CMA”) with par value of $0.10 per share.

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 $354.7 million at April 30, 2010, 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 2011.

At April 30, 2010, the Company had a liability for these plans of $632.9 million included 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.

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 2010, December 2011 and December 2012.

A summary of the status of the Company's non-vested phantom shares as of April 30, 2010, and changes during the period ended April 30, 2010, is presented below:

Non-vested Phantom Shares	Shares	Fair Value
Non-vested — October 31, 2009	381,895	50.40
Granted	222,984	52.15
Vested	(65,472)	52.22
Forfeited	(11,501)	60.52
Non-vested — April 30, 2010	527,906	60.52

The total fair value of shares vested during the six months ended April 30, 2010 was $3.4 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, 2010, and changes during the period ended April 30, 2010, is presented below:

Non-vested RBC Common Shares	Shares	Fair Value
Non-vested — October 31, 2009	86,824	50.40
Granted	88,363	52.21
Vested	(17,521)	53.31
Forfeited	(1,324)	60.52
Non-vested — April 30, 2010	156,342	60.52

The share-based grants are paid in cash. During the six months ended April 30, 2010 the total fair value of shares vested during the year was $0.9 million.

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities, at April 30, 2010, consist of the following (in thousands):

Payable to variable interest entities bondholders (see Note 20)	$	1,270,410
Deferred revenue		57,952
Interest payable		46,159
Syndicate proceeds payable		44,340
Non-trade accounts payable		36,504
Accrued rent reserve		36,519
Legal accruals		14,130
Other liabilities		70,947
Total accounts payable and accrued liabilities	$	1,576,961

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, 2010, the Company had net capital of $1.0 billion, which was $949.8 million 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 holds significant variable interests in certain unconsolidated entities. The Company consolidates the entities where our investments expose the Company to a majority of the expected losses.

The following table provides information about VIEs as of April 30, 2010, 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	$ 4,125	$ 1,192
	$ 4,125	$ 1,192
Consolidated VIEs [2]		
Structured finance VIEs	$ 1,474	$ -
	$ 1,474	$ -

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

(2) Investors have recourse only to the assets of the related VIEs and do not have recourse to our general assets unless we breach our 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	$ 51
Other receivables	1,382
Other assets	41
Total	$ 1,474
Consolidated Liabilities	
Accounts payable and other liabilities	$ 1,281
Total	$ 1,281

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 agreements 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, 2010.

Fair Value Measurement – Definition and Hierarchy

The Company adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures*, effective November 1, 2008. 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, 2010 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	$ -	$ 12,679,660	$ -	$12,679,660
Securities owned:				
U.S. and Canadian government and agency obligations	-	7,296,593	-	7,296,593
State and municipal obligations	-	411,594	1,514,224	1,925,818
Corporate obligations	-	2,104,539	1,022,444	3,126,983
Equities and warrants	231,042	179	-	231,221
Preferred stocks (1)	-	-	397,950	397,950
Mututal funds (2)	354,741	-	-	354,741
Commercial paper	-	741,854	-	741,854
Money market funds	-	1,200,118	-	1,200,118
Other	21,375	289,978	-	311,353
	$ 607,158	$ 24,724,515	$ 2,934,618	$28,266,291
Financial liabilities				
Securities sold under agreements to repurchase	$ -	$ 22,157,920	$ -	$22,157,920
Securities sold, but not yet purchased:			-	-
U.S. and Canadian government and agency obligations	-	3,523,961	-	3,523,961
State and municipal obligations	-	523	-	523
Corporate obligations	-	907,995	1,865	909,860
Equities and warrants	210,877	-	-	210,877
Commercial paper	-	2,621	-	2,621
Money market funds	-	145	-	145
Other	24,902	49,220	-	74,122
	$ 235,779	$ 26,642,385	$ 1,865	$26,880,029

(1) Primarily represents auction rate securities

(2) Wealth accumulation plan assets (see Note 17)

Level 2 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 using market price quotations not obtained from an exchange.

State and municipal obligations (excluding ARS):

State and municipal bonds are generally valued using market price quotations not obtained from an exchange. Accordingly, these securities are categorized in Level 2 of the fair value hierarchy.

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 adjustment are applied and the securities are generally categorized in Level 2 of the fair value hierarchy.

Commercial paper:

See corporate obligations above.

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, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted market price from an exchange, such securities are categorized as Level 2 of the fair value hierarchy.

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.

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.