UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9262 / September 27, 2011

SECURITIES EXCHANGE ACT OF 1934
Release No. 65404 / September 27, 2011

INVESTMENT ADVISERS ACT OF 1940
Release No. 3289 / September 27, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14564

In the Matter of

RBC Capital Markets, LLC (formerly known as RBC Capital Markets Corp.),

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934, AND SECTION 203(e) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act"), and Section 203(e) of the Investment Advisers Act of 1940 ("Advisers Act") against RBC Capital Markets, LLC ("Respondent" or "RBCCM").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-

Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Section 15(b) of the Securities Exchange Act of 1934, and Section 203(e) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the "Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings arise out of the sale of $200 million of credit-linked notes that were tied to the performance of synthetic collateralized debt obligations holding a portfolio of 100+ credit default swaps referencing corporate bond obligations (the "CDO Investments").[2] Respondent RBCCM, a U.S. broker-dealer affiliated with the CDO Investment arranger Royal Bank of Canada Europe Limited ("RBC Europe"), marketed and sold the CDO Investments to five school districts in Wisconsin (the "School Districts") in three separate transactions between June and December 2006.

2. RBCCM violated Sections 17(a)(2) and 17(a)(3) of the Securities Act by negligently selling the CDO Investments to the School Districts, despite significant concerns within RBCCM about the suitability of the product for municipalities like the School Districts. These CDO Investments were unsuitable for the School Districts. RBCCM's marketing materials also failed to explain adequately the risks associated with the CDO Investments. The School Districts lacked sufficient knowledge and sophistication to appreciate the nature of such investments.

Respondent

3. RBC Capital Markets Corp., now known as RBC Capital Markets, LLC, was a Minnesota corporation headquartered in New York, New York.[3] RBC Capital Markets Corp. merged with and into RBC Dain Rauscher Inc. in 2008 and changed its name to RBC Capital Markets, LLC in 2010. RBC Capital Markets Corp. has been registered with the Commission as a broker-dealer since 1936 and has been registered as an investment adviser since 1977. At all relevant times, RBCCM has been a wholly-owned indirect subsidiary of the Royal Bank of Canada.

Other Relevant Entities

4. School District of West Allis-West Milwaukee ("WAWM"), Kenosha School District No. 1 ("Kenosha"), School District of Waukesha ("Waukesha"), Kimberly Area School District ("Kimberly"), and School District of Whitefish Bay ("Whitefish Bay") (collectively, the

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

[2] For simplicity, this Order will refer to the credit-linked notes as "the CDO Investments" since the notes were a means of simulating an investment in a CDO.

[3] As used herein, the name "RBCCM" refers to RBC Capital Markets Corp. and all predecessor and successor entities, including RBC Capital Markets, LLC.

"School Districts") are school districts located in eastern Wisconsin. Each of the School Districts operates through a superintendent of schools, a business services department and a school board made up of seven to nine district residents elected to a term of three years.

5. Royal Bank of Canada Europe Limited ("RBC Europe") is a United Kingdom bank, and is an indirect wholly-owned subsidiary of the Royal Bank of Canada. RBC Europe is not registered with the Commission in any capacity. RBC Europe acted as the arranger of the credit-linked notes in which the School Districts invested.

6. Royal Bank of Canada ("RBC"[4]) is a Canadian bank, and is the parent organization of RBCCM and RBC Europe. RBC is not registered with the Commission in any capacity, although some of its subsidiaries are registered broker-dealers or investment advisers. As a result of the structure of the CDO Investments, RBC was ultimately the counterparty to the transactions with the School Districts on the CDO Investments, meaning that it paid the promised interest on the CDO Investments and was the purchaser of default protection on the CDO portfolio.

7. Stifel, Nicolaus & Co., Inc. ("Stifel"), incorporated in Missouri, is a retail and institutional brokerage and investment banking firm based in St. Louis, Missouri. Stifel is registered with the Commission as a broker-dealer and investment adviser, and is the primary subsidiary of Stifel Financial Corp. On August 10, 2011, the Commission filed a civil injunctive action in the United States District Court for the Eastern District of Wisconsin, Case No. 02-11:755, against Stifel and one of its former employees, relating to the sale of the CDO Investments to the School Districts.

Funding of School Districts' OPEB Liabilities

8. In addition to providing their employees with traditional pensions, the School Districts had contractually agreed to provide former and current employees with other post-employment benefits ("OPEB"), such as healthcare and life insurance. Prior to 2005, the School Districts had not funded these OPEB liabilities, instead opting to pay them as they arose each year using money out of their annual operating budgets. Over time, the OPEB liabilities had grown significantly.

9. With the assistance of Stifel, the School Districts' financial adviser, the School Districts explored investment opportunities as a way to fund their OPEB liabilities, specifically seeking investments rated AA- or higher by the rating agencies.

10. Stifel devised a plan whereby the School Districts would raise and contribute funds to OPEB trusts for investment, and then the OPEB trusts would borrow additional funds from a specific lender to leverage the School Districts' contributions into a more sizable investment (the "GOAL Program"). Under the GOAL Program, most of the funds contributed by the School

[4] There was significant cross-entity work done within Royal Bank of Canada's corporate family for these transactions. For example, RBCCM served as the United States broker-dealer for the sale of the CDO Investments, RBC Europe was arranger of the CDO Investments, and Royal Bank of Canada employees also worked on the transaction. Royal Bank of Canada's senior management team was also extensively involved in the review and approval of the transaction. This Order will refer to the corporate family generally as "RBC."

Districts to the OPEB trusts would come from School District bond issuances, meaning that nearly the entire amount invested under the program would come from borrowed funds. The difference between the earnings from the investment and the costs of borrowing would be used to reduce the unfunded retiree benefits.

11. Stifel's GOAL Program depended on the use of leverage to provide the School Districts with a meaningful return on their investment, since the spread between any investment rated AA- or higher and the School Districts' costs of borrowing would be narrow. Indeed, traditional AA- investments such as corporate bonds did not provide sufficient yields in excess of the School Districts' and the trusts' costs of borrowing, causing Stifel to seek out nontraditional investments for the School Districts that could offer higher yields.

12. Stifel contacted RBCCM to discuss product offerings, including CDOs, that were rated AA- or higher that met the yield requirements of Stifel's investment program for the School Districts. RBCCM informed Stifel that it could offer synthetic CDO Investments referencing corporate bond obligations that were rated AA- or higher and offered the requisite yields.

Background of the CDO Investments

13. RBCCM sold the CDO Investments to the School Districts on three occasions, in June, September, and December 2006. The CDO Investments totaled $200 million, which included $37.3 million of funds contributed directly by the School Districts, and the remainder from the OPEB trusts' borrowings.

14. A collateralized debt obligation is a type of asset-backed security collateralized by a pool of fixed income assets. CDOs are often structured into a hierarchy of tranches, with each tranche representing a different level of risk and return. The lowest tranche typically absorbs the first losses in the portfolio until investments in that tranche are completely eliminated. At that point, the next tranche typically would begin absorbing losses, if any. The highest tranche traditionally would not suffer any losses until all of the lower tranches had suffered total losses. In certain CDOs, such as those sold by RBCCM, the tranches overlap, so that a higher tranche begins suffering losses before the lower tranche suffers total loss.

15. A synthetic CDO is comprised of derivative instruments such as credit default swaps. A credit default swap is essentially a contract in which one party insures the other party against losses on a bond or other reference asset due to the occurrence of a default or other credit event in exchange for premium payments. Here, the OPEB trusts invested in notes tied to the performance of synthetic CDOs comprised of a portfolio of 100 or more credit default swaps ("CDO Portfolio") referencing corporate bond obligations. The CDO Investments essentially transferred the risk of default on the bonds to the OPEB trusts through the synthetic CDO exposure, and ultimately to the School Districts, in exchange for the right to receive premium payments in the form of interest payments on the CDO Investments.

16. In essence, an investment in a tranche of a synthetic CDO is the economic equivalent of selling insurance on a portfolio of corporate bonds. The purchaser receives payments at an agreed-upon rate, as long as the losses within the underlying corporate credit portfolio do not

reach an agreed-upon level. If losses reach agreed-upon benchmarks, the investments in that synthetic CDO tranche are eroded or, potentially, wiped out. When losses reach an "attachment" level, the investor begins to lose its principal. When losses reach a "detachment" level, the investor loses its entire investment.

17. Here, in the three deals with the School Districts, the attachment points were approximately 3.95%, 4.50%, and 4.60%, respectively, and the detachment points were approximately 4.95%, 5.50%, and 5.60%, respectively. So, in the first deal, the investment would not begin to lose principal until losses in the portfolio reached 3.95%, but the investment would be wiped out if losses in the portfolio reached 4.95%. That is, there was only a 1% difference between receiving the expected return and a complete failure of the investment.

18. The CDO Investment portfolios were composed of credit default swaps referencing corporate bonds with ratings from AAA to BBB- in the first two deals, and from AAA to B+ in the third deal. Each of the CDO Investments was to be "managed" by a portfolio manager. The portfolio managers were responsible for selecting and managing the portfolio of credit default swaps, with the ability to trade certain credits out of the portfolio for new credits, subject to certain limitations.

19. The typical buyers of a CDO investment from RBC were entities such as hedge funds, pension funds, banks and insurance companies with significant fixed income assets. These entities tend to be highly sophisticated in financial and investment matters, and knowledgeable regarding the complexities – and risks – of these types of investments.

20. By contrast, the School Districts' board members and business managers had no prior experience investing in CDOs or instruments tied to CDOs. In fact, before 2006, the School Districts had invested mostly in cash-equivalent instruments and certificates of deposit. Compared to the typical buyers of instruments tied to CDOs, the School Districts were not sophisticated investors.

21. Nevertheless, as described below, RBCCM sold the CDO Investments to the School Districts without sufficiently assessing the suitability of these investments for the School Districts, and RBCCM's marketing materials and presentations did not explain adequately the risks in the CDO Investments. The School Districts lacked sufficient knowledge and sophistication to appreciate the nature of such investments.

RBCCM's Failure to Adequately Assess Suitability

22. RBCCM had a practice requiring one of its own CDO experts to meet with all clients purchasing CDO investments to ensure that they could understand the product and its inherent risks, as well as to determine whether such an investment was suitable for that client. From the outset, RBCCM acknowledged that selling the CDO Investments to the School Districts would require more than the usual type of inquiry to determine the suitability of the investments for the School Districts. RBCCM's lead salesperson had never sold CDOs to school districts, and there was heightened concern within RBCCM about whether the School Districts were capable of understanding this type of investment.

23. In May of 2006, RBCCM responded to a Request for Proposal ("RFP") from Stifel on behalf of two of the School Districts seeking investments that would fund their OPEB liabilities, and flagged in its response that assessing suitability was a "critical hurdle" to completing the transactions. RBCCM informed Stifel and the School Districts that "[a]dditional due diligence will be required by RBC to establish that the investor understands the structured and principal-at-risk nature of the product."

24. In connection with the transactions, RBCCM's lead salesperson consulted with RBCCM's Municipal Finance group to obtain the group's general impressions on the issue of suitability, as well as to evaluate Stifel's proposal to market its GOAL Program jointly with RBCCM to RBCCM's municipal clients. A senior member of the Municipal Finance group reviewed basic materials summarizing Stifel's investment program and, in a memorandum setting forth his views, wrote that Stifel's marketing materials for the investment program were "less than fully explanatory," and that "[Stifel's] quantitative analysis appears to be a bit flawed." He also noted that the program "doesn't appear to provide as significant a benefit as is being suggested."

25. Although the memo conceded at one point that the GOAL Program could generate significant revenue for RBCCM, it later concluded that this "clearly is not a concept that we want our bankers as a general group pitching to their clients out there." The memo's author further stated that if RBCCM were to go forward with marketing Stifel's program to its own clients, "I would think it only suitable for the most sophisticated governmental entities that have the finance staff expertise and resources to adequately assess synthetic CDOs as an investment vehicle."

26. RBCCM's Municipal Finance group subsequently declined the opportunity to work with Stifel to market the GOAL Program to RBCCM's own municipal clients due to concerns about the suitability of CDOs for their clients.

27. As for the sale of the CDO Investments to the School Districts, there were a number of discussions within RBCCM between May 2006 and September 2006 regarding how to address the suitability issue. Some RBCCM managers recommended meeting with the various school boards and ensuring that the School Districts fully understood the CDO Investments. Others at RBCCM noted that they could not be certain whether Stifel had explained all of the risks associated with the CDO Investments to the School Districts. Some senior executives at RBCCM and RBC raised significant concerns about whether the CDO Investments were suitable for the School Districts. One senior executive suggested that "[w]e need to ensure they are conscience [sic] of exactly what they are doing and not leave this solely to Stifel" since "they are further leveraging already heavily geared paper." He cautioned that RBCCM should not rely solely on Stifel's suitability determination, and asked "are these guys sure they know what they are getting into at effectively 80-100x leverage?"

28. However, others at RBCCM recommended a different approach. Certain RBCCM employees argued that RBCCM should not agree to "own suitability" for these deals and should not take additional steps to "know [Stifel's] customer." One RBCCM senior executive described any contact between the bank and the School Districts as a "bad fact" that could hinder RBCCM's desire to avoid responsibility for a suitability determination.

29. Nearly all of the internal discussions at RBCCM regarding suitability considered how best to insulate the bank from any liability if the CDO Investments failed. There was little discussion about whether the CDO Investments were in fact suitable for the School Districts and little desire within RBCCM to find the answer to that question.

30. Following these discussions, RBCCM decided not to meet with the school boards to assess the School Districts' suitability for the CDO Investments and the School Districts' understanding of the risks of that investment. Instead, RBCCM determined that it would rely on Stifel's assessment of suitability. For the June 2006 deal, which involved only one of the School Districts, RBCCM insisted that the CDO Investments pass through Stifel first, if only for an instant, before being purchased by WAWM, so that RBCCM could disclaim responsibility for the sale of the CDO Investments to WAWM.

31. RBCCM even threatened to walk away from the proposed $136 million deal if Stifel would not agree to act as a pass-through entity for the June 2006 deal with WAWM. At the time, RBCCM stated that it preferred not to do any deal at all, rather than engage any of the School Districts directly and make the required suitability determination. However, Stifel did not want to assume the sole responsibility for assessing suitability either, and initially refused to act as the principal for the transaction. Stifel's Chief Executive Officer explained that he wanted RBCCM to act as principal for the deal because he wanted RBCCM "in the boat with [Stifel]." Ultimately, Stifel agreed to act as a pass-through entity, but only if the amount of WAWM's investment was reduced from $136 million to $25 million.

32. As part of the first transaction, Stifel provided RBCCM with a letter from WAWM's OPEB trust, stating that the OPEB trust understood the investment risks, that it was financially sophisticated, and that it had determined this investment was suitable. Stifel subsequently provided RBCCM with similar letters from all of the School Districts' OPEB trusts in connection with the second and third transactions.

33. Nevertheless, internal RBCCM emails continued to demonstrate that RBCCM was concerned that the School Districts may not understand the risks they were assuming or that such a concentrated investment in one product type was potentially inappropriate.

34. RBCCM continued to market and recommend its CDO products to the School Districts following the June 2006 WAWM deal. In July of 2006, RBCCM employees attended a meeting with School District representatives, during which RBCCM and another CDO provider each pitched their CDO investment opportunities directly to the School Districts. RBCCM's presentation spoke to the merits of CDOs and, through historical analysis, attempted to demonstrate that the CDO investments it offered were safe investments. RBCCM's presentation and recommendation helped convince the School Districts to invest in CDOs.

35. For the September and December 2006 deals, RBCCM reversed its previous position and agreed to sell the CDO Investments directly to the School Districts, so long as Stifel provided a side letter addressing the suitability issue. RBCCM provided Stifel with a draft side letter for its signature. The draft side letter included a representation that Stifel had evaluated the

CDO Investments and determined that they were a suitable investment for the School Districts. Stifel significantly edited the letter it actually signed and provided to RBCCM, however, adding numerous qualifications to its representations.

36. Among other things, Stifel's side letter to RBCCM stated generally that synthetic CDOs rated at least AA- with a maturity of seven years or less were suitable for the OPEB trusts. However, Stifel made clear that it had "not undertaken any evaluation or independent investigation of the [s]ecurities or the financial assets that secure them." That is, Stifel represented that it never evaluated the particular CDO Investments beyond their rating and maturity. Stifel further stated that its suitability determination was "based in part upon representations made by the Districts and the Trusts in letters to [Stifel] and the issuer of the [s]ecurities and upon the legal opinions of the Districts' counsel." Thus, the side letter indicated that Stifel was relying on the School Districts themselves to determine the suitability of the CDO Investments.

37. RBCCM should have viewed Stifel's edits to the side letter as a cause for concern regarding suitability. It demonstrated that Stifel had not conducted a meaningful suitability assessment and was relying, at least in part, on the financially unsophisticated School Districts to determine their own suitability with respect to the CDO Investments. It also demonstrated that Stifel was refusing to take responsibility for determining that the CDO Investments were suitable for the School Districts. However, RBCCM accepted the letter and did not conduct any further investigation into whether the CDO Investments were suitable for the School Districts.

38. In fact, the CDO Investments were not suitable for the School Districts for a number of reasons, including those identified by RBCCM. These investments were incompatible with the School Districts' goals, lack of financial sophistication, and their sensitivity to losing principal. The CDO investments also came with far greater risk than the School Districts' traditional investments. The CDO Investments' structure was incompatible with the School Districts' inability to suffer a catastrophic loss in that the School Districts would suffer a total loss if the CDO Portfolio suffered losses of merely 5% to 6%.

39. In addition, the majority of the School Districts' board members and business managers were not sophisticated and experienced investors, especially in the area of structured finance, and they lacked the knowledge to evaluate independently the CDO Investments.

40. RBCCM also knew that the School Districts were risking their entire OPEB investment portfolio on the performance of these CDO Investments, without any diversification. Finally, the CDO Investments were highly leveraged through the trusts' use of borrowing. For three of the School Districts, their contribution to the CDO investments was derived entirely from borrowed funds. In total, $198.7 million of the $200 million investment came from borrowed funds.

<u>RBCCM's Inadequate Presentation of Default Risk</u>

41. Due to the fact that the School Districts lacked the financial sophistication and the investment experience of the typical CDO buyer, RBCCM recognized the need to highlight the investment risks in the marketing materials it created for the School Districts. In marketing the

CDO Investments to the School Districts, RBCCM prepared and used two PowerPoint presentations, both of which addressed the issue of default risk.

42. However, RBCCM's presentations understated the default risk inherent in the CDO Investments and created an inaccurate picture of safety that did not reflect the actual risk in the CDO Investment portfolios.

43. RBCCM's presentations to the School Districts included the historical average seven-year default rate for each seven-year period from 1981 to 2004 of a hypothetical portfolio of corporate credits with the same ratings as those in the CDO Investment portfolios. RBCCM applied a 40% recovery rate assumption to those historical default rates to determine the average expected losses in a similar portfolio in those previous seven-year periods.

44. RBCCM then compared those expected losses to the CDO Investments' attachment point in order to show that it would require multiples of historical losses to impair the School Districts' investments. One of RBCCM's presentations included this information in a section entitled "Evaluating Default Risk," which RBCCM used to explain to the School Districts that this was the appropriate way to evaluate default risk in the CDO Investments. Certain School District representatives were persuaded by this data that defaults within historical ranges would not impair their CDO Investments, and that it would take highly unusual levels of default to impair the investments. Certain School District representatives relied upon these demonstrative presentations of safety when evaluating whether to pursue these investment opportunities.

45. RBCCM's presentations further stated that the CDO portfolios would be built by the portfolio manager using "strong selection criteria." These disclosures and the portfolio management agreement gave the School Districts the impression that the credits included in the CDO Investments' portfolios would be handpicked by a portfolio manager based on the quality of the credits. In practice, however, credit selection was primarily conducted by RBCCM, which primarily chose credits based on their spread rather than their quality.

46. In order to offer the most competitive yields possible on its CDO Investments, while achieving the desired credit ratings for its CDO Investments, RBCCM utilized a portfolio optimizer program to select the credit default swaps that went into the CDO and which were paying higher spreads relative to the rating of the reference corporate entity. In this case, the "spread" on the credit default swap used by the portfolio optimizer was the premium offered to the seller of credit default protection expressed as the rate of return offered above the London Interbank Offered Rate ("LIBOR").

47. Most of the credits selected by RBCCM for the CDO Investments had above-average spreads for their rating, and many of the credits offered spreads that were more indicative of credits one or two ratings classes below the rating of those credits. For example, the portfolios contained credits with an A rating, but paid spreads that were more indicative of spread levels paid on BBB or even BB credits.

48. RBCCM's credit selection process increased the yield RBCCM could offer to the School Districts, but increased the risk inherent in the portfolio. The standard industry models used

to evaluate CDOs calculate the default risk in CDO portfolios based on credit spreads in the portfolio, rather than based on credit ratings. RBCCM's own internal model for valuing its CDO investments similarly evaluated default risk based on spread rather than rating.

49. RBCCM's presentations suggested that default risk of the CDO Investments could be evaluated based on the ratings of the underlying credits. However, the credits selected by RBCCM were not average credits within their rating classes, but included many of the riskiest credits for their rating. Given RBCCM's selection of high-spread credits for the investment portfolios, RBCCM's pitch materials painted a more comforting picture of default risk than was the reality.

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act

50. As a result of the conduct described above, RBCCM willfully violated: (i) Section 17(a)(2) of the Securities Act, which prohibits any person, in the offer or sale of any security, from obtaining money or property by means of any untrue statement of material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (ii) Section 17(a)(3) of the Securities Act, which prohibits any person, in the offer or sale of any security, from engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent RBCCM's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Section 15(b) of the Exchange Act, and Section 203(e) of the Advisers Act, it is hereby ORDERED that**:**

A. Respondent RBCCM cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act.

B. Respondent RBCCM is censured.

C. Respondent RBCCM shall, within 10 days of the entry of this Order, pay disgorgement of $6,600,000, prejudgment interest of $1,800,000, and a civil money penalty in the amount of $22,000,000. Respondent shall satisfy this obligation by disbursing the foregoing disgorgement and civil penalty pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002 as follows: Respondent shall make a $12,560,898 payment to and for the benefit of the School District of West Allis-West Milwaukee; Respondent shall make a $6,331,061 payment to and for the benefit of Kenosha School District No. 1; Respondent shall make a $10,417,322 payment to and for the benefit of the School District of Waukesha; Respondent shall make a $458,030 payment to and for the benefit of the Kimberly Area School District; and Respondent shall make a $632,689 payment to and for the benefit of the School District of Whitefish Bay. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 or 31 U.S.C. § 3717. Payments shall be accompanied with a notification that

identifies RBCCM as the Respondent in these proceedings. Respondent shall simultaneously transmit a copy of such payment and notification to Anne McKinley, Assistant Regional Director, Chicago Regional Office, 175 W. Jackson Blvd., Suite 900, Chicago, IL 60604. Respondent will cooperate with the staff of the Commission to obtain evidence of receipt of the payments set forth herein. In the event that Respondent fails to complete the distribution under the terms set forth in this Order, payment of the full distribution amount (or the balance thereof) shall be due and payable immediately to the Commission, without further application.

D. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, interest, and penalties referenced in Paragraph C above. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Elizabeth M. Murphy
Secretary