



NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR

CANACCORD FINANCIAL INC.

For the annual general meeting of shareholders to be held at:

**The Design Exchange, the Trading Floor
234 Bay Street, Toronto, Ontario
on Friday, June 24, 2011 at 11:00 a.m. (Toronto time)**

This booklet contains important information for shareholders.

Annual General Meeting of Shareholders

THIS BOOKLET CONTAINS:

- The notice of the annual general meeting of shareholders
- The Management Information Circular
- Instructions on how to ensure your shares are voted at the Meeting

Shareholders are invited to attend the annual general meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of Common shares (the “**Common shares**”) of Canaccord Financial Inc. (the “**Company**”) on June 24, 2011. At the Meeting, management will report on the Company’s performance in the financial year ended March 31, 2011 (“**fiscal 2011**”).

The Meeting will deal with the presentation of financial results, the election of directors and the appointment of auditors.

Your presence (or your proxy if you are unable to attend in person) is important to us and we would like your support for all matters to be decided at the Meeting.

If you have any questions about the Management Information Circular, or how to vote, please contact Canaccord Investor Relations at +1 (416) 869-7293.

REGISTERED SHAREHOLDERS

PLEASE NOTE: If your shares are registered in your name (and you are therefore a registered Shareholder), then a proxy form is enclosed with this booklet. This proxy form may be used to vote your Common shares if you are unable to attend the Meeting in person. Instructions on how to vote using this proxy form are found starting on page 3 of the Management Information Circular.

NON-REGISTERED BENEFICIAL SHAREHOLDERS

PLEASE NOTE: If you are **not** a registered Shareholder and your Common shares are held on your behalf, or for your account, by a broker, securities dealer, bank, trust company or similar entity (an “**Intermediary**”), then a proxy form is not usually enclosed with this booklet. Instead, a voting instruction form (also known as a VIF) is usually enclosed. You may not be able to vote unless you carefully follow the instructions provided by the Intermediary with this booklet. Please also refer to page 4 of the Management Information Circular.

We hope that you will find the format of these proxy materials easy to read and, most importantly, easy to understand. We would welcome your comments and any suggestions for improvements.

Notice of Annual General Meeting

TAKE NOTICE that the Board of Directors of Canaccord Financial Inc. (the “**Company**”) has called the 2011 annual general meeting (the “**Meeting**”) of the shareholders of the Company for 11:00 a.m. (Toronto time) on Friday, June 24, 2011 at the Design Exchange, the Trading Floor, 234 Bay Street, Toronto, Ontario.

As a shareholder, you are entitled to attend the Meeting and to cast one vote for each Common share that you own. If you are a registered shareholder and are unable to attend the Meeting, you will still be able to vote by completing the proxy form included with the accompanying management information circular (the “**Circular**”). The Circular explains how to complete the proxy form and how the voting process works. **In order to be assured of a vote at the Meeting, registered shareholders must submit the proxy form to the Company’s transfer agent, Computershare Investor Services Inc. at its Toronto offices no later than 5:00 p.m. (Toronto time) on Wednesday, June 22, 2011.**

If you are a non-registered beneficial shareholder, a proxy form will not usually be included with the Circular; instead, a voting instruction form (also known as a VIF) is usually enclosed. You must follow the instructions provided by your intermediary in order to vote your shares.

The following business will be conducted at the Meeting:

- (a) election of directors for the coming year;
- (b) appointment of auditors for the coming year and authorization for the directors to set the auditors’ remuneration;
- (c) any other business as may properly come before the Meeting or any postponement or adjournment of the Meeting.

Immediately following the termination of the formal meeting, there will be presentation of the reports of the Group Chairman, the Chairman and Founder, the Chief Executive Officer and the Chief Operating Officer and a presentation of the report of the Chief Financial Officer, the financial statements of the Company for the year ended March 31, 2011 and the auditors’ report on those statements.

Dated on May 20, 2011.

By order of the Board of Directors
Martin L. MacLachlan
Corporate Secretary

Information for shareholders about the 2011 Annual General Meeting of shareholders

All information in this Management Information Circular is current as of April 30, 2011, unless otherwise indicated. All amounts in this Management Information Circular are expressed in Canadian dollars unless otherwise indicated. Unless otherwise indicated or the context otherwise requires, the “**Company**” refers to Canaccord Financial Inc. and “**Canaccord**” and the “**Canaccord Group**” refers to the Company and its direct and indirect subsidiaries.

Additional information relating to the Company is on SEDAR at www.sedar.com.

Financial information of the Company is provided in the Company’s financial statements and management’s discussion and analysis (MD&A) for its most recently completed financial year. Shareholders may contact the Company to request copies of the Company’s financial statements and MD&A by sending an email with that request to investor.relations@canaccord.com.

This Management Information Circular (referred to as the “**Circular**”) is being sent by the management of the Company to all shareholders of the Company, together with a notice of the annual general meeting of the shareholders (the “**Meeting**”) and documents required to vote at the Meeting. The Circular’s purpose is:

- to explain how you, as a shareholder of the Company, can vote at the Meeting, either in person or by transferring your vote to someone else to vote on your behalf;
- to request that you authorize the Company’s Group Chairman (or his alternate) to vote on your behalf in accordance with your instructions set out on the proxy form;
- to inform you about the business to be conducted at the Meeting, including the election of directors for the coming year; and
- to give you important background information to assist you in deciding how to vote.

No person has been authorized to give any information or to make any representation in connection with the matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized. This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or a proxy solicitation. Neither the delivery of this Circular nor any distribution of the securities referred to in this Circular will, under any circumstances, create an implication that there has been no change in the information set forth in this Circular since the date as of which such information is given in this Circular.

Shareholders should not construe the contents of this Circular as tax, financial or legal advice and should consult with their own tax, financial, legal or other professional advisors as to the relevant tax, financial, legal or other matters in connection herewith.

FORWARD-LOOKING STATEMENTS

This Circular, including the documents incorporated by reference in this Circular, may contain “forward-looking statements” (as defined under applicable securities laws). These statements relate to future events or future performance and include, but are not limited to, statements concerning the future financial or operating performance of the Company and its subsidiaries, as well as statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target”, “intend” or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed in materials filed by the Company with applicable securities regulatory authorities from time to time.

These forward-looking statements speak only as of the date of this Circular. Except as required by applicable securities laws, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise, except as required by applicable law.

SOLICITATION OF PROXIES

Your vote is being solicited by the management of the Company.

Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, fax, email or oral communication by the directors, officers and employees of the Company and its subsidiaries, at no additional compensation. All costs associated with the solicitation of proxies by the Company and its subsidiaries will be borne by the Company and its subsidiaries.

Voting and appointment of proxy

Your rights to attend and vote at the Meeting depend on whether you are a **registered Shareholder** (that is, the shares of the Company are actually registered in your name) or a **non-registered beneficial shareholder** (for example, a Person who holds shares of the Company through a broker or a bank).

REGISTERED SHAREHOLDERS

If you are a registered Shareholder, you may attend the Meeting in person. You may also appoint someone (known as a proxyholder) to represent you at the Meeting and vote on your behalf. If you complete and submit the proxy form without alteration, then you will have appointed the Company’s Group Chairman (or his alternate) to attend the Meeting and vote on your behalf.

You have the right to appoint a person or company to represent you at the Meeting other than the persons designated in the proxy form. If you wish to appoint some other person or company to represent you at the Meeting, you may do so by striking out the names of the persons designated in the proxy form and inserting the name of the person or company to be appointed in the blank space provided and signing the proxy form.

If you wish to vote at the Meeting by proxy, you must either (a) complete and sign the proxy and return it to the Company's transfer agent, Computershare Investor Services Inc. (Computershare), or (b) follow the instructions in the proxy to vote by telephone or on the Internet. In order to be valid, the telephone or Internet voting must be completed or the proxy must be received by Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 5:00 p.m. (Toronto time) on Wednesday, June 22, 2011, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of such reconvened meeting. The chair of the meeting has the discretion to accept proxies filed after these deadlines.

Even if you give a proxy, as a registered Shareholder, you may still attend and vote in person at the Meeting.

Revoking your proxy

A proxy is revocable. If you have given a proxy, you (or your attorney authorized in writing) may revoke the proxy by giving notice of the revocation in writing at the Company's registered office, located at 1000 – 840 Howe Street, Vancouver, British Columbia V6Z 2M1, at any time up to and including the last business day before the Meeting or to the chair of the Meeting before any vote in respect of which the proxy is given. The notice of the revocation must be signed as follows: (a) if you are an individual, then the notice must be signed by you or your legal personal representative or trustee in bankruptcy and (b) if you are a corporation, then the notice must be signed by the corporation or by a representative appointed for the corporation in accordance with the articles of the Company.

NON-REGISTERED BENEFICIAL SHAREHOLDERS

If your Common shares are not registered in your own name, then they are being held in the name of an intermediary (which is usually a trust company, a securities dealer or broker, a bank or another financial institution) or in the name of a clearing agency such as the Canadian Depository for Securities Limited. You are usually called either a non-registered or a beneficial shareholder or owner. These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

There are various procedures for the voting of your Common shares, and these procedures may vary among intermediaries and clearing agencies in ways over which the Company has no control. **If you are a beneficial shareholder, you should carefully follow the instructions of the intermediary or clearing agency, including instructions regarding when and where any voting instruction form or proxy form is to be delivered. Unless you follow these instructions you are not entitled to attend the Meeting in person and your attendance will be solely at the discretion of the Company.**

Typically, you will receive one of the following:

1. **A Computershare voting instruction form.** This is a form also known as a VIF. If you receive a VIF and wish to vote at the Meeting, you must either (a) complete the VIF and return it to Computershare or (b) follow the instructions in the VIF to vote by telephone or on the Internet. The telephone or Internet voting should be completed or the VIF should be received by Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 5:00 p.m. (Toronto time) on Wednesday, June 22, 2011, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of such reconvened meeting. If you wish also to attend the Meeting in person and vote (or have another person **attend** and vote on your behalf), you must follow the instructions in the VIF. **Unless you follow these instructions you are not entitled to attend the Meeting in person and your attendance will be solely at the discretion of the Company.**

2. **A facsimile signed proxy.** This is a proxy which has been signed by the intermediary (typically by a facsimile, stamped signature) and already indicates the number of Common shares you beneficially own but that is otherwise uncompleted. You do not need to sign this form. If you receive a facsimile signed proxy and you wish to vote at the Meeting, you must properly complete and sign the proxy and deposit it with Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 5:00 p.m. (Toronto time) on Wednesday, June 22, 2011, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of such reconvened meeting. If you wish also to **attend** the Meeting in person and vote (or have another person attend and vote on your behalf), simply strike out the names of the persons indicated in the proxy form and insert your (or such other person's) name in the blank space provided. **Unless you follow these instructions you are not entitled to attend the Meeting in person and your attendance will be solely at the discretion of the Company.**

3. **A Broadridge proxy form.** This is a form of proxy provided by Broadridge Financial Solutions ("**Broadridge**") in accordance with arrangements often made by brokers to delegate the responsibility for obtaining voting instructions to Broadridge. If you receive a Broadridge proxy form and wish to vote at the Meeting, you must return the Broadridge proxy form to Broadridge or follow the instructions on the form for telephone voting. Broadridge will tabulate the results and then provide instructions to Computershare respecting the voting of shares to be represented at the Meeting. You must return the proxy to Broadridge or give the telephone voting instructions well in advance of the Meeting in order to have your shares voted. If you wish also to **attend** the Meeting in person and vote (or have another person attend and vote on your behalf), simply strike out the names of the persons indicated in the proxy form and insert your (or such other person's) name in the blank space provided. **Unless you follow these instructions you are not entitled to attend the Meeting in person and your attendance will be solely at the discretion of the Company.**

If you have any questions about this Circular or how to vote, please contact Canaccord Investor Relations at +1 (416) 869-7293.

Revoking your proxy

A non-registered shareholder may revoke a proxy or voting instruction form which has been given to an intermediary by written notice to the intermediary. In order to ensure that an intermediary acts upon a revocation of a proxy form or voting instruction form, the written notice should be received by the intermediary well in advance of the Meeting.

PROVISIONS RELATING TO VOTING OF PROXIES

If you are a registered Shareholder and submit a proxy in the form of the proxy form enclosed in the mailing to registered Shareholders (the "**Proxy**"), then the shares represented by the Proxy will be voted for, against or withheld from voting, as applicable, in accordance with your instructions on any ballot that may be called for and, if you specify a choice to vote for, against or withhold from voting, as applicable, with respect to any matter to be acted upon, the shares will be voted accordingly. If you return a form of proxy but do not give any instructions or specify how you would like your shares to be voted, then your shares will be voted in favour of all proposals set out in the Proxy and for the election of directors and the appointment of the auditors as set out in this Circular.

The Proxy gives the person named in it the discretion to vote as he or she sees fit on any amendments or variations to matters identified in the notice of meeting and on any other matters which may properly come before the Meeting. At the date of this Circular, the management of the Company is not aware of any of those amendments, variations or other matters which may come before the Meeting other than those referred to in the notice of meeting.

SIGNIFICANT EQUITY RESTRICTIONS

Pursuant to rules established by certain securities regulatory authorities in Canada and the United States, the ownership of shares of an investment dealer or broker dealer is subject to certain restrictions. To enable the Company and its subsidiaries to comply with these requirements, the articles of the Company contain the following provisions.

At any time if proxies are solicited from shareholders at any meeting of shareholders or before such a meeting, the Company may require a declaration with respect to the holding of shares of the Company as beneficial owner and any other matter that the directors consider relevant to determine if the holding of shares by any person could violate the articles or applicable legislative or regulatory requirements.

The Company has the power to withdraw the voting rights of any share of any class if:

- (a) a person beneficially owns or controls, directly or indirectly, a “significant equity interest” in the Company and has not obtained the required approvals from all relevant securities regulatory authorities;
- (b) a person who wishes to exercise voting rights, in person or by proxy, refuses to sign and deliver, with respect to his or her beneficial ownership of shares of the Company, a declaration or other information reasonably necessary to assist the directors in making their determinations under the articles; or
- (c) if the directors have determined, on the basis of the declaration or information provided by a person who wishes to exercise voting rights, that such person may own or control, directly or indirectly, a “significant equity interest” in the Company and has not obtained the required approvals from all relevant securities regulatory authorities.

For these purposes, a “significant equity interest” in the context of the Company means:

- (a) in respect of the applicable rules of the Investment Industry Regulatory Organization of Canada Inc. (IIROC) and the TSX Venture Exchange Inc., the holding of: (i) voting securities carrying 10% or more of the votes carried by all voting securities of the Company, (ii) 10% or more of the outstanding participating securities of the Company or (iii) an interest of 10% or more of the total equity in Canaccord Genuity Corp. (a wholly-owned subsidiary of the Company);
- (b) in respect of the applicable rules of the Toronto Stock Exchange, the holding, directly or indirectly and alone or in combination with any other person, of securities: (i) carrying 20% or more of the votes carried by all voting securities, (ii) carrying the right to receive 20% or more of any distribution of earnings or (iii) accounting for 20% or more of the total capital or equity of the Company;
- (c) in respect of the applicable rules of the Bourse de Montréal Inc. (where a significant equity interest is referred to as a “major position”), having the power to direct or cause the direction of the management or policies of Canaccord Genuity Corp. whether through ownership of securities, by contract or otherwise, and a Person is considered to hold a major position in the capital of the Company pursuant to the rules of the Bourse if such person, directly or indirectly: (i) has the right to vote 10% or more of the voting securities or (ii) is entitled to receive 10% or more of the net profits of the Company;
- (d) in respect of the applicable rules of the Autorité des marchés financiers in Québec, the direct or indirect ownership or holding of more than 10% of the voting rights attached to securities issued by the Company; and
- (e) in respect of the applicable rules of the Financial Industry Regulatory Authority (FINRA) in the United States, a change in the equity ownership of the Company that results in one person or entity directly or indirectly owning or controlling 25% or more of the equity.

The *Financial Services and Markets Act 2000* (UK) places an obligation on controllers and proposed controllers of Canaccord Genuity Limited to obtain the approval of the Financial Services Authority before becoming a controller or increasing the level of control held (in certain circumstances). Failure to obtain approval is an offence under section 191(3) of the *Financial Services and Markets Act 2000* (UK). A “controller” in the context of Canaccord Genuity Limited is a Person who (along with his or her associates) holds 10% or more of the shares in the Company or is able to exercise significant influence over the management of the Company through his or her shareholding in the Company.

Quorum

The Articles of the Company provide that a quorum for the transaction of business at the Meeting is two persons who are, or who represent by proxy, Shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The directors of the Company have set May 20, 2011 as the Record Date for determining which Shareholders are entitled to vote at the Meeting. Only registered Shareholders on May 20, 2011 are entitled to vote at the Meeting or at any adjournment or postponement of the Meeting. Each registered Shareholder has one vote for each Common share held at the close of business on May 20, 2011. On that date, the Company had 82,868,282 Common shares outstanding.

To the knowledge of the directors and executive officers of the Company, as of May 20, 2011, there was no person or company which beneficially owned, or controlled or directed, directly or indirectly, Common shares carrying 10% or more of the voting rights attached to the Common shares.

ELECTION OF DIRECTORS

For the upcoming Annual General Meeting, management proposes an important change in the composition of the Board of Directors and an important change in the way in which the Board is elected. The management of the Company proposes to nominate a majority independent Board of Directors, and the Board has adopted a majority voting policy. The two key committees of the Board are the Audit Committee and the Corporate Governance and Compensation Committee (which also functions as the nominating committee for the Board). In the past fiscal year, all of the members of these key committees have been independent directors and that practice will continue. Although neither the Group Chairman nor the Chairman and Founder is an independent director, the Board of Directors has had an independent director as the Lead Director and that practice will continue. The directors of the Company are elected by its shareholders at each annual general meeting and serve for a one year term until the next annual general meeting or until they resign or their successors are duly elected or appointed.

The management of the Company proposes to nominate the persons listed in the following table for election as directors of the Company to serve until the next annual general meeting or they resign or their successors are duly elected or appointed. In the absence of instructions to the contrary, proxies given pursuant to the solicitation by the management of the Company will be voted for the nominees listed in this Circular. **Management does not contemplate that any of the nominees will be unable to serve as a director. If any vacancies occur in the slate of nominees listed in the following table before the Meeting, management will exercise discretion to vote the Proxy for the election of any other person or persons as directors.**

The following table sets out the names of the nominees for election as directors, the offices they hold within the Company, their principal occupations, the length of time they have served as directors of the Company, the members of each standing committee of the Board of Directors and the number of Common shares of the Company and its subsidiaries beneficially owned, directly or indirectly, or controlled or directed by each proposed director. For the annual general meeting held on June 24, 2010, each of these directors was nominated for election. Voting was conducted as a slate, and the number of votes cast in favour of the slate exceeded the number of votes withheld against the slate.

The information as to shares and other securities beneficially owned has been provided by the directors themselves and, unless otherwise indicated, is current as of April 30, 2011.

Name and residence	Position with the Company	Principal occupation	Director since	Shares owned
Charles N. Bralver Westport, Connecticut	Director	Partner, Massif Partners	2010	Nil ⁽³⁾
Peter M. Brown ⁽¹⁾ Vancouver, British Columbia	Chairman and Founder and director	Chairman and Founder of the Company and Canaccord Genuity Corp.	1997 ⁽¹⁾	1,250,000
Massimo C. Carello ^(2, 3) London, England	Director	Corporate director and private investor in public companies	2008	40,000 ⁽³⁾
William J. Eeuwes ^(2, 4, 5) Burlington, Ontario	Director	Senior Vice President and Managing Director of Manulife Capital	2002	Nil ⁽³⁾
Michael D. Harris ^(4, 6) Vaughan, Ontario	Director	Senior business advisor of Cassels Brock & Blackwell LLP	2004	46,000 ⁽³⁾
David J. Kassie ⁽⁷⁾ Toronto, Ontario	Group Chairman and director	Group Chairman of the Company and Canaccord Genuity Corp.	2010	3,271,660 ⁽⁸⁾
Terrence A. Lyons ^(2, 4, 9) Vancouver, British Columbia	Lead Director	Chairman of the Board of Northgate Minerals Corporation	2004	30,000 ⁽³⁾
Paul D. Reynolds Vancouver, British Columbia	Chief Executive Officer and director	Chief Executive Officer of the Company	2005	909,248 ⁽¹⁰⁾
Michael A. Walker West Vancouver, British Columbia	Director	Private equity investor; Senior Fellow of The Fraser Institute and President of The Fraser Institute Foundation	2006	19,535 ⁽³⁾

⁽¹⁾ In 1968 Mr. Brown joined the company that formerly carried on the business of Canaccord Genuity Corp.; he became a director of the Company in 1997 when the Canaccord corporate group was reorganized and the Company was incorporated.

⁽²⁾ Member of the Audit Committee.

⁽³⁾ In addition, each of the independent directors (except Messrs. Bralver and Carello) has been granted options to purchase up to 100,000 Common shares of the Company and, effective from April 1, 2011, will receive deferred share units. Mr. Bralver only became a director in February 2010 and has been granted options to purchase up to 25,000 Common shares of the Company. Mr. Carello only became a director in August 2008 and has been granted options to purchase up to 75,000 Common shares of the Company.

⁽⁴⁾ Member of the Corporate Governance and Compensation Committee.

⁽⁵⁾ Mr. Eeuwes was a director of a private company, Micro-Optics Development Corp., until April 2003. Within a year after his resignation as a director, that company was subject to a court appointed trustee and filed for court protection under insolvency statutes.

⁽⁶⁾ Mr. Harris was a director of Naturade, Inc., a company publicly traded in the United States, until August 2006. Within a year after his resignation as a director, that company filed for reorganization under Chapter 11 of the US Bankruptcy Code. Mr. Harris is a director of Grant Forest Products Inc. On June 25, 2009, the Ontario Superior Court of Justice (Commercial List) made an order under the Companies' Creditors Arrangement Act (CCAA) in respect of Grant Forest Products Inc.

⁽⁷⁾ Mr. Kassie was Chairman and a director of SkyPower Corporation at the time when, on August 12, 2009, the Ontario Superior Court of Justice (Commercial List) made an order under the CCAA in respect of SkyPower Corporation. The realizations in the estate of the corporation (now called Interwind Corp.) are ongoing and any shortfall to the creditors is unknown at this time.

⁽⁸⁾ Of these shares, 169,120 are owned by a trust of which Mr. Kassie is one of the beneficiaries.

⁽⁹⁾ Mr. Lyons was a director and executive officer of FT Capital Ltd. (FT Capital) which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Manitoba and Ontario due to the failure of FT Capital to file financial statements since the financial year ended December 31, 2001. FT Capital was wound up and dissolved on June 30, 2009 and Mr. Lyons ceased to be a director. Mr. Lyons is also a director of Royal Oak Ventures Inc. (Royal Oak), which is currently subject to cease trade orders in each of the provinces of British Columbia, Alberta, Ontario and Quebec due to the failure of Royal Oak to file financial statements since the financial year ended December 31, 2003. Mr. Lyons was a director of International Utilities Structures Inc. (IUSI) which, on October 17, 2003, was granted creditor protection by the Court of Queen's Bench in Alberta under the CCAA. On March 31, 2005 an order was granted approving the final IUSI restructuring plan under the CCAA at which time Mr. Lyons resigned as a director. Mr. Lyons was elected to the boards of directors of each of FT Capital, Royal Oak and IUSI largely because of his valuable experience and expertise in financial restructurings in the insolvency context.

⁽¹⁰⁾ In addition, Mr. Reynolds participates in the Company's LTIP. See "Long Term Incentive Plan (LTIP)" on page 33. Mr. Reynolds holds 293,823 restricted share units. Mr. Reynolds has also been granted options to acquire an additional 117,318 Common shares of the Company. See "Share Option Plan" on page 35.

MAJORITY VOTING

Under applicable corporate law, shareholders can only vote “for” or “withhold” their vote for directors, but may not vote “against” them. As a result, a single “for” vote can result in the election of a director, irrespective of the number of “withhold” votes. In connection with the Meeting, the proxy forms used for the election of directors will enable shareholders to vote in favour of, or withhold their vote for, each director nominee separately. The Board has voluntarily adopted a majority voting policy requiring directors to submit their resignation in circumstances (excluding contested elections) where the number of votes withheld is greater than the number of votes cast for the director. This policy is effective in respect of the elections taking place at the 2011 Annual General Meeting of shareholders.

In the event of a contested election, where the number of nominees for director exceeds the number of directors to be elected, subject to applicable law, the voting method to be applied for purposes of electing directors at the meeting will be determined by the chair of the meeting in his or her sole discretion. For greater certainty, the chair of the meeting may, in the context of a contested election, use slate voting for director elections.

BACKGROUND OF THE NOMINEES

Set forth below is a brief profile of each of the nominees for election as a director of the Company. Other than as set forth below, each nominee has held the same principal occupation for the last five years.

Charles (Chuck) Bralver is a partner at Massif Partners LLP, an integrated asset management firm in Greenwich, Connecticut. From May 2007 to September 2010, he was the Senior Associate Dean for International Business and Finance at the Fletcher School of Law and Diplomacy at Tufts University. Mr. Bralver was a founding partner of Oliver Wyman & Company where from 1984 through 2007 he held several positions, including Vice Chairman, Head of Europe, Head of North America and Head of the Global Capital Markets Practice. From 2007 to 2009 he served as a strategic advisor to the Financial Services Practice at Warburg Pincus LLC. He also serves on the Senior Advisory Board of Oliver Wyman and as a member of the Board of Visitors of the Fletcher School (where he chairs its Center for Emerging Market Enterprises) and of the John Sloan Dickey Center for International Affairs at Dartmouth College.

Mr. Bralver has an MA and an MALD (Master of Arts in Law and Diplomacy) with highest distinction in International Business and Energy Economics from the Fletcher School, Tufts University and an AB in International Relations and History from Dartmouth College, Hanover, New Hampshire where he was a Rufus Choate Scholar.

In addition to Canaccord Financial Inc., Mr. Bralver is a director of the following public company: NewStar Financial, Inc. Mr. Bralver attended all of the seven meetings of the Board of Directors held between April 1, 2010 and May 20, 2011.

Peter Brown, O.B.C., LL.D., is the Chairman and Founder and a director of the Company and Canaccord Genuity Corp. He was the Chief Executive Officer of the Company and Canaccord Genuity Corp. (then named Canaccord Capital Corporation) until August 1, 2007. Mr. Brown entered the securities industry in 1962 with Greenshields Incorporated. In 1968 he joined Hemsworth, Turton & Co., Ltd., which subsequently became known as Canaccord Capital Corporation, then Canaccord Financial Ltd. and now Canaccord Genuity Corp. Since 1968, Mr. Brown has been an active participant in the Canadian capital markets. Over the years, Mr. Brown has served on the boards of industry associations and numerous non-profit, private sector and crown corporations. He is currently a member of the Economic Advisory Council for the Canadian federal Minister of Finance, the B.C. member of the Advisory Committee for the Canadian Securities Transition Office and a member of the board of directors of the Investment Industry Association of Canada and is a past member of the board and of the executive committee of the Investment Dealers Association (the predecessor to the Investment Industry Regulatory Organization of Canada (IIROC)). He served as a member nominated by the Government of Canada of the board of directors of the Vancouver Organizing Committee of the 2010 Olympic and Paralympic Winter Games (VANOC). He is a past Chairman of the Board of the University of British Columbia, the Vancouver Stock Exchange, BC Place Corporation and BC Enterprise Corporation. He was also the Vice Chairman of Expo '86 Corporation. He is the chairman of the board of trustees for The Fraser Institute, a Canadian research organization. He is a past member of the Chief Executives Organization and the Young Presidents Organization. He is a former member of the board of governors of the Atlantic Institute for International Affairs, the CICA Accounting Research Advisory Board, the board of trustees of the Vancouver Art Gallery and the Council for Business and the Arts in Canada. Mr. Brown is a past recipient of the BC Chamber of Commerce Businessman of the Year award.

He was awarded the BC & Yukon Chamber of Mines Financier Award for 2000, the Ernst & Young Pacific Entrepreneur of the Year Award for 2001 and in 2002 the Distinguished Service Award by the Prospectors and Developers Association of Canada. In 2003, Mr. Brown received a Commemorative Medal for the Golden Jubilee of Her Majesty Queen Elizabeth recognizing his community service and he was awarded the Order of British Columbia recognizing his fundraising efforts for various charities and organizations in British Columbia as well as the vital role he has played in financing hundreds of British Columbia businesses. In 2004, Mr. Brown was named "Person of the Year" by the Brotherhood Inter-Faith Society of British Columbia. In 2005, Mr. Brown received an honorary Doctor of Laws from the University of British Columbia and in 2007 received the Distinguished Graduate Award from St. George's School. In 2009, Mr. Brown received the Ted Ticknor Award for distinguished service from Big Brothers of Greater Vancouver and the Fraser Institute's T. Patrick Boyle Founder's Award for his contributions to economic freedom and entrepreneurship. In 2010, Mr. Brown was inducted into the Canadian Mining Hall of Fame, became the first civilian to receive the Chief Constable's Citation from the Vancouver City Police and received the Ernst & Young Entrepreneur of the Year 2010 Pacific Lifetime Achievement Award. In 2011, Mr. Brown was inducted into the Business Laureates of the B.C. Hall of Fame.

Mr. Brown is not a director of any public companies other than Canaccord Financial Inc. Mr. Brown attended all of the seven meetings of the Board of Directors held between April 1, 2010 and May 20, 2011.

Massimo Carello, K.C.F.O., is a corporate director and a private investor in public companies. Mr. Carello was the Chairman and Chief Executive Officer of Diners Club UK Ltd. from 2001 to 2004. In that capacity, he re-launched the famous Diners Club brand throughout the United Kingdom and Ireland. He was the Chairman and Chief Executive Officer of Fiat UK Ltd. from 1990 to 2001. In that capacity he developed Fiat in the United Kingdom from a car importer into a major industrial and diversified group with over 8,000 employees.

Mr. Carello started his career in 1972 in Pan-European automotive manufacturing with Lucas Industries PLC in the United Kingdom and Carello SpA. The Carello company was established in Turin, Italy by his great-grandfather in 1876 as a coach lamp maker and later became one of the world's largest headlamp producers. From 1980 to 1987, he was the Chief Executive Officer of Carello SpA. The company became the third largest European headlamp producer before being sold to the Fiat Group. From 1988 to 1990 he was the Senior Vice President of Magneti Marelli SpA and directed a business in automotive components with manufacturing sites in the UK and Italy and worldwide sales to all major car manufacturers.

Mr. Carello served as a member of the Confederation of British Industry (CBI) Presidents Committee from 1998 to 2003 and was a member of the CBI European Committee. He was Vice President of the Italian Chamber of Commerce in the UK from 1998 to 2005. He lives in London, England, and is a Knight Commander of the Royal Order of Francis 1 of the Two Sicilies. Mr. Carello holds a degree in Political Sciences from Turin University.

In addition to Canaccord Financial Inc., Mr. Carello is a director and a member of the Audit Committees of the following public companies: Canadian Overseas Petroleum Ltd. and Orsu Metals Corporation. Until December 2010, he was also a director and a member of the Audit Committee of Uranium One Inc. Of the meetings of the Board of Directors and the committee on which he served held between April 1, 2010 and May 20, 2011, Mr. Carello attended six of the seven meetings of the Board of Directors and all of the five meetings of the Audit Committee.

William (Bill) Eeuwes is Senior Vice President and Managing Director of Manulife Capital, a division of The Manufacturers Life Insurance Company. He has executive responsibility for four alternative assets teams in Canada: Manulife Capital (private equity and mezzanine), Project Finance (power and infrastructure), Regional Power Inc. and NAL Resource Management Limited (oil and gas). Before joining Manulife in 1999, Mr. Eeuwes was a career banker with 25 years of experience in underwriting and the management of a broad range of financing including LBOs, corporate lending and project finance. Mr. Eeuwes is a graduate of the Richard Ivey School of Business at the University of Western Ontario.

In addition to Canaccord Financial Inc., Mr. Eeuwes is a director of the following public company: NAL Energy Corporation, which is listed on the Toronto Stock Exchange. Of the meetings of the Board of Directors and the committees on which he served held between April 1, 2010 and May 20, 2011, Mr. Eeuwes attended six of the seven meetings of the Board of Directors, all of the five meetings of the Audit Committee and all of the eight meetings of the Corporate Governance and Compensation Committee.

Michael Harris, ICD.D, is a senior business advisor with the law firm of Cassels Brock & Blackwell LLP in Toronto, and the President of his own consulting firm, Steane Consulting Ltd., and, in this capacity, acts as a consultant to various Canadian companies. Before 2009, he was a senior business advisor with the law firm of Goodmans LLP in Toronto.

Mr. Harris was born in Toronto in 1945, and was raised in Callander and North Bay, Ontario. Before his election to the Ontario Legislature in 1981, Mike Harris was a schoolteacher, a school board trustee and chair and an entrepreneur in the Nipissing area. On June 8, 1995 Mr. Harris became the 22nd Premier of Ontario following a landslide election victory. In 1999, he was re-elected – making him the first Ontario Premier in over 30 years to form a second consecutive majority government.

In addition to sitting on several boards of Canadian corporations, he also serves as a director of the Tim Horton Children's Foundation and the Mount Royal University Foundation. He is the Honorary Chair of the North Bay District Hospital Capital Campaign and the Nipissing University and Canadore College Capital Campaign. Mr. Harris is also a Senior Fellow of The Fraser Institute. He has received his ICD.D certification from the Institute of Corporate Directors.

In addition to Canaccord Financial Inc., Mr. Harris is a director of the following public companies: Chartwell Seniors Housing Real Estate Investment Trust, FirstService Corporation, Magna International Inc. and Routel Inc. He chairs the board of directors of Magna International Inc. and Routel Inc. and the board of trustees of Chartwell Seniors Housing Real Estate Investment Trust. Of the meetings of the Board of Directors and the committee on which he served held between April 1, 2010 and May 20, 2011, Mr. Harris attended six of the seven meetings of the Board of Directors and all of the eight meetings of the Corporate Governance and Compensation Committee.

David Kassie became Group Chairman and a director of the Company on the closing of the acquisition of Genuity Capital Markets, a Canadian investment bank, on April 23, 2010. He was the Principal, Chairman and Chief Executive Officer of Genuity Capital Markets from 2004 until May 9, 2010, when the integration of the businesses of Genuity Capital Markets and Canaccord Financial Ltd. was completed under the name Canaccord Genuity. Before 2004, he was Chairman and Chief Executive Officer of CIBC World Markets and the Vice Chairman of CIBC. Mr. Kassie has extensive experience as an advisor, underwriter and principal. Mr. Kassie sits on a number of corporate boards and he was a director of Alliance Atlantis Communications Inc. from 1992 to 2007. Mr. Kassie is actively involved in community and charitable organizations and is on the boards of directors of the Hospital for Sick Children, the Richard Ivey School of Business at the University of Western Ontario and the Toronto International Film Festival Group. Mr. Kassie holds a B.Comm. (Honours) in Economics from McGill University, and an MBA from the University of Western Ontario.

In addition to Canaccord Financial Inc., Mr. Kassie is a director of the following public companies: ACE Aviation Holdings Inc. and AIM Health Group Inc. Mr. Kassie attended all of the seven meetings of the Board of Directors held between April 1, 2010 and May 20, 2011.

Terrence Lyons is the Chairman of Northgate Minerals Corporation. Northgate is constructing the three million ounce Young Davidson project in Ontario, operates two gold mines in Australia and is in the process of expanding its Kemess Mine underground in Northern British Columbia.

Mr. Lyons is a Civil Engineer (UBC) with an MBA from the University of Western Ontario. He sits on the Advisory Board of the Richard Ivey School of Business and is active in sports and charitable activities, is a past Governor of the Olympic Foundation of Canada, past Chairman of the Mining Association of BC and in 2007 was awarded the INCO Medal by the Canadian Institute of Mining and Metallurgy for distinguished service to the mining industry.

In addition to Canaccord Financial Inc. and Northgate Minerals Corporation, Mr. Lyons is a director of the following public companies: Diamonds North Resources Ltd., Eacom Timber Corporation, Pacific Wildcat Resources Corporation, Polaris Minerals Corporation, Reliable Energy Ltd., Sprott Resource Corp. and TTM Resources Inc. He is also a director of the BC Pavilion Corporation (PavCo) as well as several private corporations.

Of the meetings of the Board of Directors and the committees on which he served held between April 1, 2010 and May 20, 2011, Mr. Lyons attended all of the seven meetings of the Board of Directors, all of the five meetings of the Audit Committee and all of the eight meetings of the Corporate Governance and Compensation Committee.

Paul Reynolds was appointed the President of the Company in August 2006 and the Chief Executive Officer of the Company in August 2007. He was previously the Chief Operating Officer of Canaccord Genuity Limited; in that capacity, he was responsible for managing Canaccord's office in London, England and is very active in Canaccord's European investment banking operations. As of April 1, 2005, Mr. Reynolds was appointed Vice Chair, Head of Global Capital Markets, for the Canaccord Group; in that capacity, he led Canaccord's capital markets division. Mr. Reynolds has over 26 years of experience in the securities industry beginning as a trader on the floor of the Vancouver Stock Exchange. He joined Canaccord in 1985. He worked as an Investment Advisor with Canaccord in Vancouver and specialized in financing emerging and developing companies in the technology and biotechnology sectors and largely focused on institutional clients principally in Europe. In 1999, he moved to London, England to become the President of Canaccord Genuity Limited. He has been integral to the development of Canaccord's business in Europe and a primary contributor to the successful progress that Canaccord has made in positioning itself as an active participant in the European equity markets specializing in small to medium sized emerging companies.

In addition to Canaccord Financial Inc., Mr. Reynolds is a director of the following public company: Eacom Timber Corporation. Mr. Reynolds attended all of the seven meetings of the Board of Directors held between April 1, 2010 and May 20, 2011.

Michael Walker, LL.D., D.S.S., is a Senior Fellow at The Fraser Institute and President of The Fraser Institute Foundation. From its inception in 1974, until September 2005, Michael Walker directed the activities of The Fraser Institute. Before that he taught at the University of Western Ontario and Carleton University and was employed at the Bank of Canada and the Federal Department of Finance. He received his Ph.D. at the University of Western Ontario and his BA at St. Francis Xavier University.

As an economist, he has authored or edited 45 books on economic topics. His articles on technical economic subjects have appeared in professional journals in Canada, the United States and Europe, including the *Canadian Journal of Economics*, the *American Economic Review*, the *Journal of Finance*, the *Canadian Tax Journal*, *Health Management Quarterly*, *Weltwirtschaftliches Archiv* and *Health Affairs*. He is the co-founder, with Milton and Rose D. Friedman, of the Economic Freedom of the World project, which is now a collaboration of 70 countries and produces the annual Economic Freedom of the World Index.

As a journalist, he has written more than 700 articles which have appeared in 60 North American newspapers including the *Globe and Mail*, the *Wall Street Journal*, the *National Post*, the *Vancouver Sun*, the *Chicago Tribune*, the *Reader's Digest*, the *Detroit News* and the *Western Star*. He has served as a regular columnist for the *Ottawa Citizen*, the *Financial Post* and the *Vancouver Province*. He has lectured to over 2,000 audiences at universities and in other venues on six continents.

Dr. Walker is not a director of any public companies other than Canaccord Financial Inc. He is a director of Mancal Corporation. He is also a director of a number of non-profit societies including The Milton and Rose D. Friedman Foundation.

He has received the Vancouver Rotary Service Above Self Award, the Colin M. Brown Freedom Medal and Award by the National Citizens' Coalition, an honorary Doctor of Laws degree from the University of Western Ontario, an honorary Doctor of Social Sciences degree from Universidad Francisco Marroquín and the Thomas Jefferson Award from the Association of Private Enterprise Education.

Dr. Walker attended six of the seven meetings of the Board of Directors held between April 1, 2010 and May 20, 2011.

APPOINTMENT OF AUDITORS

Ernst & Young LLP have been the auditors of the Company since June 21, 2004. The management of the Company intends to nominate that firm for re-appointment. Forms of proxy given pursuant to the solicitation of the management of the Company will, on any poll, be voted as directed and, if there is no direction, for the re-appointment of Ernst & Young LLP at a remuneration to be fixed by the directors.

For the fiscal year ended March 31, 2011, Ernst & Young LLP billed \$1,657,150 in audit fees, \$190,800 in audit related fees, \$276,700 in fees for tax compliance and preparation and \$516,150 in fees for tax advisory services including advisory work on various corporate tax matters including acquisition related tax advisory fees. For the fiscal year ended March 31, 2010, Ernst & Young LLP billed \$1,676,895 in audit fees, \$472,000 in audit related fees, \$476,345 in fees for tax compliance and preparation and \$368,205 in fees for tax advisory services including advisory work on various corporate tax matters including acquisition related tax advisory fees.

CORPORATE GOVERNANCE

Board of Directors

The Company currently has 15 directors, six of whom are independent of management as determined under applicable securities legislation. In order to facilitate the exercise of independent judgment by the Board of Directors, the Board has appointed a lead director and holds regular meetings without management directors present. The independent directors are Charles Bralver, Massimo Carello, William Eeuwes, Michael Harris, Terrence Lyons and Michael Walker. The other directors are not independent: Howard Balloch, Peter Brown, Philip Evershed, Matthew Gaasenbeek, Timothy Hoare, David Kassie, Mark Maybank and Paul Reynolds are members of the executive management of Canaccord; John Zaozirny is a director and paid employee of a subsidiary of the Company (Canaccord Genuity Corp.). At the Annual General Meeting, the Company proposes to reduce the size of the Board to nine; the current independent directors are being proposed for re-election and so the Board will consist of a majority of independent directors.

None of the independent directors work in the day-to-day operations of the Company or any of its subsidiaries, are party to any material contract with the Company or any of its subsidiaries or receive any fees from the Company or its subsidiaries, other than directors' fees and expenses.

More information about each director who is standing for election, including any relationship they have with the Company, and other directorships, can be found starting on page 9 of this Circular.

Neither the Group Chairman nor the Chairman and Founder is an independent director, but the Board of Directors has appointed Terrence Lyons, who is an independent director, as the Lead Director. There are written terms of reference for the Lead Director. In general, he is responsible to act as the liaison between management and the Board of Directors to ensure the relationships between management and the Board are conducted in a professional and constructive manner. This includes ensuring that the boundaries between the Board and management are clearly understood and respected by both management and directors and that the Board receives adequate and regular updates from the Chief Executive Officer and other members of management on all issues important to the Board's work. He provides support to the Corporate Governance and Compensation Committee in developing director criteria and potential candidates to be recommended for appointment to the Board and ensuring an adequate orientation and training program for new board members. He ensures that the Board has a process for assessing the performance of the Chief Executive Officer and ensuring that appropriate succession, development and compensation plans are in place for senior management. He reviews directors' conflict of interest issues as they arise.

The Lead Director is also responsible to receive and, if appropriate, determine action on any communications from interested parties that are addressed to the independent directors. Such communications can be sent to Mr. Lyons in writing by mail to 406 – 815 Hornby Street, Vancouver, BC V6Z 2E6.

Under the leadership of the Lead Director, at each meeting of the Board of Directors or one of its committees, the independent directors meet by themselves with the non-independent directors and members of management not in attendance. The independent directors have held seven such meetings between April 1, 2010 and May 20, 2011. The Board is supportive of individual directors and committee chairs engaging independent advisors at the expense of the Company in appropriate circumstances.

Board mandate and position descriptions

The Board of Directors assumes responsibility for the stewardship of the Company, acting as a whole and through its committees, and has approved a formal Board Governance Manual (the “**Mandate**”) including a written mandate for the Board and written position descriptions for the Group Chairman, the Chairman and Founder, the Chief Executive Officer, the Chief Operating Officer, the Lead Director, each individual director, each Board committee and the chair of each Board committee.

The Mandate for the Board of Directors of the Company is:

I. Introduction

1. The primary responsibility of the board of directors (“Board”) is to foster the long-term success of the Company consistent with the Board’s responsibility to the shareholders to maximize shareholder value.
2. These terms of reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

II. Composition and board organization

1. Nominees for directors are initially considered and recommended by the Board’s Corporate Governance and Compensation Committee, approved by the entire Board and elected annually by the shareholders of the Company.
2. Certain of the Board’s responsibilities referred to herein may be delegated to Board committees. The responsibilities of those committees will be as set forth in their terms of reference, as amended from time to time.

III. Duties and responsibilities

A. Managing the affairs of the Board

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. Subject to legal obligations and to the articles of the Company, the Board retains the responsibility for managing its own affairs, including:

- (a) planning its composition and size;
- (b) selecting its Chair;
- (c) nominating candidates for election to the Board;
- (d) appointing committees;
- (e) determining compensation for independent directors; and
- (f) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

B. Management and human resources

The Board has the responsibility for:

- (a) the appointment and succession of the Chief Executive Officer (CEO) and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO’s duties;
- (b) approving terms of reference for the CEO;
- (c) approving the corporate objectives that the CEO is responsible for meeting;
- (d) reviewing CEO performance at least annually, against agreed upon objectives;
- (e) to the extent feasible, satisfying itself as to the integrity of the CEO and other senior officers, and that the CEO and other senior officers create a culture of integrity throughout the Company;

- (f) approving certain decisions relating to senior management, including the:
 - (i) appointment and discharge of officers;
 - (ii) compensation and benefits for executive officers; and
 - (iii) acceptance of outside directorships on public companies by executive officers (other than not-for-profit organizations);
- (g) ensuring succession planning programs are in place, including programs to train and develop management; and
- (h) approving certain matters relating to all employees, including:
 - (i) the annual salary policy/program for employees; and
 - (ii) new benefit programs or material changes to existing programs.

C. Strategy and plans

The Board has the responsibility to:

- (a) adopt a process to develop a strategic plan for the Company that takes into account, among other things, the opportunities and risks of the business;
- (b) participate with management in the development of, and ultimately approve, the Company's strategic plan;
- (c) approve annual capital and operating plans which support the Company's ability to meet its strategic plan;
- (d) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company;
- (e) approve material divestitures and acquisitions; and
- (f) monitor the Company's progress towards its goals, and revise and alter its direction through management in light of changing circumstances.

D. Financial and corporate issues

The Board has the responsibility to:

- (a) take reasonable steps to ensure the implementation and integrity of the Company's internal control and management information systems;
- (b) monitor operational and financial results;
- (c) approve annual financial statements and quarterly financial results;
- (d) declare dividends;
- (e) approve financings, changes in authorized capital, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial paper, and related prospectuses and trust indentures; and
- (f) recommend appointment of external auditors and approve auditors' fees.

E. Business and risk management

The Board has the responsibility to:

- (a) ensure management identifies the principal risks of the Company's business and implements appropriate systems to manage these risks;
- (b) assess and monitor management control systems:
 - (i) evaluate and assess information provided by management and others (e.g., internal and external auditors) about the effectiveness of management control systems;
 - (ii) understand principal risks and review whether the Company achieves a proper balance between risk and returns, and that management ensures that systems are in place to address the risks identified; and
 - (iii) review an annual report of the Chief Compliance Officer which would include results of IROC audit changes in regulatory environment and other compliance initiatives.

F. Policies and procedures

The Board has the responsibility to:

- (a) review compliance with all significant policies and procedures by which the Company is operated;
- (b) direct management to ensure the Company operates at all times within applicable laws and regulations; and
- (c) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and other regulatory requirements).

G. Compliance reporting and corporate communications

The Board has the responsibility to:

- (a) ensure the Company has effective statutory and regulatory compliance reporting and systems;
- (b) ensure the Company has in place effective communication processes with shareholders and other stakeholders and financial, regulatory and other recipients, including the adoption of a communication policy for the Company;
- (c) approve interaction with shareholders on all items requiring shareholder approval;
- (d) ensure the Company's financial performance is adequately reported to shareholders, other securityholders and regulators on a timely and regular basis;
- (e) ensure the financial results are reported fairly and in accordance with generally accepted accounting principles;
- (f) report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report).

IV. General legal obligations of the board of directors

1. The Board is responsible for:
 - (a) directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained; and
 - (b) approving changes in the articles, matters requiring shareholder approval and agendas for shareholder meetings.
2. In British Columbia law, the directors of the Company are subject to fiduciary duties and obligations that are defined partly by common law and partly by statute. It is not possible to define comprehensively what the duties and obligations are, but the most important of them are the following:
 - (a) subject to the *Business Corporations Act* and the articles of the Company, the directors must manage or supervise the management of the affairs and business of the Company (s. 136(1), *Business Corporations Act*);
 - (b) each director must act honestly, in good faith and in the best interest of the Company (s. 142(1)(a), *Business Corporations Act*);
 - (c) each director must exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances (s. 142(1)(b), *Business Corporations Act*);
 - (d) every director who, in any way, directly or indirectly, is interested in a proposed contract or transaction with the Company must disclose the nature and extent of their interest at a meeting of the directors and will be liable to account for any profit made unless the procedures in the *Business Corporations Act* and the articles are followed (ss. 147 and 148, *Business Corporations Act*); and
 - (e) the directors will be personally liable under a number of provincial and federal statutes for such things as unpaid wages, unpaid GST and provincial social service tax remittances, unpaid employment insurance premiums, unpaid Canada Pension Plan remittances and unpaid income tax source deductions.
3. Such duties and obligations may be enforced by the Company, its shareholders or government agencies. Because the Company operates in a highly regulated environment, the special risk that the directors face is that these duties and obligations will be taken into account by the securities regulators in the context of the fitness of the directors to act as directors or to continue to be registered under securities legislation.

The Group Chairman has four primary roles: (a) to act as the chair of the meetings of the shareholders and as the presiding director at Board meetings and to manage the activities of the Board, including ensuring the Board is organized properly, functions effectively and meets its obligations and responsibilities; (b) to facilitate effective communications and relations with all stakeholders and the general public with particular emphasis on working with the Board and its appointees to facilitate timely decision making; (c) to work as an advisor to the Chief Executive Officer (the “CEO”) and senior management team ensuring that the performance and information requirements of the Board are met; and (d) to act as one of the primary spokespersons for Canaccord.

The CEO is accountable to the Board for providing overall leadership and direction to Canaccord. The CEO has direct access to the Board of Directors. The CEO supports the Board and its mandate and is accountable for ensuring Canaccord operates within the policy and strategy framework established by the Board. The CEO provides advice and counsel to the Board in all matters impacting Canaccord and provides effective operational leadership to the management and staff of the organization.

Orientation and continuing education

New director orientation is explicitly addressed in the written Board Operating Guidelines adopted by the Board and is a responsibility of the Corporate Governance and Compensation Committee. New directors are provided with substantial reference material pertaining to the Company, its strategic focus, financial and operating history, corporate governance practices and corporate vision. All directors receive a manual containing, among other things, constating documents, an organization chart of the Company and its subsidiaries, corporate fact sheets, list of committees and committee charters, and various corporate policies.

Ongoing director education is also explicitly addressed in the Board Operating Guidelines and is also a responsibility of the Corporate Governance and Compensation Committee. Regular background briefings are added to the agendas of meetings of the Board on topics relating to significant aspects of the Company's business and operations, including key business units and the legal, regulatory and industry requirements and environment in which the Company operates.

On a regular basis, the Board will visit the Company's major operating centres and receive briefings in areas of critical and strategic importance. The Board also meets each year in a dedicated board education session.

Annual performance evaluation of the Board

The Board has a policy for an annual performance evaluation of the Board, its committees and its individual directors. A detailed survey covering board organization, the Group Chairman, the Lead Director, management and human resources, strategy and plans, financial and corporate issues, shareholder communications and the function of Board committees is distributed annually to all directors. The survey is strictly confidential to encourage full and frank comments. The Lead Director then meets with each director individually to review the survey and recommendations and to review their role on the Board of Directors. The Corporate Governance and Compensation Committee also reviews the report and recommendations.

With the recommendations of the Corporate Governance and Compensation Committee, the full Board of Directors then assesses the effectiveness of the Board as a whole, the Board committees and the contributions of individual directors. The full Board then takes whatever steps are necessary, based on the feedback and surveys, to make any changes necessary to enhance the performance of the Board.

Ethical business conduct

The Board has adopted a written Code of Business Conduct and Ethics (the "**Code**") for the directors, officers and employees. It can be found among the documents filed by the Company on SEDAR at www.sedar.com and on the Company's website at www.canaccordfinancial.com (under "Investor Relations – Corporate Governance"). Directors will be required annually to acknowledge in writing their agreement to comply with the Code and a system is currently being implemented to require all employees to do likewise. To the knowledge of the Board, there have been no departures from the Code during fiscal 2011 that would have required the filing of a material change report.

Any director, officer or employee who becomes aware of any existing or potential violation of the Code is encouraged to notify the Lead Director (Terry Lyons). Mr. Lyons reports to the Board on compliance with the Code.

In accordance with the Code and the *Business Corporations Act* (British Columbia), any director who is aware of a material transaction or relationship that could reasonably be expected to give rise to a conflict of interest must discuss the matter promptly with the Lead Director and, in the case of matters considered by the Board, must disclose the interest to the Board and abstain from voting.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has delegated certain of its responsibilities to two standing committees which meet regularly and have specific roles and responsibilities as defined by the Board. These committees are made up solely of non-management directors, a majority of whom are independent of management as determined under applicable securities legislation. Both the Audit Committee and the Corporate Governance and Compensation Committee are composed entirely of independent directors.

The Board has also delegated specific responsibilities to two committees which meet only as required. The Stock Issuance Committee consists of the members of the Corporate Governance and Compensation Committee and the Chief Executive Officer and the Chief Operating Officer; it is delegated with the authority of the full Board to issue shares of the Company. The Borrowing Powers Committee consists of the Chief Executive Officer and the Chief Operating Officer; it is delegated with the authority of the full Board to borrow money and provide guarantees in relation to transactions in the normal course of the business of one or more of the subsidiaries of the Company where the transaction has been approved by one of the Board of Directors, executive committee, or "names" committee of such subsidiary or subsidiaries.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by monitoring the Company's financial reporting practices and financial disclosures. Specific responsibilities and duties of the Audit Committee include reviewing the Company's annual and interim consolidated financial statements, annual and interim management's discussion and analysis and press releases relating to them before dissemination to the public; assessing the Company's accounting policies including discussing the appropriateness of such policies with management and the Company's external auditors; assisting management to identify the Company's principal business risks; reviewing the external auditors' plans for evaluating and testing the Company's internal financial controls; and overseeing the Company's external auditors including approving the external auditors' terms of engagement. Members of the Audit Committee are appointed annually by the Board of Directors. The committee has full access to staff and resources. At all regular committee meetings during the year, a portion of the meeting is held without management present to allow a more open discussion.

The members of the Audit Committee are Terrence Lyons (Chair), William Eeuwes and Massimo Carello. Each of them is financially literate; that is, they are able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Messrs. Carello, Lyons and Eeuwes are independent of management as determined under applicable securities legislation. The Audit Committee met five times in the period from April 1, 2010 to May 20, 2011.

The Audit Committee has adopted a charter which specifically defines the roles and responsibilities of the Audit Committee. The Audit Committee has direct communication channels with the external auditors and the Chief Financial Officer and senior finance staff and discusses and reviews issues with each of them on a regular basis.

The Audit Committee is responsible to ensure management has designed and implemented an effective system of internal control.

The external auditors are recommended by the Audit Committee and appointed annually by the Company's shareholders. They report directly to the Audit Committee. After consultation with management, the Audit Committee is responsible for setting the external auditors' compensation. The external auditors attend each meeting of the Audit Committee, and a portion of each meeting is held without the presence of management. The Audit Committee reviews and approves annually the external auditors' audit plan and must approve any non-audit work by the external auditors. The policies for engagement of non-audit services also permit the chair of the Audit Committee to approve minor expenditures on non-audit services between meetings of the Audit Committee. The Chief Financial Officer and senior finance staff attend each meeting of the Audit Committee. The Audit Committee reviews and approves annually the internal audit plan.

Additional information about the Audit Committee (including the charter of the Audit Committee and details of external auditor service fees) is contained in the Company's annual information form (AIF) for the year ended March 31, 2011, which can be found on SEDAR at www.sedar.com and on the Company's website at www.canaccordfinancial.com (under "Investor Relations – Financial Reports"). The charter of the Audit Committee can also be found on the Company's website under "Investor Relations – Corporate Governance – Board of Directors".

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee's mandate includes the development and recommendation to the Board of Directors of appropriate corporate governance guidelines; the identification of future Board and committee members and the annual review of the Board's performance; evaluating the Chief Executive Officer's performance and determining his compensation; reviewing and making recommendations to the Board of Directors with respect to the compensation of all executive officers; fixing and determining (or delegating the authority to fix and determine) awards to employees of stock or stock options under the Company's incentive plans; and reviewing key human resources policies and programs. The committee also functions as the nominating committee for the Board.

The process by which the Board determines compensation for directors is described in this Circular under the heading "Compensation of directors" on page 30 and the process by which the Board determines compensation for officers and employees is described in this Circular under the heading "Compensation discussion and analysis" on page 21.

Composition of the Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee must be composed of at least three members who are independent of management, each of whom is appointed annually by the Board of Directors. The committee has full access to staff and resources. At all regular committee meetings during the year, a portion of the meeting is held without management present to allow a more open discussion.

The members of the Corporate Governance and Compensation Committee are Michael Harris (Chair), William Eeuwes and Terrence Lyons, each of whom is independent of management as determined under applicable securities legislation. The Corporate Governance and Compensation Committee met eight times in the period from April 1, 2009 to May 18, 2011.

Nomination of directors

The Corporate Governance and Compensation Committee reviews annually the general and specific criteria applicable to candidates to be considered for nomination to the Board. The objective of this review will be to maintain the composition of the Board in a way that provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of the Company. This review takes into account the desirability of maintaining a reasonable diversity of background skills and experience and personal characteristics among the directors, along with the key common characteristics required for effective Board participation.

Although it is the full Board that is responsible for identifying suitable candidates to be recommended for election to the Board by the shareholders, the Corporate Governance and Compensation Committee has the responsibility to gather the names of potential nominees, screen their qualifications against the current skill and experience needs of the Board and make recommendations to the full Board. All directors are encouraged to suggest potential candidates and the Group Chairman, the Chairman and Founder, and the Chief Executive Officer provide additional direct input to the process.

COMPENSATION DISCUSSION AND ANALYSIS

Philosophy and objectives

Compensation programs are designed to attract, retain and motivate top-quality professionals to support the success of the Company and enhance shareholder value.

Canaccord's compensation philosophy provides the foundation for all of the Company's employee compensation programs, including those for its executive officers. The philosophy includes the following key objectives that are the basis for designing programs to motivate behaviour that drives the Company's performance:

- establish performance based compensation programs tied to annual and long-term Company, business unit, business geography and individual goals, which are structured to align the interests of employees with those of shareholders;
- ensure that compensation opportunities are comparable to those at major competitors, so that the Company can attract, retain and motivate talented employees who are essential to the Company's long-term success; and
- deliver a significant portion of total compensation in equity based awards, thereby further aligning the financial interests of employees with those of shareholders and encouraging prudent long-term strategic decisions and risk management and encouraging long-term service and loyalty.

The nature of the securities industry requires a workforce of highly skilled professionals, who are in great demand due to the revenue they can generate and the judgment they exercise in managing risk. Historically, competition to attract and retain these professionals results in high levels of compensation relative to other industries.

The overall objective in determining total compensation levels across the Company is to balance competitive pressures in the market for professional talent with cost considerations. Since the securities industry is fundamentally a human capital intensive business, compensation and benefits are a significant and critical expense. These expenses (often referred to as the compensation ratio) are also heavily impacted by a firm's mix of business. Higher ratios are found in retail/banking groups, while lower ratios are found in businesses with a large trading component. In fiscal 2011, the Company's total compensation expense was 56.7% of gross revenues.

Among companies in the securities industry, the majority of executive compensation is provided in the form of a variable, performance based annual incentive that is delivered in both cash and equity awards. This approach creates strong alignment of pay with performance. The equity award portion of the Company's annual incentive compensation, which includes vesting provisions, creates employee ownership, encourages retention and further ties the compensation to the Company's future performance.

While the Company does not generally tie any elements of its compensation to compensation levels at other firms, when making decisions concerning compensation and benefits, the Company's Corporate Governance and Compensation Committee has reviewed analyses of compensation practices and financial performance among a peer group of other financial services firms in the Company's principal geographies. These firms are GMP Capital Inc., Raymond James Financial, Jefferies, Stifel, Nicolaus, Oppenheimer, Piper Jaffray, Keefe, Bruyette & Woods, SWS Group, FBR Capital Markets and Cohen & Steers. In addition to the publicly held companies included in Canaccord's peer group, the capital markets divisions of the Canadian chartered banks (where available) and other financial services firms, private firms and partnerships that operate within its industry, including asset management and private equity firms, also influence the Company's compensation levels.

Principal components of executive compensation

Historically, executive compensation has two principal components:

- base salary, which is based on the market value of the role, internal pay equity and the individual's demonstrated ability to perform; and
- incentive compensation, which is linked to the results of the executive's business unit and business geography or the Company as a whole, depending on their role in the organization, the strategic positioning of the Company and the leadership provided to the Company and individual business units and business geographies.

Equity compensation

Canaccord has a range of compensation related arrangements which involve an equity participation component available to all employees with an emphasis on top producers and senior management:

- for capital markets and senior operations and administration management, a long term incentive plan to defer a portion of their cash compensation to be paid in the form of restricted share units which vest over three years (the **"Long Term Incentive Plan"** or **"LTIP"**);
- for senior management, the one-time grant of stock options under the existing Share Option Plan;
- for top producers in Canaccord Wealth Management (CWM), the wealth management division of Canaccord, loans for the purchase of Common shares of the Company in the open market which are forgiven over a three-year period so long as the producer continues to be employed by Canaccord;
- for the independent directors of the Company, the grant of stock options under the existing Share Option Plan and, beginning effective April 1, 2011, a deferred share unit (DSU) plan to defer a portion of their cash compensation to be paid in the form of deferred share units which are settled in cash at the time of ceasing to be a director (the **"Deferred Share Unit Plan"** or **"DSU Plan"**); and
- for all full-time employees outside the United Kingdom, an employer contribution to match (on a one-for-one basis up to \$3,000 per year for each employee) the employee's contribution for the purchase of Common shares of the Company in the open market pursuant to an employee share purchase plan (the **"ESPP"**).

Canaccord Genuity compensation

Canaccord Genuity, the division of the Company which conducts investment banking, research and trading activities on behalf of corporate, institutional and government clients and principal trading, has operations in Canada, the United Kingdom, the United States and internationally. Compensation for the senior officers of this business unit is benchmarked against average compensation paid to senior officers of comparable financial institutions who hold similar positions and is designed to both recruit and retain the most talented individuals in the marketplace. Eligible employees of Canaccord Genuity participate in incentive compensation programs that are linked to both the performance of the capital markets group and the overall results of the Company and which reflect compensation practices within the industry in their geographic location. Individual bonuses are based on the results of the business unit and the contribution of the individual to that profitability.

All employees in the Canaccord Genuity capital markets division are eligible to participate in the Company's long term incentive plan. See "Long Term Incentive Plan (LTIP)" on page 33.

Canaccord Wealth Management compensation

Canaccord Wealth Management (CWM), Canaccord's wealth management division, has Investment Advisors located in offices across Canada. Compensation for the senior officers of the CWM division is benchmarked against average compensation paid to senior officers of comparable financial institutions who hold similar positions and is designed to both recruit and retain the most talented individuals in the marketplace.

Individual bonuses of senior officers of the CWM division are based on the results of the business unit which the senior officer oversees and the contribution of the senior officer to the profitability of that business unit.

Top CWM producers may be granted loans for the purchase of Common shares of the Company in the open market, which are forgiven over a three-year period so long as the producer continues to be employed by Canaccord.

Other benefits

Broad-based benefit plans. All employees, including the executive officers, are eligible to participate in the Company's broad-based benefits program consisting of medical, dental, life insurance, disability and other similar benefits. The Company provides these benefits in order to meet the basic health and welfare needs of its employees and their dependents. Employee contributions for medical and dental coverage are higher for more highly paid employees. Benefit plans are designed to be market competitive and consistent across the Company, but vary internationally based on local practice and statutory requirements.

Perquisites. The Company does not generally offer material perquisites or other personal benefits to executive officers other than benefits that are generally available on a non-discriminatory basis to all employees.

Compensation of named executive officers for fiscal 2011

This section provides a discussion of the Company's objectives when compensating its Chief Executive Officer (CEO), Paul Reynolds; its Chief Financial Officer (CFO), Brad Kotush; Managing Director, Global Co-Head of Investment Banking, Edward (Ted) Hirst; Managing Director, Global Co-Head of Investment Banking, Jens Mayer; and Managing Director, Investment Banking and Head of Public Venture Capital (PVC), Ali Pejman (collectively, the "**Named Executive Officers**" or "**NEOs**") with respect to fiscal 2011 and the policies the Company has implemented to achieve those objectives. It also outlines what each compensation program is designed to reward, each element of compensation, why the Company has chosen to pay each element, how the Company determined the amount it would pay, and how each compensation element fits into the Company's overall compensation objectives.

The following addresses what each objective of the Company's compensation program is designed to reward:

Performance based

The Company emphasizes variable compensation as the core of its compensation strategy to provide a powerful incentive to its NEOs to focus on financial performance and also to help stabilize net earnings as a percentage of revenues. A large part of the variable compensation is based on a fixed percentage of net income generated by the business. A consequence of the Company's variable compensation policy is that individual compensation for many executives of the Company is highly variable. In years with high revenues, aggregate compensation costs increase with the Company's performance. Conversely, when revenues decline, a substantial portion of the Company's aggregate compensation costs decrease as well.

Attract, motivate and retain talented employees

The Company is engaged in a highly competitive business, and its success depends on the leadership of senior executives and the talent of its key employees. In order to attract and retain highly capable individuals, the Company needs to ensure that its compensation programs provide competitive levels of compensation. Therefore, the Company reviews information concerning compensation paid to executive officers of comparable businesses including how executive compensation correlates to financial performance and how the Company's financial performance compares to that of the peer group.

Encourage long-term service and loyalty

The Company encourages long-term service and loyalty by fostering a culture where employees own shares of the Company. This ownership encourages its employees to act in the best long-term interest of the Company. The Company has minimum share ownership guidelines for all people who participate in the Company's Long Term Incentive Plan (LTIP).

Elements of compensation

For fiscal 2011, the compensation of the Company's NEOs included the following elements:

- base salary; the purpose is to attract, motivate and retain;
- executive profit share pool (CEO and CFO only); the purposes are to attract, motivate and retain and to reward individual merit and contribution at the overall corporate level;
- Canaccord Genuity capital markets profit share (outside Canada only); the purposes are to attract, motivate and retain and to reward individual merit and contribution in relation to the management of the Canaccord Genuity business units in various geographies;
- Canaccord Genuity capital markets compensation pool; the purposes are to attract, motivate and retain and to reward individual merit and contribution in relation to revenue generation of the Canaccord Genuity business units in various geographies;
- discretionary annual bonus; the purposes are to attract, motivate and retain and to reward individual merit and contribution at the overall corporate level;
- forgiveness of equity incentive loans; the purposes are to align the interests of the NEO with the long-term interests of the Company's shareholders and to encourage long-term service and loyalty;
- other benefits and perquisites including health and welfare benefits and the ESPP; the purposes are to align the interests of the NEO with the long-term interests of the Company's shareholders and to encourage long-term service and loyalty.

To the extent that any of these elements of compensation is paid in restricted share units (RSUs) under the LTIP, the purpose is also to align executive and shareholder interests and to encourage long-term service and loyalty.

The following further describes each element of compensation including how the Company determines the amount and how each element fits in the Company's overall compensation objectives:

Base salary

Canaccord Genuity Corp. pays the CEO and the CFO a base salary as a means to provide a non-performance based element of compensation that is certain and predictable and is generally competitive with market practices.

The base salary of the CEO is reviewed annually by the Corporate Governance and Compensation Committee. The base salary of the CFO is reviewed annually by the CEO based on a review of each of their roles and responsibilities and external market data for similar positions in which the Company competes for executive talent. The Company believes that providing a predictable base salary is essential to attract and retain talented executives and provide a compensation package that is perceived as fair. The determination of the appropriate level is subjective and not formulaic.

Executive profit share pool

The Company has established a variable incentive-based compensation policy whereby up to 8.4% of the net income (before taxes and certain other incentive compensation payments) of the consolidated Canaccord Group is paid to the senior management group (including the CEO and CFO) as part of the discretionary bonus discussed below.

Canaccord Genuity capital markets profit share (outside Canada only)

The Company has established a formulaic variable incentive-based compensation policy whereby 2.5% of the annual net income (before taxes and incentive compensation payments) of the Canaccord Genuity capital markets division in each of the principal geographies outside Canada (that is, the United Kingdom, the United States and internationally) is paid to the senior management in the geography as determined by senior Canaccord Genuity capital markets executives in the geography subject to approval by the CEO, the Chief Operating Officer (COO) and the CFO. The payments are allocated based entirely on merit and contribution to the revenue generated by Canaccord Genuity capital markets in the geography.

Canaccord Genuity capital markets compensation pool

The Company has established a formulaic variable incentive-based compensation policy whereby a certain percentage (45% to 50% in fiscal 2011) of revenue, adjusted by certain discretionary expenditures, of the Canaccord Genuity capital markets division in each of the principal geographies (Canada, the United Kingdom, the United States and internationally) is allocated to the Canaccord Genuity capital markets compensation pool. After the deduction of the salaries of the employees of Canaccord Genuity capital markets in the geography and certain other expenses, the balance is paid to the employees of Canaccord Genuity capital markets in the geography as determined by senior Canaccord Genuity capital markets executives in the geography subject to approval by the CEO, the COO and the CFO. The payments are allocated based entirely on merit and contribution to the revenue generated by Canaccord Genuity capital markets in the geography. Advances are paid monthly against anticipated semi-annual payments. In fiscal 2011, the CEO and Messrs. Hirst, Mayer and Pejman participated in the Canaccord Genuity capital markets compensation pool for Canada.

Discretionary bonus

A discretionary bonus for each of the NEOs is determined annually on the basis of an assessment of the performance of the executive and the attainment of goals set for the executive officer. The discretionary bonus is based on an overall review of the role and responsibilities of the executive officer and external market data for the same position in the markets in which the Company competes for executive talent.

The bonus for the CEO is determined by the Committee.

Stock based compensation

Unless exempted in accordance with the Long Term Incentive Plan, it is mandatory for those earning more than \$500,000 (in Canada), USD 500,000 (in the United States) or GBP 500,000 (in the United Kingdom), that at least 20% of profit share and bonus compensation that would otherwise be paid in cash (including the executive profit share, the Canaccord Genuity capital markets profit share, the Canaccord Genuity capital markets compensation pool and the discretionary bonus) will be paid in the form of a restricted stock award under the LTIP. The amount of each restricted stock award is 105% of the amount that would otherwise have been paid in cash.

Forgiveness of equity incentive loans

The Company has provided loans to certain employees for the purposes of partially funding the purchase of shares of the Company and increasing share ownership by the employees thereby encouraging a long-term focus and aligning the interests of the employees with the interests of its shareholders and encouraging long-term retention. The loans are forgiven over a four-year period from the initial advance of the loan or at the end of that four-year period. The loans are repayable on resignation or termination for cause. The CFO and Messrs. Mayer and Pejman had such loans outstanding for all or part of fiscal 2011.

Employment and change in control agreements

Mr. Hirst was one of the Genuity Committee Partners who, in connection with the acquisition of Genuity Capital Markets, entered into employment agreements which, among other terms, provide that in the case of his termination by his employer without just cause or his resignation in circumstances where the conduct of his employer would constitute constructive dismissal at law, Mr. Hirst would be paid, in addition to his pro rata salary and bonus up to the date of termination, severance in an amount equal to the "Severance Compensation" for each 12 month period (pro-rated for any period of less than 12 months) up until the expiry of the later of (i) 24 months following the date of termination and (ii) the five year term of the non-competition agreement Mr. Hirst entered into with the Company in connection with the acquisition, provided that the Company may, at its option, and in lieu of paying the amount described in (i) or (ii), within 90 days of the date of termination choose to reduce the period of the non-competition and non-solicitation restrictions to one year by paying an amount equal to one year's Severance Compensation. The Severance Compensation is the greater of \$2.0 million and the aggregate of (i) the executive's annual base salary as at the date of termination and (ii) the average of the annual performance bonuses paid or payable to the executive by the Company for the two fiscal years of the Company completed immediately prior to the date of termination (but for greater certainty, excluding any long term incentive plan, stock option, or equity awards, entitlements, and any payments in respect of any of the foregoing) or, if only one fiscal year of the Company has been completed by the date of termination, the annual performance bonus (if any) paid or payable to the executive for the fiscal year completed immediately prior to the date of termination. Mr. Hirst would also have the benefit of certain plans or policies in which he participates until the earlier of 12 months from the date of his termination or beginning new employment elsewhere.

The Company has agreed with Mr. Mayer that, for a period ending in May 2012, he has the right to resign for any reason with at least 60 days' notice provided he complies with certain succession and transition conditions. In the event of such a resignation, if he complies with a non-compete covenant for a 90 day "gardening leave" period and a 12 month non-solicit covenant following the end of the notice period, then all unvested restricted share units and unvested stock options will be vested, the forgiveness of outstanding forgivable loans accelerated and he will be paid salary and a cash bonus to the end of the gardening leave period. The bonus will be based on the average of his total bonuses for each of the three complete fiscal years before the date of his resignation. Mr. Mayer would also have the benefit of certain plans or policies in which he participates for 24 months from the date of his termination.

Canaccord does not have any other severance or employment agreements with any of its NEOs which provide for incremental payments, payables or benefits that are triggered by, or result from, any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the company or a change in the NEO's responsibilities. However, any unvested restricted share units or unvested stock options may be vested and the forgiveness of forgivable loans accelerated at any time at the discretion of the Board of Directors, the Corporate Governance and Compensation Committee or, subject to any guidelines determined by the Committee, the CEO, the COO or the CFO. It is expected that the exercise of this discretion would be considered in such circumstances as a change of control of the Company or the termination of employment by Canaccord.

SUMMARY COMPENSATION TABLE

The following table sets out the compensation for the NEOs for each of the Company's three most recently completed fiscal years:

Name and principal position (a)	Year (b)	Salary (\$) (c)	Share-based awards (\$) (d)	Option-based awards (\$) (e)	Non-equity incentive plan compensation (\$) (f)		Pension value (\$) (g)	All other compensation (\$) (h)	Total compensation (\$) (i)
					Annual incentive plans (f1)	Long-term incentive plans (f2)			
Paul Reynolds CEO	2011	\$ 450,000	\$ 1,200,534	\$ —	\$ 4,596,500	\$ —	\$ 13,408	\$ 6,260,442	
	2010	\$ 389,684	\$ 1,948,648	\$ 191,228	\$ 5,243,398	\$ —	\$ 4,200	\$ 7,777,158	
	2009	\$ 219,330	\$ 791,143	\$ —	\$ 4,318,324	\$ —	\$ 72,695	\$ 5,401,492	
Bradley Kotush CFO	2011	\$ 600,000	\$ 301,064	\$ —	\$ 1,088,000	\$ —	\$ 124,591	\$ 2,113,655	
	2010	\$ 570,000	\$ 557,033	\$ 191,228	\$ 720,000	\$ —	\$ 25,639	\$ 2,063,900	
	2009	\$ 550,000	\$ 277,865	\$ —	\$ 395,000	\$ —	\$ 24,142	\$ 1,247,007	
Edward (Ted) Hirst Managing Director, Global Co-Head of Investment Banking	2011	\$ —	\$ 1,144,080	\$ —	\$ 4,499,121	\$ —	\$ —	\$ 5,643,201	
	2010	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
	2009	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Jens Mayer Managing Director, Global Co-Head of Investment Banking	2011	\$ —	\$ 1,023,961	\$ —	\$ 3,827,500	\$ —	\$ 509,202	\$ 5,360,663	
	2010	\$ —	\$ 1,063,940	\$ 191,228	\$ 2,275,806	\$ —	\$ 101,521	\$ 3,632,495	
	2009	\$ —	\$ 794,664	\$ —	\$ 2,428,000	\$ —	\$ 99,128	\$ 3,321,792	
Ali Pejman Managing Director, Investment Banking and Head of Public of Venture Capital (PVC)	2011	\$ —	\$ 1,085,803	\$ —	\$ 4,066,875	\$ —	\$ 18,458	\$ 5,171,146	
	2010	\$ —	\$ 1,150,312	\$ —	\$ 2,604,000	\$ —	\$ 28,976	\$ 3,783,288	
	2009	\$ —	\$ 644,000	\$ —	\$ 2,194,663	\$ —	\$ 25,101	\$ 2,863,764	

- (d) The amounts in this column represent the grant date fair value of the restricted share units (RSUs) awarded to NEOs in respect of the four quarters for each fiscal year plus, in the case of amounts that have been accrued for which RSUs have not yet awarded, the amount to be awarded and plus the amount paid as a dividend equivalent on the vesting of RSUs. For details of the LTIP and the material terms of each award, see “Long Term Incentive Plan (LTIP)” on page 33.

The RSUs awarded to NEOs that vested during the fiscal year and that had not vested as of March 31, 2011 are shown in the following table.

NEO name	Market value of RSUs that vested during the year ended March 31, 2011 (\$)	Number of RSUs that have not vested as of March 31, 2011 (#)	Market value of RSUs that have not vested as of March 31, 2011 (\$)
Paul Reynolds	\$ 1,212,825	293,823	\$ 4,113,522
Bradley Kotush	\$ 426,677	61,058	\$ 854,812
Jens Mayer	\$ 1,143,613	162,616	\$ 2,276,624
Ali Pejman	\$ 1,123,037	183,037	\$ 2,562,518

The market value of RSUs that vested during the year is calculated by multiplying the number of RSUs that vested by the closing market price of the underlying shares on the vesting date. The market value of RSUs that have not vested as of March 31, 2011, is calculated by multiplying the number of RSUs that have not vested by the closing market price of the underlying shares on March 31, 2011 (\$14.00).

- (e) No options awarded to NEOs vested during the fiscal year. The options that were unexercised as of March 31, 2011 are shown in the following table. Under certain circumstances the options may expire earlier.

NEO name	Number of shares underlying unexercised options as of March 31, 2011 (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options as of March 31, 2011 (\$)
Paul Reynolds	117,318	\$ 9.47	August 31, 2016	\$ 531,451
Bradley Kotush	117,318	\$ 9.47	August 31, 2016	\$ 531,451
Jens Mayer	117,318	\$ 9.47	August 31, 2016	\$ 531,451

- (f1) The amounts in this column represent profit share and incentive-based compensation pool payments and bonuses. The amounts exclude any portion of the profit share and incentive-based compensation pool payments and bonuses that would otherwise have been paid in cash in respect of which the NEO instead received RSUs under the LTIP.

- (h) The amounts in this column include the forgiveness of loans and the Company’s contribution to an ESPP.

PERFORMANCE GRAPH

The following performance graph shows the cumulative return for the five most recently completed fiscal years (from April 1, 2006 to March 31, 2011) for the Common shares of the Company (assuming reinvestment of dividends) compared to the S&P/TSX Composite Index. The graph and table show what a \$100 investment in the index and the Common shares, made on April 1, 2006, would be worth at the end of fiscal 2011.

Performance graph (C\$)



Compensation levels for the NEOs are generally consistent with the trend in total return on investment charted in the performance graph. However, there is generally a lag between a change in total return and the corresponding change in compensation levels. As an example, the total return on investment was only 8.2% year-over-year at the end of fiscal 2007. It declined 54.2% year-over-year at the end of fiscal 2008. The decrease in the CEO's total compensation year-over-year of 10.0% for fiscal 2008 and a further 46.4% for fiscal 2009 reflected that trend of slowing or declining growth and the increase of 44.0% for fiscal 2010 reflected the increased growth for that year. The increase in the compensation of the NEOs generally for fiscal 2011 reflects increased growth for that year. The Corporate Governance and Compensation Committee uses a broader analysis than total return on investment in determining the annual compensation of the Company's executive officers.

COMPENSATION OF DIRECTORS

The Corporate Governance and Compensation Committee reviews annually the compensation paid to directors as directors. In assessing the compensation of directors, the committee reviews external surveys and other third party information pertaining to compensation paid by the Company's industry peers to their directors and to corporate directors in Canada.

The following table sets out the compensation for all the directors who are not NEOs for the Company's most recently completed fiscal year (2011):

Name	Fees earned	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total
(a)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Howard Balloch	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 50,000	\$ 50,000
Charles Bralver	\$ 119,531	\$ —	\$ 65,000	\$ —	\$ —	\$ —	\$ 184,531
Peter Brown	\$ —	\$ —	\$ —	\$ 3,229,985	\$ —	\$ 460,405	\$ 3,690,390
Massimo Carello	\$ 119,500	\$ —	\$ 65,000	\$ —	\$ —	\$ —	\$ 184,500
William Eeuwes	\$ 131,500	\$ —	\$ 65,000	\$ —	\$ —	\$ —	\$ 196,500
Philip Evershed	\$ —	\$ —	\$ —	\$ 800,721	\$ —	\$ —	\$ 800,721
Matthew Gaasenbeek	\$ —	\$ 769,774	\$ —	\$ 2,812,300	\$ —	\$ 606,828	\$ 4,188,902
Michael Harris	\$ 137,000	\$ —	\$ 65,000	\$ —	\$ —	\$ —	\$ 202,000
Timothy Hoare	\$ —	\$ 27,997	\$ —	\$ 1,566,480	\$ —	\$ 255,189	\$ 1,849,666
David Kassie	\$ —	\$ 525,000	\$ —	\$ 2,140,721	\$ —	\$ —	\$ 2,665,721
Terry Lyons	\$ 269,474	\$ —	\$ 65,000	\$ —	\$ —	\$ —	\$ 334,474
Mark Maybank	\$ —	\$ 743,187	\$ —	\$ 1,596,077	\$ —	\$ 573,918	\$ 2,913,182
Michael Walker	\$ 116,500	\$ —	\$ 65,000	\$ —	\$ —	\$ —	\$ 181,500
John Zaozirny	\$ 118,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 118,000

(a) Mr. Balloch became a director on January 17, 2011. Messrs. Evershed and Kassie became directors on April 23, 2010 and Mr. Gaasenbeek became a director on June 24, 2010.

(b) In the case of Mr. Bralver, the amount includes fees earned as a director of Canaccord Genuity Inc. In the case of Mr. Lyons, the amount includes fees earned as a director of Canaccord Genuity Limited.

(c) The amounts in this column represent the grant date fair value of the restricted share units (RSUs) awarded to directors in respect of the four quarters for each fiscal year plus, in the case of amounts that have been accrued for which RSUs have not yet awarded, the amount to be awarded and plus the amount paid as a dividend equivalent on the vesting of RSUs. For details of the LTIP and the material terms of each award, see "Long Term Incentive Plan (LTIP)" on page 33.

The RSUs awarded to directors that vested during the fiscal year and that had not vested as of March 31, 2011 are shown in the following table.

NEO name	Market value of RSUs that vested during the year ended March 31, 2011 (\$)	Number of RSUs that have not vested as of March 31, 2011 (#)	Market value of RSUs that have not vested as of March 31, 2011 (\$)
Matthew Gaasenbeek	\$ 1,359,612	199,936	\$ 2,799,104
Timothy Hoare	\$ 841,382	138,571	\$ 1,939,994
Mark Maybank	\$ 1,603,919	203,203	\$ 2,844,842

The market value of RSUs that vested during the year is calculated by multiplying the number of RSUs that vested by the closing market price of the underlying shares on the vesting date. The market value of RSUs that have not vested as of March 31, 2011, is calculated by multiplying the number of RSUs that have not vested by the closing market price of the underlying shares on March 31, 2011 (\$14.00).

- (d) The amounts in this column represent the grant date fair value of the options granted to independent directors during the fiscal year. The grant date fair value is calculated using the Black-Scholes option pricing model and assumptions of a dividend yield of 2.00%, an expected volatility of 44.0%, a risk-free interest rate of 1.94% and an expected life of four years. The Company chose this valuation methodology because it is widely accepted and well understood. See also note 13 to the consolidated financial statements of the Company as at March 31, 2011.

The options awarded to directors that vested during the fiscal year and that were unexercised as of March 31, 2011 are shown in the following table. Under certain circumstances the options may expire earlier.

NEO name	Market value of options that vested during the year ended March 31, 2011 (\$)	Number of shares underlying unexercised options as of March 31, 2011 (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options as of March 31, 2011 (\$)
Charles N. Bralver	\$ 35,063	25,000	\$ 8.39	March 31, 2017	\$ 105,188
Massimo Carello	\$ 115,813	25,000	\$ 7.87	March 31, 2015	\$ 114,938
		25,000	\$ 7.21	March 31, 2016	\$ 127,313
		25,000	\$ 8.39	March 31, 2017	\$ 105,188
William Eeuwes	\$ 105,750	25,000	\$ 23.131	March 31, 2014	\$ —
		25,000	\$ 9.48	March 31, 2015	\$ 84,750
		25,000	\$ 7.21	March 31, 2016	\$ 127,313
		25,000	\$ 8.39	March 31, 2017	\$ 105,188
Matthew Gaasenbeek	\$ —	117,318	\$ 9.47	August 31, 2016	\$ 531,451
Michael Harris	\$ 105,750	25,000	\$ 23.131	March 31, 2014	\$ —
		25,000	\$ 9.48	March 31, 2015	\$ 84,750
		25,000	\$ 7.21	March 31, 2016	\$ 127,313
		25,000	\$ 8.39	March 31, 2017	\$ 105,188
Timothy Hoare	\$ —	117,318	\$ 9.47	August 31, 2016	\$ 531,451
Terrence Lyons	\$ 105,750	25,000	\$ 23.131	March 31, 2014	\$ —
		25,000	\$ 9.48	March 31, 2015	\$ 84,750
		25,000	\$ 7.21	March 31, 2016	\$ 127,313
		25,000	\$ 8.39	March 31, 2017	\$ 105,188
Mark Maybank	\$ —	117,318	\$ 9.47	August 31, 2016	\$ 531,451
Michael Walker	\$ 105,750	25,000	\$ 23.131	March 31, 2014	\$ —
		25,000	\$ 9.48	March 31, 2015	\$ 84,750
		25,000	\$ 7.21	March 31, 2016	\$ 127,313
		25,000	\$ 8.39	March 31, 2017	\$ 105,188

(e) The amounts in this column represent profit share and incentive-based compensation pool payments.

(g) The amounts in this column include base salary, commissions, the forgiveness of loans and the Company's contribution to an ESPP.

For fiscal 2011, non-executive directors were paid an annual fee of \$100,000 per year. In addition, non-executive directors were paid a fee of \$1,500 for each meeting attended of the Board and of a committee of which they are a member and \$1,500 for travel in any day in excess of four hours. The Lead Director was paid an additional fee of \$40,000 per year. The chair of the Audit Committee was paid an additional fee of \$20,000 per year and the Chair of the Corporate Governance and Compensation Committee was paid an additional fee of \$10,000 per year. The Lead Director was also a director of Canaccord Genuity Limited and a member of its audit committee and, in those capacities, was paid a fee of £11,250 quarterly. Mr. Bralver was also a director of Canaccord Genuity Inc. and, in that capacity, was paid US\$1,500 for each meeting attended of that Board (for a minimum of four meetings per year).

Effective from April 1, 2011, the Board of Directors approved the following changes to compensation for directors of the Company.

- (a) **Deferred share units.** The annual option grant is replaced by a quarterly award of deferred share units (DSUs) whereby the directors can elect to have the fees payable to them paid in the form of the issuance of DSUs. Directors must elect annually whether they wish their directors' fees to be so used and can specify a portion of their directors' fees to be used for DSUs and the remaining amount of fees to be paid in cash. A DSU is a bookkeeping entry that tracks the value of one Common share. When cash dividends are paid on Common shares, eligible directors are credited with additional DSUs. The number of additional DSUs is calculated by multiplying the cash dividend per Common share by the number of DSUs in the director's account as of the date of record divided by the fair market value of a Common share on the payment date of the dividend. DSUs accumulate over a director's term of service and are not paid out until the director leaves the Board of Directors, providing them with an ongoing stake in the Company during the term of service. When the director leaves the Board of Directors, payment for the DSUs is made in cash.
- (b) **Share ownership guidelines.** Directors will have five years from the date of their election or appointment to acquire shares with a market value of \$250,000. Unexercised "in the money" options do not count towards the share ownership threshold. Until the share ownership threshold is met, a minimum of \$50,000 of the annual retainer will be in the form of DSUs. After the share ownership threshold is met, a minimum of \$25,000 of the retainer will be in the form of DSUs. Directors may elect to take any part (up to 100%) of the fees in the form of DSUs.

The directors are also entitled to reimbursement for out-of-pocket expenses for attendance at meetings of the Board and any committees of the Board.

Insurance coverage and indemnification

The Company's directors and officers and the directors and officers of its affiliate entities are covered under directors' and officers' insurance policies providing an aggregate limit of liability to the insured directors and officers of \$30 million.

The Company's articles also provide for mandatory indemnification of its directors and former directors from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties or office, either for the Company or any affiliated entity, subject to certain customary limitations. The Company has entered into a director's indemnification agreement with each of the directors which supplements the articles and provides, among other things, for payment of expenses as they are incurred (subject to repayment if it is later determined that the director was not entitled to be indemnified), the determination of entitlement by independent legal counsel and the maintenance of insurance at the current levels if it is reasonably available.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity compensation plan information⁽¹⁾

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders:			
Stock Option Plan	2,541,334	\$ 9.82	71,593
LTIP ⁽²⁾	2,105,248	\$ 9.66	8,531,985
Equity compensation plans not approved by securityholders			
	0	Not applicable	0
Total	4,646,582	Not applicable	8,603,578

⁽¹⁾ The information in this table is given as of March 31, 2011.

⁽²⁾ This information relates to the shares issuable from treasury under the Long Term Incentive Plan (LTIP) for awards in respect of all fiscal quarters ended on or before March 31, 2011. It does not include the shares purchased for the LTIP by the key employee benefit trust.

LONG TERM INCENTIVE PLAN (LTIP)

Under the long term incentive plan for capital markets and senior operations and administration management, total compensation to participating employees consists in part of restricted share units which vest over three years. The eligible participants are employees in the Canaccord Genuity capital markets division of the Canaccord Group and senior operations and administration management employees of companies in the Canaccord Group. The LTIP was approved by the Company's shareholders at the Company's 2007 annual general meeting on August 2, 2007.

The eligible participants are located in Canada, the United States, the United Kingdom and China. The general terms of the LTIP are the same for each country but, because of jurisdictional differences, the plans are implemented in slightly different ways and there are separate plan texts for each of the countries. For employees in Canada (principally employees of Canaccord Genuity Corp.), a key employee benefit trust has been established, and the Company or Canaccord Genuity Corp. funds the trust with cash which will be used by a trustee to purchase Common shares on the open market that will be held in trust by the trustee until restricted share units vest, or the Company issues Common shares from treasury to plan participants following vesting of restricted share units. For employees in the United States and the United Kingdom (principally employees of Canaccord Genuity Limited and Canaccord Genuity Inc.), at the time of each restricted share unit award, the Company allots Common shares and these shares will be issued from treasury at the time they vest with each participant.

The plan is administered by the Board of Directors, the Corporate Governance and Compensation Committee (or such other committee of the Board of Directors that the Board may authorize to administer the LTIP; the "**Committee**") and the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company (the "**Executive Officers**").

All Common shares issued by the Company under the LTIP are issued in consideration of cash paid to the Company by the applicable subsidiary of the Company or for past services performed by the plan participant for the Company that have an aggregate value that equals or exceeds the issue price for such shares. The issue price is the market price of the Common shares on the Toronto Stock Exchange as determined by the Committee or the Executive Officers at the time of the award.

The maximum number of Common shares that may be issued from treasury under the LTIP is 10,000,000. This represents approximately 12.1% of the number of Common shares outstanding as of the date of this Circular. The maximum number of Common shares that may be issued from treasury and that may be subject to restricted share unit awards under the LTIP in respect of any four consecutive fiscal quarters of the Company is 2,000,000. This represents approximately 2.4% of the Common shares outstanding on the date of this Circular. In addition,

- (a) the maximum number of Common shares which may be reserved for issuance to any Person at any time under the LTIP may not exceed 2.5% of the Common shares outstanding at the time of any award to that Person; and
- (b) the aggregate number of Common shares:
 - (i) issued to insiders of the Company, within any one-year period; and
 - (ii) issuable to insiders of the Company, at any time;

under the LTIP, or when combined with all of the Company's other security based compensation arrangements (as defined in the Toronto Stock Exchange Company Manual), may not exceed 10% of the Common shares then outstanding.

Unless the Committee or an Executive Officer specifically determines otherwise, no restricted share unit awarded under the LTIP is assignable or transferable. In appropriate cases the Committee or an Executive Officer may, in their discretion, permit assignment or transfer of restricted share units.

Vesting. Restricted share units awarded under the LTIP do not vest immediately. Restricted share units awarded under the LTIP will vest at such time or times and on such terms and conditions as the Board of Directors, the Committee or any Executive Officer awarding the restricted share units may determine. It is anticipated that if the awardee continues to be employed by a company of the Canaccord Group, is terminated by the company other than for cause, is permanently disabled or upon resignation or termination has entered into appropriate exit arrangements in respect of non-competition and non-solicitation, the restricted share units will vest over a three-year period. Awards which do not vest will be cancelled.

On the death of an awardee, all unvested restricted share units will vest immediately. All unvested restricted share units may be vested at any time at the discretion of the Board of Directors, the Committee or, subject to any guidelines determined by the Committee, any Executive Officer. It is expected that the exercise of this discretion would be considered in such circumstances as a change of control of the Company or where the immediate vesting of the unvested restricted share units is negotiated as part of severance arrangements. In no event will any unvested restricted share unit vest after the end of the calendar year which is three years following the end of the calendar year that includes the date on which the restricted share unit was awarded.

Until the restricted share units vest, none of the voting rights attached to the shares may be exercised and dividends will not be paid in respect of such shares. However, after vesting, the awardee will receive a "dividend equivalent" in an amount, determined in such manner as the Committee or any Executive Officer may determine, in order to generally put the awardee in the same position, after taxes, as the awardee would have been in relation to dividends as if the awardee had held the unvested restricted share units as vested shares.

Resale restrictions after vesting. Even after vesting, 50% of the shares acquired under the LTIP will be subject to restrictions on transfer that are related to certain minimum share ownership guidelines for plan participants as established by the Board of Directors, the Committee or the Executive Officers.

The restrictions on transfer may be waived, in whole or in part, at any time by the Committee or any Executive Officer. It is anticipated that any waiver must be approved by either the Committee or any two Executive Officers who are not interested in the shares which are the subject of the restrictions.

Amendment of LTIP. Except when shareholder approval is specifically required, the Board of Directors or the Committee may amend the LTIP at any time in accordance with applicable legislation and subject to any required regulatory approval without the approval of the shareholders of the Company provided that no such amendment will adversely affect the rights of any grantee with respect to awards previously made to any grantee without the consent of such grantee. Shareholder approval is specifically required for:

- (a) an increase in the number of Common shares which may be issued under the LTIP;
- (b) a reduction in the issue price for any Common shares issuable under the LTIP benefiting any insider of the Company;
- (c) an extension of the term under any award benefiting an insider of the Company; and
- (d) amendments to the amendment provisions of the LTIP;

provided that such approval will not be required for any change or adjustment to the number of Common shares that may be issued under the LTIP or in the issue price for any Common shares issuable under the LTIP or other change or adjustment in accordance with the provisions of the LTIP which provide for such change or adjustment in respect of certain events, including a subdivision, stock split, combination or exchange of shares, merger, consolidation, recapitalization, amalgamation, plan of arrangement, reorganization, spin-off or other distribution of the Company's assets to shareholders, and other similar corporate transactions or events.

SHARE OPTION PLAN

The Company has a share option plan (the "**Share Option Plan**") whereby it may grant options to purchase Common shares to directors, officers, employees and consultants of the Canaccord Group. The Share Option Plan is designed to advance the interests of the Company by encouraging directors, officers, employees and consultants to have equity participation in the Company through the acquisition of Common shares. Options to purchase Common shares may be granted from time to time by the Board of Directors at an exercise price determined by them, which in no case would be less than that required by any applicable regulatory authority. The Share Option Plan was approved by the Company's shareholders at the Company's 2004 annual general meeting on June 21, 2004.

The number of Common shares issuable pursuant to options granted under the Share Option Plan is fixed at 2,612,927 Common shares (approximately 3.2% of the number of Common shares that are outstanding as of the date of this Circular). The maximum number of Common shares available for issuance to any one Person under the Share Option Plan is 5% of the Common shares outstanding at the time of the grant. Options granted under the Share Option Plan are non-assignable and non-transferable other than in accordance with the Share Option Plan and must be exercised no later than 10 years after the date of the grant or a lesser period as determined by the Board of Directors and approved by any applicable regulatory authority. Except as otherwise determined by the Board of Directors, if a participant ceases to be a director, officer, employee or consultant for any reason other than death (but including termination for or without cause), options will cease to be exercisable 30 days after the termination date. In the case of death, the option may be exercised within one year of the participant's death.

The Share Option Plan also provides for share appreciation rights subject to activation of such provisions by the Board of Directors. If such rights are activated, an optionee would be entitled to elect to terminate his or her options, in whole or in part, and, in lieu of purchasing the Common shares to which the terminated options relate, receive that number of Common shares which, when multiplied by the value per share of the Common shares, has a total value equal to the product of the number of such Common shares multiplied by the difference between the value per share and the exercise price per share of such Common shares.

Amendment of Share Option Plan. Approval of the shareholders of the Company will be required for any amendment of the Share Option Plan. No such amendment may alter or impair any options or any rights pursuant to any options previously granted to any participant without the consent of such participant.

There are options outstanding under the Share Option Plan (a) granted to the six independent directors of the Company and included in the table under the heading "Compensation of directors" beginning on page 30 and (b) granted to senior management including the NEOs and directors.

The options granted to the six independent directors of the Company vest over four years or earlier in the following circumstances: (a) on the death of the optionee, (b) at the discretion (exercised within 10 days after a change of control) of a majority of those persons (other than the optionee) who are directors of the Company immediately before the change of control and (c) at the discretion of a majority of directors (other than the optionee), on the permanent disability of the optionee. Each option expires on March 31 in the seventh year following the grant.

The options granted to senior management vest over five years. Each option expires on the earliest of: (a) seven years from the grant (that is, August 31, 2016); (b) three years after death or any other event of termination of employment (unless an earlier expiry date is otherwise applicable); (c) after any unvested optioned shares held by the optionee are cancelled for any reason (other than early retirement but including resignation without entering into a formal exit agreement and termination for cause); and (d) in the case of early retirement, after a determination that the optionee has competed with the Company or violated any non-competition, non-solicitation or non-disclosure obligations.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out the aggregate indebtedness (other than “routine indebtedness”) outstanding as at April 30, 2011, entered into in connection with a purchase of securities of the Company and all other indebtedness of all executive officers, directors, employees and former executive officers, directors and employees of the Canaccord Group.

Aggregate indebtedness (\$)

Purpose (a)	To the Company or its subsidiaries (b)	To another entity (c)
Share purchases	\$ 37,555,161	0
Other	\$ 19,235,027	0

The following table sets out the indebtedness (other than “routine indebtedness”) to the Canaccord Group outstanding as at April 30, 2011, of each director and executive officer of the Company, each proposed nominee for election as a director of the Company and each associate of such director, executive officer or proposed nominee.

Indebtedness of directors and executive officers under (1) securities purchase and (2) other programs

Name and principal position (a)	Involvement of company or subsidiary (b)	Largest amount outstanding during fiscal 2011 (c)	Amount outstanding as at April 30, 2011 (d)	Financially assisted securities purchases during fiscal 2011 (# of Common shares) (e)	Security for indebtedness (f)	Amount forgiven during fiscal 2011 (g)
Securities purchase program						
Mark Maybank Chief Operating Officer	Subsidiary is the lender	\$ 2,371,518	\$ 2,371,518	0	Shares purchased	0
Matthew Gaasenbeek Director	Subsidiary is the lender	\$ 1,751,537	\$ 1,167,691	130,943	Shares purchased	\$ 583,846
Bradley Kotush CFO	Subsidiary is the lender	\$ 116,025	\$ 0	0	Shares purchased	\$ 116,025
Other programs						
Howard Balloch Director	Subsidiary is the lender	\$ 1,000,000	\$ 1,000,000	0	—	\$ 0

The indebtedness under the securities purchase program was incurred in connection with loans to purchase Common shares in programs targeted at key executive-level employees of the Company who did not have significant holdings of the Company's shares. The loans are forgivable loans under which the subsidiary of the Company which employed the executive officer lent to the executive officer, without interest, between 40% and 50% of the aggregate purchase price of the shares and agreed, subject to certain terms, to forgive the loans over a three- or four-year period from the initial advance of the loan or at the end of that period. If the executive officer resigns or is terminated for cause, then that proportion of all shares purchased which the unforgiven portion of the loan bears to the aggregate purchase price will be repurchased by the officer's employer; this has the effect of limiting the recourse on the loan to a portion of the shares purchased. All shares purchased are subject to a security interest in favour of the employer, are held in escrow and bear a legend reflecting the restrictions on the shares.

The indebtedness to Mr. Balloch was incurred at the time of the acquisition of The Balloch Group Limited. The loan is a one-year loan, without interest, by his employer which may be forgiven having regard to whether and to what extent each of Mr. Balloch and the Asia-Pacific business unit has met certain corporate and financial objectives. If Mr. Balloch's employment is terminated other than for just cause or constructive dismissal, the loan will be forgiven.

Except as noted in this section, none of the directors or executive officers of the Company has more than "routine indebtedness" to the Company.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, except as described below, no informed person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of Canaccord and no known associate or affiliate of any such informed person, has or has had any material interest, direct or indirect, in any transaction since April 1, 2010, or in any proposed transaction which has materially affected or would materially affect the Canaccord Group.

David Kassie, the Group Chairman and a director of the Company; Philip Evershed, a director of the Company; and Joao Esteireiro, Dvaipayan Ghose, Earl Rotman, Barry Goldberg, Daniel Daviau, Edward Hirst and David Morrison, who are all executive officers of Canaccord Genuity Corp., a wholly-owned subsidiary of the Company, had the interests in the acquisition of Genuity Capital Markets which are described in the management information circular dated March 24, 2010, for the special meeting of shareholders held on April 22, 2010, under the headings "The Acquisition" and "The Company After the Acquisition", which sections are incorporated by reference herein, and the Business Acquisition Report dated May 10, 2010, which is incorporated by reference herein.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the persons who are or have been directors or executive officers of the Company at any time since April 1, 2010, the proposed nominees for election to the Board of Directors of the Company or the associates or affiliates of those persons have any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors.

OTHER MATTERS TO BE ACTED UPON

It is not known whether any other matters will come before the Meeting other than those set forth above and in the notice of meeting, but if any other matters do arise, the Persons named in the Proxy intend to vote on any poll, in accordance with their best judgment, exercising discretionary authority with respect to amendments or variations of matters ratified in the notice of meeting and other matters which may properly come before the Meeting or any adjournment or postponement of the Meeting.

Dated on May 20, 2011.

By order of the Board of Directors
Martin L. MacLachlan
Corporate Secretary

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