

**NOTICE OF MEETING  
AND MANAGEMENT  
INFORMATION CIRCULAR**

CANACCORD FINANCIAL INC.

For the annual general meeting of shareholders to be held at:  
**TMX Broadcast Centre, 130 King Street West, Toronto, Ontario**  
on **Wednesday, August 7, 2013 at 10:00 a.m. (Toronto time)**

This booklet contains important information for shareholders.

**TO US THERE ARE NO FOREIGN MARKETS**

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# Canaccord Financial Inc.

## 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 August 7, 2013. Immediately following the termination of the formal meeting, management will report on the Company’s performance in the financial year ended March 31, 2013 (“**fiscal 2013**”).

The Meeting will deal with 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 (888) 250-3375.

### Registered Shareholders

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**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

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**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.

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## Notice of Annual General Meeting

TAKE NOTICE that the Board of Directors of Canaccord Financial Inc. (the “**Company**”) has called the 2013 annual general meeting (the “**Meeting**”) of the shareholders of the Company for 10:00 a.m. (Toronto time) on Wednesday, August 7, 2013 at the TMX Broadcast Centre, 130 King Street West, Toronto, Ontario.

Under new rules introduced by Canadian securities regulators, this year the Company is able to provide you with electronic access to the information circular for the Meeting instead of sending you a paper copy. This new means of delivery is more environmentally friendly as it will help reduce paper use and will also reduce the cost of printing and mailing materials to Shareholders. The notice you received gives you instructions on how to access and review an electronic copy of the Company’s Management Information Circular (the “**Circular**”) and how to request a paper copy. The notice also provides instructions on voting by proxy at the Meeting. If you would like to receive a paper copy of the Circular, please follow the instructions in the notice.

As a holder of Common shares, 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 or voting instruction form (also known as a VIF) sent to you with the notice. The Circular explains how the voting process works. **In order to be assured of a vote at the Meeting, registered shareholders must submit the proxy or VIF to the Company’s transfer agent, Computershare Investor Services Inc., at its Toronto offices no later than 5:00 p.m. (Toronto time) on Friday, August 2, 2013.**

**If you are a non-registered beneficial shareholder, 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 by the Chief Executive Officer.

Dated on June 10, 2013.

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

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## Information for Shareholders about the 2013 Annual General Meeting of Shareholders

All information in this Management Information Circular is current as of May 31, 2013, 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](http://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](mailto: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 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 and the appointment of auditors 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

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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 reflect management’s expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. 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”, “could” 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 that 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 from time to time in the Company’s interim condensed and annual consolidated financial statements and its annual report and annual information form (AIF) filed on [www.sedar.com](http://www.sedar.com) as well as the factors discussed in the sections entitled “Risks Management” and “Risk Factors” in the AIF, which includes market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2014 Outlook section in the annual MD&A and those discussed from time to time in the Company’s interim condensed and annual consolidated financial statements and its annual report and AIF filed on

www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

Although the forward-looking information contained in this document is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this document are made as of the date of this document and should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Certain statements included in this document may be considered "financial outlook" for purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this document. Except as may be required by applicable law, 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, further developments or otherwise.

## Notice and Access

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The Company is sending proxy-related materials to registered holders and beneficial owners using notice and access. Management of the Company does not intend to pay for intermediaries to forward to objecting beneficial owners under NI 54-101 the proxy-related materials and Form 54-101F7 (Request for Voting Instructions Made by Intermediary) and, in the case of an objecting beneficial owner, the objecting beneficial owner will not receive the materials unless the objecting beneficial owner's intermediary assumes the cost of delivery.

## Solicitation of Proxies

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### 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 Common shares of the Company are actually registered in your name) or a **non-registered beneficial shareholder** (for example, a person who holds Common 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 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 Friday, August 2, 2013, 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 (VIF).** If you receive a Computershare 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 Friday, August 2, 2013, 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 Broadridge voting instruction form (VIF).** This is a form 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 VIF and wish to vote at the Meeting, you must either (a) complete the VIF and return it to Broadridge or (b) follow the instructions in the VIF to vote by telephone or on the Internet. 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 VIF to Broadridge or give the telephone or Internet 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 (888) 250-3375.**

#### ***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 and other subsidiaries of the Company which are regulated by the Financial Conduct Authority to obtain the approval of the Financial Conduct 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 and the other subsidiaries of the Company 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. Similar obligations and offences exist under the laws of Hong Kong, Singapore and Jersey and Guernsey in the Channel Islands in relation to the subsidiaries of the Company which are regulated by the securities and futures regulatory authorities in those jurisdictions.

## 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

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The directors of the Company have set June 10, 2013 as the record date for determining which Shareholders are entitled to vote at the Meeting. Only registered Shareholders on June 10, 2013 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 June 10, 2013. On that date, the Company had 103,544,953 Common shares outstanding.

To the knowledge of the directors and executive officers of the Company, as of June 10, 2013, 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

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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.

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 May 31, 2013.

Name and residence	Position with the Company	Principal occupation	Director since	Shares owned
<b>Charles N. Bralver</b> Westport, Connecticut	Director	Corporate director and advisor	2010	40,500 <sup>(3)</sup>
<b>Peter M. Brown</b> Vancouver, British Columbia	Founder and Honorary Chairman and director	Founder and Honorary Chairman of the Company	1997 <sup>(1)</sup>	1,006,946
<b>Massimo C. Carello</b> <sup>(2, 3)</sup> London, England	Director	Corporate director and private investor in public companies	2008	55,000 <sup>(3)</sup>
<b>William J. Eeuwes</b> <sup>(2, 4)</sup> Burlington, Ontario	Director	Senior Vice President and Managing Director of Manulife Capital	2002	Nil <sup>(3)</sup>
<b>Michael D. Harris</b> <sup>(4, 5)</sup> East York, Ontario	Director	Senior business advisor of Cassels Brock & Blackwell LLP	2004	63,500 <sup>(3)</sup>
<b>David J. Kassie</b> <sup>(6)</sup> Toronto, Ontario	Chairman and director	Chairman of the Company and Canaccord Genuity Corp.	2010	3,482,431 <sup>(7)</sup>
<b>Terrence A. Lyons</b> <sup>(2, 4, 8)</sup> Vancouver, British Columbia	Lead Director	Chairman of the Board of Eacom Timber Corporation	2004	30,000 <sup>(3)</sup>
<b>Paul D. Reynolds</b> Vancouver, British Columbia	Chief Executive Officer and director	Chief Executive Officer of the Company	2005	1,129,967 <sup>(9)</sup>
<b>Dipesh J. Shah</b> Middlesex, United Kingdom	Director	Corporate director	2012	Nil <sup>(3)</sup>

(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, effective from April 1, 2011, each of the independent directors received deferred share units (DSUs). See note (c) to the table under the heading "Compensation of directors" on page 25 and "Deferred share units" on page 27. For those who were directors before April 1, 2011, each of Messrs. Eeuwes, Harris and Lyons has been granted options to purchase up to 100,000 Common shares of the Company. 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. Mr. Shah only became a director in November 2012 and has not been granted any options. The DSUs and options held by Mr. Eeuwes are held as a bare trustee on behalf of The Manufacturers Life Insurance Company.

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

(5) 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 was 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. Mr. Harris remained a director of Grant Forest Products Inc. until June 30, 2010 to assist with the orderly completion of the arrangement under the CCAA.

(6) 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. Mr. Kassie was also a director of ACE Aviation Holdings Inc. at the time when, on April 25, 2012, it passed a shareholder resolution approving liquidation of the company pursuant to the *Canada Business Corporations Act*. The liquidation process is continuing.

(7) Of these shares, 169,120 are owned by a trust of which Mr. Kassie is one of the beneficiaries. In addition, Mr. Kassie participates in the Company's LTIP. See "Long Term Incentive Plan (LTIP)" on page 29. Mr. Kassie holds 87,793 restricted share units.

(8) Mr. Lyons was a director and executive officer of FT Capital Ltd. (FT Capital) which was subject to cease trade orders in July and August 2003 in each of the provinces of Manitoba, Ontario and Québec due to the failure of FT Capital to file financial statements since the financial year ended December 31, 2002. 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 was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Ontario and Québec 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.

(9) In addition, Mr. Reynolds participates in the Company's LTIP. See "Long Term Incentive Plan (LTIP)" on page 29. Mr. Reynolds holds 93,931 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 31.

## 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 became 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 corporate director and advisor. He was a founding partner and Vice Chairman of Oliver, Wyman & Co. and led its Capital Markets, European and North American practices. He has also served as Senior Associate Dean for International Business and Finance at the Fletcher School of Tufts University and as a Strategic Advisor to Warburg Pincus LLC. Mr. Bralver serves as a director of the Company and NewStar Financial, Inc., is a member of the Senior Advisory Boards of Oliver Wyman and Bema Capital Partners, and sits on the boards of the Fletcher School of Tufts University and the Dickey Center for International Understanding at Dartmouth College. He has an AB from Dartmouth College and an MA and MALD from the Fletcher School.

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, 2012 and June 10, 2013.

**Peter Brown, O.B.C., LL.D., Litt.D.** was born in 1941 in Vancouver, where he lives today. After attending the University of British Columbia, he entered the investment business with Greenshields Inc. in 1962. Today he remains Founder and Honorary Chairman of Canaccord Financial Inc., which he founded in 1968.

Peter Brown is currently serving as Chairman of the Board for the Fraser Institute and Vice-Chairman of the Investment Industry Association of Canada. Mr. Brown is British Columbia's representative on the Advisory Committee to the Canadian Securities Transition Office to lead the transition to a single Canadian securities regulator. He is a member of the Economic Advisory Council to the Federal Minister of Finance. Recently, the Business Council of British Columbia appointed Mr. Brown to their Board of Governors. Mr. Brown is the Chair of the Vancouver Police Foundation and Honorary Chairman of the fund drive for the Emily Carr University of Art & Design.

He has served on the boards of numerous private sector and Crown corporations over the years. He served as a federally appointed Lead Director and member of the Finance Committee for the Vancouver 2010 Olympic & Paralympics Games, which successfully brought the Vancouver 2010 Olympics to Canada. Formerly, he was a director of the Vancouver Convention Centre Expansion Project Limited & Pavilion Corp (both Crown corporations). Among his attainments, he was the past Chairman of the University of British Columbia, the Vancouver Stock Exchange, BC Place Corporation and BC Enterprise Corporation (both Crown corporations). He was also the Vice Chairman of Expo 86 Corporation.

Mr. Brown is a recipient of the BC Chamber of Commerce Businessman of the Year award, the BC & Yukon Chamber of Mines Financier Award and the Pacific Entrepreneur of the Year Award for 2001. In 2002 he received the Distinguished Service Award by the Prospectors and Developers Association of Canada. In January 2003, Mr. Brown received a Commemorative Medal for the Golden Jubilee of Her Majesty Queen Elizabeth. In June 2003, he was awarded the Order of British Columbia. The Brotherhood Inter-Faith Society recognized Peter Brown as their Person of the Year in February 2004. In the spring of 2005, Mr. Brown received an honorary degree (Doctor of Laws) from the University of British Columbia. In 2007, he received the Distinguished Graduate Award from St. George's School and the Ted Ticknor Award for Exceptional Contribution from Big Brothers of Greater Vancouver. In 2009, Mr. Brown received the Fraser Institute's T. Patrick Boyle Founder's Award. In 2010, Peter Brown was inducted into the Canadian Mining Hall of Fame recognizing his entrepreneurial spirit and contribution to Canada's mining industry. He also became an Honorary Member of the Vancouver Police Pipe Band in 2009 and received the first ever civilian commendation from the Vancouver City Police. Ernst & Young recognized him with the Lifetime Achievement Award in 2010 and in May 2011 he was inducted into the Business Laureates of BC Hall of Fame.

In 2012 Peter Brown received the Vancouver Board of Trade Rix Award for Engaged Community Citizenship and an honorary degree (Doctor of Letters) from the Emily Carr University of Art & Design. In September 2012 Mr. Brown received the Queen Elizabeth II Diamond Jubilee Medal on the nomination of the Investment Industry Association of Canada in recognition of his contribution to the investment industry. In January 2013 he received an honorary degree from the Justice Institute of British Columbia.

Mr. Brown is not a director of any public companies other than Canaccord Financial Inc. Mr. Brown attended six of the seven meetings of the Board of Directors held between April 1, 2012 and June 10, 2013.

**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 and was the Chairman and Chief Executive Officer of Fiat UK Ltd. from 1990 to 2001. Mr. Carello served as a member of the Confederation of British Industry (CBI) President's 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.

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 Limited 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, 2012 and June 10, 2013, Mr. Carello attended all 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, Global Head Private Equity, Manulife Financial. He has executive responsibility for Regional Power Inc., NAL Resources Limited (oil and gas) and two private equity teams, Manulife Capital in Canada and Hancock Capital Management in the US. 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. Mr. Eeuwes is a director of several private companies in Canada, and is a member of the Institute of Corporate Directors.

Mr. Eeuwes is not a director of any public companies other than Canaccord Financial Inc. Of the meetings of the Board of Directors and the committees on which he served held between April 1, 2012 and June 10, 2013, Mr. Eeuwes attended five of the seven meetings of the Board of Directors, all of the five meetings of the Audit Committee and five of the six 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. Prior to joining Cassels Brock in March 2010, 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. 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 Retirement Residences (Chair), FirstService Corporation, Routel Inc. (Chair), and Element Financial Corporation. Of the meetings of the Board of Directors and the committee on which he served held between April 1, 2012 and June 10, 2013, Mr. Harris attended six of the seven meetings of the Board of Directors and all of the six 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, and became Chairman on April 1, 2012. 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. He sits on a number of corporate boards. Mr. Kassie is actively involved in community and charitable organizations and is on the boards of the Richard Ivey School of Business, the Toronto International Film Festival Group and formerly on the Board of the Hospital for Sick Children.

Mr. Kassie holds a B.Comm. (Honours) in Economics from McGill University (1977), and an MBA from the University of Western Ontario (1979).

In addition to Canaccord Financial Inc., Mr. Kassie is a director of the following public company: Reitmans (Canada) Limited. Mr. Kassie attended six of the seven meetings of the Board of Directors held between April 1, 2012 and June 10, 2013.

**Terrence (Terry) Lyons** is the past Chairman of Northgate Minerals Corporation, which was recently acquired by AuRico Gold Inc., creating a new mid-cap gold company with a value of over \$3 billion.

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., Mr. Lyons is a director of the following public companies: Eacom Timber Corporation, Gold Canyon Resources Inc., Pacific Wildcat Resources Corporation, Polaris Minerals Corporation, 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, 2012 and June 10, 2013, 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 six meetings of the Corporate Governance and Compensation Committee.

**Paul Reynolds** was named the President of the Company in August 2006 and Chief Executive Officer of the Company in August 2007 and leads the firm from Canaccord's Toronto office. Between 1999 and 2007, he managed Canaccord's London, England, office as President and Chief Operating Officer of European operations and was named Global Head of Canaccord's capital markets division in April 2005.

Mr. Reynolds has over 29 years of experience in the securities industry beginning as an equities trader. In 1985, he joined Canaccord, working as an Investment Advisor before moving into a senior role in institutional sales. In the late 1990s, Mr. Reynolds assumed a leadership role in investment banking, where he specialized in financing emerging and developing companies in the resource, technology and biotechnology sectors.

Mr. Reynolds also serves on the boards of the International Crisis Group and the Hospital for Sick Children in Toronto. 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, 2012 and June 10, 2013.

**Dipesh Shah, O.B.E., F.R.S.A.**, is a director on the boards of Thames Water and the Kemble Water group of companies, JXX Oil & Gas plc (where he is Senior Independent Director and Chairman of the Remuneration Committee), The Crown Estate and the 2020 European Fund for Energy, Climate Change and Infrastructure (the "EU Marguerite Fund", where he is Chairman of the Investment Committee). He is also a Trustee of the British Youth Opera and a Governor of Merchant Taylors' School.

Mr. Shah was formerly the Chief Executive of the UK Atomic Energy Authority and of various large businesses in the BP Group, where he was a member of the Group Leadership for more than a decade. Mr. Shah was Chairman, inter alia, of Viridian Group plc, HgCapital Renewable Power Partners LLP and the European Photovoltaic Industry Association. In addition, he has been a Director of several major organizations, including Babcock International Group Plc and Lloyd's of London. He was also a member of the UK Government's Renewable Energy Advisory Committee from 1994 to 2002. Earlier, Mr. Shah was the Chief Economist for BP Oil UK.

Born in India, and brought up in Uganda, Mr. Shah is a graduate of the University of London, the University of Warwick and the Harvard Business School management program. He was appointed an Officer of the Order of the British Empire (O.B.E.) in the 2007 New Year Honours List, and is a Life Fellow of the Royal Society of Arts (F.R.S.A.).

In addition to Canaccord Financial Inc., Mr. Shah is a director of the following public company: JXX Oil & Gas plc. Mr. Shah attended both of the two meetings of the Board of Directors held between his appointment as a director on November 7, 2012, and June 10, 2013.

## Appointment of Auditors

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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 financial year ended March 31, 2013, Ernst & Young LLP billed \$2,341,400 in audit fees, \$231,447 in audit related fees, \$313,519 in fees for tax compliance and preparation and \$669,755 in fees for tax advisory services including advisory work on various corporate tax matters including acquisition related tax advisory fees. For the financial year ended March 31, 2012, Ernst & Young LLP billed \$2,446,980 in audit fees, \$534,907 in audit related fees, \$353,427 in fees for tax compliance and preparation and \$625,950 in fees for tax advisory services including advisory work on various corporate tax matters including acquisition related tax advisory fees.

## Corporate Governance Statement

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The Company is required by the Disclosure Rules and Transparency Rules of the United Kingdom Listing Authority (DTR 7.2) to include a Corporate Governance Statement in its annual directors' report. This section of the Circular is that report.

### Corporate governance regime – Canada

As a corporation incorporated under the *Business Corporations Act* (BC) and a “reporting issuer” for the purposes of Canadian securities laws, Canaccord is subject to the corporate governance requirements, guidelines and associated disclosure requirements (as applicable) of the *Business Corporations Act* (BC), its articles, the charters of the Board's committees and other policies and applicable laws, including National Instrument 52-110 (which provides for a number of mandatory requirements in respect of audit committees of publicly traded companies), National Policy 58-201 (which outlines Canadian securities regulators' corporate governance guidelines in respect of, among other things, board composition and effectiveness, the adoption of a written board mandate acknowledging the board's responsibility for the identification of the principal risks of an issuer's business, and ensuring the implementation of appropriate systems to manage these risks, the adoption and monitoring of written standards addressing various issues, including conflicts of interest, the appointment of a compensation committee composed of independent directors and responsible for certain compensation-related matters, and the development of an effective communication policy) and National Instrument 58-101 (which requires public companies to make disclosure regarding a number of corporate governance matters).

The *Business Corporations Act* (BC) is available on the website of the Queen's Printer for British Columbia at [www.bclaws.ca](http://www.bclaws.ca). The articles of the Company and summaries of the charters of the Board's committees, the Disclosure Controls Policy, the Canaccord Whistleblower Policy and the Code of Business Conduct and Ethics are available on the Company's website at [www.canaccordfinancial.com](http://www.canaccordfinancial.com) (under “Investor Relations – Corporate Disclosure” and “– Corporate Governance”). Applicable Canadian securities laws including National Instruments 52-110, 58-201 and 58-101 are available on the website of the Ontario Securities Commission at [www.osc.gov.on.ca](http://www.osc.gov.on.ca) under “Securities Law & Instruments – Instruments, Rules & Policies”.

### Corporate governance regime – UK

As a consequence of the Common shares of the Company being admitted to trading on the standard segment of the Official List, the UK Corporate Governance Code published by the Financial Reporting Council will not apply to Canaccord. In view of the applicable Canadian corporate governance requirements already outlined, Canaccord does not currently intend to voluntarily comply with the UK Corporate Governance Code.

## BOARD OF DIRECTORS

The Company currently has nine directors, a majority of whom (six) 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 Dipesh Shah. The other directors are not independent: Peter Brown, David Kassie and Paul Reynolds are members of the executive management of Canaccord.

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 8 of this Circular.

The Chairman is not 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 2039 West 35th Avenue, Vancouver, BC V6M 1J1.

Under the leadership of the Lead Director, at each regular quarterly 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 five such meetings between April 1, 2012 and June 10, 2013. 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 Chairman, the Chief Executive 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 and compliance throughout the Company;

- (f) approving certain decisions relating to the Chief Executive Officer and those senior officers reporting directly to the Chief Executive Officer, including the:
  - (i) appointment and discharge of those officers;
  - (ii) compensation and benefits for those officers; and
  - (iii) acceptance of outside directorships on public companies by those 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 IIROC 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 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 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](http://www.sedar.com) and on the Company's website at [www.canaccordfinancial.com](http://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 2013 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; 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; 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; reviewing the systems of internal controls to ensure integrity in the financial reporting of the Company; assisting management to identify the Company's principal business risks; approving risk management policies that establish the appropriate approval levels for decisions and other checks and balances to manage risk; satisfying itself that policies are in place to manage the risks to which the Company is exposed, including market, operational, liquidity, credit, regulatory and legal, and reputational risk; 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. All of the members of the Audit Committee are independent of management as determined under applicable securities legislation. The Audit Committee met five times in the period from April 1, 2012 to June 10, 2013.

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.

### **Risk management**

Uncertainty and risk are inherent in any financial markets activity. As an active participant in the Canadian and international capital markets, the Company is exposed to risks that could result in financial losses. The Company has identified its principal risks as: market risk, credit risk, operational risk and other risks. Accordingly, risk management and control of the balance between risk and return are critical elements in maintaining Canaccord's financial stability and profitability. Therefore, an effective risk management framework is integral to the success of Canaccord.

Canaccord's disciplined risk management process encompasses a number of functional areas and requires frequent communication, judgment and knowledge of the business, products and markets. The Company's senior management is actively involved in the risk management process and has developed policies and reports that require specific administrative procedures and actions to assess and control risks. These policies and procedures are subject to ongoing review and modification as activities, markets and circumstances change.

As part of Canaccord's risk philosophy, the first line of responsibility for managing risk lies with branch managers, department heads and trading desk managers (within prescribed limits). The monitoring and control of Canaccord's risk exposure is conducted through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems.

The Board of Directors (the Board) has oversight of the company-wide risk management framework. These responsibilities are delegated to the Audit and Risk Management Committees. The Audit Committee's mandate was updated in fiscal 2013 to better reflect the committee's oversight of the Company's risk management function.

The Audit Committee assists the Board in fulfilling its oversight responsibility by monitoring the effectiveness of internal controls and the control environment. It also receives and reviews various quarterly and annual updates and reports on key risk metrics and the overall risk management program.

The Risk Management Committee assists the Board in fulfilling its responsibilities for monitoring risk exposures against the defined risk appetite and for general oversight of the risk management process. The Risk Management Committee is led by the CFO, and committee members include the CEO and senior management representation from the key revenue-producing businesses

and functional areas of Canaccord. The Committee identifies measures and monitors the principal risks facing the business through review and approval of Canaccord's risk appetite, policies, procedures and limits/thresholds.

The segregation of duties and management oversight are important aspects of Canaccord's risk management process. Canaccord has a number of functions that are independent of the revenue-producing businesses that perform risk management activities, including the monitoring, evaluating and analyzing of risk. These functions include Enterprise Risk Management, Compliance, Operations, Internal Controls and Financial Analysis, Treasury, Finance and Legal.

#### **Additional information**

Additional information about the Audit Committee and internal control and risk management systems (including details of how the principal risks of the Company are managed, the charter of the Audit Committee and details of external auditor service fees) is contained in the Company's annual information form (AIF) which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.canaccordfinancial.com](http://www.canaccordfinancial.com) (under "Investor Relations – Financial Reports"). In particular, see the sections of the AIF headed "Board Committees – Audit Committee" and "External Auditor Services Fees" and schedule "A" to the AIF. 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 25 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 18.

#### ***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 them has significant and direct experience in executive compensation matters, leadership, talent management, governance and risk management through their tenures as senior leaders directing large and complex organizations. All of the members of the Committee are independent of management as determined under applicable securities legislation. The Corporate Governance and Compensation Committee met six times in the period from April 1, 2012 to June 10, 2013.

#### ***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 is 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 Chairman and the Chief Executive Officer provide additional direct input to the process.

## Compensation Discussion and Analysis

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### 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;
- encourage sound risk management and compliance with internal policies and procedures and the applicable law and rules and policies of securities regulators and self-regulatory organizations;
- ensure that compensation is not solely based on revenue attributable to an individual; this is for several reasons: first, such an approach does not take account of risk management and compliance costs, and second, there is the inherent difficulty in determining who is directly responsible for generating specific revenue; furthermore, such a reward mechanism tends to discourage the teamwork which is a key behaviour that the Company seeks to foster; 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.

Individual performance is measured in a number of ways against agreed-upon goals and objectives and competencies specific to their role, with annual appraisals providing a significant element of performance assessment. The variable element of remuneration includes the use of share schemes, with awards deferred to ensure that longer term performance is considered, with suitable claw-back in place in appropriate circumstances.

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 2013, the Company's total compensation expense was 62.1% 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; Oppenheimer; Piper Jaffray; Greenhill; SWS Group; FBR & Co.; 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.

In the United Kingdom Canaccord Genuity Wealth Management division, the division's board of directors reviewed analyses of compensation practices and financial performance among a peer group of other portfolio management and stockbroking competitors in the United Kingdom. These firms are Brooks Macdonald Asset Management, Charles Stanley & Co., Cheviot Asset Management, Quilter, Rathbones, Smith & Williamson Investment Management, Heartwood Wealth Management, JO Hambro Investment Management, Ruffer LLP, Thesis Asset Management, Brewin Dolphin, Investec (Williams de Broe) and JM Finn & Co.

The Corporate Governance and Compensation Committee has considered the implications of the risks associated with the Company's compensation policies and practices and believes that such policies and practices are unlikely to expose Canaccord to inappropriate or excessive risks.

#### United Kingdom Remuneration Code

The operating subsidiaries of the Company which are regulated by the Financial Conduct Authority (FCA) in the United Kingdom (including Canaccord Genuity Limited and Canaccord Genuity Wealth Limited) must comply with the FCA's Remuneration Code. Canaccord Genuity Limited considers that it falls within Tier 3 of the FCA's tiered proportionality framework. As required by the Code, Canaccord Genuity Limited has identified the employees subject to the Code (known as "Code staff") and has adopted a written remuneration policy which is administered by its Remuneration Committee and which provides, in part, for the deferral of cash and equity bonuses of Code staff with the deferral of 20% of cash bonuses for a typical period of nine months and the payment of between 10% and 30% of profit share and bonus compensation in the form of a restricted share award under the Company's Long Term Incentive Plan.

#### Executive compensation related fees

For various projects since July 2006, the Company has retained Johnson Associates Inc., a boutique compensation consulting firm specializing in the financial services industry. In each of fiscal 2013, fiscal 2012 and fiscal 2011, Johnson Associates Inc. was retained to benchmark compensation for and of the Company's directors and executive officers. In fiscal 2013, the aggregate fees billed by Johnson Associates Inc. for these services was US\$5,122. In fiscal 2012, the aggregate fees billed by Johnson Associates Inc. for these services was US\$14,145. In fiscal 2011, the aggregate fees billed by Johnson Associates Inc. for the same services was \$42,586.

In fiscal 2013, the Company retained ComPeer Limited, a specialist in business benchmarking, competitor analysis and research services in the United Kingdom, for a report on a review of remuneration structures of portfolio managers and stockbrokers in the United Kingdom and paid it £5,000. The Company also retained Hassell Blampied Associates, a human resources consultancy firm in the Channel Islands, for a report on senior pay benchmarking in the Channel Islands and paid it £4,825.

#### 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 the Canaccord Genuity capital markets division globally, senior officers in Canaccord Genuity Wealth Management (CGWM, the wealth management division) globally, top producers in the CGWM division outside Canada and senior operations and administration management globally, to defer a portion of their cash compensation and, on an occasional basis, to key management to provide retention incentives, a long term incentive plan that provides for the award of restricted share units which vest over three years (the "**Long Term Incentive Plan**" or "**LTIP**");
- for key employees globally, on an occasional basis, to provide retention incentives, forgivable equity incentive loans for the purchase of Common shares of the Company in the open market which are forgiven over a three- to five-year period so long as the employee continues to be employed by Canaccord or is a "good leaver";
- for top producers in the CGWM division in Canada, 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 (known variously as the "**CWGM Appreciation Program**", the "**CGWM Bonus Plan**" and the "**CGWM Partnership Program**");
- for the independent directors of the Company, 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 "**Director Deferred Share Unit Plan**" or "**DSU Plan**"); and
- for all full-time employees in Canada and the United States, 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**").

As a result of the acquisition of Collins Stewart Hawkpoint plc (“CSHP”) on March 21, 2012, two share-based payment plans (the “Collins Stewart Hawkpoint Replacement Annual Bonus Equity Deferral Plan” and the “Collins Stewart Hawkpoint Replacement Long Term Incentive Plan”) were introduced to replace the share-based payment plans that existed at CSHP at the time of the acquisition. The obligations under one other CSHP share-based payment plan (the “Corazon Plan”) were assumed at the same time.

In fiscal 2013, the Company put in place a £15 million retention plan for key CSHP staff. The Company implemented this retention plan by the award of up to 1,581,701 restricted share units under the “CSH Inducement Plan”, which would vest on the third, fourth and fifth anniversaries of the completion of the acquisition, and the award of 790,872 restricted share units under the existing LTIP, which would vest on the first and second anniversaries of the completion of the acquisition.

#### **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 29.

#### **CANACCORD GENUITY WEALTH MANAGEMENT COMPENSATION**

Canaccord Genuity Wealth Management (CGWM), the Company’s wealth management division, has operations in Canada, in the United Kingdom and the Channel Islands and in Australia. Compensation for the senior officers of the CGWM 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 CGWM 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. Senior officers of the CGWM division globally and top producers in the division outside Canada are eligible to participate in the Company’s long term incentive plan. See “Long Term Incentive Plan (LTIP)” on page 29.

Top producers in the CGWM division in Canada 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.

#### **HEDGING OF ECONOMIC RISKS FOR PERSONAL EQUITY OWNERSHIP**

The Company’s directors and employees, including NEOs, are prohibited from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the director or employee.

#### **COMPENSATION OF NAMED EXECUTIVE OFFICERS FOR FISCAL 2013**

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; the Global Head of M&A and Restructuring, Barry Goldberg; the Global Head of Investment Banking, Philip Evershed; and the Head of the International Equities Group of Canaccord Genuity Inc. in New York, John Gillespie, Jr. (collectively, the “Named Executive Officers” or “NEOs”) with respect to fiscal 2013 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 2013, 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 and commitment to corporate strategy, values and performance at the overall corporate level;
- Canaccord Genuity capital markets compensation pool; the purposes are to attract, retain and motivate and to reward individual merit and contribution and commitment to corporate strategy, values and performance in relation to the Canaccord Genuity business units in various geographies;
- discretionary annual bonus; the purposes are to attract, retain and motivate and to reward individual merit and contribution and commitment to corporate strategy, values and performance at the overall corporate level;
- grant of restricted share units and advance of forgivable equity incentive loans; the purposes are to provide additional retention incentives to key capital markets employees in order to better align their interests with the long term interests of the Company's shareholders, to encourage sound risk management and compliance with applicable laws and to encourage long term service and loyalty;
- 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, to encourage sound risk management and compliance with applicable laws 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, to encourage sound risk management and compliance with applicable laws 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 and Canaccord Genuity Inc. pays Mr. Gillespie 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 CEO is required to own at least three times his base salary in Common shares of the Company.

The base salaries of the CFO and Mr. Gillespie are 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 operating net income (before taxes and certain other incentive compensation payments and excluding significant items including restructuring costs and acquisition related expense items) 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 compensation pool**

The Company has established a discretionary formulaic variable incentive-based compensation policy whereby a certain percentage (45% to 55% in fiscal 2013) of revenue or adjusted operating profit, 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, China, Hong Kong, Singapore and Australia) and operating unit within the geography (such as the International Equities Group (IEG) in the United States) is allocated to the Canaccord Genuity capital markets compensation pool in that geography and operating unit. After the deduction of the salaries of the employees of Canaccord Genuity capital markets in the geography and unit 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 and the CFO. The payments are allocated based entirely on merit and contribution and commitment to corporate strategy, values and performance in relation to Canaccord Genuity capital markets in the geography. Advances are paid monthly against anticipated semi-annual payments. In fiscal 2013, the CEO and Messrs. Goldberg and Evershed participated in the Canaccord Genuity capital markets compensation pool for Canada and Mr. Gillespie participated in the Canaccord Genuity capital markets compensation pool for the International Equities Group in the United States.

#### **Collins Stewart Hawkpoint legacy arrangements and CSH Inducement Plan**

Mr. Gillespie was employed by Collins Stewart LLC, a wholly owned subsidiary of CSHP, at the time of the Company's acquisition of CSHP. He had an agreement with Collins Stewart LLC (CSLLC) which was entered into at the time he and his group were originally hired by CSLLC in 2009 and which was designed to induce Mr. Gillespie to accept employment with CSLLC; as amended, it continues in force. This agreement provides for certain payments, calculated with reference to future cumulative production amounts and minimum threshold levels, which are subject to certain repayment provisions in the event of a termination of employment and which decline rateably over the period to March 31, 2015. In fiscal 2013, Mr. Gillespie received payments in connection with this agreement. In addition, as one of the key CSHP staff, he received an award of 43,814 restricted share units under the CSH Inducement Plan.

#### **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 and objectives set for the executive officer and a 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 Corporate Governance and Compensation Committee. The bonuses for the CFO and the other NEOs are determined by the CEO and reviewed by the Committee.

#### **Stock-based compensation**

Unless exempted in accordance with the Long Term Incentive Plan, it is mandatory for those earning more than C\$500,000 (in Canada and internationally other than in the United States or the United Kingdom) or US\$500,000 (in the United States) 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 share award under the LTIP. In the United Kingdom, in accordance with the requirements of the FCA Remuneration Code, it is mandatory for those earning more than £200,000 that at least 30% of profit share and bonus compensation that would otherwise be paid in cash will be paid in the form of a restricted share award under the LTIP. The amount of each restricted share award is 105% of the amount that would otherwise have been paid in cash.

## Employment and change in control agreements

Messrs. Goldberg and Evershed, in connection with the acquisition of Genuity Capital Markets in April 2010, 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, each of Messrs. Goldberg and Evershed 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 18 months (in the case of Mr. Goldberg) and 24 months (in the case of Mr. Evershed), 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 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 provided that the amount for each 12 months after the first 12 months will not be less than \$2.0 million. Messrs. Goldberg and Evershed would each 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.

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, the forgiveness of forgivable loans accelerated and other liabilities or indebtedness waived or forgiven 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 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 where the immediate vesting of the unvested restricted share units is negotiated as part of severance arrangements.

## SUMMARY COMPENSATION TABLE

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

Name and principal position	Year	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)			
<b>Paul Reynolds</b>	2013	\$ 750,000	\$ 517,559	\$ —	\$ 1,874,000	\$ —	\$ —	\$ 10,176	\$ 3,151,735
CEO	2012	\$ 450,000	\$ 594,970	\$ —	\$ 2,097,190	\$ —	\$ —	\$ 8,651	\$ 3,150,811
	2011	\$ 450,000	\$ 1,200,534	\$ —	\$ 4,596,500	\$ —	\$ —	\$ 13,408	\$ 6,260,442
<b>Bradley Kotush</b>	2013	\$ 600,000	\$ 165,003	\$ —	\$ 525,000	\$ —	\$ —	\$ 8,652	\$ 1,298,655
CFO	2012	\$ 600,000	\$ 159,313	\$ —	\$ 527,622	\$ —	\$ —	\$ 12,410	\$ 1,299,345
	2011	\$ 600,000	\$ 301,064	\$ —	\$ 1,088,000	\$ —	\$ —	\$ 124,591	\$ 2,113,655
<b>Barry Goldberg</b>	2013	\$ —	\$ 1,283,427	\$ —	\$ 5,030,000	\$ —	\$ —	\$ —	\$ 6,313,427
Global Head of M&A	2012	\$ —	\$ 454,639	\$ —	\$ 1,056,948	\$ —	\$ —	\$ —	\$ 1,511,587
and Restructuring	2011	\$ —	\$ 221,400	\$ —	\$ 1,012,975	\$ —	\$ —	\$ 6,346	\$ 1,240,721
<b>Philip Evershed</b>	2013	\$ —	\$ 1,282,474	\$ —	\$ 5,030,000	\$ —	\$ —	\$ —	\$ 6,312,474
Global Head of	2012	\$ —	\$ 428,139	\$ —	\$ 1,081,948	\$ —	\$ —	\$ —	\$ 1,510,087
Investment Banking	2011	\$ —	\$ 155,760	\$ —	\$ 638,615	\$ —	\$ —	\$ 6,346	\$ 800,721
<b>John Gillespie<sup>(1)</sup></b>	2013	\$ 250,917	\$ 376,375	\$ —	\$ 2,735,315	\$ —	\$ —	\$ 7,145	\$ 3,369,752
Head of International Equities Group									

<sup>(1)</sup> John Gillespie became an employee of the Canaccord group on the acquisition of Collins Stewart Hawkpoint plc on March 21, 2012. He was therefore an employee of the Company or one of its subsidiaries for less than two weeks in fiscal 2012. The amount of compensation for that period is not meaningful in the context of this table.

- (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 financial year plus, in the case of amounts that have been accrued for which RSUs have not yet been 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 29. For Mr. Gillespie, the RSUs were awarded under the CSH Inducement Plan; see “CSH Inducement Plan” on page 37. The grant date fair value for all RSUs except those granted under the CSH Inducement Plan is based on the volume weighted average price on the Toronto Stock Exchange at the grant date. The grant date fair value of RSUs granted under the CSH Inducement Plan is \$8.50 for each RSU.

The RSUs awarded to NEOs that vested during the financial year and that had not vested as of March 31, 2013 are shown in the following table.

NEO name	Market value of RSUs that vested during the year ended March 31, 2013 (\$)	Number of RSUs that have not vested as of March 31, 2013 (#)	Market value of RSUs that have not vested as of March 31, 2013 (\$)
Paul Reynolds	\$ 571,202	206,188	\$ 1,406,202
Bradley Kotush	\$ 166,951	42,424	\$ 289,332
Barry Goldberg	\$ 38,204	86,571	\$ 590,414
Philip Evershed	\$ 23,325	81,407	\$ 555,196

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, 2013 is calculated by multiplying the number of RSUs that have not vested by the closing market price of the underlying shares on March 31, 2013 (\$6.82). All RSUs are distributed on vesting; therefore the RSUs that have not vested are the only RSUs that have not been paid out or distributed.

- (e) No options awarded to NEOs vested during the financial year. The options that were unexercised as of March 31, 2013 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, 2013 (\$)	Number of shares underlying unexercised options as of March 31, 2013 (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options as of March 31, 2013 (\$)
Paul Reynolds	\$ —	117,318	\$ 9.47	August 31, 2016	\$ —
Bradley Kotush	\$ —	117,318	\$ 9.47	August 31, 2016	\$ —

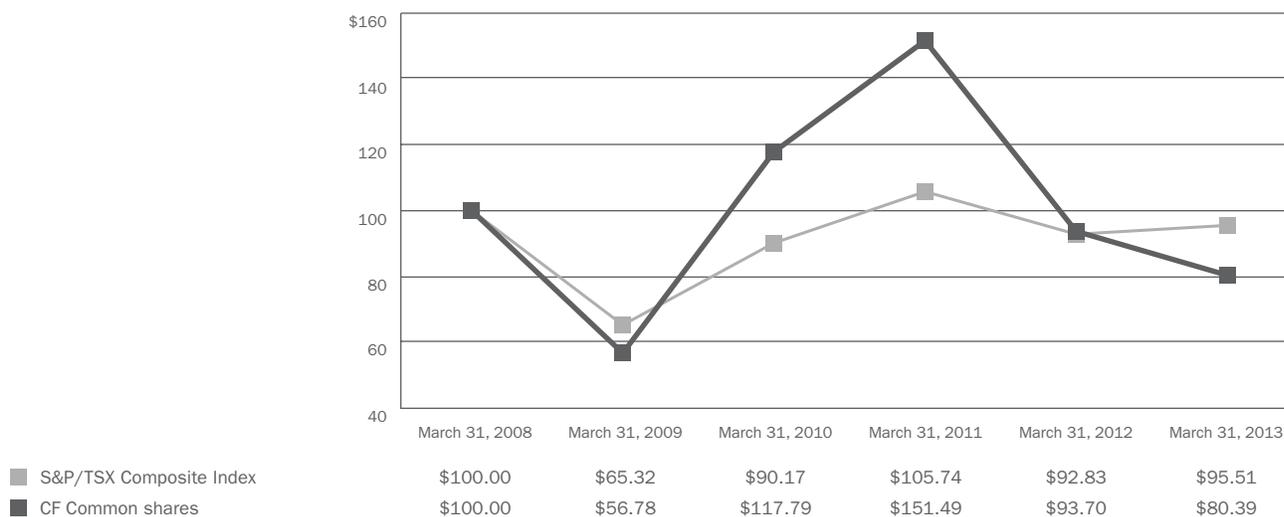
The market value of options that vested during the year is calculated by determining the difference between the market price of the underlying shares on the vesting date and the exercise price of the options.

- (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. In the case of Mr. Gillespie, the amounts in this column also represent payments under the arrangements discussed under the heading “Collins Stewart Hawkpoint legacy arrangements and CSH Inducement Plan” on page 22.
- (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 financial years (from April 1, 2008 to March 31, 2013) 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, 2008, would be worth at the end of fiscal 2013.

**Performance graph**  
(C\$)



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, but compensation levels for the CEO and the CFO have been generally consistent with the trend in total return on investment charted in the performance graph. As an example, the total return on investment declined 43.2% year over year at the end of fiscal 2009. This was reflected in a decrease for fiscal 2009 in the CEO's total compensation year over year of 46.4% and in the CFO's total compensation year over year of 18.5%. Similarly, the total return on investment increased 107.5% year over year at the end of fiscal 2010. This was reflected in an increase for fiscal 2010 in the CEO's total compensation year over year of 44.0% and in the CFO's total compensation year over year of 69.1%. The CEO's total compensation year over year decreased 19.5% in fiscal 2011 and 49.7% in fiscal 2012 and increased less than 1.0% in fiscal 2013. The increase in the compensation of the NEOs (other than the CEO and the CFO) in fiscal 2013 reflects the success of their business units in that year.

**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 (2013):

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)
Charles Bralver	\$ 70,948	\$ 50,000	\$ —	\$ —	\$ —	\$ —	\$ 120,948
Peter Brown	\$ —	\$ —	\$ —	\$ 233,082	\$ —	\$ 467,029	\$ 700,111
Massimo Carello	\$ 109,500	\$ 25,000	\$ —	\$ —	\$ —	\$ —	\$ 134,500
William Eeuwes	\$ 69,500	\$ 50,000	\$ —	\$ —	\$ —	\$ —	\$ 119,500
Michael Harris	\$ 19,500	\$ 110,000	\$ —	\$ —	\$ —	\$ —	\$ 129,500
David Kassie	\$ —	\$ 543,095	\$ —	\$ 2,050,000	\$ —	\$ 450,000	\$ 3,043,095
Terrence Lyons	\$ 220,029	\$ 58,752	\$ —	\$ —	\$ —	\$ —	\$ 278,781
Dipesh Shah	\$ 21,473	\$ 12,500	\$ —	\$ —	\$ —	\$ —	\$ 33,973
Michael Walker	\$ 55,344	\$ 14,130	\$ —	\$ —	\$ —	\$ —	\$ 69,475

(a) During the financial year ended March 31, 2013, Dr. Walker was a director only for the period from April 1, 2012 to July 12, 2012, the date of the annual general meeting. Mr. Shah was only a director for the period from November 7, 2012, when he was appointed as an additional director.

- (b) The amounts in this column include the annual fee, meeting fees and travel fees. In the case of Mr. Bralver, the amount includes fees earned in US dollars as a director of Canaccord Genuity Inc. In the case of Mr. Lyons, the amount includes fees earned in UK pounds sterling as a director of Canaccord Genuity Limited.
- (c) The amounts in this column for the independent directors (Messrs. Bralver, Carello, Eeuwes, Harris, Lyons and Shah and Dr. Walker) represent the grant date fair value of the deferred share units (DSUs) awarded to directors in respect of the four quarters for the financial year. For details of the DSUs, see “Deferred share units” on page 27. The grant date fair value is based on the volume weighted average price on the Toronto Stock Exchange at the grant date.

The DSUs awarded to directors that were awarded during the financial year and that were outstanding as of March 31, 2013 are shown in the following table. These numbers include additional DSUs paid in respect of cash dividends. The market value of DSUs awarded during the year is calculated by multiplying the number of DSUs awarded by grant date fair value or the closing price of the underlying shares on the dividend payment date, as the case may be. The market value of DSUs that are held as of March 31, 2013, is calculated by multiplying the number of DSUs held by the closing market price of the underlying shares on March 31, 2013 (\$6.82).

Director name	Number of DSUs awarded during the year ended March 31, 2013 (#)	Market value of DSUs awarded during the year ended March 31, 2013 (\$)	Number of DSUs held as of March 31, 2013 (#)	Market value of DSUs held as of March 31, 2013 (\$)
Charles Bralver	8,601	\$ 52,769	13,269	\$ 90,493
Massimo Carello	4,311	\$ 26,460	6,772	\$ 46,188
William Eeuwes	8,621	\$ 52,907	13,539	\$ 92,334
Michael Harris	18,962	\$ 116,375	29,777	\$ 203,081
Terrence Lyons	10,147	\$ 62,284	16,136	\$ 110,045
Dipesh Shah	3,015	\$ 20,415	3,015	\$ 20,565
Michael Walker	2,785	\$ 15,551	—	\$ —

The amounts in column (c) for David Kassie represent the grant date fair value of the restricted share units (RSUs) awarded to directors in respect of the four quarters for the financial year plus, in the case of amounts that have been accrued for which RSUs have not yet been 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 29. The grant date fair value is based on the volume weighted average price on the Toronto Stock Exchange at the grant date.

The RSUs awarded to Mr. Kassie that vested during the financial year and that had not vested as of March 31, 2013 are shown in the following table.

Director name	Market value of RSUs that vested during the year ended March 31, 2013 (\$)	Number of RSUs that have not vested as of March 31, 2013 (#)	Market value of RSUs that have not vested as of March 31, 2013 (\$)
David Kassie	\$ 78,618	135,965	\$ 927,281

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, 2013, is calculated by multiplying the number of RSUs that have not vested by the closing market price of the underlying shares on March 31, 2013 (\$6.82). All RSUs are distributed on vesting; therefore the RSUs that have not vested are the only RSUs that have not been paid out or distributed.

- (d) The options awarded to directors that vested during the financial year and that were unexercised as of March 31, 2013 are shown in the following table. Under certain circumstances the options may expire earlier.

Director name	Market value of options that vested during the year ended March 31, 2013 (\$)	Number of shares underlying unexercised options as of March 31, 2013 (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options as of March 31, 2013 (\$)
Charles Bralver	\$ —	25,000	\$ 8.39	March 31, 2017	\$ —
Massimo Carello	\$ —	25,000	\$ 7.87	March 31, 2015	\$ —
	\$ —	25,000	\$ 7.21	March 31, 2016	\$ —
	\$ —	25,000	\$ 8.39	March 31, 2017	\$ —
William Eeuwes	\$ —	25,000	\$ 23.131	March 31, 2014	\$ —
	\$ —	25,000	\$ 9.48	March 31, 2015	\$ —
	\$ —	25,000	\$ 7.21	March 31, 2016	\$ —
	\$ —	25,000	\$ 8.39	March 31, 2017	\$ —
Michael Harris	\$ —	25,000	\$ 23.131	March 31, 2014	\$ —
	\$ —	25,000	\$ 9.48	March 31, 2015	\$ —
	\$ —	25,000	\$ 7.21	March 31, 2016	\$ —
	\$ —	25,000	\$ 8.39	March 31, 2017	\$ —
Terrence Lyons	\$ —	25,000	\$ 23.131	March 31, 2014	\$ —
	\$ —	25,000	\$ 9.48	March 31, 2015	\$ —
	\$ —	25,000	\$ 7.21	March 31, 2016	\$ —
	\$ —	25,000	\$ 8.39	March 31, 2017	\$ —
Michael Walker	\$ —	25,000	\$ 23.131	March 31, 2014	\$ —
	\$ —	25,000	\$ 9.48	March 31, 2015	\$ —
	\$ —	25,000	\$ 7.21	March 31, 2016	\$ —
	\$ —	25,000	\$ 8.39	March 31, 2017	\$ —

The market value of options that vested during the year is calculated by determining the difference between the market price of the underlying shares on the vesting date and the exercise price of the options.

- (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 2013, 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).

#### Deferred share units

Effective from April 1, 2011, no further stock options were granted to directors. The annual option grant was 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.

### 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 fee 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 \$40 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<sup>(1)</sup>

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:			
LTIP <sup>(2)</sup>	4,227,720	\$ 8.00	6,904,530
Stock Option Plan	2,384,910	\$ 9.84	12,934
Equity compensation plans not approved by securityholders:			
CSH Replacement ABED	466,645	\$ 9.01	0
CSH Replacement LTIP	711,700	\$ 9.01	0
CSH Inducement Plan	1,557,015	\$ 8.50	0
Total	9,347,990	Not applicable	6,917,464

<sup>(1)</sup> The information in this table is given as of March 31, 2013.

<sup>(2)</sup> 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, 2013. It does not include the shares purchased for the LTIP by the key employee benefit trust.

Canaccord has the following share-based incentive schemes for purposes of rewarding its executives and employees and aligning their interests with those of the Company:

#### **1. LONG TERM INCENTIVE PLAN (LTIP)**

On August 2, 2007, the Company adopted the Long Term Incentive Plan (the “LTIP”). Set out below is a summary of the principal rules of the LTIP for information purposes only and cannot be relied upon in substitution of the rules themselves.

##### **(a) Eligibility; grant of awards**

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 Group. 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 United Kingdom and the United States and for elsewhere. For employees outside the United Kingdom and the United States (principally employees in Canada 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 is 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, at the time of each restricted share unit award, the Company allots Common shares and these shares are issued from treasury to plan participants following vesting of restricted share units.

Awards are granted in the form of unvested restricted share units (known as RSUs). Upon vesting, the restricted share units entitle the participant to receive (by way of issuance from treasury and/or transfer) an equivalent number of Common shares.

The LTIP 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 (if any) and Chief Financial Officer of the Company (for the purposes of this section, the “Executive Officers”).

##### **(b) Exercise price**

The price at which a participant may acquire Common shares on the vesting of his/her restricted share units is nil.

##### **(c) Dividends**

Any dividends paid on Common shares during the vesting period will not accrue to the underlying restricted share units; however, participants will be entitled to receive a cash equivalent of any such dividends accruing (known as a dividend equivalent) upon vesting of their share units.

##### **(d) Plan limits**

The maximum number of Common shares that may be issued from treasury under the LTIP is 10,000,000. This represents approximately 9.7% of the number of Common shares outstanding as of the date of this Circular. In the management information circular for the annual general meeting of the Corporation’s shareholders held on August 2, 2007, at which the LTIP was approved by shareholders, the Company set out that the maximum number of Common shares 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. In May 2012, the Committee amended the LTIP to provide that the maximum number of Common shares that may be issued from treasury pursuant to awards under the LTIP in respect of any four consecutive fiscal quarters of the Corporation is 3,000,000 and to make it clear that this maximum only applies to awards under the LTIP and not other share-based incentive schemes. In November 2012, the Committee amended the LTIP to reduce to a maximum of 12 months the non-competition period following a termination. These amendments are within the authority of the Committee, and shareholder approval is not required and has not been obtained.

In addition,

- (i) 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
- (ii) the aggregate number of Common shares (a) issued to insiders of the Company, within any one-year period; or (b) 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. For the purpose of the interpretation of the plan limits, “insiders” means those insiders who are required to file insider reports under Canadian securities legislation.

**(e) Vesting/exercise; termination of employment; change of control**

The Committee has absolute discretion to determine the vesting criteria of awards granted under the LTIP, provided that the vesting period is no more than three years following the end of the calendar year in which the award is granted.

Absent any other determination by the Committee or one of the Executive Officers, unvested share units shall vest as follows:

- (i) one-third shall vest on the first business day after the Company's first "earnings release" (as more particularly defined in the LTIP) that immediately precedes the first anniversary of the date of grant;
- (ii) one-third shall vest on the first business day after the Company's first earnings release that immediately precedes the second anniversary of the date of grant; and
- (iii) one-third shall vest on the first business day after the Company's first earnings release that immediately precedes the third anniversary of the date of grant.

Even after vesting, 50% of the shares acquired under the LTIP may be subject to restrictions on transfer that are related to certain minimum share ownership guidelines for plan participants as established by the Board, the Committee or the Executive Officers. The restrictions on transfer may be disappplied or waived, in whole or in part, at any time by the Committee or any Executive Officer.

There are no performance conditions attaching to the LTIP awards.

If a participant terminates his or her employment or if the Company terminates a participant's employment for "cause" (as more particularly defined in the LTIP), his or her unvested share units shall automatically lapse on the date of such termination. In all other circumstances of cessation of employment (other than death), if the participant does not compete with the Company for a period of 12 months following the termination, the participant is entitled to retain his or her unvested share units until the applicable vesting date and they will continue to be governed by the rules of the LTIP including the vesting criteria referred to above. If a participant's employment terminates by reason of death, his or her unvested share units will automatically vest on the date of such event.

Notwithstanding the foregoing, the Committee or one of the Executive Officers may, without amending the rules of the LTIP, determine that all or any proportion of an award will vest in circumstances in which it would not have otherwise vested or would have vested at a later date.

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.

**(f) Manner of vesting**

Participants may retain their vested shares in the LTIP until they choose to voluntarily withdraw them. If a participant ceases to be an employee for whatever reason, he or she will be required to withdraw their vested shares within 90 days of such event occurring. Vesting is conditional upon the participant paying for any income tax and employee National Insurance contributions due (or local law equivalents) or undertaking to make such a payment.

**(g) Variation of share capital**

In the event of any amalgamation, arrangement, capitalization issue or offer by way of rights (including an open offer), or upon any consolidation, subdivision, reclassification or reduction or other variation of the Company's share capital or in the event that the Company is the subject of a demerger, the number of Common shares the subject of an LTIP award may be adjusted in such manner as the Committee considers to be equitable.

**(h) Amendments and general**

No rights under an LTIP award may be assigned or transferred by an award holder to any other person except in the event of an award holder's death. Awards granted under the LTIP shall not be pensionable.

The rules of the LTIP may be amended by the Committee in any way provided that:

- (i) no amendment may be made which would materially prejudice the interests of participants in relation to awards already granted to them unless the sanction of participants has been obtained; and
- (ii) all amendments to the maximum number of Common shares that may be issued from treasury under the LTIP, the eligibility criteria of participants and the amendment provisions will require the prior consent of the Company's shareholders at an annual or special meeting unless they are minor amendments to benefit the administration of the plan or to obtain or maintain favourable tax, exchange control or regulatory treatment for award holders, the Company or a member of the Group.

**2. SHARE OPTION PLAN**

On June 21, 2004, the Company adopted the Share Option Plan. Set out below is a summary of the principal rules of the Share Option Plan for information purposes only and cannot be relied upon in substitution of the rules themselves.

**(a) Eligibility; grant of awards**

Directors, officers, consultants and certain key employees of the Group are eligible to participate in the Share Option Plan. Awards are granted in the form of options to purchase Common shares. The plan is administered by the Board and options are granted at the Board's absolute discretion.

**(b) Exercise price**

The price at which an optionholder may acquire Common shares on the exercise of an option is determined by the Board at the time of grant, but in no case will it be less than the "fair market value" of the Common shares prior to the date of grant.

**(c) Dividends**

Any dividends paid on Common shares during the vesting period will not accrue to the underlying options.

**(d) Plan limits**

The maximum number of Common shares that may be issued under the Share Option Plan is 2,612,927. This represents approximately 2.5% of the number of Common shares outstanding as of the date of this Circular. The maximum number of Common shares that may be issued to any one person under the plan is 5% of the Common shares then outstanding. In addition, the maximum number of Common shares that may be issued to insiders of the Company within any one-year period may not exceed 10% of the Common shares then outstanding. For the purpose of the interpretation of the plan limits, "insiders" does not include directors or officers of a subsidiary of the Company.

**(e) Vesting/exercise; termination of employment; change of control**

Subsisting options that were granted to independent directors of the Group vest over four years or the following earlier dates in the following circumstances: (i) immediately on the death of the optionholder, (ii) at the discretion of the majority of the directors (other than optionholders) exercised within 10 days of a change of control, and (iii) at the discretion of the majority of the directors (other than the optionholder) on the permanent disability of the award holder. Each option expires on March 31 in the seventh year following grant.

Subsisting options that were granted to senior managers of the Group on August 31, 2009 vest over five years or immediately on the death of the optionholder and expire on the earliest of: (i) seven years from the date of grant, (ii) three years following death or termination of employment, (iii) when any other unvested shares awarded to the optionholder are cancelled for any reason (other than early retirement but including resignation without entering into a formal exit agreement and termination for cause), and (iv) in the case of early retirement, if it is determined that the optionholder has competed with the Group or breached any non-compete, non-solicit or non-disclosure obligations.

The Board has discretion to determine the exercise and vesting criteria applicable to any future grants of options under the Share Option Plan, but all options must expire not less than 10 years after the date of grant.

Notwithstanding the foregoing, the Committee or one of the Executive Officers may, without amending the rules of the Share Option Plan, determine that all or any proportion of an award will vest in circumstances in which it would not have otherwise vested or would have vested at a later date. It is expected that the exercise of this discretion would be considered in such circumstances as where the immediate vesting of options is negotiated as part of severance arrangements.

**(f) Manner of exercise**

Following receipt of an exercise notice in respect of an option, together with payment for the exercise price due and for any income tax and social security contributions due (or local law equivalent) or an undertaking to make such a payment, the Common shares in respect of which an option has been exercised must be issued by the Company or the Company must procure their transfer to the optionholder.

As an alternative to the above, and subject to the options having vested, the Share Option Plan rules provide that the Board may activate share appreciation rights in which case optionholders shall be entitled to elect to terminate their options (in whole or in part) and to receive the number of Common shares having a value that is equal to the difference between the exercise price per share of the number of Common shares for which the optionholder has cancelled his or her options and the market value of such number of Common shares.

**(g) Variation of share capital**

In the event of any subdivision, consolidation, reclassification or other reorganization of the Company's share capital, the number of Common shares the subject of an option will be adjusted in such manner as the Chief Financial Officer of the Company considers to be equitable, so that the affected optionholders may acquire the same share in the equity capital of the Company at the same total price after the reorganization as they would have been able to acquire prior to the reorganization.

**(h) Amendments and general**

Options awarded under the Share Option Plan are not assignable or transferrable to any other person.

Approval of Canaccord's shareholders is required for any amendment of the Share Option Plan and no amendment may alter or impair any options, or rights pursuant to any options, previously granted without the consent of the holder of such options.

**3. COLLINS STEWART HAWKPOINT REPLACEMENT ANNUAL BONUS EQUITY DEFERRAL PLAN (THE "CSH REPLACEMENT ABED")**

On March 19, 2012, the Company adopted the Replacement ABED, conditional on the acquisition of CSHP on March 21, 2012. Set out below is a summary of the principal rules of the Replacement ABED for information purposes only and cannot be relied upon in substitution of the rules themselves.

**(a) Eligibility; grant of awards**

Replacement ABED awards were granted on March 21, 2012 to employees of the CSHP group who were participants of the Collins Stewart Hawkpoint Annual Bonus Equity Deferral Plan (the "CSH ABED") as a replacement for their original CSH ABED awards.

The Replacement ABED awards were granted in the form of nil cost awards to acquire a specified number of Common shares and/or a related payment of cash.

There will be no future Replacement ABED awards granted under the Replacement ABED.

**(b) Exercise price**

The price at which an award holder may acquire Common shares on the exercise of a Replacement ABED award is nil.

**(c) Dividends**

Any dividends paid on Common shares during the vesting period will not accrue to the underlying Replacement ABED awards.

**(d) Plan limits**

As of March 31, 2013, a maximum number of 466,645 Common shares may be issued by the Company to satisfy the exercise of Replacement ABED awards. This represents approximately 0.5% of the number of Common shares outstanding as of the date of this Circular.

**(e) Vesting/exercise; termination of employment**

During the year ended March 31, 2013, 91,191 Common shares were issued on the exercise of Replacement ABED awards and awards over 15,702 Common shares were forfeited. All Replacement ABED awards will have become exercisable by March 17, 2014.

There are no performance conditions attaching to the Replacement ABED awards.

If an award holder terminates his or her employment with notice, his or her Replacement ABED award (whether vested or unvested) shall automatically lapse and cease to be exercisable on the date of giving such notice. If the Company terminates an award holder's employment with notice in circumstances where the reason for issuing such notice amounts to gross misconduct on the part of the award holder (as defined in the rules of the Replacement ABED), his or her Replacement ABED award (whether vested or unvested) shall automatically lapse and cease to be exercisable on the date of the giving of such notice. In all other circumstances of cessation of employment, the award holder is entitled to retain his or her Replacement ABED award and it will continue to be governed by the rules of the Replacement ABED.

Notwithstanding the foregoing and other than in the circumstances in which the Replacement ABED award automatically lapses, accelerated vesting may, in the discretion of the Corporate Governance and Compensation Committee of the Board (the "**Committee**"), be permitted, in which case the Replacement ABED award must be exercised within 12 months from cessation of employment, following which it shall lapse and cease to be exercisable. The Committee has authorized any one of the Executive Officers to exercise this discretion.

**(f) Change of control**

Full or partial accelerated vesting is also permitted in the event of a change of control (as defined in the Replacement ABED rules) in the Board's absolute discretion. If such discretion is not exercised, then the Replacement ABED awards (or any such portion thereof) will continue to subsist in accordance with the rules of the Replacement ABED.

**(g) Manner of exercise**

Within 30 days of the receipt of an exercise notice in respect of a Replacement ABED award, together with a payment for any income tax and employee and employer National Insurance contributions due (or an undertaking to make such a payment), the Common shares in respect of which the award has been exercised must be issued by the Company or the Company must procure their transfer to the award holder and a payment of the cash element of the award (if applicable) will be paid through the applicable Group payroll (subject to appropriate deductions for income tax and employee and employer National Insurance contributions).

**(h) Variation of share capital**

In the event of any amalgamation, arrangement, capitalization issue or offer by way of rights (including an open offer), or upon any consolidation, subdivision, reclassification or reduction or other variation of the Company's share capital or in the event that the Company is the subject of a demerger, the number of Common shares the subject of a Replacement ABED award may be adjusted in such manner as the Board (following consultation with the Committee) considers to be, in its opinion, fair and reasonable.

(i) **Amendments and general**

No rights under a Replacement ABED award may be assigned or transferred by an award holder to any other person except in the event of an award holder's death. Awards granted under the Replacement ABED shall not be pensionable.

The rules of the Replacement ABED may be amended by the Board or the Committee in any way provided that:

- (i) no amendment may be made which would materially prejudice the interests of award holders in relation to awards already granted to them unless the sanction of award holders has been obtained; and
- (ii) all amendments to the maximum number of Common shares that may be issued under the Replacement ABED, the vesting period, the transfer provisions and the amendment provisions will require the prior consent of the Company's shareholders at an annual or special meeting unless they are minor amendments to benefit the administration of the plan or to obtain or maintain favourable tax, exchange control or regulatory treatment for award holders, the Company or a member of the Group.

Notwithstanding the foregoing, the Board or the Committee may, without amending the rules of the Replacement ABED, determine that all or any proportion of a Replacement ABED award will vest in circumstances in which it would not have otherwise vested or would have vested at a later date.

The Board may amend the Replacement ABED by way of separate schedules to enable it to be operated overseas.

**4. COLLINS STEWART HAWKPOINT REPLACEMENT LONG TERM INCENTIVE PLAN (THE "CSH REPLACEMENT LTIP")**

On March 19, 2012, the Company adopted the Replacement LTIP, conditional on the acquisition of CSHP on March 21, 2012. Set out below is a summary of the principal rules of the Replacement LTIP for information purposes only and cannot be relied upon in substitution of the rules themselves.

(a) **Eligibility; grant of awards**

Replacement LTIP awards were granted on March 21, 2012 to employees of the CSHP group who were participants of the Collins Stewart Hawkpoint 2010 Long Term Incentive Plan (the "CSH LTIP") as a replacement for their original CSH LTIP awards.

The Replacement LTIP awards were granted in the form of nil cost awards to acquire a specified number of Common shares.

There will be no future Replacement LTIP awards granted under the Replacement LTIP.

(b) **Exercise price**

The price at which an award holder may acquire Common shares on the exercise of a Replacement LTIP award is nil.

(c) **Dividends**

Any dividends paid on Common shares during the vesting period will not accrue to the underlying Replacement LTIP awards.

(d) **Plan limits**

As of March 31, 2013, a maximum number of 711,700 Common shares may be issued by the Company to satisfy the exercise of Replacement LTIP awards. This represents approximately 0.7% of the number of Common shares outstanding as of the date of this Circular.

**(e) Vesting/exercise; termination of employment**

During the year ended March 31, 2013, 107,681 Common shares were issued on the exercise of Replacement LTIP awards and awards over 22,651 Common shares were forfeited. All Replacement LTIP awards will have become exercisable by March 21, 2015.

There are no performance conditions attaching to the Replacement LTIP awards.

If an award holder's employment terminates as a result of death, his or her Replacement LTIP award shall immediately vest and become exercisable. If an award holder's employment terminates in certain "good leaver" circumstances including ill-health and other than for "cause" (as more particularly defined in the Replacement LTIP rules), then his or her Replacement LTIP award shall continue to vest as contemplated under the Replacement LTIP rules.

If an award holder's employment terminates for "cause", then any unvested part of his or her Replacement LTIP award shall automatically lapse on the date of such termination.

Notwithstanding the foregoing and other than in the circumstances in which the unvested part of a Replacement LTIP award automatically lapses as a result of termination for "cause", accelerated vesting may, in the discretion of the Committee, be permitted, in which case the Committee will determine the terms of such accelerated vesting. The Committee has authorized any one of the Executive Officers to exercise this discretion.

**(f) Change of control**

Full or partial accelerated vesting is also permitted in the event of a change of control (as defined in the Replacement LTIP rules) in the Board's absolute discretion. If such discretion is not exercised, then the Replacement LTIP awards (or any such portion thereof) will continue to subsist in accordance with the rules of the Replacement LTIP.

**(g) Manner of exercise**

Within 30 days of the receipt of an exercise notice in respect of a Replacement LTIP award, together with a payment for any income tax and employee National Insurance contributions due (or an undertaking to make such a payment), the Common shares in respect of which the award has been exercised must be issued by the Company or the Company must procure their transfer to the award holder.

**(h) Variation of share capital**

In the event of any amalgamation, arrangement, capitalization issue or offer by way of rights (including an open offer), or upon any consolidation, subdivision, reclassification or reduction or other variation of the Company's share capital or in the event that the Company is the subject of a demerger, the number of Common shares the subject of a Replacement LTIP award may be adjusted in such manner as the Board (following consultation with the Committee) considers to be, in its opinion, fair and reasonable.

**(i) Amendments and general**

No rights under a Replacement LTIP award may be assigned or transferred by an award holder to any other person except in the event of an award holder's death. Awards granted under the Replacement LTIP shall not be pensionable.

The rules of the Replacement LTIP may be amended by the Board or the Committee in any way provided that:

- (i) no amendment may be made which would materially prejudice the interests of award holders in relation to awards already granted to them unless the sanction of award holders has been obtained; and
- (ii) all amendments to the maximum number of Common shares that may be issued under the Replacement LTIP, the vesting period, the transfer provisions and the amendment provisions will require the prior consent of the Company's shareholders at an annual or special meeting unless they are minor amendments to benefit the administration of the plan or to obtain or maintain favourable tax, exchange control or regulatory treatment for award holders, the Company or a member of the Group.

Notwithstanding the foregoing, the Board or the Committee may, without amending the rules of the Replacement LTIP, determine that all or any proportion of a Replacement LTIP award will vest in circumstances in which it would not have otherwise vested or would have vested at a later date.

The Board may amend the Replacement LTIP by way of separate schedules to enable it to be operated overseas.

## 5. CANACCORD GENUITY ASIA EQUITY INCENTIVE PLAN (THE “AEIP”)

The Company established the AEIP in connection with the acquisition of the Balloch Group Limited in January 2011 (the “**Balloch Acquisition**”). Set out below is a summary of the principal rules of the AEIP for information purposes only and cannot be relied upon in substitution of the rules themselves.

### (a) Eligibility; grant of awards

Participants in the AEIP were specified officers or affiliates of Canaccord International Limited at the time of the Balloch Acquisition.

Awards were granted in the form of a right to receive the number of Common shares equal to the participant's proportion of the 1,187,847 Common shares which are included in the AEIP (referred to as the “Pool” in the AEIP rules). The aggregate number of Common shares available for vesting under the AEIP was determined based on the “Asia Linked Revenue” (as more particularly defined in the AEIP rules). As of March 31, 2013, due to the departure of several key employees, this plan was settled. This resulted in the forfeiture of 917,212 Common shares and the accelerated vesting and issuance of 270,635 Common shares.

There will be no future AEIP awards granted under the AEIP.

### (b) Exercise price

The price at which a participant may acquire Common shares on the vesting of his/her award is nil.

### (c) Dividends

Any dividends paid on Common shares during the vesting period will not accrue to the underlying restricted share units.

### (d) Plan limits

The AEIP provided for the issuance of up to 1,187,847 Common shares over a five-year vesting period.

### (e) Vesting and issue of Common shares

Subject to continued employment, 10% of a participant's proportion of the Pool vested on the first Issuance Date, 15% of a participant's proportion of the Pool vested on the second Issuance Date and 25% of a participant's proportion of the Pool vested on each of the third, fourth and fifth Issuance Dates. “Issuance Date” for these purposes is the annual date on which the Company determines the Asia Linked Revenue for each financial year, beginning with the financial year commencing April 1, 2011.

On or before the fifth business day following any particular Issuance Date, the Company shall issue the Common shares in the lesser of (i) the number of shares that have vested under a participant's award to that participant and (ii) the participant's proportionate share of the Pool multiplied by the proportion that the cumulative Asia Linked Revenue is of C\$100.0 million.

### (f) Termination of employment; change of control

If a participant's employment terminated as a result of death, disability, dismissal without “just cause” or resignation for “good reason” (as more particularly defined in the AEIP rules), then his or her earned unvested award (as calculated in accordance with the AEIP rules) continued to vest as contemplated under the AEIP rules. The remainder of a participant's award lapsed on the date of termination.

## 6. CORAZON CAPITAL GROUP LIMITED SHARE PLAN (THE “CORAZON PLAN”)

On March 17, 2010, CSHP entered into an agreement (the “**Corazon Share Plan Agreement**”) to grant awards under the Corazon Plan in connection with CSHP's acquisition of Corazon Capital Group Limited. Under the Corazon Plan, CSHP agreed to issue CSHP ordinary shares to the recipients named in the Corazon Share Plan Agreement in exchange for their shares in Corazon Capital Group Limited and subject to certain vesting criteria.

On March 21, 2012, the Company agreed to meet CSHP's outstanding obligations under the Corazon Plan by replacing the recipients' right to receive CSHP ordinary shares with a right to receive a mixture of Common shares and cash calculated by reference to the consideration due to CSHP shareholders under the CSHP acquisition scheme. Set out below is a summary of the principal terms of the Corazon Share Plan Agreement for information purposes only and cannot be relied upon in substitution of the terms themselves.

**(a) Eligibility; grant of awards**

Recipients under the Corazon Plan received (in aggregate) 170,562 Common shares and £1,353,091 cash on March 16, 2013 (the “Vesting Date”).

There will be no future awards granted under the Corazon Plan.

**(b) Exercise price**

There is no exercise price payable. Awards under the Corazon Plan were originally granted in exchange for shares in Corazon Capital Group Limited.

**(c) Dividends**

Any dividends paid on Common shares until the Vesting Date will not accrue to the underlying awards.

**(d) Plan limits**

A maximum of 170,562 Common shares were issuable by the Company to satisfy the vesting of awards, and a maximum of £1,353,091 cash was payable by the Company to satisfy the vesting of awards.

**(e) Vesting/exercise; termination of employment**

There were no performance conditions attaching to the subsisting awards under the Corazon Plan. Awards vested on March 16, 2013.

If, prior to the Vesting Date, a recipient became a “bad leaver”, his or her award automatically lapsed and the resulting Common shares and cash were not be payable to the remaining recipients. A “bad leaver” for these purposes is a recipient who (i) resigns, (ii) voluntarily terminates his or her employment or (iii) ceases to be an employee as a result of “gross misconduct”. All other “leavers” were considered to be “good leavers” and were entitled to continue to participate in the Corazon Plan and receive their Common shares and cash on the Vesting Date.

**7. COLLINS STEWART HAWKPOINT OFFICER EMPLOYMENT INDUCEMENT PLAN (THE “CSH INDUCEMENT PLAN”)**

On May 22, 2012, the Company adopted the CSH Inducement Plan. In November 2012, the Committee amended the Plan to reduce to a maximum of 12 months the non-competition period following a termination. This amendment is within the authority of the Committee, and shareholder approval is not required and has not been obtained. Set out below is a summary of the principal rules of the CSH Inducement Plan for information purposes only and cannot be relied upon in substitution of the rules themselves.

**(a) Eligibility; grant of awards**

Any employee of (i) the CSHP group company previously known as Collins Stewart Europe Limited, (ii) the CSHP group company previously known as Hawkpoint Partners Limited and/or (iii) one of the companies operating under the business name “Collins Stewart Wealth Management” (together the “CSH Companies”) who was in full-time employment as an officer between the effective date of the acquisition of CSHP (that is, March 21, 2012) and the date of grant of an award is eligible to participate in the CSH Inducement Plan.

Awards are granted in the form of “unvested restricted share units”. Upon vesting, the restricted share units entitle the participant to receive (by way of issuance from treasury and/or transfer) an equivalent number of Common shares.

The CSH Inducement Plan is administered by the Board, the Committee and the Executive Officers.

**(b) Exercise price**

The price at which a participant may acquire Common shares on the vesting of his/her restricted share units is nil.

**(c) Dividends**

Any dividends paid on Common shares during the vesting period will not accrue to the underlying restricted share units; however, participants will be entitled to receive a cash equivalent of any such dividends accruing (known as a dividend equivalent) upon vesting of their share units.

**(d) Plan limits**

The maximum number of Common shares that may be issued from treasury under the CSH Inducement Plan is 2,036,785. This represents approximately 2.0% of the number of Common shares outstanding as of the date of this Circular. In addition,

- (i) the maximum number of Common shares which may be reserved for issuance to any person at any time under the Plan may not exceed 2.5% of the Common shares outstanding at the time of any award to that person; and
- (ii) the aggregate number of Common shares (a) issued to insiders of the Company, within any one-year period or (b) issuable to insiders of the Company, at any time, under the Plan, 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. For the purpose of the interpretation of the plan limits, "insiders" means those insiders who are required to file insider reports under Canadian securities legislation.

**(e) Vesting/exercise; termination of employment; change of control**

During the year ended March 31, 2013, awards were made under the CSH Inducement Plan for 1,612,559 restricted share units (RSUs) with one-half of the 1,612,559 RSUs vesting on the fourth anniversary and the remaining half on the fifth anniversary. During the year ended March 31, 2013, 55,544 RSUs were forfeited. On each vesting date, the RSUs entitle the awardee to receive cash or common shares of the Company. If at the vesting date the share price is less than \$8.50 per share, then the Company, at its election, will either (a) pay cash to the employee equal to \$8.50 multiplied by the number of RSUs vesting on such date, or (b) pay cash to the employee equal to the difference between \$8.50 and the vesting date share price, multiplied by the number of RSUs vesting on that date plus the number of shares equal to the number of RSUs vesting on such date.

There are no performance conditions attaching to the CSH Inducement Plan awards.

If a participant terminates his or her employment or if the Company terminates a participant's employment for "cause" (as more particularly defined in the CSH Inducement Plan), his or her unvested share units shall automatically lapse on the date of such termination. In all other circumstances of cessation of employment (other than death), if the participant does not compete with the Company for a period of 12 months following the termination, the participant is entitled to retain his or her unvested share units until the applicable vesting date and they will continue to be governed by the rules of the CSH Inducement Plan including the vesting criteria referred to above. If a participant's employment terminates by reason of death, his or her unvested share units will automatically vest on the date of such event.

Notwithstanding the foregoing, the Committee or one of the Executive Officers may, without amending the rules of the CSH Inducement Plan, determine that all or any proportion of a CSH Inducement Plan award will vest in circumstances in which it would not have otherwise vested or would have vested at a later date. 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. On the death of an award holder, all unvested restricted share units will vest immediately.

**(f) Manner of vesting**

Participants may retain their vested shares in the CSH Inducement Plan until they choose to voluntarily withdraw them. If a participant ceases to be an employee for whatever reason, he or she will be required to withdraw their vested shares within 90 days of such event occurring. Vesting is conditional upon the participant paying for any income tax and employee National Insurance contributions due (or undertaking to make such a payment).

**(g) Variation of share capital**

In the event of any amalgamation, arrangement, capitalization issue or offer by way of rights (including an open offer), or upon any consolidation, subdivision, reclassification or reduction or other variation of the Company's share capital or in the event that the Company is the subject of a demerger, the number of Common shares the subject of a CSH Inducement Plan award may be adjusted in such manner as the Committee considers to be equitable.

**(h) Amendments and general**

No rights under a CSH Inducement Plan award may be assigned or transferred by an award holder to any other person except in the event of an award holder's death. Awards granted under the CSH Inducement Plan shall not be pensionable.

The rules of the CSH Inducement Plan may be amended by the Committee in any way provided that:

- (i) no amendment may be made which would materially prejudice the interests of participants in relation to awards already granted to them unless the sanction of participants has been obtained; and
- (ii) all amendments to the maximum number of Common shares that may be issued under the CSH Inducement Plan, the eligibility criteria of participants and the amendment provisions will require the prior consent of the Company's shareholders at an annual or special meeting unless they are minor amendments to benefit the administration of the plan or to obtain or maintain favourable tax, exchange control or regulatory treatment for award holders, the Company or a member of the Group.

## Indebtedness of Directors and Executive Officers

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The following table sets out the aggregate indebtedness (other than "routine indebtedness") outstanding as at May 31, 2013, 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	\$ 27,172,434	0
Other	\$ 15,909,331	0

There is no indebtedness (other than "routine indebtedness") to the Canaccord Group outstanding as at May 31, 2013, of any director or executive officer of the Company, any proposed nominee for election as a director of the Company or any associate of such director, executive officer or proposed nominee.

## Interest of Informed Persons in Material Transactions

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To the knowledge of the Company, 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, 2011, or in any proposed transaction which has materially affected or would materially affect the Canaccord Group.

## **Interest of Certain Persons in Matters to Be Acted Upon**

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None of the persons who are or have been directors or executive officers of the Company at any time since April 1, 2011, 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**

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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 June 10, 2013.

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



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