



**CANACCORD FINANCIAL INC.
ANNUAL INFORMATION FORM**

For the fiscal year ended March 31, 2011

June 1, 2011

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Caution regarding forward-looking statements:

This document may contain certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events 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" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties detailed from time to time in Canaccord's interim and annual consolidated financial statements and this Annual Information Form filed on www.sedar.com. These forward-looking statements are made as of the date of this document, and will not be updated or revised except as may be required by applicable securities law.

Notes

Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Financial Inc. "Canaccord" and the "Canaccord group" refers to the Company and its direct and indirect subsidiaries.

The Company's fiscal year end is March 31. Unless otherwise indicated, "fiscal" in connection with a year relates to the 12 month period ended March 31 in that year.

Unless otherwise indicated, the information provided herein is as of March 31, 2011 and expressed in Canadian dollars.

Corporate Structure

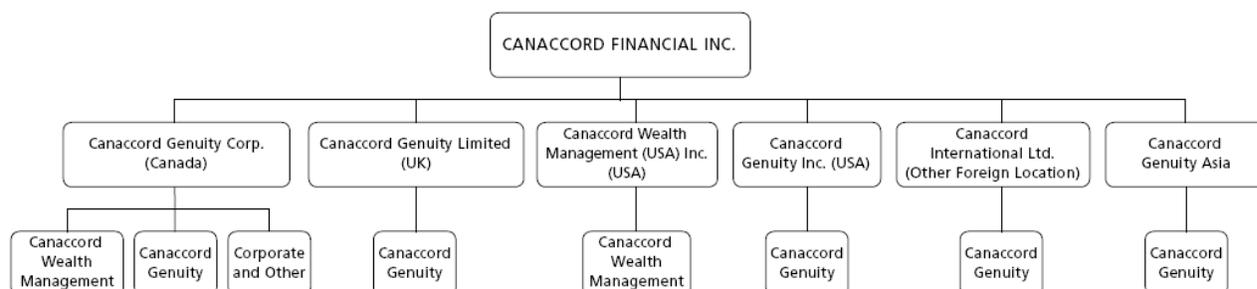
Name, address and incorporation

Canaccord Financial Inc. was incorporated as Canaccord Holdings Ltd. on February 14, 1997 by the filing of a memorandum and articles with the Registrar of Companies for British Columbia under the *Company Act* (British Columbia) and continues in existence under the *Business Corporations Act* (British Columbia). Pursuant to resolutions of the shareholders passed at the annual general meeting of the Company on June 21, 2004 and the subsequent filing of a notice of alteration to its articles and pursuant to an arrangement approved by an order of the Supreme Court of British Columbia made June 22, 2004, the Company changed its name to Canaccord Capital Inc. and altered its capital by converting all previously outstanding classes of common shares, preferred shares and debentures into common shares. The arrangement was made effective on June 30, 2004. The Company was amalgamated in a short-form vertical amalgamation with its wholly-owned subsidiary 0719880 B.C. Ltd. on April 1, 2007. The Company changed its name to Canaccord Financial Inc. on December 1, 2009.

The Company's head office is located at Suite 2200 - 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 1000 – 840 Howe Street, Vancouver, British Columbia, V6Z 2M1.

Intercorporate relationships

Canaccord Financial Inc. Corporate Structure



The Company owns, either directly or indirectly, all of the outstanding shares of the following principal subsidiaries:

<u>Name of subsidiary</u> ⁽¹⁾	<u>Jurisdiction of incorporation</u>	<u>Principal business</u>
Canaccord Genuity Corp.	Ontario	Investment dealer in Canada
Canaccord Genuity Limited	England and Wales	Investment dealer in the United Kingdom
Canaccord Genuity Inc.	Delaware	Broker dealer in the United States
Canaccord Wealth Management (USA) Inc. ⁽²⁾	Minnesota	Broker dealer in the United States
Beijing Parkview Balloch Investment Advisory Company Limited (to be renamed Canaccord Genuity Asia)	China	Financial advisory and consultancy services in China
Canaccord International Ltd.	Barbados	Bank and investment dealer outside Canada, the United States, the United Kingdom, and China

(1) In addition to the principal subsidiaries listed above, there are four smaller operating subsidiaries: Canaccord Estate Planning Services Ltd., Stockwave Equities Ltd., CLD Financial Opportunities Limited, and Intelli Corporate Finance Limited.

(2) Canaccord Wealth Management (USA) Inc. is an operating subsidiary of Canaccord Financial Inc. and its equity and voting shares are held by Canaccord Adams Financial Group Inc.

General Development of the Business

Introduction

Canaccord, through the succession of various predecessor corporations, has been in business since 1950. Beginning in 1992, Canaccord adopted a focused growth strategy to become one of the leading independent investment dealers in Canada. Canaccord achieved this through significant investments in its business infrastructure, with a focus on building strong client relationships.

Canaccord's investment in its employees, IT systems and office infrastructure has enabled it to create and support:

- An integrated global capital markets group that provides financing and advisory services to a broad range of corporate clients; global sales and trading for institutional clients; and in-depth research coverage of a growing universe of companies.
- An extensive network of 32 Canaccord Wealth Management offices and 271 Advisory Teams, as of March 31, 2011, to provide quality financial planning and wealth management solutions and trading services to individual investors.

One of Canaccord's long-term goals is to maintain its strong employee ownership. Canaccord's independent nature means the Company is free from institutional constraints that sometimes afflict larger financial institutions. This independence allows Canaccord to provide a wider range of local and international products for its clients and the ability to act quickly when opportunities arise or when prompt solutions need to be found.

Canaccord has devoted substantial resources to the establishment of its global presence. Today, the Company has capital markets operations in the US, the U.K., China and Barbados. These offices focus on providing services to Canaccord Genuity's corporate and institutional clients from the domestic and international community. Given its capital markets expertise, combined with its capital markets strength in Canada and distribution in the UK, US, and China, Canaccord remains in a favourable position to provide its clients with a wide array of international financing services and alternatives.

Two important corporate development initiatives were completed during fiscal 2011:

- In April 2010, Canaccord acquired Genuity Capital Markets (“Genuity”), which provided enhanced and complementary M&A and Advisory capabilities to Canaccord’s capital markets operations. The transaction also broadened Canaccord’s research coverage and provided additional strength to the Company’s Canadian trading desk. Subsequent to the acquisition, Canaccord rebranded its capital markets business Canaccord Genuity (from Canaccord Adams).
- In January 2011, Canaccord expanded its operations into Asia with the acquisition of The Balloch Group Limited (“TBG”) and entered into a strategic agreement with the Export-Import Bank of China. These initiatives have helped Canaccord establish a local presence in China, and will provide many cross-border opportunities for our China-based and international corporate clients.

In addition to its growth and expansion, Canaccord continues to maintain an integrated global team and a corporate culture that is instrumental in attracting and retaining highly qualified professionals. Canaccord has successfully developed and nurtured an entrepreneurial culture among its capital markets employees, Advisory Teams (Investment Advisors) and support staff.

Three year history

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and global capital markets. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company’s private, institutional and corporate clients.

Canaccord continues to build on the foundation it has established and focus on its complementary capabilities that include:

- Capital markets strength and expertise in North America, Europe and Asia
- Strong private, corporate and institutional client relationships
- Entrenched international trading operations
- Broad venture capital capability
- Comprehensive, timely and focused research coverage

In the last three years Canaccord has concentrated on the development of its two principal business units, Canaccord Genuity and Canaccord Wealth Management, and its operating infrastructure to support their operations, including the development of leading proprietary information systems and technology. During fiscal 2010 and 2011, Canaccord also increased its focus on improving the operational efficiency of its businesses. Additionally, several important corporate development initiatives were completed during fiscal 2011. This includes the acquisition of Genuity and the Company’s expansion into Asia through the acquisition of TBG. Please see page 10 for more information.

As an investment banking firm, Canaccord derives its revenue primarily from sales commissions, underwriting and advisory fees, and principal trading activity. Canaccord’s business is materially affected by conditions in the financial marketplace and economic conditions, primarily in North America and Europe. The Company’s performance in fiscal 2011 and 2010 improved significantly compared to fiscal 2009, when the global financial crisis emerged.

Canaccord's revenue for the three year period ending March 31, 2011 was:

<i>(C\$ thousands)</i>	<u>Revenue for the years ended March 31</u>		
	2011	2010	2009
Commission	\$ 294,650	\$ 235,606	\$233,104
Investment banking	327,499	215,237	117,916
Advisory fees	84,914	39,200	51,453
Principal trading	43,644	45,982	18,319
Interest	24,040	12,965	38,287
Other	28,884	28,547	18,642
Total	\$803,631	\$ 577,537	\$477,721

The following table provides a breakdown of Canaccord's segmented revenue for the three years ending March 31, 2011:

<i>(C\$ thousands)</i>	<u>Revenue for the years ended March 31</u>		
	2011	2010	2009
Canaccord Genuity	\$538,644	\$363,558	\$277,351
Canaccord Wealth Management	233,049	187,046	172,484
Corporate and Other	31,938	26,933	27,886
Total	\$803,631	\$577,537	\$477,721

Operations by Geography

Canaccord's revenue by geographic segment for the three year period is as follows:

<i>(C\$ thousands)</i>	<u>Revenue for the years ended March 31</u>		
	2011	2010	2009
Canada	\$598,556	\$388,772	\$320,364
UK	92,678	82,454	72,927
US	111,170	100,417	77,650
Other Foreign Locations ⁽¹⁾	1,227	5,894	6,780
Total	\$803,631	\$577,537	\$477,721

⁽¹⁾ Revenue derived from capital markets activity outside of Canada, the US and the UK is reported as Other Foreign Locations, which includes operations for Canaccord International Ltd. and Canaccord Genuity Asia.

Revenue from the UK and Other Foreign Locations is derived entirely from Canaccord Genuity's activity, while revenues in Canada and the US are derived from the Canaccord Genuity, Canaccord Wealth Management, and Corporate and Other segments. Revenue in the US is mainly derived from Canaccord Genuity with an approximate 4.4% originating from operations in the Canaccord Wealth Management segment in the US during fiscal 2011.

During fiscal 2011, a number of key developments occurred at Canaccord:

- Canaccord Genuity led 138 transactions globally, each over \$1.5 million, to raise total proceeds of \$5.3 billion⁽¹⁾ during fiscal 2011. Of this:
 - Canada led 104 transactions, which raised \$3.0 billion⁽²⁾

⁽¹⁾ Source: FP Infomart and Company information. Transactions over \$1.5 million

⁽²⁾ For all transactions completed in Canada, the number of led transactions and total proceeds are captured by FPinfomart "Full Credit Bookrunner" and participation in transactions and total proceeds are captured by FPinfomart "Bonus Credit Bookrunner".

- The UK led 9 transactions, which raised \$700 million
- The US led 25 transactions, which raised \$1.6 billion
- During fiscal 2011, Canaccord Genuity participated in a total of 426 transactions globally, each over \$1.5 million, to raise gross proceeds of \$11.1 billion⁽²⁾. Of this:
 - Canada participated in 352 transactions, which raised \$3.4 billion
 - The UK participated in 13 transactions, which raised \$1.7 billion
 - The US participated in 61 transactions, which raised \$6.0 billion
- Canaccord Genuity completed 15 Private Investment in Public Equity (PIPE) transactions in the US that raised US\$647.4 million in proceeds during fiscal 2011
- During fiscal 2011, Canaccord Genuity led or co-led the following equity transactions:
 - During fiscal 2011, Canaccord Genuity led or co-led the following equity transactions:
 - C\$382.8 million for Tahoe Resources Inc. on the TSX
 - Four separate transactions for Artis Real Estate Investment Trust on TSX totalling C\$375.5 million
 - C\$347.6 million for Eastern Platinum Limited on the TSX
 - C\$308.2 million for Primero Mining Corp. on the TSX Venture
 - Two separate transactions for Northern Oil and Gas Inc. on the AMEX totalling US\$294.7 million
 - C\$213.0 million for Keegan Resources Inc. on the TSX
 - £206.3 million for Rockhopper Exploration Plc. on AIM
 - £205.0 million for Petra Diamonds Ltd. on AIM
 - C\$184.1 million for Baja Mining Corp. on the TSX
 - C\$181.1 million for Canaco Resources Inc. on the TSX
 - C\$172.5 million for Griffiths Energy International (non-exchange listed)
 - C\$162.8 million for Air Canada on the TSX
 - C\$145.0 million for Eacom Timber Corporation on the TSX Venture
 - Two separate transactions for Canacol Energy Ltd. on the TSX Venture totalling \$115.1 million
 - £133.0 million for Bellzone Mining Plc. on AIM
 - C\$130.0 million for Canadian Overseas Petroleum Ltd. on the TSX Venture
 - Two separate transactions for Triangle Petroleum Corporation on the AMEX totalling US\$183.2 million
 - US\$92.0 million for Alphatec Holdings on the NASDAQ
 - US\$91.2 million for Amarin Corp. on the NASDAQ
 - US\$90.9 million for Rubicon Technologies, Inc. on the NASDAQ
 - US\$90.2 million for Abraxas Petroleum on the NASDAQ
 - C\$86.3 million for Pinecrest Energy Inc. on the TSX Venture
 - US\$86.3 million for Golden Minerals Company on the TSX
 - C\$86.2 million for Valeura Energy Inc. on the TSX Venture
 - C\$80.0 million for Alliance Grain Traders Inc. on the TSX
 - US\$76.0 million for NxStage Medical Inc. on the NASDAQ
 - C\$75.0 million for Petromanas Energy Inc. on the TSX Venture
 - C\$74.8 million for International Tower Hill Mines Ltd. on the TSX
 - C\$58.2 million for GLG Life Tech Corporation on the TSX
 - US\$56.9 million for NPS Pharmaceuticals on the NASDAQ
 - US\$55.0 million for IMRIS Inc. on the NASDAQ

- C\$53.9 million for Orezone Gold Corporation on the TSX
 - £52.0 million for Aberdeen Latin American Income Fund Limited on the LSE
 - C\$50.0 million for Exeter Resource Corporation on the TSX
 - US\$50.0 million for Voyager Oil & Gas on the AMEX
 - C\$50.0 million for Zodiak Exploration Corp. on the TSX Venture
- Canaccord Genuity advised on the following M&A transactions during fiscal 2011:
 - Levon Resources Ltd. on its acquisition of Valley High Ventures Ltd.
 - ArPetrol Inc. on its consolidation with ArPetrol Ltd.
 - Dalsa Corporation on its acquisition by Teledyne Technologies Inc.
 - Pediment Gold Corp. on its merger with Argonaut Gold Inc.
 - CyDex Pharmaceuticals, Inc. on its acquisition by Ligand Pharmaceuticals Inc.
 - Innovectra Corporation on its acquisition by ImmersiFind Inc.
 - Rivermine, Inc. on its acquisition by Emptoris, Inc.
 - Curamik Electronics GmbH on its acquisition by Rogers Corporation
 - Nellix, Inc. on its acquisition by Endologix Inc.
 - Skana Capital Corp. on its merger with MENA Hydrocarbons Inc.
 - Avenir Diversified Income Trust on its acquisition of Great Plains Exploration Inc.
 - Pacific Equity Partners on its acquisition of CIBC Mellon Issuer Services Business
 - Dragonwave Inc. on its acquisition of Axerra Networks Inc.
 - Francisco Partners LP on its acquisition of Source Photonics Inc.
 - Parkbridge Lifestyle Communities Inc. on its acquisition by British Columbia Investment Management Corporation
 - SunOpta Inc. on its sale of SunOpta Bioprocess Inc. to Mascoma Corporation
 - Pure Technologies Ltd. on its acquisition of Pressure Pipe Inspection Co.
 - Brett Resources Inc. on its sale to Osisko Mining Corporation
 - Primero Mining Corp. on its acquisition of Goldcorp's San Dimas gold and silver mine
 - Corriente Resources Inc. on its sale to Tongling Nonferrous Metals Group Holdings Co., Ltd and China Railway Construction Corporation Limited
 - Goldcorp Inc. on the sale of its Escobal project to Tahoe Resources Inc.
 - During fiscal 2011, Canaccord Genuity advised:
 - The Ad Hoc Committee of Unsecured Noteholders of Abitibi-Consolidated Inc. et al. during the restructuring of \$4.0 billion of debt under the Companies' Creditors Arrangement Act (Canada)
 - Newport Income Fund on its recapitalization
 - During fiscal 2011, Canaccord opened five new Canaccord Wealth Management branches under the Independent Wealth Management (IWM) platform, which allows Advisors to operate as independent agents of the Company, and closed one IWM branch. Four corporate branches also converted to this operating model
 - Canaccord had 271 Advisory (IA) Teams as of Q4/11, down 32 from 303 in Q4/10.
 - This decrease is largely due to a strategic review of the Wealth Management division and the conversion of corporate branches to the IWM platform, where each branch is led by one IA and is counted as one Advisory Team

Key highlights subsequent to March 31, 2011

- On April 15, 2011, Canaccord Financial Inc. shareholders approved changes to the Company's articles to clarify the rights, privileges, restrictions and conditions attached to the shares of the Company and to alter the authorized capital of the Company by creating an additional class of preferred shares. The amendments provide the Company with a wider range of financing options

Acquisitions

i) Genuity Capital Markets

On April 23, 2010, the Company completed the transaction to acquire 100% control of Genuity, a leading independent advisory and restructuring firm in Canada, for consideration consisting of 26.5 million Canaccord common shares valued at \$271.9 million and cash of \$30.0 million. The shares issued were valued at \$10.26 per share based on the closing share price as of April 22, 2010, the date before the transaction closed. In addition, the vendors received \$28.0 million as a working capital adjustment subsequent to closing. All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and are being released ratably over five years.

ii) The Balloch Group Limited

On November 22, 2010, the Company announced its agreement to purchase 100% interest in TBG, a leading Chinese boutique investment bank, headquartered in Beijing. The purchase price was \$3.0 million, with up to an additional \$1.0 million as a working capital adjustment subsequent to closing. The acquisition closed on January 17, 2011.

Canaccord's operations in China have been branded Canaccord Genuity Asia and will focus on providing Asia-based clients with advisory services for M&A and strategic partnerships, international market offerings and Chinese debt financing.

Description of the Business

Overview

Canaccord has substantial operations in each of the two principal segments of the financial services industry: capital markets and wealth management. These activities are supported by an infrastructure comprised of information technology, compliance and risk management, legal and finance teams.

Canaccord Genuity Approximately 627 employees	Canaccord Wealth Management Approximately 684 employees
<p><i>Research</i> <i>Institutional equity sales and trading</i> <i>Investment banking</i> <i>Mergers & acquisitions and advisory services</i> <i>Venture capital</i> <i>International and principal trading</i> <i>Fixed income trading</i></p> <ul style="list-style-type: none"> • Offices in Toronto, London, Boston, Vancouver, New York, Calgary, Montreal, San Francisco, Houston, Chicago, Minneapolis, Edinburgh, Barbados, Beijing, Shanghai, Wuhan and Hangzhou. • Revenue for fiscal 2011 of \$538.6 million • Canaccord Genuity led 138 transactions globally, each over \$1.5 million, with total proceeds of \$5.3 billion. Also in fiscal 2011, the team participated in 426 transactions globally, each over \$1.5 million, with total proceeds of \$11.1 billion. This includes: <ul style="list-style-type: none"> ▪ Canada – 352 financing transactions with an aggregate deal value of \$3.4 billion ▪ UK – 13 financing transactions with an aggregate deal value of \$1.7 billion ▪ US – 61 financing transactions with an aggregate deal value of \$6.0 billion 	<p><i>Investment advice</i> <i>Brokerage services</i> <i>Managed accounts</i> <i>Fee-based accounts</i> <i>Wealth management services</i> <i>Insurance and estate planning</i></p> <ul style="list-style-type: none"> • 32 retail offices throughout Canada • 271 Advisory Teams • Revenue for fiscal 2011 of \$233.0 million • Assets under administration of \$17.0 billion • Assets under management of \$546 million
<p>Corporate and Other Approximately 373 employees</p> <p><i>Compliance and Risk Management</i> <i>Finance</i> <i>Information Technology</i> <i>Legal</i> <i>Operations</i> <i>Pinnacle Correspondent Brokerage Services</i></p>	

Canaccord Genuity

Canaccord Genuity consists of approximately 627 employees and professionals located in Toronto, London, Boston, Vancouver, New York, Calgary, Montreal, San Francisco, Houston, Chicago, Minneapolis, Edinburgh, Barbados, Beijing, Shanghai, Wuhan and Hangzhou. Canaccord Genuity is comprised of the following geographic operating divisions:

- Canada
- UK and Other Foreign Locations
- US

Canaccord Genuity's revenue

<i>(C\$ thousands)</i>	Revenue for the years ended March 31		
	2011	2010	2009
Canada			
Capital Markets	\$ 301,002	\$148,214	\$95,485
International Trading	14,362	11,561	14,604
Registered Traders	4,882	5,856	6,325
Fixed Income	18,274	11,950	6,436
Total Canada	338,520	177,581	122,850
UK and Other Foreign Locations	93,905	88,348	79,707
US	106,219	97,629	74,794
Total Canaccord Genuity	<u>\$538,644</u>	<u>\$363,558</u>	<u>\$277,351</u>

Revenue

Canaccord Genuity's revenue is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal trading operations. Accordingly, this revenue is directly affected by the level of corporate and institutional activity and general economic, market and business conditions in Canada and internationally. Furthermore, revenue from Canadian operations includes revenues generated from four business sub-segments: Capital Markets, International Trading, Registered Traders and Fixed Income.

Canaccord's revenue and income for both Canaccord Genuity and Canaccord Wealth Management is cyclical and experiences considerable variations from quarter-to-quarter and year-to-year due to factors beyond Canaccord's control. The business is affected by the overall condition of the North American, European, and Asian equity markets, including the seasonal variance in these markets. Historically, North American capital markets have been slower during the first half of the fiscal year, when we typically generate approximately 35% to 40% of the annual revenue. Conversely, during the second six months of the fiscal year, we have typically generated 60% to 65% of the annual revenue.

Canaccord Genuity operates out of 18 offices internationally and provides a broad range of research, sales and trading, and investment banking services to its clients. Canaccord Genuity has developed comprehensive investment banking knowledge and expertise, and strong research capabilities in the following key sectors of the global economy: Metals and Mining, Energy, Agriculture, Technology, Telecommunications, Financials, Consumer Products, Real Estate, Transportation and Industrial Products, Infrastructure, Sustainability and Cleantech, Life Sciences, Support Services, Paper and Forestry Products and Investment Trusts.

The integrated team at Canaccord Genuity provides comprehensive and high quality services to its corporate and institutional clients in:

- Research
- Institutional equity sales and trading
- Investment banking
- Mergers & acquisitions and advisory services
- Venture capital
- International and principal trading
- Fixed income trading

Canaccord Genuity's ability to target and service key clients in global equity financing is a strong differentiator and competitive advantage for the Company. In fiscal 2011, Canaccord Genuity led 138 transactions globally for clients to raise total proceeds of \$5.3 billion. Also in fiscal 2011, the team participated in 426 transactions globally for clients to raise total proceeds of \$11.1 billion. These transactions included 47.0% from the Mining and Metals and Energy sectors due to strong global market demand for natural resources.

Top 10 investment dealers in Canada ranked by participation and number of led transactions – equity offerings of \$1.5 million and greater

(Fiscal year 2011)

Dealer	Rank	Number of led transactions	Rank	Participation in # of transactions led ⁽¹⁾
Canaccord Genuity	1	138	1	426
RBC Capital Markets	2	96	7	209
CIBC World Markets Inc.	3	86	2	234
GMP Securities L.P.	4	81	5	228
BMO Capital Markets	5	72	3	230
Dundee Securities Corporation	6	55	8	206
TD Securities Inc.	7	51	9	183
Cormark Securities Inc.	8	49	10	154
National Bank Financial Inc.	9	43	6	225
Macquarie Capital Markets Canada Ltd.	10	34	4	229

Source: FP Infomart and Company information. Canaccord's figure also includes transactions from its UK, US, and China operations.

Canaccord Genuity – Overall

Sectors	For the year ended March 31, 2011	
	% of total transactions	% of transaction revenue
Mining and Metals	22.0%	47.0%
Energy	25.1%	25.2%
Technology	6.1%	4.0%
Life Sciences	9.0%	9.5%
Financials	9.0%	0.3%
Real Estate	9.0%	2.9%
Diversified	8.4%	4.6%
Other	11.4%	6.5%
Total	100.0%	100.0%

(Note: Other includes Agriculture and Fertilizers, Consumer Products, Infrastructure, Investment Trusts, Structured Products, Support Services, Sustainability and Cleantech, Media and Telecommunications, Transportation and Industrial Products, and Paper and Forestry Products sectors)

⁽¹⁾ Number of transactions led reflects both led and joint led transactions. Figures for other investment dealers are for Canadian operations only.

Canaccord Genuity – Canada

Sectors	For the year ended March 31, 2011	
	% of total transactions	% of transaction revenue
Mining and Metals	25.0%	54.7%
Energy	27.0%	24.0%
Financials	11.6%	0.4%
Real Estate	12.2%	4.1%
Structured Products	5.1%	1.5%
Diversified	11.4%	6.5%
Other	7.7%	8.8%
Total	100.0%	100.0%

(Note: Other includes Life Sciences, Technology, Agriculture and Fertilizers, Consumer Products, Infrastructure, Investment Trusts, Support Services, Sustainability and Cleantech, Media and Telecommunications, Transportation and Industrial Products, and Paper and Forestry Products sectors)

Canaccord Genuity – UK

Sectors	For the year ended March 31, 2011	
	% of total transactions	% of transaction revenue
Mining and Metals	38.7%	62.9%
Energy	19.4%	24.8%
Technology	19.4%	2.0%
Investment Trusts	9.7%	5.9%
Media and Telecommunications	6.5%	0.5%
Diversified	0.0%	0.4%
Other	6.3%	3.5%
Total	100.0%	100.0%

(Note: Other includes Life Sciences, Agriculture and Fertilizers, Consumer Products, Financials, Infrastructure, Real Estate, Structured Products, Support Services, Sustainability and Cleantech, Transportation and Industrial Products, and Paper and Forestry Products sectors)

Canaccord Genuity – US

Sectors	For the year ended March 31, 2011	
	% of total transactions	% of transaction revenue
Energy	19.7%	30.7%
Technology	18.0%	14.0%
Life Sciences	41.0%	41.6%
Sustainability and Cleantech	19.9%	7.4%
Other	1.4%	6.3%
Total	100.0%	100.0%

(Note: Other includes Mining and Metals, Agriculture and Fertilizers, Consumer Products, Financials, Infrastructure, Investment Trusts, Real Estate, Structured Products, Support Services, Media and Telecommunications, Transportation and Industrial Products, and Paper and Forestry Products and Diversified sectors)

Equity offerings of \$1.5 million and greater

Market	For the years ended March 31			
	2011		2010	
	# of transactions	Aggregate transaction value	# of transactions	Aggregate transaction value
Canada	352	\$3.4	273	\$3.1
UK and Other Foreign Locations	13	1.7	21	1.8
US	61	6.0	42	3.8
Total	426	\$11.1	336	\$8.7

Sources: Financial Post Data Group and Company sources.

Revenue from Canadian operations

Capital Markets

Capital markets revenue in Canada originates from equity financing transactions, commissions, underwriting fees and management fees related to capital markets activity in Canada.

International Trading

Canaccord has an extensive international trading operation with approximately 30 employees who deal principally with US brokerage firms, executing orders on their behalf in Canadian listed equities. Canaccord has developed a secure online trading capability, for selected US dealers to process trades in Canadian securities through Canaccord's international trading operation. This system accesses Canaccord's order management system and delivers orders directly to the applicable exchange for execution and reporting.

Registered Traders

Canaccord has a total of 18 registered traders that trade on behalf of Canaccord in its principal and inventory accounts. This registered traders group operates by taking positions, trading and making markets in equity securities including securities of companies with small to medium sized market capitalizations. Revenue is generated through principal trading gains and losses.

Fixed Income

Canaccord Genuity's Fixed Income department operates from offices in Toronto and Vancouver. Canaccord trades on a principal basis in various fixed income instruments including Canadian and US government bonds and treasury bills, provincial bonds, securities of federal, provincial government agencies and crown corporations and corporate debt. Inventories of fixed income securities are generally carried to facilitate sales to clients. Canaccord also auctions, underwrites or acts as a selling group member in the distribution of various government and corporate fixed income securities.

Revenue from UK and Other Foreign Locations operations

Canaccord Genuity's operations in the UK include institutional sales and trading, investment banking and research teams. Canaccord is an approved broker, sponsor and Nomad for AIM and LSE companies. Revenue derived from capital markets activity outside of Canada, the US, and the UK is reported as Other Foreign Locations, which includes operations for Canaccord International Ltd. and Canaccord Genuity Asia. Combined with its capital markets strength in both Canada and the US, Canaccord is in a strong position to serve its corporate and institutional clients and capitalize on the opportunities in this market area.

Revenue from US operations

Canaccord Genuity's US segment includes institutional sales and trading, investment banking and research activities. Canaccord Genuity is now in a strong position to serve its corporate and institutional clients and capitalize on the opportunities in this market area. This division serves its clients through offices in Boston, New York, San Francisco, Houston, Chicago and Minneapolis.

Competition

In the capital markets sector, Canaccord Genuity competes with other domestic and foreign securities firms. Canaccord Genuity competes on the basis of the caliber and abilities of its professional personnel, relative prices of the services and products it offers, available capital, institutional relationships, ability to assist with financing arrangements and quality of service.

There is also competition for securities industry professionals. Canaccord Genuity competes with other financial institutions for investment bankers, trading professionals and other specialized personnel on the basis of its services and product breadth, its management, its entrepreneurial culture, and its ownership compensation structure.

Canaccord Wealth Management

Revenue

<i>(C\$ thousands)</i>	<u>Revenue for the years ended March 31</u>		
	2011	2010	2009
Canaccord Wealth Management	\$233,049	\$187,046	\$172,484

Canaccord's private clients are primarily high net worth individuals and accounts. Canaccord provides a broad range of financial services and investment products to its private clients, including both proprietary and third party products.

Canaccord Wealth Management's revenue is generated through traditional commission based brokerage services; the sale of fee-based products and services; client-related interest; and fees and commissions earned by private client Advisory Teams for investment banking and venture capital transactions. Commission revenue from the sale of investment products and the provision of brokerage and other financial services is based on an established commission schedule. Discounts and adjustments to this schedule are based on the client's level of business, transaction size, complexity and other relevant factors.

As of March 31, 2011, Canaccord's Wealth Management division had 271 Advisory Teams. Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licenced for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average sized book.

Canaccord's Canaccord Wealth Management group has 32 retail offices throughout Canada in the following locations:

<u>British Columbia</u>	<u>Yukon</u>	<u>Alberta</u>	<u>Ontario</u>	<u>Quebec</u>	<u>Nova Scotia</u>	<u>Saskatchewan</u>
<i>Abbotsford</i>	<i>Whitehorse</i>	<i>Calgary(4)</i>	<i>Kingston</i>	<i>Montreal</i>	<i>Halifax</i>	<i>Saskatoon</i>
<i>Campbell River</i>		<i>Edmonton</i>	<i>London</i>	<i>Quebec City</i>		
<i>Kelowna</i>			<i>Ottawa (2)</i>	<i>Gatineau</i>		
<i>Nanaimo</i>			<i>Simcoe</i>			
<i>Prince George (2)</i>			<i>Toronto(2)</i>			
<i>Vancouver – Head Office</i>			<i>Waterloo</i>			
<i>Vernon</i>			<i>Thunder Bay</i>			
<i>Victoria</i>			<i>Cobourg</i>			
<i>White Rock</i>			<i>Burlington</i>			

Services

The Canaccord Wealth Management group is dedicated to providing a variety of comprehensive brokerage services and wealth management products and services to its clients. Advisory Teams assist their clients in building their financial assets and maximizing their returns within the context of their investment objectives and risk tolerance. Canaccord offers its clients various account structures such as commission-based accounts, fee-based accounts, managed accounts and margin accounts.

Canaccord Wealth Management offers wealth management services with a fee-based structure, in addition to traditional commission-based investment offerings. With more individuals approaching retirement, the demand for various wealth management products and financial planning services is on the rise. With these changing demographics, more clients are choosing fee-based alternatives over the traditional commission-based products and services.

Canaccord Wealth Management provides the following services:

- Investment advice
- Brokerage services
- Managed accounts
- Fee-based accounts
- Wealth management services
- Insurance and estate planning

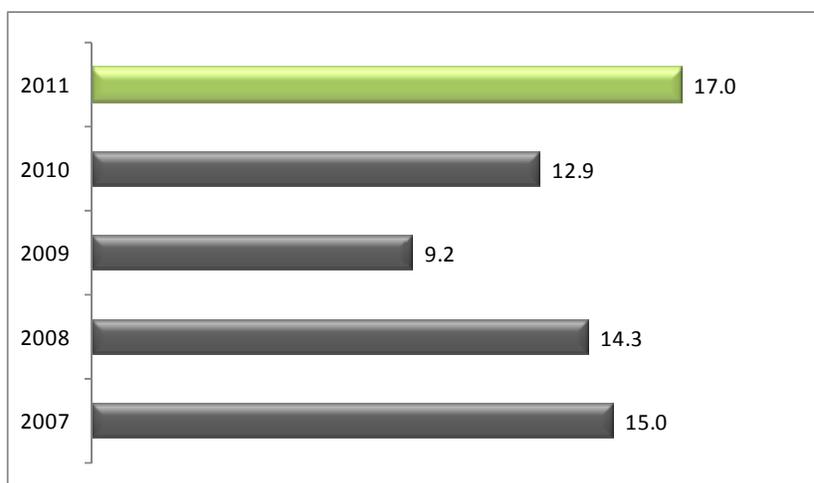
The products and services listed above are complementary and enable Advisory Teams to provide a full suite of investment services to their clients. Traditionally, revenue in this segment is generated through transaction-based commissions. However, changing demographics over the last decade has brought about a change in clients' financial needs and, as a result, demand for managed account products such as separately managed accounts, retirement planning and wealth management services has increased. By responding to these needs, Canaccord expects the composition of Canaccord Wealth Management's revenue will increasingly reflect a greater proportion of recurring, fee-based revenue.

As discussed earlier in this document, Canaccord's revenue and income for both Canaccord Genuity and Canaccord Wealth Management is cyclical and experiences considerable variations from quarter-to-quarter and year-to-year due to factors beyond Canaccord's control. Historically, North American capital markets are slower during the first half of Canaccord's fiscal year, when Canaccord typically generates less than 50% of its annual revenue. Fiscal 2011 followed this pattern, as Canaccord's revenue in the second half of the fiscal year represented 62.5% of annual revenue for the fiscal year.

Assets under administration⁽¹⁾

As of March 31, 2011, assets under administration (AUA) were \$17.0 billion. AUA declined annually by 4.8% in fiscal 2008 and 35.8% in fiscal 2009 to \$9.2 billion. AUA was up annually by 40.7% in fiscal 2010 and 31.4% in fiscal 2011 due to recovering economic conditions.

Assets under administration⁽¹⁾
(C\$ billions)

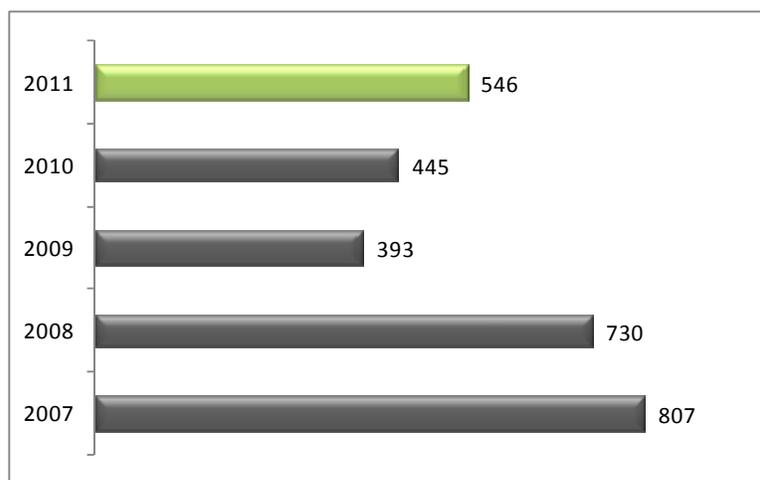


⁽¹⁾ AUA is the market value of client assets administered by Canaccord, for which Canaccord earns commissions or fees. This measure includes funds in client accounts, as well as the aggregate market value of long and short security positions. Canaccord's method of calculating AUA may differ from approaches used by other companies and therefore may not be comparable. Management uses this measure to assess operational performance of the Canaccord Wealth Management business segment. This measure is non-GAAP.

Assets under management

As of March 31, 2011, assets under management (AUM) were \$546 million. We reclassified AUM commencing in fiscal 2009 to include all separately managed accounts and advisor managed accounts. AUM increased by \$52 million in fiscal 2010 and \$101 million in fiscal 2011, consistent with the improved market conditions during these fiscal years.

Assets under management ⁽²⁾
(C\$ millions)



⁽²⁾ AUM are assets managed on a discretionary basis under the programs generally described as or known as the *Complete Canaccord Investment Counselling Program* and *Complete Canaccord Managed Accounts*. Services provided include the selection of investments and the provision of investment advice. AUM is also administered by Canaccord and is therefore included in AUA. This measure is non-GAAP.

Separately managed accounts

Separately Managed Accounts (SMAs) are designed so that each account has individual ownership of securities rather than ownership of a pooled fund. Accounts are charged an all inclusive fee, based on account size.

Canaccord's SMA Program is known as the *Complete Canaccord Investment Counselling Program*. Since 2005, Canaccord has expanded its SMA program to include a selection of eight external portfolio managers. In December 2009, ETF Portfolios were also launched within the *Complete Canaccord Investment Counselling Program*. Together, these accounts offer professional portfolio management with a choice of strategies based on a client's investment objectives. The minimum account size for the *Complete Canaccord Investment Counselling Program* is \$100,000.

Advisor managed accounts

In addition to the *Complete Canaccord Investment Counselling Program*, Canaccord Wealth Management provides an advisor managed account program known as *Complete Canaccord Managed Accounts*. Through this program, Investment Advisors who have their Associate Portfolio Manager or Portfolio Manager designation have the ability to provide discretionary management services similar to those offered by a registered investment counsel.

Canaccord continues to develop products and services with the purpose of offering Advisory Teams the freedom to present the best product mix to their clients, while reinforcing an entrepreneurial culture in which Advisory Teams may continue their business. As part of the *Complete Canaccord Managed Accounts* platform, we added a sophisticated suite of Portfolio Management application tools designed specifically to support Portfolio and Associate Portfolio Managers. National training sessions have also been offered to aid these Advisors in building the *Complete Canaccord Managed Accounts* platform.

Competition

In the retail brokerage sector, Canaccord faces competition from other investment dealers, online brokerage firms, banks, insurance companies and other financial institutions. Canaccord competes on the basis of quality of its service, price, product selection, expertise, innovation, and reputation.

There is also competition for Investment Advisors and other securities industry professionals. Similar to the competition for personnel in the Canaccord Genuity part of the business, Canaccord competes with other financial institutions for advisors and other specialized personnel on the basis of its services and products breadth, its management, its entrepreneurial culture, and its compensation structure, including ownership programs.

Corporate and Other segment

Revenue

<i>(C\$ thousands)</i>	<u>Revenue for the years ended March 31</u>		
	2011	2010	2009
Corporate and Other	\$31,938	\$26,933	\$27,886

The Corporate and Other segment includes Pinnacle Correspondent Brokerage Services along with interest, foreign exchange revenue and expenses not specifically allocable to Canaccord Genuity and Canaccord Wealth Management.

Canaccord operates a correspondent brokerage services operation under Pinnacle Correspondent Brokerage Services (Pinnacle). Pinnacle provides secure and confidential fully integrated clearing and settlement, administrative, trading and research services to other brokerage firms. The development of Pinnacle was a natural extension and application of Canaccord's substantial investment in its information technology and operating infrastructure. Canaccord's management believes that with the segregation of the Canadian securities industry into groups (bank or foreign owned large dealers; large, full service independent dealers; and an increasing number of small boutique and specialized dealers) there is significant growth potential for Pinnacle to provide correspondent brokerage services to the dealers in the boutique or specialized dealer category.

The Corporate and Other segment also includes operations and support services such as front and back office information technology (IT), compliance and risk management, operations, legal, finance and other administrative functions. The information technology team maintains and supports Canaccord's front and back office information technology systems. The compliance department is responsible for client credit and account monitoring in relation to certain legal and regulatory requirements. The operations group carries out all activity in connection with processing securities transactions including trade execution and settlement of securities transactions. They are also responsible for the custody of client securities. The finance department is responsible for internal financial accounting and controls, and external financial and regulatory reporting and compliance.

Operations and support staff, on March 31, 2011, numbered approximately 373. Most of these employees are located in Canaccord's Vancouver, British Columbia office.

Canaccord's front office information technology systems include applications for providing and enhancing client service and increasing the effectiveness and information access capabilities of Canaccord's Advisory Teams and Canaccord Genuity professionals. Canaccord's back-office information technology systems include applications for information and transaction processing, control systems and management information reporting. All information technology systems are supported by an overall network architecture comprised of hardware, software and key relationships with strategic service providers. For more information, please refer to the Information technology section.

Canaccord's risk management and compliance activities include procedures to identify, control, measure and monitor Canaccord's risk exposure at all times. These principal risk areas relate to market risk, credit risk, liquidity risk, operational risk, strategic risk, reputation risk, competitive risk, regulatory and legal risk. For more information, please refer to the Risk management section.

Information technology

Canaccord is committed to providing its Advisory Teams, Capital Markets professionals and management with the information processing capability and real-time solutions required for maintaining a superior level of client service. Canaccord is also committed to ensuring that its technology platform continues to provide the resources necessary to meet the increased level of service, access to information and processing requirements critical to future growth and business development. To accomplish these objectives, Canaccord's strategy is to invest in the best, most cost effective, proven technology available and utilize strategic, business technology relationships to provision the latest in hardware, software and business process solutions to Canaccord.

An important factor in Canaccord's success to date has been the development of strategic, adaptive relationships with key financial industry suppliers providing flexibility to adopt new technologies on a cost effective basis. With this strategy, Canaccord has developed key relationships with the following organizations:

- Broadridge Financial Solutions — a real-time integrated transaction system for client recordkeeping and reporting, multi-functional order management, transaction processing, account maintenance and account history
- Hewlett Packard — computer hardware and software related to servers, network storage, desktop hardware and critical systems support
- Telus — fully managed wide area network and telecommunications services
- Microsoft — software support for servers, workstations and business systems
- Cisco — network and telecommunications equipment and network monitoring software
- Thomson Reuters — real-time stock quotes and market information

Canaccord also draws on the key relationships described above and others for project development and non-strategic services allowing Canaccord's technology department to focus more on strategic, value added initiatives, business applications and systems and network management.

Other projects include continued improvements to Canaccord's network and hardware architecture, enhancement of client services through the addition of value-added information processing applications and improvements to control systems, information processing and management information reporting.

Canaccord's continued investment in improving its information technology platform and business solutions are significant factors in the overall efficiency and effectiveness of Canaccord's business.

Stock-based compensation plans

Canaccord has the following stock-based compensation plans in place:

Stock options

The Company grants stock options to purchase common shares of the Company to independent directors and senior management. Stock options to independent directors vest over a four-year period and expire seven years after the grant date or 30 days after the participant ceases to be a director. Stock options to senior management vest over a five-year period and expire on the earliest of: (a) seven years from the grant date; (b) three years after death or any other event of termination of employment; (c) after any unvested optioned shares held by the optionee are cancelled for any reason (other than early retirement but including resignation without entering into a formal exit agreement and termination for cause); and (d) in the case of early retirement, after a determination that the optionee has competed with the Company or violated any non-competition, non-solicitation or non-disclosure obligations. The exercise price is based on the fair market value of the common shares at grant date. The weighted average exercise price of the stock options was \$9.82 at March 31, 2011.

In May 2010 the Company granted an aggregate of 150,000 stock options to six independent directors with an exercise price of \$8.39 per share.

The following is a summary of the Company's stock options awarded to directors and senior management as at March 31, 2011 and changes during the nine-month period then ended:

	Number of options	Weighted average exercise price (\$)
Balance, March 31, 2009	225,000	\$15.37
Granted	2,224,993	9.34
Balance, March 31, 2010	2,449,993	9.91
Granted	150,000	8.39
Exercised	(58,659)	9.47
Balance, March 31, 2011	2,541,334	\$9.82

Compensation expense of \$2.1 million was recognized for the year ended March 31, 2011 (\$1.1 million for the year ended March 31, 2010).

Long Term Incentive Plan

Under the long term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs) which vest over three years. For employees in Canada, an employee benefit trust (the Trust) has been established, and either (a) the Company will fund the Trust with cash, which will be used by a trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of RSUs. For employees in the US and the UK, at the time of each RSU award, the Company will allot common shares and these shares will be issued from treasury at the time they vest for each participant.

The costs of the RSUs are amortized over the vesting period of three years. Compensation expense of \$24.1 million has been recognized for the year ended March 31, 2011 (March 31, 2010: \$22.7 million).

Retention and Incentive Plans

Retention Plan

In connection with the acquisition of TBG (page 10), the Company established a new retention plan. The plan provides for the issuance of up to 1,187,000 common shares of the Company over a five-year vesting period. The total number of shares which will vest is also based on revenue earned related to Canaccord Genuity Asia during the vesting period. The aggregate number of common shares which vest will be that number which is equal to the revenue earned related to Canaccord Genuity Asia during the vesting period divided by \$100.0 million multiplied by the number of common shares subject to the retention plan. As such revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost and the applicable number of retention shares will be included in diluted common shares outstanding.

Employee Stock Incentive Plan

The Employee Stock Incentive Plan (ESIP), implemented in fiscal 2006, is aimed at Canaccord's key executive-level employees as a reward and retention program and to balance employee share ownership. Canaccord loaned 40% of the purchase price of Canaccord shares, which were purchased on the open market. These loans are forgivable over a four-year period as long as the employee works for Canaccord. The ESIP cost for fiscal 2011 of \$0.2 million (2010: \$1.0 million), or 0.02% (2010: 0.2%) of Canaccord's annual consolidated revenue, is included in incentive compensation expense.

Bonus Compensation Plan (BCP)

On October 1, 2005, Canaccord implemented a Bonus Compensation Plan aimed at rewarding and retaining IAs within the Canaccord Wealth Management business segment. Canaccord rewards IAs through this program based on their gross production and certain minimum requirements. The cost of the BCP program for fiscal 2011 was \$0.2 million (2010: \$NIL) as most IAs transferred to the Partnership Program discussed below.

Partnership Program

In fiscal 2010, Canaccord introduced the Partnership Program for the purpose of retaining IAs within the Canaccord Wealth Management business segment. Canaccord rewards IAs through this program based on their historical production and certain minimum requirements. The cost for fiscal 2011 of the Partnership Program was \$4.6 million (2010: \$4.0 million) or 0.6% (2010: 0.7%) of consolidated revenue.

Employee Stock Purchase Plan

On April 1, 2005, Canaccord implemented the Employee Stock Purchase Plan (ESPP). The ESPP is available to all non-UK based Canaccord full-time permanent employees. Employee contributions are matched on a one-to-one basis by Canaccord to a maximum of \$3,000 per year per employee. The ESPP is managed by an independent company, and all stock purchases through the ESPP take place in the open market. The ESPP cost for fiscal 2011 of \$2.2 million (2010: \$2.2 million), or 0.3% (2010: 0.4%) of Canaccord's annual consolidated revenue, is included in salaries and benefits expense.

Changes to Canaccord Genuity's compensation structure

Canaccord Genuity's incentive compensation is a flat percentage payout and is consistent among the teams in Canada, UK, US, and Other Foreign Locations. Certain salary and benefits expenses are largely charged against the Canaccord Genuity incentive compensation pool and are not incurred by Canaccord. Beginning fiscal 2010, a portion of the promotion and travel, and communication costs were also shared with the incentive compensation pool. Total compensation expense as a percentage of Canaccord Genuity's revenue decreased from 53.7% in fiscal 2010 to 47.1% in fiscal 2011.

Forgiveness of equity incentive loans

Canaccord provides loans to certain employees for the purpose of partially funding the purchase of shares of the Company and increasing share ownership by the employees. These loans are forgiven over a three to five-year period from the initial advance of the loan or at the end of that three to five year period. During fiscal 2011, the forgiven portion of these loans was \$8.6 million (2010: \$9.5 million) or 1.1% (2010: 1.6%) of Canaccord's annual consolidated revenue.

Other Retention and Incentive Plans

During the course of the fiscal year, the Company may have other retention and incentive plans with individual employees, for which the amount incurred was not significant in aggregate.

Risk Management

Overview

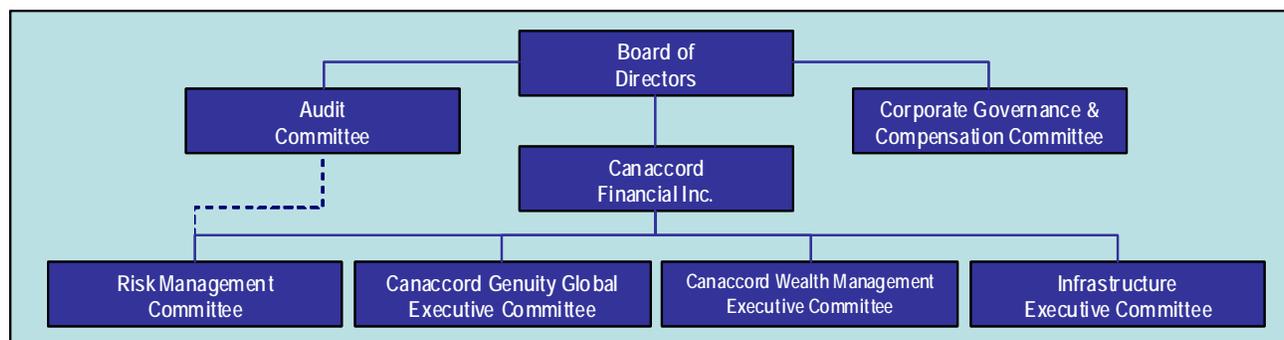
Uncertainty and risk are inherent in any financial markets activity. As an active participant in the Canadian and international capital markets, Canaccord is exposed to risks that could result in financial losses. Canaccord has identified its principal risks as: market risk, credit risk, operational 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.

Risk management structure and governance

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.

Canaccord's governance structure includes the following elements:



The Board of Directors (the Board) has oversight of the company-wide risk management framework. These responsibilities are mandated to the Audit and Risk Management Committees.

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, COO 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.

Market risk

Market risk is the risk that a change in market prices and/or any of the underlying market factors will result in losses. Each business area is responsible for ensuring that market risk exposures are prudent. In addition, Canaccord has established procedures to ensure that risks are measured, closely monitored, controlled and visible to senior levels of management.

Canaccord is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. Canaccord is also exposed to specific interest rate risk, credit spread risk and liquidity risk in respect of its principal trading in fixed income securities. In addition to active supervision and review of trading activities by senior management, Canaccord mitigates its risk exposure through a variety of limits to control concentration, capital allocation and usage, as well as through trading policies and guidelines. Canaccord manages and monitors its risks in this area using both qualitative and quantitative measures, on a company-wide basis, and also by trading desk and by individual trader. Canaccord operates a firm-wide VaR risk measurement system for its equity and fixed income inventories. Management also reviews and monitors inventory levels and positions, trading results, aging and concentration levels. Consequently, Canaccord can ensure that it is adequately diversified with respect to market risk factors and that trading activity is within the risk tolerance levels established by senior management.

Value-at-Risk (VaR)

In order to better understand the Market Risk of Canaccord's inventories, VaR is calculated daily for each of Canaccord's trading desks as well as for the Firm as a whole. These calculations include all of Canaccord's equity and fixed income principal positions and exclude client-related holdings.

The calculation of VaR is a statistical method which attempts to predict the minimum worst-case loss to Canaccord's trading portfolio at a specific confidence level (e.g., 95%) over a certain period of time (e.g., daily) under normal market conditions. Canaccord's VaR is calculated at a 95% confidence level over a single day holding period. This can be interpreted as the single day minimum loss Canaccord should expect to incur in its trading portfolios 5% of the time (i.e., one out of every 20 days). For example, a one-day 95% VaR of \$1 million predicts that the portfolio would lose at least \$1 million, one out of every 20 days. One of the benefits of VaR is that it is a simple metric which allows management to easily assess and compare Market Risk objectively across business units and products.

Limitations of VaR

As VaR does not estimate the maximum daily loss Canaccord could incur, additional scenario analysis and stress testing are performed in order to attempt to understand how the value of the trading portfolio will change under extreme market conditions. Under this additional analysis, individual market factors such as market indices, credit spreads, key interest rates or commodity prices are shocked, and the resulting predicted change in the portfolio is examined to understand how the portfolio would react under extreme market conditions. Combining the stress testing/scenario analysis with VaR reporting helps Canaccord management better understand the risk profile of the Firm's trading portfolios.

VaR is limited in its effectiveness as its predictions are based on the historical price movements of assets within the trading portfolio as well as the historical correlations between assets over a trailing 12-month period. As the past is no indication of the future, VaR's reliance on historical data is one of its main drawbacks. To help ensure that the calculated VaR is adequately capturing the Firm's true Market Risk, periodic backtesting is performed. The process involves examining the Firm's past trading P&L and comparing it to the trading losses predicted by VaR. In the event that actual P&L is inconsistent with VaR's predicted losses at the specified confidence interval, the inputs and assumptions used in the VaR calculation are examined and modified as necessary.

Another drawback to the one-day VaR calculation is that it assumes that positions can be liquidated in a single day, which, depending on the size and liquidity of the position, may not always be the case. To mitigate this, Canaccord calculates liquidity risk statistics to highlight the Firm's most illiquid positions. This is done by comparing the size of each of the Firm's positions with each position's average exchange traded volume. This liquidity risk statistic gives management useful additional information in assessing the Firm's riskiest positions.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The primary source for credit risk to Canaccord is in connection with trading activity by clients in the Canaccord Wealth Management business segment and private client margin accounts. In order to minimize financial exposure in this area, Canaccord applies certain credit standards and conducts financial reviews with respect to clients and new accounts.

Canaccord provides financing to clients by way of margin lending. In a margin-based transaction, Canaccord extends credit for a portion of the market value of a securities transaction in a client's account, up to certain limits. Margin loans are collateralized by securities in the client's account. In connection with this lending activity, Canaccord faces a risk of financial loss in the event that a client fails to meet a margin call if market prices for securities held as collateral decline and if Canaccord is unable to recover sufficient value from the collateral held. For margin lending purposes, Canaccord has established limits that are generally more restrictive than those required by applicable regulatory policies.

Canaccord also faces a risk of financial loss with respect to trading activity by clients if such trading results in overdue or unpaid amounts in under-secured cash accounts. Canaccord has developed a number of controls within its automated trade order management system to ensure that trading by individual account and advisor is done in accordance with customized limits and risk parameters.

Canaccord is engaged in various trading and brokerage activities whose counterparties primarily include broker dealers, banks, clearing agents, exchanges, financial intermediaries and other financial institutions. These activities include agency trading, securities borrowing and lending, and entering into repurchase agreements and reverse repurchase agreements. In the event that counterparties do not fulfill their obligations, Canaccord may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty and/or the issuer of the instrument. Canaccord manages this risk by imposing and monitoring individual and aggregate position limits within each business segment, for each

counterparty, conducting regular credit reviews of financial counterparties, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions, and conducting business through clearing organizations that guarantee performance.

Canaccord records a provision for bad debts in general and administrative expenses. Any actual losses arising from or associated with client trading activity as described above are charged to this provision. Historically, this provision has been sufficient to cover actual losses.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, fraud, people and systems, or from external events such as the occurrence of disasters or security threats. Operational risk exists in all of Canaccord's activities, including processes, systems and controls used to manage other risks. Failure to manage operational risk can result in financial loss, reputational damage, regulatory fines and failure to manage market or credit risks.

Canaccord operates in different markets and relies on its employees and systems to process a high number of transactions. In order to mitigate this risk, Canaccord has developed a system of internal controls and checks and balances at appropriate levels, which include overnight trade reconciliation, control procedures related to clearing and settlement, cash controls, physical security, independent review procedures, documentation standards, billing and collection procedures, and authorization and processing controls for transactions and accounts. In addition, Canaccord has implemented an operational risk program that helps Canaccord measure, manage, report and monitor operational risk issues (see 'RCSAs' below). Canaccord also has disaster recovery procedures in place, business continuity plans and built-in redundancies in the event of a systems or technological failure. In addition, Canaccord utilizes third party service agreements and security audits where appropriate.

Risk and Control Self-Assessment (RCSA)

The purpose of RCSAs is to:

- Identify and assess key risks inherent to the business
- Rate the effectiveness of the control environment associated with the key risks
- Mitigate the risks through the identification of action plans to improve the control environment where appropriate
- Provide management with a consistent approach to articulate and communicate the risk profiles of their areas of responsibility
- Meet regulatory requirements and industry standards

Canaccord has established a process to determine what the strategic objectives of each group/unit/department are and identify, assess, and quantify operational risks that hinder the Company's ability to achieve those objectives. The program began in October of 2009 and RCSAs have been performed in all geographies, except Asia, and across all major business lines. The RCSA results are specifically used to calculate the operational risk regulatory capital requirements for Canaccord in the UK and operational risk exposure in all geographies. The RCSAs are periodically updated and results are reported to the Risk Management and Audit Committees.

Other Risks

Other Risks encompass those risks that can have an adverse material affect on the business but do not belong to market, credit or operational risk categories.

Regulatory and legal risk

Regulatory risk results from non-compliance with regulatory requirements, which could lead to fines and/or sanctions. Canaccord has established procedures to ensure compliance with all applicable statutory and regulatory requirements in each jurisdiction. These procedures address issues such as regulatory capital requirements, disclosure requirements, internal controls over financial reporting, sales and trading practices, use of and safekeeping of client funds, credit granting, collection activity, anti-money laundering, insider trading, conflicts of interest and recordkeeping.

Legal risk results from potential criminal, civil or regulatory litigation against Canaccord which could materially affect Canaccord's business, operations or financial condition. Canaccord has in-house legal counsel as well as access to external legal counsel to assist the Company in addressing legal matters related to operations and defending Canaccord in various legal actions.

Losses or costs associated with routine regulatory and legal matters are included in general and administrative expenses in Canaccord's consolidated financial statements.

Reputational risk

Reputational risk is the risk that an activity undertaken by an organization or its representatives will impair its image in the community or lower public confidence in it, resulting in loss of business, legal action or increased regulatory oversight. Possible sources of reputational risk could come from operational failures, non-compliance with laws and regulations, or taking an incompetent Company to market. Reputational risk can also be reflected within customer satisfaction and external ratings, such as equity analyst reports. In addition to its various risk management policies, controls and procedures, Canaccord has a formal Code of Business Conduct and Ethics and an integrated program of marketing, branding, communications and investor relations to help manage and support Canaccord's reputation.

Control risk

As of March 31, 2011 senior officers and directors of Canaccord collectively owned approximately 31% of the issued and outstanding common shares of Canaccord Financial Inc. If a sufficient number of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could prevent Canaccord from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a tender offer or takeover bid to acquire any or all of the outstanding common shares of the Company. In addition, as at March 31, 2011 the single largest shareholder that management was aware of was Franklin Templeton Investments Corp. by one or more of its mutual funds or other managed accounts. As of March 31, 2011, it held 5,843,973 common shares of Canaccord Financial Inc., which represents 7.05% of common shares outstanding on March 31, 2011. Any significant change in these shareholdings through sale or other disposition, or significant acquisitions by others of the common shares in the public market or by way of private transactions could result in a change of control and changes in business focus or practices that could affect the profitability of Canaccord's business.

Restrictions on ownership and transfer of common shares

Restrictions on ownership and transfer of common shares in the articles of Canaccord to prevent unauthorized change in control without regulatory approval, in certain cases, could affect the marketability and liquidity of the common shares.

Risk factors

Overview

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. Revenue from Canaccord Wealth Management's activity is dependent on trading volumes and, therefore, is linked to the level of market activity and investor confidence. Revenue from Canaccord Genuity's activity is dependent on financing activity by corporate issuers and the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations and the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position. Furthermore, Canaccord's business is cyclical and thus experiences considerable variations in revenue and income from quarter to quarter and year to year due to the factors discussed above. These factors are beyond Canaccord's control and, as a result, revenue and net income will fluctuate, as they have historically.

An investment in the common shares of Canaccord involves a number of risks. Some of these, including market risk, credit risk, operational risk and other risks could be substantial and are inherent in Canaccord's business. Risk management at Canaccord is a significant priority due to the importance of its effectiveness on Canaccord's operations. For the discussion on Risk management, please see page 62 in the MD&A.

A summary of the risk factors related to the Company are listed below. Risks include, but are not necessarily limited to, those set out below. Investors should carefully consider the following information about risks, together with the other information in this document, before making investment decisions. It should be noted that this list is not exhaustive, but contains risks that Canaccord considers to be of particular relevance. Other risk factors may apply.

Summary of Other Risk Factors:

1. Risks Associated with the Financial Services Business Generally
2. Regulation Risk
3. Risk from Changes in Market Volume, Prices or Liquidity
4. Risk from Changes in Economic, Political or Market Conditions
5. Risk from Periods of Declining Prices or Reduced Activity in Targeted Industries
6. Significant Fluctuations in Results
7. Foreign Exchange Risk
8. Interest Rate Risk
9. Liquidity Risk
10. Underwriting Risk
11. Credit/Counterparty Risk
12. Employee Misconduct
13. Inadequate Risk Management Policies and Procedures
14. Dependence on Information and Communication Systems
15. Inability to Retain and Recruit Skilled Personnel
16. Potential Conflicts of Interest
17. Legal Risk
18. Significant Competition
19. Lack of Available Funding or Regulatory Capital
20. Insufficient Management of Growth

1. Risks Associated with the Financial services Business Generally

The financial services business is, by its nature, subject to numerous and substantial risks, particularly in volatile or illiquid markets and in markets influenced by sustained periods of low or negative economic growth. In addition, there is the risk of losses resulting from the underwriting or ownership of securities, trading, counterparty failure to meet commitments, customer fraud, employee errors, misconduct and fraud (including unauthorized transactions by traders), failures in connection with the processing of securities transactions, the risk of litigation, the risk of lower revenue in periods of reduced demand for public offerings or less activity in the secondary markets, and the risk of smaller spreads on the trading of securities.

2. Regulation Risk

The financial services business is subject to extensive regulation in Canada, the US, the UK and elsewhere. Compliance with many of the regulations applicable to Canaccord involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with applicable regulation securities regulators, the IIROC, Financial Industry Regulatory Authority (FINRA), the Financial Services Authority (FSA) and other authorities may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension, loss of status as a Nomad, suspension or disqualification of the investment dealer's officers or employees, or other adverse consequences. The imposition of any such penalties or orders on Canaccord could have a material adverse effect on its operating results and financial condition.

Additional regulation, changes in existing laws and rules, or changes in interpretations or enforcement of existing laws and rules often directly affect the method of operation and profitability of securities firms. Canaccord cannot predict the effect any such changes might have. Furthermore, Canaccord's business may be materially affected not only by regulations applicable to Canaccord as a financial market intermediary, but also by regulations of general application. For example, Canaccord's revenue in a given time period could be adversely affected by, among other things, proposed tax legislation, changes to competition policy and other governmental regulations and policies.

Canaccord's ability to comply with all applicable laws and regulations is dependent on the creation, implementation and maintenance of effective compliance systems, policies and procedures and on its ability to hire and retain qualified compliance personnel.

3. Risk from Changes in Market Volume, Prices or Liquidity

Canaccord's revenue may decrease in the event of a decline in market volume, prices or liquidity. Declines in the volume of securities transactions and in market liquidity generally result in lower revenue from trading activities and commissions. Lower price levels of securities may also result in a decreased volume of underwriting transactions and could cause a reduction in revenue from corporate finance activities as well as losses from declines in the market value of securities held in trading, investment and underwriting positions, reduced Canaccord Wealth Management's fees, and withdrawals of assets under management. Sudden sharp declines in market values of securities can result in illiquid markets and the failure of issuers and counterparties to perform their obligations, as well as increases in claims and litigation. In such markets, Canaccord may also experience declining revenue or losses in its principal trading and market-making activities.

4. Risk from Changes in Economic, Political or Market Conditions

Reductions in the number and size of public offerings and mergers and acquisitions, and reduced securities trading activities, due to changes in economic, political or market conditions, could cause Canaccord's revenues from Canaccord Wealth Management's and Canaccord Genuity's activities to decline materially. The amount and profitability of these activities are affected by many national and international factors, including economic, political and market conditions; the level and volatility of interest rates; legislative and regulatory changes; exposure to fluctuations in currency values; inflation; inflows and outflows of funds of mutual and pension funds; financial scandals; war or insurgency; and availability of short-term and long-term funding and capital.

5. Risk from Periods of Declining Prices or Reduced Activity in Targeted Industries

Canaccord's revenue is likely to be lower during periods of declining prices or inactivity in the market for securities of companies in Canaccord's focus sectors. Canaccord's business is particularly dependent on the market for equity offerings by companies in the Mining and Metals, Energy, Technology and Media, Life Sciences, Consumer Products, Real Estate, Infrastructure and Sustainability sectors. These markets have historically experienced significant volatility, not only in the number and size of equity offerings, but also in the aftermarket trading volume and prices of newly issued securities.

Canaccord's revenue growth in prior years is attributable in large part to the significantly increased number and size of underwritten transactions by companies in Canaccord's target industries and by the related increase in aftermarket trading for such companies. Underwriting activities in Canaccord's target industries can decline for a number of reasons, including market uncertainty, inflation, rising interest rates and related issues. Underwriting and brokerage activity can also be materially adversely affected for a company or industry segment by disappointments in quarterly performance relative to an analyst's expectations or by changes in long-term prospects.

Canaccord's investment banking clients generally retain Canaccord on a short-term, non-recurring basis for specific capital markets or advisory transactions. During reduced market activity in its target industries, if Canaccord is unable to generate a substantial number of new engagements that generate fees from the successful completion of transactions, then its business and results of operations would likely be adversely affected.

6. Significant Fluctuations in Results

Canaccord's revenue and operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, including the number of underwriting transactions completed, the level of institutional and retail brokerage transactions, variations in expenditures for personnel, litigation expenses and expenses of establishing new business units. Canaccord's revenue from an underwriting transaction is recorded only when the underwriting transaction closes. Accordingly, the timing of recognition of revenue from a significant transaction can materially affect quarterly operating results. Canaccord's cost structure is oriented to meeting the current level of demand for investment banking transactions. As a result, despite the variability of incentive compensation, Canaccord could experience losses if demand for these transactions declines more quickly than its ability to change its cost structure, which includes fixed salaries and benefits expenses. Due to the foregoing and other factors, there can be no assurance that Canaccord will be able to sustain profitability on a quarterly or annual basis.

7. Foreign Exchange Risk

Canaccord's results are reported in Canadian dollars. A portion of Canaccord's business is conducted and denominated in UK pounds sterling, in US dollars and in Chinese yuan. Any fluctuations in the value of the pound sterling, the US dollar and the Chinese yuan relative to the Canadian dollar may result in variations in the comprehensive income of Canaccord. Canaccord manages some of its foreign exchange settlement risk by periodically hedging pending settlements in foreign currencies. However, these procedures may not be adequate and do not address the impact that any changes in currency values may have on Canaccord's financial reporting in Canadian dollars and the possibility that such changes may have an adverse impact on Canaccord's business and financial condition.

8. Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by Canaccord. Canaccord strives to reduce and monitor its exposure to interest rate risk through quantitative analysis of its net positions in fixed income securities. Canaccord hedges its positions when required in order to minimize its net exposure to interest rate risk.

Related to interest rate risk is the risk that there is a change in the difference between interest rates charged on risky assets and risk-free assets, commonly referred to as credit spread. This change in credit spreads may adversely affect the value of fixed income securities held by Canaccord.

9. Liquidity Risk

Liquidity, or ready access to funds, is essential to the Company and all financial services firms generally. Insufficient liquidity can be a cause of failure for financial services firms. In addition, perceived liquidity issues rather than actual liquidity problems may also be a cause of failure for such firms. Perceptions of insufficient liquidity may affect Canaccord's customers and counterparties' willingness to engage in brokerage transactions with the Company. Canaccord's liquidity could be impaired because of circumstances that the Company may be unable to control, such as operating losses, counterparty failure, a general market disruption or operational problems.

Lack of adequate funding would also limit the Company's ability to pay dividends or to repay debt. The Company has, in the past, satisfied its need for funding from internally generated funds, sales of shares of common stock and short-term loans or term debt from third parties. While the Company currently has adequate capital and liquid resources, adequate funding may not continue to be available to the Company in the future on terms that are acceptable to the Company or at all.

10. Underwriting Risk

Participation in underwritings involves both financial and regulatory risks. Canaccord may incur losses if it is unable to resell the securities it has committed to purchase or if it is forced to liquidate its commitment below the agreed purchase price.

In addition, Canaccord (including when acting as a co-manager) may retain a significant concentration in individual securities. Increasing competition is expected to continue to erode underwriting spreads, thereby reducing profitability. Canaccord may also be subject to substantial liability for material misstatements or omissions in prospectuses and other communications or offering documents with respect to underwritten offerings, and may be exposed to claims and litigation arising from such offerings.

11. Credit/Counterparty Risk

Canaccord is exposed to the risk that third parties owing Canaccord money, securities or other assets will not meet their obligations. These parties include trading counterparties, clients, clearing agents, exchanges, clearing houses and other financial intermediaries as well as issuers whose securities are held by Canaccord. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons.

Canaccord provides financing to private clients by way of margin lending. In a margin-based transaction, Canaccord extends credit for a portion of the market value of a securities transaction in a client's account up to certain limits. Margin loans are collateralized by securities in the client's account. In connection with this lending activity, Canaccord faces a risk of financial loss in the event that a client fails to meet a margin call if market prices for securities held as collateral decline and if Canaccord is unable to sell the securities held as collateral at a price that will cover the amount of the outstanding loan.

Although Canaccord regularly reviews credit exposure to specific clients, counterparties, industries, countries and regions that it believes may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. Canaccord may also fail to receive full or accurate information with respect to the credit risks of a counterparty.

12. Employee Misconduct

Within the financial services industry, there have been a number of highly publicized cases involving fraud or other misconduct by employees in recent years, and Canaccord runs the risk that employee misconduct could occur. Misconduct by employees could include binding Canaccord to transactions that exceed authorized limits or present unacceptable risks, or hiding from Canaccord unauthorized or unsuccessful activities, which may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. It is not always possible to deter employee misconduct and the precautions Canaccord takes to prevent and detect this activity may not be effective in all cases.

13. Inadequate Risk Management Policies and Procedures

Canaccord's risk management policies and procedures are based on historical market behaviour and depend on evaluations of certain information regarding markets, clients and other matters. Canaccord's risk management strategies and techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, and there may be situations where existing procedures and methods do not adequately identify existing risk exposure or predict future risk exposure or where risk exposure may be substantially higher than historical measures indicate. Accordingly, there is no certainty that Canaccord's risk management policies, systems and procedures will be adequate to prevent substantial financial loss.

14. Dependence on Information and Communication Systems

Canaccord's business is highly dependent on communications and information systems. Any failure or interruption of Canaccord's systems, or those of third parties such as service providers, clearing corporations and exchanges, could cause delays or other problems in Canaccord's sales, trading, clearing, settlement and other client services, which could have a material adverse effect on operating results. There can be no assurance that Canaccord will be able to prevent any systems failures or interruptions, including those caused by an earthquake, fire, other natural disaster, power or telecommunications failure, act of God, act of war or terror or otherwise, or that back-up procedures and capabilities in the event of failure or interruption will be adequate. Even though Canaccord has back-up procedures, duplicate systems, excess capacity and business continuity plans in place, there is no assurance that procedures and plans will be sufficient

or adequate in the event of a failure or catastrophe and, consequently, such an event could have a material adverse effect on Canaccord's operating results and financial condition.

Canaccord's operations also rely on the secure processing, storage and transmission of confidential and other information in computer systems and networks. Although Canaccord takes protective measures and tries to modify them as circumstances warrant, computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and events that could have a security impact. If one or more of these events occur, this could potentially jeopardize Canaccord's, or its clients' or counterparties' confidential and other information processed and stored in, and transmitted through, computer systems and networks, or otherwise cause interruptions or malfunctions in clients', counterparties' or third parties' operations. Canaccord may be required to expend significant additional resources to modify protective measures or to investigate and remediate vulnerabilities or other exposures, and Canaccord may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by Canaccord.

15. Inability to Retain and Recruit Skilled Personnel

Canaccord's business is dependent on highly skilled and, often, highly specialized employees. The establishment and maintenance of relationships with clients and potential clients depends in part on individuals. Retention of IAs, investment banking, research, sales and trading professionals, and management and administrative personnel is particularly important to Canaccord.

The level of competition for key personnel is very high, particularly due to the market entry efforts of new retail brokerage operations, certain non-brokerage financial services companies and other investment banks targeting or increasing their efforts in all or some of the areas in which Canaccord operates. While Canaccord has historically experienced little turnover in professional employees, there can be no assurance that losses of key personnel, due to competition or otherwise, will not occur in the future. The loss of an investment advisor, investment banking, research, or sales and trading professional, particularly any member of senior management or other senior professional with a broad range of contacts in an industry, could materially and adversely affect Canaccord's operating results.

Competition for the recruiting and retention of employees has increased compensation costs, and Canaccord expects that competition will cause compensation costs to continue to rise. There can be no assurance that Canaccord will be able to recruit a sufficient number of new employees with the desired qualifications, in a timely manner and on financial terms that are acceptable to Canaccord. The failure to recruit new employees could materially and adversely affect future operating results.

16. Potential Conflicts of Interest

Executive officers, directors and employees of Canaccord from time to time may invest in securities of private or public companies or investment funds in which Canaccord, or an affiliate of Canaccord, is an investor or for which Canaccord carries out investment banking assignments, publishes research or acts as a market maker. There are certain risks that, as a result of such investment, a director, officer or employee may take actions that would conflict with the best interests of Canaccord.

In addition, certain of the directors of Canaccord also serve as directors of other companies involved in a wide range of industry sectors; consequently, there exists the possibility these directors could potentially be in a conflict of interest.

17. Legal Risk

Many aspects of Canaccord's business involve substantial risks of liability. An underwriter is exposed to substantial liability under securities laws, other laws and court decisions, including decisions with respect to underwriters' liability and limitations on indemnification of underwriters by issuers. For example, a firm that acts as an underwriter may be held liable for misstatements or omissions of fact in a prospectus used in connection with the securities being offered and firms may be held liable for statements made by its securities analysts or other personnel. Risks also include potential liability for fairness opinions and other advice Canaccord provides to participants in strategic transactions. Such advice frequently requires complex analysis and professional judgment, which could give rise to subsequent disputes. In recent years, there has been increasing litigation involving the securities industry, including class actions that seek substantial

damages. Canaccord is subject to the risk of litigation, including litigation that may be without merit. As Canaccord intends to actively defend itself against any such litigation, significant legal expenses could be incurred, and the company could suffer substantial reputational harm which could adversely affect future business opportunities and activity. An adverse resolution of any actions or claims against Canaccord may materially affect its operating results and financial condition.

The legal risks facing Canaccord also include potential liability under securities laws or through civil litigation in the event that Canaccord's IAs or employees violate investor suitability requirements, make materially false or misleading statements in relation to securities transactions, effect unauthorized transactions, fail to properly implement instructions, commit fraud, misuse client funds, or breach any other statute, regulatory rule or requirement. This could have a material adverse effect on Canaccord's operating results or financial condition.

When Canaccord recruits IAs with existing clients from other employers, there may be existing non-competition or non-solicitation agreements and other contractual or common law obligations. The former employer may claim damages or injunctive relief against the IA or Canaccord, and Canaccord may incur expenses in awards, settlements and legal expenses.

18. Significant Competition

Canaccord is engaged in the highly competitive securities brokerage and financial services business. Canaccord competes directly with large Canadian, US and UK securities firms, securities subsidiaries of major chartered banks, major regional firms and smaller niche players. Many other companies have more personnel and greater financial resources than Canaccord does. These companies compete directly with Canaccord for private clients, investment banking clients, investment advisors, professional staff and other industry personnel. Larger competitors are able to advertise their products and services on a regional or national basis and may have a greater number and variety of distribution outlets for their products, including retail distribution. Discount brokerage firms market their services through aggressive pricing and promotional efforts. In addition, some competitors have a much longer history of investment banking activities than Canaccord and, therefore, may possess a relative advantage with regard to access to deal flow and capital. This competition could have a material adverse effect on Canaccord's operating results as well as Canaccord's ability to attract and retain highly skilled individuals. There can be no assurance that Canaccord will be able to compete effectively. Canaccord believes that some of the most significant opportunities for growth will arise outside Canada. In order to take advantage of these opportunities, Canaccord will have to compete successfully with financial institutions based in international markets, particularly in the United Kingdom and China. Certain institutions are larger, better capitalized and have a stronger local presence and a longer operating history in these markets.

19. Lack of Available Funding or Regulatory Capital

Canaccord's business depends on the availability of adequate funding and regulatory capital under applicable regulatory requirements. Underwriting commitments require a charge against capital and, accordingly, Canaccord's ability to make underwriting commitments may be limited by the requirement that it must at all times be in compliance with applicable net capital regulations. Other Canaccord Genuity activity and Canaccord Wealth Management activity also require charges against capital for regulatory purposes. Although Canaccord expects to have sufficient capital to satisfy all of its capital requirements, there can be no assurance that any, or sufficient, funding or regulatory capital will continue to be available to Canaccord in the future on acceptable terms.

20. Insufficient Management of Growth

Over the past several years, Canaccord has experienced significant growth in its business activities, including the number of employees. This growth has required and will continue to require increased investment in management personnel, financial and management systems, and controls and facilities, which, in the absence of continuing revenue growth, would cause Canaccord's operating margins to decline from current levels.

As part of Canaccord's business strategy, Canaccord has acquired and may make further acquisitions of assets or businesses related to, or complementary to, its current operations. Any acquisitions will be accompanied by certain risks including exposure to unknown liabilities of acquired companies, higher than anticipated acquisition costs and expenses, increased investments in management and operational personnel, financial and management systems and facilities, the

difficulty and expense of integrating operations and personnel of acquired companies, disruption of ongoing business, diversion of management's time and attention, and possible dilution to shareholders. Canaccord may not be able to successfully address these risks and other problems associated with acquisitions, which could adversely affect business.

Dividends

The Company declared the following dividends on its common shares for the three years ending March 31, 2011:

Quarter	Dividends	Record date	Payment date
Q1/09	\$0.125	August 29, 2008	September 10, 2008
Q2/09	suspended	suspended	suspended
Q3/09	suspended	suspended	suspended
Q4/09	suspended	suspended	suspended
Q1/10	suspended	suspended	suspended
Q2/10	\$0.05	November 20, 2009	December 10, 2009
Q3/10	\$0.05	February 26, 2010	March 10, 2010
Q4/10	\$0.05	June 4, 2010	June 15, 2010
Q1/11	\$0.05	August 27, 2010	September 10, 2010
Q2/11	\$0.05	November 19, 2010	December 10, 2010
Q3/11	\$0.075	March 4, 2011	March 15, 2011
Q4/11	\$0.10	June 3, 2011	June 15, 2011

The Board of Directors, in its sole discretion, will determine the amount and timing of any dividends. All dividend payments will depend on general business conditions, Canaccord's financial condition, results of operations and capital requirements and such other factors as the Board determines to be relevant.

Description of Capital Structure

The authorized capital of the Company consists of an unlimited number of common shares, without nominal or par value and two classes of preferred shares, each unlimited in number and issuable in series, of which 83,156,489 common shares and no preferred shares are issued and outstanding as of May 31, 2011.

Holders of common shares are entitled to receive dividends as and when declared by the Board of Directors of the Company and are entitled to one vote per share on all matters to be voted on at all meetings of shareholders. Upon voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of common shares are entitled to share ratably in the remaining assets available for distribution, after payment of liabilities.

The preferred shares may be issued from time to time in one or more series. The Board of Directors of the Company may:

- (a) Determine the maximum number of shares of each series or determine that there is no such maximum number or alter any such determination
- (b) Create an identifying name for the shares of each series or alter such identifying name
- (c) Attach special rights and restrictions to the shares of each series or alter any such special rights and restrictions

Restrictions on ownership and transfer of shares of the Company

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

- The Company may require a proposed subscriber or transferee of shares to submit 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 registration of the subscription or transfer would result in a violation of the articles or applicable legislative or regulatory requirements. The Company also may require a declaration at any time if proxies are solicited from shareholders at any meeting of shareholders or before such a meeting or when, in the opinion of the directors, the holding of shares by any person could violate the articles or applicable legislative or regulatory requirements.
- The Company has the power to refuse to issue or record a transfer and to withdraw the voting rights, of any share of any class if:
 - (a) Following the issue or recording of the transfer, the shareholder (along with his or her associates and affiliates) would beneficially own or control, directly or indirectly, a “significant equity interest” in the Company, unless the required approvals from all relevant securities regulatory authorities have been obtained; or
 - (b) The person requesting the issue or recording of the transfer refuses to sign and deliver a declaration with respect to his or her beneficial ownership of shares of the Company.

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

- (a) In respect of the applicable rules of the 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.;
- (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 and (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. (the Bourse) (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 Quebec, 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 Company is entitled to sell, as agent, through a stock exchange designated by the directors of the Company or, in the absence of such a designation, by private contract or in any other manner, any number of shares of any class held by any person in violation of the articles, if the directors of the Company determine that the sale is necessary or advisable to ensure compliance with the articles and applicable legislative and regulatory requirements. The Company is also entitled to effect such a sale if a person fails to reply to a request for a declaration contemplated by the articles. Any such sale will be subject to certain procedural requirements (which are set out in the articles) including notice of the proposed sale.

These restrictions relating to the transfer and the issue of shares of the Company do not generally apply in the case of an issue or a transfer in favour of an investment dealer or a holding company of an investment dealer so long as the transfer is effected in the ordinary course of the activities of its securities business. The board of directors of the Company has the power to establish the rules and procedures that it considers necessary and appropriate to implement these provisions.

The *Financial Services and Markets Act 2000* (UK) places an obligation on controllers and proposed controllers of Canaccord Genuity Limited to obtain the approval of the Financial Services Authority (FSA) 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). The FSA has up to three months to consider whether to approve such a change in control. A controller or proposed controller should take this period into account when deciding when to give their notification. A “controller” in the context of Canaccord Genuity Limited is a person who (along with his or her associates) holds 10% or more of the shares in the Company or is able to exercise significant influence over the management of the Company through his or her shareholding in the Company.

These restrictions on the ownership and transfer of the common shares may have an effect on the marketability and liquidity of the common shares. For more information, please refer to the Risk factors section.

Market for Securities

The common shares of the Company are listed on the Toronto Stock Exchange (TSX) under the symbol “CF”. The common shares are also listed on AIM, a market operated by the London Stock Exchange, under the symbol “CF”.

Trading price and volume

The following table presents the high and low closing prices and the monthly trading volume for the Company’s common shares on the TSX.

Month	High	Low	Monthly Trading Volume
April 2011	\$15.20	\$14.00	1,336,934
March 2011	\$15.65	\$13.03	2,546,900
February 2011	\$16.41	\$14.94	3,580,600
January 2011	\$15.41	\$13.50	1,488,600
December 2010	\$14.42	\$12.50	3,605,700
November 2010	\$12.62	\$10.30	2,745,200
October 2010	\$10.70	\$10.09	977,500
September 2010	\$10.72	\$9.96	2,156,100
August 2010	\$10.89	\$9.56	3,163,500
July 2010	\$9.77	\$8.77	1,184,100
June 2010	\$9.53	\$8.40	2,036,400
May 2010	\$10.54	\$7.95	3,752,800
April 2010	\$11.48	\$10.18	1,016,400

Escrowed Securities

To the Company’s knowledge, the following common shares are held in escrow as of March 31, 2011 or are subject to restrictions which prohibit transfer before a certain date. In the case of all escrows, the Company may exercise discretion to release the shares from the escrow or from the date restrictions before the date otherwise set for the release.

	Total number of common shares held in escrow or subject to date restriction	Percentage of diluted shares outstanding	2011	2012	2013 or later
Employee retention escrow	32,965,546	38.4%	1,410,913	7,796,436	23,758,197

The “Employee retention escrow” are shares restricted from trading held in connection with retention plans and hiring agreements for employees of the company as of March 31, 2011. The shares are held in escrow and released based on the terms of each individual agreement. As a result of the acquisition of Genuity, 26.5 million shares were issued and held in escrow on April 23, 2010. These shares are released ratably over five years; consequently, 5.3 million shares were released on April 23, 2011.

Directors and Officers

Name, occupation and security holding

Set forth below, for each director and executive officer of the Company, is his name, municipality of residence, office, period of service and principal occupation during the immediately preceding five years. Each director of the Company holds office until the next annual general meeting of the shareholders of the Company (which has been called for June 24, 2011) or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the articles of the Company or he becomes disqualified to act as a director.

Each executive officer holds office at the pleasure of the Board of Directors.

Name, municipality of residence and position held	Principal occupation for the past five years	Director since
HOWARD R. BALLOCH Beijing, China Director	Chairman of Canaccord Genuity Asia; Chairman and Founder of the Balloch Group	2011
CHARLES N. BRALVER Westport, Connecticut Director	Partner, Massif Partners LLP; Senior Associate Dean of International Business and Finance and Executive Director of Center for Emerging Market Enterprises, The Fletcher School, Tufts University	2010
PETER M. BROWN ⁽¹⁾ Vancouver, British Columbia Chairman of the Board and Director	Chairman and Founder of the Company and Canaccord Genuity Corp.	1997 ⁽¹⁾
MASSIMO C. CARELLO ⁽²⁾ London, England Director	Corporate director and private investor in public companies	2008
WILLIAM J. EEUWES ^(2,3,4) Burlington, Ontario Director	Senior Vice-President and Managing Director of Manulife Capital	2002
PHILIP J. EVERSHED Toronto, Ontario Director	Managing Director of Investment Banking of Canaccord Genuity Corp.; Partner of Genuity Capital Markets	2010
MATTHEW GAASENBEEK Toronto, Ontario Director	Executive Vice-President and Managing Director, Head of Equities, of Canaccord Genuity Corp.	2010
MICHAEL D. HARRIS ^(3,5) Vaughan, Ontario Director	Senior business advisor of Cassels Brock & Blackwell LLP; Senior business advisor of Goodmans LLP	2004
TIMOTHY J.D. HOARE London, England Director	Chairman of the Board and Chief Executive Officer of Canaccord Genuity Limited	2005
DAVID J. KASSIE ⁽⁶⁾ Toronto, Ontario Group Chairman of the Board and Director	Group Chairman of the Company and Canaccord Genuity Corp.; Partner of Genuity Capital Markets	2010

TERRENCE A. LYONS ^(2,3,7) Vancouver, British Columbia Lead Director	Chairman of the Board of Northgate Minerals Corporation	2004
MARK G. MAYBANK ⁽⁸⁾ Toronto, Ontario Chief Operating Officer and director	Chief Operating Officer of the Company and President and Chief Operating Officer of Canaccord Genuity Corp.	2006
PAUL D. REYNOLDS Toronto, Ontario Chief Executive Officer and director	President and Chief Executive Officer of the Company	2005
MICHAEL A. WALKER West Vancouver, British Columbia Director	Private equity investor; Senior Fellow of The Fraser Institute and President of The Fraser Institute Foundation	2006
JOHN B. ZAOZIRNY Calgary, Alberta Director	Vice-Chairman of the Board of Canaccord Genuity Corp	2004

- (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) Member of the Corporate Governance and Compensation Committee.
- (4) Mr. Eeuwes was a director of a private company, Micro-Optics Development Corp., until April 2003. Within a year after his resignation as a director, that company was subject to a court appointed trustee and filed for court protection under insolvency statutes.
- (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 is a director of Grant Forest Products Inc. On June 25, 2009, the Ontario Superior Court of Justice (Commercial List) made an order under the Companies' Creditors Arrangement Act (CCAA) in respect of Grant Forest Products Inc.
- (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.
- (7) Mr. Lyons was a director and executive officer of FT Capital Ltd. (FT Capital) which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Manitoba and Ontario due to the failure of FT Capital to file financial statements since the financial year ended December 31, 2001. FT Capital was wound up and dissolved on June 30, 2009 and Mr. Lyons ceased to be a director. Mr. Lyons is also a director of Royal Oak Ventures Inc. (Royal Oak), which is currently subject to cease trade orders in each of the provinces of British Columbia, Alberta, Ontario and Quebec due to the failure of Royal Oak to file financial statements since the financial year ended December 31, 2003. Mr. Lyons was a director of International Utilities Structures Inc. (IUSI) which, on October 17, 2003 IUSI was granted creditor protection by the Court of Queen's Bench in Alberta under the CCCA. 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.
- (8) Mr. Maybank was a director and Executive Vice President of Itemus Inc., a company listed on the Toronto Stock Exchange, until July 2001 when the company made an assignment into bankruptcy under the Bankruptcy and Insolvency Act (Canada).

In addition to Peter Brown, Mark Maybank and Paul Reynolds, the only other executive officers of Canaccord Financial Inc. are Brad Kotush of Toronto, Ontario, who is an Executive Vice President and Chief Financial Officer of Canaccord Financial Inc. and Canaccord Genuity Corp. and Peter Virvilis of Vancouver, British Columbia, who is the Executive Vice President of Operations and Treasurer of Canaccord Financial Inc. and Canaccord Genuity Corp. Mr. Kotush joined Canaccord in 1998 as Vice President of Special Projects and has served as Chief Financial Officer and Corporate Secretary for Canaccord Capital (Europe) Limited (now Canaccord Genuity Limited), and Chief Information Officer and Senior Vice President of Finance for Canaccord Genuity Corp. Mr. Virvilis joined Canaccord in 1987 as Treasurer.

As of May 31, 2011, the directors and executive officers of the company mentioned above, as a group, beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 10,333,955 common shares, representing 12.43% of the common shares issued and outstanding at that time.

Conflicts of interest

Executive officers, directors and employees of Canaccord from time to time may invest in securities of private or public companies, or investment funds in which Canaccord, or an affiliate of Canaccord, is an investor or for which Canaccord carries out investment banking assignments, publishes research or acts as a market maker. There are certain risks that,

because of such investment, a director, officer or employee may take actions, which would conflict with the best interests of Canaccord. In addition, certain of the directors of Canaccord also serve as directors of other companies involved in a wide range of industry sectors; consequently, there exists the possibility for such directors to be in a conflict of interest.

Legal Proceedings

The Company, in the normal course of business as an investment dealer, is involved in litigation and as of March 31, 2011, it was a defendant in various legal actions. The Company has established accruals for matters where payments are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial condition of the Company. The actions described below have been commenced against the Company and, although the Company has denied the allegations and intends to vigorously defend itself in each case, the outcome of each action cannot be predicted with certainty. The amounts claimed in respect of these actions, or which could potentially be claimed, are material and, accordingly, these actions are described in this Annual Information Form.

[i] In 2002, two actions were commenced in the Superior Court of Quebec against the Canaccord Genuity Corp. and other defendants including another investment dealer. Both are class action proceedings in which the plaintiffs make allegations of certain wrongful trading and disclosure practices by the Company and another defendant and that the Company was negligent in respect of a private placement in 2000. Discoveries are completed and the parties are in the process of exchanging expert reports. Canaccord intends to vigorously defend itself against these claims.

[ii] Canaccord Genuity Corp. was one of the underwriters of a public offering of 13% senior secured notes of Redcorp Ventures Ltd. under a prospectus dated July 5, 2007. The offering was for a total of \$142.0 million and Canaccord participated for 12.5% of that amount (\$17.8 million). A number of entities have given notice to the underwriters (including Canaccord) alleging that the statements in the prospectus describing the security for Redcorp's obligations under the notes were incorrect and constitute, among other things, negligent misstatements, which were reasonably relied upon by these entities to their detriment in deciding to purchase the notes and, as a result, the underwriters (including Canaccord) are liable to compensate these entities for all of their losses flowing from the misrepresentations. The defences to these claims, third party claims and the quantification of damages are yet to be determined. Canaccord intends to vigorously defend itself against these claims.

[iii] Canaccord Genuity Corp., among others, is a defendant named in a class action proceeding initiated in the Ontario Superior Court of Justice in 2010. The plaintiff in the action claims, among other things, damages under the *Securities Act* (Ontario) of \$50 million and punitive damages of \$5 million alleging certain misrepresentations in a prospectus filed by Allen-Vanguard Inc. for which Canaccord, among others, acted as underwriter. The defences to these claims, third party claims and the quantification of damages are yet to be determined. Canaccord intends to vigorously defend itself against these claims.

[iv] Genuity Capital Markets has been named as co-defendant in an action initiated by CIBC World Markets Inc. in 2005 in the Ontario Superior Court of Justice alleging improper solicitation of the plaintiffs' employees, conspiracy, inducing breach of contract, interference with commercial relations, breach of fiduciary duties, misuse of confidential information and misappropriation of corporate opportunities. The claim against Genuity is for general damages to be determined by the court and an accounting of benefits received by all the parties as a result of these alleged activities. There is also a claim against all the parties for \$10.0 million for punitive and exemplary damages. Management believes these claims can be wholly defended and no liability will be determined against Genuity. As Canaccord Genuity Corp. assumed all the assets and liabilities of Genuity, it may be subject to any judgment that may be made against Genuity in connection with this litigation.

Interest of Management and Others in Material Transactions

To the best of the Company's knowledge, except as described below, after due inquiry, none of the directors, officers or principal shareholders of the Company, nor any associate or affiliate of those directors, executive officers or principal executive shareholders, has had any direct or indirect material interest in any transaction or proposed transaction which has materially affected or will materially affect the Company during the three most recently completed financial years or during the current financial year.

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

Transfer Agent and Registrar

The Company’s transfer agent and registrar is Computershare Investor Services Inc., at its principal offices in Vancouver and Toronto.

Material Contracts

On April 23, 2010, the Company completed the transaction to acquire 100% control of Genuity, a leading independent advisory and restructuring firm in Canada, for consideration consisting of 26.5 million Canaccord common shares valued at \$271.9 million and cash of \$30.0 million. Refer to page 10 for more details on the acquisition.

On November 22, 2010 the Company announced its agreement to purchase 100% of the interest in TBG, a leading Chinese boutique investment bank, headquartered in Beijing. The purchase price was \$3.0 million, with up to an additional \$1.0 million as a working capital adjustment subsequent to closing. The acquisition closed on January 17, 2011. Refer to page 10 for more details on the acquisition.

Other than these contracts and contracts entered into in the ordinary course of business, Canaccord has not entered into any contract before the most recently completed financial year but that is still in effect, which can reasonably be regarded as material.

Experts

The Company’s auditors are Ernst & Young, LLP who have prepared the Independent Auditors’ Report on page 67 of the fiscal 2011 Annual Report.

External Auditor Service Fees

The aggregate fees billed for professional services rendered for the years ended March 31, 2011 and March 31, 2010 are as follows:

	2011	2010
Audit fees	\$1,657,150	\$1,676,895
Audit related fees	190,800	472,000
Tax fees – compliance and preparation	276,700	476,345
Tax fees – advisory ⁽¹⁾	516,150	368,205

⁽¹⁾ Include advisory work on various corporate tax matters, including acquisition related tax advisory fees

Board Committees

Audit committee

The Audit Committee assists the board of directors in fulfilling its oversight responsibilities by monitoring Canaccord’s financial reporting practices and financial disclosures. The members of the Audit Committee are Terrence Lyons (Chair), Massimo Carello and William Eeuwes. Each of them is financially literate. Mr. Lyons, Carello and Eeuwes are independent of management.

Specific responsibilities and duties of the Audit Committee include:

- Reviewing Canaccord's annual and interim consolidated financial statements, annual and interim management's discussion and analyses and press releases prior to dissemination to the public
- Assessing Canaccord's accounting policies and discussing the appropriateness of such policies with management and Canaccord's external auditors
- Assisting management to identify Canaccord's principal business risks
- Reviewing the external auditor's plans for evaluating and testing Canaccord's internal financial controls
- Overseeing Canaccord's external auditors, including the approval of the external auditor's terms of engagement

The education and related experience (as applicable) of each Audit Committee member is described below.

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

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

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

Massimo Carello - Mr. Carello 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 Ltd. and Orsu Metals Corporation. Until December 2010, he was also a director and a member of the Audit Committee of Uranium One Inc.

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

A copy of the Audit Committee charter is attached hereto as Schedule "A". The auditors track on an ongoing basis all fees for audit related and non-audit services. The board of directors has established a policy that fees for services other than audit and tax must not exceed 25% of the fees for audit and tax services without the prior approval of the Committee.

Corporate governance and compensation committee

The Corporate Governance and Compensation Committee strives to maintain the high standards of corporate governance with a focus on a strong and diligent board of directors and prudent management of executive compensation. The committee must be comprised of at least three members appointed annually by the board of directors. The members of the Corporate Governance and Compensation Committee currently are Michael Harris (Chair), William Eeuwes and Terrence Lyons, each of whom is independent of management as determined under applicable securities legislation.

The Corporate Governance and Compensation Committee'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 Canaccord's incentive plans
- Reviewing key human resources policies and programs

The education and related experience (as applicable) of each committee member is described below.

Michael D. Harris, ICD.D. (Chair) – Mr. Harris is an advisor with the law firm Cassels Brock & Blackwell LP and the President of his own consulting firm, Steane Consulting Ltd. Previously he was a senior business advisor with the law firm of Goodmans LLP. Between the years of 1995 and 2002, Mr. Harris was the Premier of the Province of Ontario. Mr. Harris is also a director of a number of other public companies, and serves as a director of the Tim Horton Children's Foundation and the Mount Royal College Foundation. Mr. Harris received his ICD.D certification from the Institute of Corporate Directors.

William J. Eeuwes – refer to profile presented under "Audit Committee".

Terrence A. Lyons – refer to profile presented under "Audit Committee".

Additional information

Additional information relating to the Company may be found on SEDAR's website at sedar.com.

Additional information including directors' and executive officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities is contained in the Company's information circular for its most recent annual meeting of shareholders.

Additional financial information is also provided in the Company's consolidated financial statements and management's discussion and analysis for its most recently completed financial year.

Schedule “A” Audit Committee Charter

1. MANDATE

The primary mandate of the audit committee (the “Audit Committee”) of the Board of Directors of the Company (the “Board”) is to assist the Board in overseeing the Company’s financial reporting and disclosure. This oversight includes:

- (a) reviewing the consolidated financial statements and financial disclosure that is provided to shareholders and disseminated to the public
- (b) reviewing the systems of internal controls to ensure integrity in the financial reporting of the Company
- (c) monitoring the independence and performance of the Company’s external auditors and reporting directly to the Board on the work of the external auditors.

2. COMPOSITION AND ORGANIZATION OF THE COMMITTEE

2.1 The Audit Committee must have at least three directors.

2.2 Subject to the applicable securities legislation (including exemptions), every Audit Committee member must be independent. A member of the Audit Committee is independent if the member has no direct or indirect material relationship with an issuer. A material relationship means a relationship which could, in the view of the issuer’s board of directors, reasonably interfere with the exercise of a member’s independent judgment.⁽¹⁾

2.3 Every Audit Committee member must be financially literate. Financial literacy is the ability 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 issuer’s financial statements.⁽²⁾

2.4 The Board will appoint from themselves the members of the Audit Committee on an annual basis for one year terms. Members may serve for consecutive terms.

2.5 The Board will also appoint a chair of the Audit Committee (the “Chair of the Audit Committee”) for a one year term. The Chair of the Audit Committee may serve as the chair of the committee for any number of consecutive terms.

2.6 A member of the Audit Committee may be removed or replaced at any time by the Board. The Board will fill any vacancies in the Audit Committee by appointment from among members of the Board.

3. MEETINGS

3.1 The Audit Committee will meet at least five times a year. Special meetings may be called by the Chair of the Audit Committee as required.

3.2 Quorum for a meeting of the Audit Committee will be a majority of the members in attendance.

3.3 Members may attend meetings of the Audit Committee by teleconference, videoconference, or by similar communication equipment by means of which all persons participating in the meeting can communicate with each other.

⁽¹⁾ National Instrument 52-110 (*Audit Committees*) section 1.4.

⁽²⁾ National Instrument 52-110 (*Audit Committees*) section 1.6.

3.4 The Audit Committee Chair will set the agenda for each meeting, after consulting with management and the external auditor. Agenda materials such as draft consolidated financial statements must be circulated to Audit Committee members for members to have a reasonable time to review the materials prior to the meeting.

3.5 The Company's auditors will be advised of the names of the members of the Audit Committee and will receive notice of and be invited to attend meetings of the Audit Committee and to be heard at those meetings on matters related to the Auditor's duties.

3.6 Minutes of the Audit Committee meetings will be accurately recorded, with such minutes recording the decisions reached by the committee. Minutes of each meeting must be distributed to members of the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.

4. RESPONSIBILITIES OF THE COMMITTEE

4.1 To assist the Board, the Audit Committee will:

External Auditor

- (a) select, evaluate and recommend to the Board, for shareholder approval, the external auditor to examine the Company's accounts, controls and financial statements
- (b) evaluate, prior to the annual audit by external auditors, the scope and general extent of their review, including their engagement letter
- (c) set the compensation to be paid to the external auditors and recommend such payment to the Board
- (d) obtain written confirmation from the external auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs
- (e) recommend to the Board, if necessary, the replacement of the external auditor
- (f) meet at least annually with the external auditors, independent of management, and report to the Board on such meetings
- (g) pre-approve any non-audit services to be provided to the Company by the external auditor and the fees for those services

Consolidated Financial Statements and Financial Information

- (h) review and discuss with management and the external auditor the annual audited consolidated financial statements of the Company and recommend their approval by the Board
- (i) review and discuss with management, the quarterly consolidated financial statements and, if appropriate, recommend their approval by the Board
- (j) review and if appropriate, recommend to the Board for approval the financial content of the annual report
- (k) review the process for the certification of financial statements by the Chief Executive Officer and Chief Financial Officer
- (l) review the Company's management discussion and analysis, earnings guidance press releases, annual and interim earnings press releases, and audit committee reports before the Company publicly discloses this information

- (m) review annually with external auditors, the Company's accounting principles and the reasonableness of managements judgments and estimates as applied in its financial reporting
- (n) review and consider any significant reports and recommendations issued by the external auditor, together with management's response, and the extent to which recommendations made by the external auditors have been implemented

Risk Management, Internal Controls and Information Systems

- (o) review with the external auditors and with management, the general policies and procedures used by the Company with respect to internal accounting and financial controls
- (p) review adequacy of security of information, information systems and recovery plans
- (q) review management plans regarding any changes in accounting practices or policies and the financial impact thereof
- (r) review with the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the consolidated financial statements
- (s) discuss with management and the external auditor correspondence with regulators, employee complaints, or published reports that raise material issues regarding the Company's financial statements or disclosure
- (t) assisting management to identify the Company's principal business risks
- (u) review the Company's insurance, including directors' and officers' coverage, and provide recommendations to the Board

Other

- (v) review Company significant loans to employees/consultants
- (w) conduct special reviews and/or other assignments from time to time as requested by the Board.

5. PROCESS FOR HANDLING COMPLAINTS REGARDING FINANCIAL MATTERS

5.1 The Audit Committee will establish a procedure for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, financial reporting, or auditing matter.

5.2 The Audit Committee will ensure that any procedure for receiving complaints regarding accounting, internal controls, financial reporting, or auditing matters will allow the confidential and anonymous submission of concerns by employees.

6. REPORTING

6.1 The Audit Committee will report to the Board on:

- (a) the external auditor's independence
- (b) the performance of the external auditor and the Audit Committee's recommendations
- (c) regarding the reappointment or termination of the external auditor
- (d) the adequacy of the Company's internal controls and disclosure controls

- (e) the Audit Committee's review of the annual and interim consolidated financial statements
- (f) the Audit Committee's review of the annual and interim management discussion and analysis
- (g) the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company
- (h) all other material matters dealt with by the Audit Committee.

7. AUTHORITY OF THE COMMITTEE

7.1 The Audit Committee will have the resources and authority appropriate to discharge its duties and responsibilities. The Audit Committee may at any time retain outside financial, legal or other advisors at the expense of the Company without approval of management.

7.2 The external auditor will report directly to the Audit Committee.