

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. **These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of the United States. Accordingly, these securities may not be offered or sold within the United States or to U.S. Persons (as such term is defined in Regulation S under the U.S. Securities Act) except pursuant to transactions exempt from registration under the U.S. Securities Act and under the securities laws of the applicable state. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See “Plan of Distribution”.**

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Canaccord Financial Inc. at Suite 2200 – 609 Granville Street, Vancouver, British Columbia V7Y 1H2 telephone: (604) 643-7300, and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

June 16, 2011



CANACCORD FINANCIAL INC.

\$100,000,000

4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A

This short form prospectus qualifies the distribution (the “**Offering**”) of 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (the “**Series A Preferred Shares**”) of Canaccord Financial Inc. (the “**Company**”) at a price of \$25.00 per Series A Preferred Share. For the initial period commencing on the Closing Date (as defined herein) and ending on and including September 30, 2016 (the “**Initial Fixed Rate Period**”), the holders of Series A Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the board of directors of the Company (the “**Board of Directors**”), payable quarterly on the last day of March, June, September and December in each year (provided that, should any such day not be a business day, such dividends will be payable on the next succeeding business day) in an annual amount equal to \$1.3750 per Series A Preferred Share. The initial dividend, if declared, will be payable on September 30, 2011 and will be \$0.37295 per Series A Preferred Share, based on the anticipated closing date for the Offering of June 23, 2011 (the “**Closing Date**”). See “*Details of the Offering*”.

For each five-year period after the Initial Fixed Rate Period (each, a “**Subsequent Fixed Rate Period**”), the holders of Series A Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. Should any such day not be a business day, such dividends will be payable on the immediately following business day. The Annual Fixed Dividend Rate for each Subsequent Fixed Rate Period will be equal to the sum of the Government of Canada Yield (as defined herein) on the 30th day prior to the first day of such Subsequent Fixed Rate Period plus 3.21%. See “*Details of the Offering*”.

(continued on next page)

Option to Convert Into Cumulative Floating Rate First Preferred Shares, Series B

The holders of Series A Preferred Shares will have the right, at their option, to convert any or all of their Series A Preferred Shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (the “**Series B Preferred Shares**”) of the Company, subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. The holders of Series B Preferred Shares will be entitled to receive floating rate cumulative, preferential, cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of each Quarterly Floating Rate Period (as defined herein), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. Should any such day not be a business day, such dividends will be payable on the immediately following business day. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 3.21% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period. See “*Details of the Offering*”.

The Series A Preferred Shares will not be redeemable by the Company prior to September 30, 2016. On September 30, 2016 and on every September 30 every five years thereafter, subject to certain other restrictions set out in “*Details of the Offering — Description of the Series A Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*”, the Company may, at its option, on at least 30 days’ and not more than 60 days’ prior written notice, redeem for cash all or any number of the then outstanding Series A Preferred Shares for \$25.00 per Series A Preferred Share, together with all accrued and unpaid dividends up to but excluding the date fixed for such redemption (less any tax required to be deducted or withheld). See “*Details of the Offering*”.

The Series A Preferred Shares and the Series B Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See “*Risk Factors*”.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “*Risk Factors*”.

The Toronto Stock Exchange (the “**TSX**”) has conditionally approved the listing of the Series A Preferred Shares distributed under this Prospectus and the Series B Preferred Shares into which the Series A Preferred Shares are convertible. The Series A Preferred Shares will be listed under the symbol “CF.PR.A”. Listing will be subject to the Company fulfilling all of the requirements of the TSX on or before September 2, 2011.

Offering Price: \$25.00 per Series A Preferred Share to yield initially 5.50% per annum

CIBC World Markets Inc., Canaccord Genuity Corp., BMO Nesbitt Burns Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., HSBC Securities (Canada) Inc., Raymond James Ltd., Wellington West Capital Markets Inc., Cormark Securities Inc., Desjardins Securities Inc., Dundee Securities Ltd., Haywood Securities Inc., Mackie Research Capital Corporation and Manulife Securities Incorporated (collectively, the “**Underwriters**”) are acting as underwriters of this Offering. The Underwriters, as principals, conditionally offer the Series A Preferred Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “*Plan of Distribution*” and subject to the approval of certain legal matters on behalf of the Company by Goodmans LLP and on behalf of the Underwriters by Torys LLP. See “*Plan of Distribution*”.

Canaccord Genuity Corp., one of the Underwriters, is a wholly-owned subsidiary of the Company. Consequently, the Company is considered a “related issuer” of Canaccord Genuity Corp. under Canadian securities laws. See “*Relationship Between the Company and Certain Underwriters*”.

	Price to the Public	Underwriters’ Fee ⁽¹⁾⁽²⁾	Net Proceeds to the Company ⁽²⁾
Per Series A Preferred Share	\$25.00	\$0.75	\$24.25
Total ⁽³⁾	\$100,000,000	\$3,000,000	\$97,000,000

- (1) The Underwriters' fee for the Series A Preferred Shares is \$0.25 for each such share sold to certain institutions and \$0.75 per share for all other Series A Preferred Shares sold by the Underwriters. The Underwriters' fee indicated in the table assumes that no Series A Preferred Shares are sold to such institutions.
- (2) After deducting the Underwriters' fee, but before deducting expenses of the Offering estimated to be \$1,000,000 which, together with the Underwriters' fee, will be paid for by the Company.
- (3) The Company has granted the Underwriters an option (the "Over-Allotment Option"), exercisable in whole or in part, for a period of 30 days following the Closing Date, to purchase up to an additional 600,000 Series A Preferred Shares (the "Additional Shares") on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. A purchaser who acquires Additional Shares forming part of the Underwriters' over-allocation position acquires those Additional Shares under this Prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total Price to the Public, total Underwriters' fees and total Net Proceeds to the Company (before deduction of the expenses of this Offering) will be \$115,000,000, \$3,450,000 and \$111,550,000, respectively. This Prospectus also qualifies the granting of the Over-Allotment Option and the distribution of the Additional Shares that may be offered in relation to the Over-Allotment Option. Unless specifically stated otherwise, the term "Series A Preferred Shares" includes the Additional Shares.

The following table sets forth the number of Additional Shares that may be issued by the Company to the Underwriters pursuant to the Over-Allotment Option:

Underwriter's Position	Number of Series A Preferred Shares Available	Exercise Period	Exercise Price
Over-Allotment Option	600,000 Series A Preferred Shares	For a period of 30 days following the Closing Date	\$25.00 per Series A Preferred Share

The Offering Price was determined by negotiation between the Company and certain of the independent Underwriters. In connection with this Offering, and subject to applicable laws, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series A Preferred Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Series A Preferred Shares at a price lower than that stated above. See "Plan of Distribution".**

You should carefully review and evaluate certain risk factors before purchasing the Series A Preferred Shares. See the risk factors identified under the heading "Risk Factors" in this Prospectus and in the documents incorporated by reference in this Prospectus.

Subscriptions for the Series A Preferred Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this distribution will take place on June 23, 2011 or on such other date as the Company and the Underwriters may agree, but not later than July 7, 2011. On the Closing Date, a book entry only certificate representing the Series A Preferred Shares will be issued in registered form only to CDS Clearing and Depository Services Inc. ("CDS") or its nominee and will be deposited with CDS. Purchasers of the Series A Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series A Preferred Shares are purchased. See "Book Entry Only System".

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.

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GENERAL MATTERS

You should rely only on the information contained in or incorporated by reference in this Prospectus or to which we have referred you to. We have not authorized anyone to provide you with information that is different. Information contained on Canaccord's website is not part of this Prospectus or incorporated by reference herein and may not be relied on by prospective purchasers for the purposes of determining whether to invest in the securities qualified for distribution under this Prospectus. This document may only be used where it is legal to sell these securities. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus.

Industry and market information used herein has been obtained from public sources which the Company believes to be reliable.

In this Prospectus, unless the context otherwise indicates, references to "we", "us", "our" and the "Company" refer to Canaccord Financial Inc. and references to "Canaccord" refer to the Company and its direct and indirect subsidiaries. All references in this short form prospectus to "dollars" or "\$" are to Canadian dollars unless otherwise noted.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in each province and territory of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Company at Suite 2200 – 609 Granville Street, Vancouver, British Columbia V7Y 1H2, telephone: (604) 643-7300, and are also available electronically at www.sedar.com.

The following documents, filed with the securities regulatory authorities in each of the provinces and territories of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus:

1. the Company's annual information form dated June 1, 2011 for the fiscal year ended March 31, 2011 (the "AIF");
2. the Company's audited comparative consolidated financial statements and the notes thereto as at and for the years ended March 31, 2011 and 2010, together with the auditors' report thereon (the "Annual Financial Statements");
3. the Company's management's discussion and analysis for the fiscal year ended March 31, 2011 (the "Annual MD&A");
4. the management information circular of the Company dated May 20, 2011 for the annual general meeting of shareholders of the Company to be held on June 24, 2011 (the "AGM Circular");
5. the management information circular of the Company dated March 21, 2011 for the extraordinary general meeting of shareholders held on April 15, 2011 (the "Extraordinary Meeting Circular");
6. the sections "Compensation Discussion and Analysis", "Performance Graph", "Compensation of Directors", "Securities Authorized for Issuance under Equity Compensation Plans – Long Term Incentive Plan (LTIP)" and "Securities Authorized for Issuance under Equity Compensation Plans – Share Option Plan" of the management information circular of the Company dated May 19, 2010 for the annual general meeting of shareholders of the Company held on June 25, 2010, which is incorporated by reference in the Extraordinary Meeting Circular;
7. the sections "The Acquisition" and "The Company After the Acquisition" of the management information circular of the Company dated March 24, 2010 (the "Special Meeting Circular") for the special meeting of shareholders of the Company held on April 22, 2010, excluding the fairness opinion in Appendix "B" and all references to that fairness opinion in the Special Meeting Circular, which is incorporated by reference in each of the AIF and the AGM Circular;

8. the Company's business acquisition report dated May 10, 2010 (the "BAR") relating to the Company's acquisition of Genuity Capital Markets and certain of its affiliates, excluding the fairness opinion attached as Appendix "B" to the Special Meeting Circular and all references to that fairness opinion in the BAR, which is incorporated by reference in each of the AIF and the AGM Circular; and
9. the material change report of the Company dated June 6, 2011 relating to the announcement of the Offering.

All documents of the Company of the type described in section 11.1 of Form 44-101F1 - *Short Form Prospectus* which are required to be filed by the Company with the British Columbia Securities Commission after the date of this Prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference in this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company has been granted an exemption from the requirement to incorporate by reference the fairness opinion contained in Appendix "B" of the Special Meeting Circular and all references to that fairness opinion in each of the Special Meeting Circular and the BAR on the basis that the exempted sections are no longer relevant.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus, including the documents incorporated by reference in this Prospectus, may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and include management's expectations, beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company's interim and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this Prospectus include, but are not limited to, those set out in the "Fiscal 2012 Outlook" section in the Annual MD&A and those discussed from time to time in the Company's interim and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

Although the forward-looking information contained in this Prospectus and the documents incorporated by reference herein is based upon what management believes are reasonable assumptions, there can be no assurance

that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this Prospectus and the documents incorporated by reference herein are made as of the date on the cover page of this Prospectus and should not be relied upon as representing the Company's views as of any date subsequent to the date on the cover page of this Prospectus. Certain statements included in this Prospectus and the documents incorporated by reference herein may be considered "financial outlook" for purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this Prospectus and the documents incorporated by reference herein. Except as may be required by applicable law, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

THE COMPANY

Canaccord Financial Inc., formerly named Canaccord Capital 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 2, 2007. The Company changed its name to Canaccord Financial Inc. on December 1, 2009. On May 3, 2011, the articles of the Company were altered to clarify the rights, privileges, restrictions and conditions attached to the shares of the Company and to alter the authorized capital by creating an additional class of preferred shares and the notice of articles of the Company was altered to reflect the alteration to the articles.

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.

BUSINESS OF THE COMPANY AND ITS SUBSIDIARIES

Through its principal subsidiaries, the Company 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. Canaccord has 46 offices worldwide, including 32 wealth management offices located across Canada. Canaccord Genuity, the Company's international capital markets division, has operations in the United States, the United Kingdom, Canada, China and Barbados.

Additional information regarding the Company's businesses is included in the documents incorporated by reference in this Prospectus.

USE OF PROCEEDS

The estimated net proceeds of the Offering, after deducting the Underwriters' fee payable to the Underwriters and the estimated expenses of the Offering, will be \$96.0 million. If the Over-Allotment Option is exercised in full, the net proceeds to be received from the Offering by the Company, after deducting the Underwriting fee payable to the Underwriters and the estimated expenses of the Offering, will be \$110.6 million. The Company intends to use the net proceeds from the Offering for general corporate purposes and may use all or a portion of such net proceeds with a view to growing or expanding the Company's businesses.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of the dates indicated and adjusted to give effect to the issue of the Series A Preferred Shares under the Offering. The following table should be read in conjunction with the Annual Financial Statements and the Annual MD&A incorporated by reference into this Prospectus.

('000s)	As at March 31, 2010 Audited Actual	As at March 31, 2011 Audited Actual	As at March 31, 2011 Unaudited Adjusted ⁽¹⁾
Subordinated debt	15,000	15,000	15,000
Common share capital	254,553	533,876	533,876
Preferred share capital	-	-	96,008
Retained earnings	194,007	273,007	273,007
Unvested share purchase loans	(35,280)	(36,018)	(36,018)
Held by employee benefit trust	(33,582)	(30,808)	(30,808)
Contributed surplus	57,351	53,441	53,441
Accumulated other comprehensive loss	(35,304)	(36,975)	(36,975)
Total capitalization	416,745	771,523	867,531

⁽¹⁾ The adjusted figures at March 31, 2011 give effect to the issue of 4,000,000 Series A Preferred Shares pursuant to the Offering (assuming no exercise of the Over-Allotment Option) for net proceeds of \$96.0 million after taking into account the Underwriters' fee, and other fees and expenses related to the Offering which are estimated at \$4.0 million.

EARNINGS COVERAGE RATIO

The following consolidated earnings coverage ratio is calculated for the 12-month period ended March 31, 2011. The ratio gives effect to the issue of 4,000,000 Series A Preferred Shares as if such issuance had occurred on April 1, 2010. Accordingly, our dividend requirements, as set out below, have been determined on the basis that we issued 4,000,000 Series A Preferred Shares. The earnings assume that no additional earnings are derived from the net proceeds of the Series A Preferred Shares.

March 31, 2011

Income for the period ⁽¹⁾ / Interest and dividend requirements ⁽²⁾ 9.5

⁽¹⁾ Income for the period is defined as net income for the period, determined in accordance with Canadian GAAP, before deduction of interest expense and income taxes, and was \$148.3 million for the 12-month period ended March 31, 2011.

⁽²⁾ Interest expense for the 12-month period ended March 31, 2011 was \$7.8 million. Dividend requirements on preferred shares for the 12-month period ended March 31, 2011 of \$7.9 million give effect to the issue of the Series A Preferred Shares to be distributed under this Prospectus and have been adjusted to a before-tax equivalent using an effective income tax rate of 30.1%.

Income before interest expense and income tax for the 12-month period ended March 31, 2011 was \$148.3 million, which is 9.5 times the Company's aggregate interest and preferred share dividend requirements for such period.

The earnings coverage ratio as outlined above does not purport to be indicative of the earnings coverage ratio for any future period.

TRADING PRICE AND VOLUME

The Common Shares of the Company (the “**Common Shares**”) are listed and posted for trading on the TSX under the trading symbol “CF”. The following table sets forth the market price ranges and the aggregate trading volume for the Common Shares on the TSX for the periods indicated:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Monthly Volume (# of Common Shares)</u>
June 1 – 15, 2011	\$14.00	\$12.09	890,961
May 2011	\$14.86	\$12.66	7,542,660
April 2011	\$15.31	\$13.91	1,336,934
March 2011	\$15.65	\$13.03	2,545,792
February 2011	\$16.41	\$14.94	3,579,447
January 2011	\$15.41	\$13.50	1,488,857
December 2010	\$14.42	\$12.50	3,605,785
November 2010	\$12.62	\$10.30	2,747,287
October 2010	\$10.70	\$10.09	976,489
September 2010	\$10.72	\$9.96	2,235,578
August 2010	\$10.89	\$9.56	3,162,560
July 2010	\$9.77	\$8.77	1,183,076
June 2010	\$9.53	\$8.40	2,035,194

Source: TSX Market Data

RATING

The Series A Preferred Shares have been assigned a provisional rating of Pfd-3 (low) with a Stable trend by DBRS Limited (“**DBRS**”). The DBRS rating of “Pfd-3 (low)” is the lowest sub-category within the third highest rating of the five standard categories of ratings utilized by DBRS for preferred shares. According to the DBRS preferred share rating scale, preferred shares rated “Pfd-3” are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adversities present which detract from debt protection. DBRS further subcategorizes each rating by the designation of “high” and “low” to indicate where an entity falls within the rating category. The absence of either a “high” or “low” designation indicates the rating is in the middle of the category. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. A rating trend that is “Stable” acts as a signal indicating that the rating is secure and that the trend is stable according to ongoing surveillance and performance updates.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The foregoing rating assigned to the Series A Preferred Shares may not reflect the potential impact of all risks on the value of the Series A Preferred Shares. A rating is therefore not a recommendation to buy, sell or hold securities (including the Series A Preferred Shares) and may be subject to revision or withdrawal at any time by the rating organization. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating organization at any time if in its judgment circumstances so warrant. Prospective purchasers of Series A Preferred Shares should consult the relevant rating organization with respect to the interpretation and implications of the ratings. See “*Risk Factors*”.

DETAILS OF THE OFFERING

Description of the Series A Preferred Shares

The following is a summary of certain provisions attaching to the Series A Preferred Shares as a series.

Definition of Terms

The following definitions are relevant to the Series A Preferred Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the annual rate (expressed as a percentage rate rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 3.21%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada bond yields.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by the Company, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Rate Period**” means the period commencing on the Closing Date and ending on and including September 30, 2016.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period commencing on October 1, 2016 and ending on and including September 30, 2021 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including September 30 in the fifth year thereafter.

Issue Price

The Series A Preferred Shares will have an issue price of \$25.00 per share.

Dividends

During the Initial Fixed Rate Period, the holders of the Series A Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year during the Initial Fixed Rate Period, in an annual amount equal to \$1.3750 per Series A Preferred Share. Should any such day not be a business day, such dividends will be payable on the immediately following business day. The initial dividend, as and when declared by the Board of Directors, will be payable on September 30, 2011 and will be \$0.37295 per Series A Preferred Share, based on the anticipated closing date for the Offering of June 23, 2011.

During each Subsequent Fixed Rate Period, the holders of Series A Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year during the Subsequent Fixed Rate

Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00. Should any such day not be a business day, such dividends will be payable on the immediately following business day.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Company on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series A Preferred Shares. The Company will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series A Preferred Shares.

Payments of dividends and other amounts in respect of the Series A Preferred Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series A Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series A Preferred Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series A Preferred Shares for the purposes of receiving payment on the Series A Preferred Shares.

Redemption

The Series A Preferred Shares will not be redeemable by the Company prior to September 30, 2016. On September 30, 2016 and on September 30 every five years thereafter (or, if such date is not a business day, the immediately following business day), and subject to certain other restrictions set out in “*Description of the Series A Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*”, the Company may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or from time to time any number of the then outstanding Series A Preferred Shares by payment in cash of a per share amount equal to \$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted or withheld).

If less than all of the outstanding Series A Preferred Shares are to be redeemed, the shares to be redeemed shall be selected on a *pro rata* basis disregarding fractions or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine.

The Series A Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series A Preferred Shares. See “*Risk Factors*”.

Conversion of Series A Preferred Shares into Series B Preferred Shares

Holders of Series A Preferred Shares will have the right, at their option, on September 30, 2016 and on September 30 every five years thereafter (each, a “**Series A Conversion Date**”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of their Series A Preferred Shares registered in their name into Series B Preferred Shares on the basis of one Series B Preferred Share for each Series A Preferred Share. If a Series A Conversion Date would otherwise fall on a day that is not a business day, such Series A Conversion Date shall be the immediately following business day. The conversion of Series A Preferred Shares may be effected upon written notice given by the registered holders of the Series A Preferred Shares to the Company not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, the applicable Series A Conversion Date. Once received by the Company, an election notice is irrevocable.

The Company will, at least 30 days and not more than 60 days prior to the applicable Series A Conversion Date, give notice in writing to the then registered holders of the Series A Preferred Shares of the above mentioned conversion right. On the 30th day prior to each Series A Conversion Date, the Company will give notice in writing to the then registered holders of the Series A Preferred Shares of the Annual Fixed Dividend Rate applicable to the Series A Preferred Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate (as defined herein) applicable to the Series B Preferred Shares for the next succeeding Quarterly Floating Rate Period.

If the Company gives notice to the registered holders of the Series A Preferred Shares of the redemption on a Series A Conversion Date of all the Series A Preferred Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series A Preferred Shares of the Floating Quarterly Dividend Rate, the Annual Fixed Dividend Rate or the conversion right of holders of Series A Preferred Shares and the right of any holder of Series A Preferred Shares to convert such Series A Preferred Shares will cease and terminate in that event. All Series A Preferred Shares converted into Series B Preferred Shares on a Series A Conversion Date will be restored to the status of authorized but unissued shares of the Company as at the close of business on the Series A Conversion Date and available for issuance on the conversion of the Series B Preferred Shares.

Holders of Series A Preferred Shares will not be entitled to convert their shares into Series B Preferred Shares if the Company determines that there would remain outstanding on a Series A Conversion Date less than 1,000,000 Series B Preferred Shares, after having taken into account all Series A Preferred Shares tendered for conversion into Series B Preferred Shares and all Series B Preferred Shares tendered for conversion into Series A Preferred Shares. The Company will give notice in writing to all affected holders of Series A Preferred Shares of their inability to convert their Series A Preferred Shares at least seven days prior to the applicable Series A Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series A Conversion Date less than 1,000,000 Series A Preferred Shares, after having taken into account all Series A Preferred Shares tendered for conversion into Series B Preferred Shares and all Series B Preferred Shares tendered for conversion into Series A Preferred Shares, then, all, but not part, of the remaining outstanding Series A Preferred Shares will automatically be converted into Series B Preferred Shares on the basis of one Series B Preferred Share for each Series A Preferred Share, on the applicable Series A Conversion Date and the Company will give notice in writing to this effect to the then registered holders of such remaining Series A Preferred Shares at least seven days prior to the Series A Conversion Date.

Upon exercise by a registered holder of its right to convert Series A Preferred Shares into Series B Preferred Shares (and upon an automatic conversion), the Company reserves the right not to deliver Series B Preferred Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described under “*Description of the Series A Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*” below, the Company may at any time purchase for cancellation the whole or any number of the Series A Preferred Shares at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Series A Preferred Shares will be entitled to receive \$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld), before any amount is paid or any assets of the Company are distributed to the holders of any shares ranking junior as to capital to the Series A Preferred Shares. Upon payment of such amounts, the holders of the Series A Preferred Shares will not be entitled to share in any further distribution of the assets of the Company.

Priority

The Series A Preferred Shares are entitled to preference over the Common Shares, the Second Preferred shares and any other shares of the Company ranking junior to the First Preferred shares with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs. The Series A Preferred Shares rank equally with the First Preferred shares of every other series with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in

the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series A Preferred Shares are outstanding, the Company will not, without the approval of the holders of the Series A Preferred Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Company ranking as to capital and dividends junior to the Series A Preferred Shares) on shares of the Company ranking as to dividends junior to the Series A Preferred Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Company ranking as to return of capital and dividends junior to the Series A Preferred Shares, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Company ranking as to capital junior to the Series A Preferred Shares;
- (c) redeem or call for redemption, purchase, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series A Preferred Shares then outstanding; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any preferred shares, ranking as to the payment of dividends or return of capital on parity with the Series A Preferred Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series A Preferred Shares and on all other shares of the Company ranking prior to or on parity with the Series A Preferred Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series A Preferred Shares as a series and any other approval to be given by the holders of the Series A Preferred Shares may be given by a resolution carried by an affirmative vote of at least 66 ²/₃% of the votes cast at a meeting at which the holders of a majority of the outstanding Series A Preferred Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series A Preferred Shares then present would form the necessary quorum. At any meeting of holders of Series A Preferred Shares as a series, each such holder shall be entitled to one vote in respect of each Series A Preferred Share held.

Voting Rights

The holders of the Series A Preferred Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series A Preferred Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Company unless and until the Company shall have failed to pay eight quarterly dividends on the Series A Preferred Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series A Preferred Shares will be entitled to receive notice of and to attend each meeting of the Company's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Series A Preferred Share held. Upon payment of the entire amount of all Series A Preferred Share dividends in arrears, the voting rights of the holders of the Series A Preferred Shares shall forthwith cease.

Tax Election

The Company will elect, in the manner and within the time provided under Part VI.1 of the *Income Tax Act* (Canada) (the “**Tax Act**”), to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of Series A Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

Description of the Series B Preferred Shares

The following is a summary of certain provisions attaching to the Series B Preferred Shares as a series.

Definition of Terms

The following definitions are relevant to the Series B Preferred Shares.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 3.21% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

“**Quarterly Commencement Date**” means the 1st day of each of April, July, October and January in each year.

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period commencing on October 1, 2016 and ending on and including December 31, 2016 and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

Issue Price

The Series B Preferred Shares will have an issue price of \$25.00 per share.

Dividends

The holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of each Quarterly Floating Rate Period, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00. Should any such day not be a business day, such dividends will be payable on the immediately following business day.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Company on the Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series B Preferred Shares. The Company will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series B Preferred Shares.

Payments of dividends and other amounts in respect of the Series B Preferred Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series B Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series B Preferred Shares, CDS, or its nominee, as the case

may be, will be considered the sole owner of the Series B Preferred Shares for the purposes of receiving payment on the Series B Preferred Shares.

Redemption

Subject to the restrictions set out in “*Description of the Series B Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*” below, the Company may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or from time to time any number of the then outstanding Series B Preferred Shares by payment in cash of a per share amount equal to (i) \$25.00 in the case of redemptions on September 30, 2021 and on September 30 every five years thereafter (each, a “**Series B Conversion Date**”), or (ii) \$25.50 in the case of redemptions on any date which is not a Series B Conversion Date after September 30, 2016, in each case together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted or withheld). If a Series B Conversion Date or such date fixed for redemption would otherwise fall on a day that is not a business day, such Series B Conversion Date or such date fixed for redemption shall be the immediately following business day.

If less than all of the outstanding Series B Preferred Shares are to be redeemed, the shares to be redeemed shall be selected on a *pro rata* basis disregarding fractions or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine.

The Series B Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series B Preferred Shares. See “Risk Factors”.

Conversion of Series B Preferred Shares into Series A Preferred Shares

Holders of Series B Preferred Shares will have the right, at their option, on each Series B Conversion Date, to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of the Series B Preferred Shares registered in their name into Series A Preferred Shares on the basis of one Series A Preferred Share for each Series B Preferred Share. The conversion of Series B Preferred Shares may be effected upon written notice given by the registered holders of the Series B Preferred Shares not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, the applicable Series B Conversion Date. Once received by the Company, an election notice is irrevocable.

The Company will, at least 30 days and not more than 60 days prior to the applicable Series B Conversion Date, give notice in writing to the then registered holders of the Series B Preferred Shares of the above mentioned conversion right. On the 30th day prior to each Series B Conversion Date, the Company will give notice in writing to the then registered holders of Series B Preferred Shares of the Floating Quarterly Dividend Rate applicable to the Series B Preferred Shares for the next succeeding Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series A Preferred Shares for the next succeeding Subsequent Fixed Rate Period.

If the Company gives notice to the registered holders of the Series B Preferred Shares of the redemption on a Series B Conversion Date of all the Series B Preferred Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series B Preferred Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or the conversion right of holders of Series B Preferred Shares and the right of any holder of Series B Preferred Shares to convert such Series B Preferred Shares will cease and terminate in that event. All Series B Preferred Shares converted into Series A Preferred Shares on a Series B Conversion Date will be restored to the status of authorized but unissued shares of the Company as at the close of business on the Series B Conversion Date and available for issuance on the conversion of the Series A Preferred Shares into Series B Preferred Shares.

Holders of Series B Preferred Shares will not be entitled to convert their shares into Series A Preferred Shares if the Company determines that there would remain outstanding on a Series B Conversion Date less than 1,000,000 Series A Preferred Shares, after having taken into account all Series B Preferred Shares tendered for conversion into Series A Preferred Shares and all Series A Preferred Shares tendered for conversion into Series B Preferred Shares. The Company will give notice in writing to all affected holders of Series B Preferred Shares of

their inability to convert their Series B Preferred Shares at least seven days prior to the applicable Series B Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series B Conversion Date less than 1,000,000 Series B Preferred Shares, after having taken into account all Series B Preferred Shares tendered for conversion into Series A Preferred Shares and all Series A Preferred Shares tendered for conversion into Series B Preferred Shares, then, all, but not part, of the remaining outstanding Series B Preferred Shares will automatically be converted into Series A Preferred Shares on the basis of one Series A Preferred Share for each Series B Preferred Share, on the applicable Series B Conversion Date and the Company will give notice in writing to this effect to the then registered holders of such remaining Series B Preferred Shares at least seven days prior to the Series B Conversion Date.

Upon exercise by a registered holder of its right to convert Series B Preferred Shares into Series A Preferred Shares (and upon an automatic conversion), the Company reserves the right not to deliver Series A Preferred Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described under “*Description of the Series B Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*” below, the Company may at any time purchase for cancellation the whole or any number of the Series B Preferred Shares at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Series B Preferred Shares will be entitled to receive \$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld), before any amount is paid or any assets of the Company are distributed to the holders of any shares ranking junior as to capital to the Series B Preferred Shares. Upon payment of such amounts, the holders of the Series B Preferred Shares will not be entitled to share in any further distribution of the assets of the Company.

Priority

The Series B Preferred Shares will be entitled to preference over the Common Shares, the Second Preferred shares and any other shares of the Company ranking junior to the First Preferred shares with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs. The Series B Preferred Shares rank equally with the First Preferred shares of every other series with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series B Preferred Shares are outstanding, the Company will not, without the approval of the holders of the Series B Preferred Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Company ranking as to capital and dividends junior to the Series B Preferred Shares) on shares of the Company ranking as to dividends junior to the Series B Preferred Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Company ranking as to return of capital and dividends junior to the Series B Preferred Shares, redeem or call

for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Company ranking as to capital junior to the Series B Preferred Shares;

- (c) redeem or call for redemption, purchase, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series B Preferred Shares then outstanding; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any preferred shares, ranking as to the payment of dividends or return of capital on parity with the Series B Preferred Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series B Preferred Shares and on all other shares of the Company ranking prior to or on parity with the Series B Preferred Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series B Preferred Shares as a series and any other approval to be given by the holders of the Series B Preferred Shares may be given by a resolution carried by an affirmative vote of at least 66 ²/₃% of the votes cast at a meeting at which the holders of a majority of the outstanding Series B Preferred Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series B Preferred Shares then present would form the necessary quorum. At any meeting of holders of Series B Preferred Shares as a series, each such holder shall be entitled to one vote in respect of each Series B Preferred Share held.

Voting Rights

The holders of the Series B Preferred Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series B Preferred Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Company unless and until the Company shall have failed to pay eight quarterly dividends on the Series B Preferred Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series B Preferred Shares will be entitled to receive notice of and to attend each meeting of the Company's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Series B Preferred Share held. Upon payment of the entire amount of all Series B Preferred Share dividends in arrears, the voting rights of the holders of the Series B Preferred Shares shall forthwith cease.

Tax Election

The Company will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of Series B Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

BOOK ENTRY ONLY SYSTEM

Registration of interests in and transfers of the Series A Preferred Shares and of the Series B Preferred Shares, as applicable, will be made only through a book entry only system administered by CDS. On or about June 23, 2011, the expected closing date of the Offering, but no later than July 7, 2011, the Company will deliver to CDS certificates evidencing the aggregate number of Series A Preferred Shares subscribed for under this Offering. Series A Preferred Shares must be purchased, transferred and surrendered for conversion or redemption through a participant in CDS (a "**CDS Participant**"). All rights of an owner of Series A Preferred Shares and of an owner of Series B Preferred Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds Series A

Preferred Shares or Series B Preferred Shares, as applicable. Upon purchase of any Series A Preferred Shares or Series B Preferred Shares, as applicable, the owner will receive only the customary confirmation. References in this Prospectus to a holder of Series A Preferred Shares or a holder of Series B Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series A Preferred Shares or Series B Preferred Shares to pledge the Series A Preferred Shares or Series B Preferred Shares, as applicable, or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Company has the option to terminate registration of the Series A Preferred Shares or the Series B Preferred Shares through the book entry only system in which case certificates for Series A Preferred Shares or Series B Preferred Shares, as applicable, in fully registered form will be issued to beneficial owners of such shares or their nominees.

PLAN OF DISTRIBUTION

Under an agreement (the "**Underwriting Agreement**") dated June 9, 2011 among the Underwriters and the Company, the Company has agreed to issue and sell, and the Underwriters have agreed to purchase, on June 23, 2011 or on such other date as may be agreed, but in any event not later than July 7, 2011, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement, 4,000,000 Series A Preferred Shares at a price of \$25.00 per share for an aggregate price of \$100,000,000. The Underwriting Agreement provides that the Company will pay to the Underwriters a fee of \$0.25 per share for Series A Preferred Shares sold to certain institutions and \$0.75 per share for all other Series A Preferred Shares purchased by the Underwriters, in consideration for their services in connection with this Offering. The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series A Preferred Shares offered hereby if any are purchased under the Underwriting Agreement. The distribution price of the Series A Preferred Shares was determined by negotiation between the Company and certain of the independent Underwriters.

The Company has granted the Underwriters the Over-Allotment Option, exercisable in whole or in part, for a period of 30 days following the Closing Date, to purchase up to 600,000 Additional Shares on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total Price to the Public, total Underwriters' fees and total Net Proceeds to the Company (before deduction of the expenses of this Offering) will be \$115,000,000, \$3,450,000 and \$111,550,000, respectively. This Prospectus also qualifies the granting of the Over-Allotment Option and the distribution of the Additional Shares that may be offered in relation to the Over-Allotment Option.

The TSX has conditionally approved the listing of the Series A Preferred Shares distributed under this Prospectus and the Series B Preferred Shares into which the Series A Preferred Shares are convertible. The Series A Preferred Shares will be listed under the symbol "CF.PR.A". Listing will be subject to the Company fulfilling all of the requirements of the TSX on or before September 2, 2011.

Pursuant to the terms of the Underwriting Agreement, the Company shall not sell, or announce its intention to sell, nor authorize or issue, or announce its intention to authorize or issue, any preferred shares or securities convertible or exchangeable for or exercisable into preferred shares, other than the Series A Preferred Shares, at any time during the period commencing on the date hereof and ending on the day which is 90 days after the closing date of this Offering, without the prior written consent of CIBC World Markets Inc. and Canaccord Genuity Corp. (which consent will not be unreasonably withheld or delayed) on behalf of the Underwriters.

The Underwriters propose to offer the Series A Preferred Shares initially at the Offering Price. After a reasonable effort has been made to sell all of the Series A Preferred Shares at the Offering Price, the Underwriters may subsequently reduce and thereafter change, from time to time, the price at which the Series A Preferred Shares are offered to an amount not greater than the Offering Price. The compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series A Preferred Shares is less than the gross proceeds paid by the Underwriters to the Company.

The Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Series A Preferred Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series A Preferred Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under Canadian provincial securities legislation.

The distribution of this Prospectus and the Offering and sale of the Series A Preferred Shares are subject to certain restrictions under the laws of certain jurisdictions outside of Canada. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Series A Preferred Shares in any such jurisdiction except in accordance with the laws thereof.

Neither the Series A Preferred Shares nor the Series B Preferred Shares have been or will be registered under the United States Securities Act of 1933, as amended, or any U.S. state securities laws and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the benefit of, U.S. persons.

RELATIONSHIP BETWEEN THE COMPANY AND CERTAIN UNDERWRITERS

Canaccord Genuity Corp., one of the Underwriters, is a wholly-owned subsidiary of the Company. Consequently, the Company is a “related issuer” of Canaccord Genuity Corp. under applicable Canadian securities laws.

Under applicable Canadian securities laws, each of CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., HSBC Securities (Canada) Inc., Raymond James Ltd., Wellington West Capital Markets Inc., Cormark Securities Inc., Desjardins Securities Inc., Dundee Securities Ltd., Haywood Securities Inc., Mackie Research Capital Corporation and Manulife Securities Incorporated is considered to be an “independent underwriter” in connection with this Offering and the Company is not a “related issuer” or “connected issuer” to any of them. The decision to distribute the Series A Preferred Shares and the determination of the terms of the distribution, including the price of the Series A Preferred Shares, were made through negotiations between the Company and the Underwriters, with CIBC World Markets Inc. taking a lead role in such negotiations and Canaccord Genuity Corp. not playing an active role in its capacity as an underwriter. In that capacity, CIBC World Markets Inc. has actively participated in the structuring and pricing of the Offering and led the related due diligence activities performed by the Underwriters. Additionally, each of the Underwriters listed as independent above has reviewed this Prospectus and has had the opportunity to propose such changes as it considered appropriate.

Canaccord Genuity Corp. will receive no benefit in connection with the Offering other than receiving its proportionate share of the Underwriters’ fee described above under “*Plan of Distribution*”, however, Canaccord Genuity Corp., as a wholly-owned subsidiary of the Company, may receive or benefit from the net proceeds, which may be used for, among other things, general corporate purposes.

Certain of the Underwriters or their affiliates have provided, and may in the future provide, investment banking and financial advisory services to us or our affiliates for which they have or will receive customary compensation. In addition, certain of our affiliates utilize the institutional brokerage services of certain of the Underwriters in the usual course of business.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP and of Torys LLP, the following is, at the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series A Preferred

Shares pursuant to this Prospectus (a “**Holder**”) who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm’s length with and is not affiliated with the Company, holds the Series A Preferred Shares, and will hold any Series B Preferred Shares, as the case may be, as capital property and is not exempt from tax under Part I of the Tax Act.

Generally, the Series A Preferred Shares and the Series B Preferred Shares will be considered to be capital property to a purchaser provided the purchaser does not hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure or concern in the nature of a trade. Certain purchasers who might not otherwise be considered to hold Series A Preferred Shares or Series B Preferred Shares as capital property may, in certain circumstances, be entitled to have them and every other “Canadian security”, as defined in the Tax Act, owned by such purchaser in the taxation year of the election or any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a purchaser that is a “financial institution” for the purposes of the “mark to market property” rules, to a purchaser an interest in which would be a “tax shelter investment” or to a purchaser to whom the “functional currency” reporting rules apply, each as defined in the Tax Act. Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to a purchaser that is a “specified financial institution”, as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm’s length, in the aggregate dividends in respect of more than 10% of the Series A Preferred Shares or the Series B Preferred Shares, as the case may be, outstanding at the time the dividend is received. Such purchasers should consult their own tax advisors. This summary also assumes that all issued and outstanding Series A Preferred Shares and Series B Preferred Shares are listed on a designated stock exchange (which includes the TSX) in Canada at such times as dividends (including deemed dividends) are paid or received on such shares.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance prior to the date hereof (the “**Tax Proposals**”) and counsel’s understanding of the current published administrative and assessing policies and practices of the Canada Revenue Agency (the “**CRA**”). This summary does not otherwise take into account or anticipate any change in law, whether by legislative, governmental or judicial action, nor does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations. No assurances can be given that the Tax Proposals will be enacted in the form proposed or at all.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. This summary is not exhaustive of all the Canadian federal income tax considerations. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

Dividends

Dividends (including deemed dividends) received on the Series A Preferred Shares or the Series B Preferred Shares by an individual (other than certain trusts) will be included in the individual’s income and generally will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Company as “eligible dividends” in accordance with the Tax Act. There may be limitations on the ability of the Company to designate dividends as eligible dividends.

Dividends (including deemed dividends) received on the Series A Preferred Shares or the Series B Preferred Shares by a corporation will be included in computing the corporation’s income and will generally be deductible in computing the taxable income of the corporation.

The Series A Preferred Shares and the Series B Preferred Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series A Preferred Shares and the Series B Preferred Shares require the Company to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series A Preferred Shares and the Series B Preferred Shares.

A Holder that is a “private corporation”, as defined in the Tax Act, or any other corporation controlled whether by reason of a beneficial interest in one or more trusts or otherwise by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 33 1/3% on dividends received (or deemed to be received) on the Series A Preferred Shares and the Series B Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A Holder who disposes of, or is deemed to dispose of, Series A Preferred Shares or Series B Preferred Shares (either on redemption or otherwise, but not including a conversion) will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Company of Series A Preferred Shares or Series B Preferred Shares will not generally be included in computing the proceeds of disposition to a Holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. If the Holder is a corporation, any capital loss arising may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under the circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally one-half of any capital gain (a “**taxable capital gain**”) realized by a Holder in a taxation year must be included in the Holder’s income for the year, and one-half of any capital loss (an “**allowable capital loss**”) realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may, generally, be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains in such years, to the extent and under the circumstances described in the Tax Act.

A Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay, in addition to tax otherwise payable under the Tax Act, a refundable tax of 6% on certain investment income, including taxable capital gains.

Alternative Minimum Tax

Taxable capital gains realized and dividends received by a Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act. A Holder who is an individual or a trust should contact their own tax advisor in this regard.

Redemption

If the Company redeems or otherwise acquires Series A Preferred Shares or Series B Preferred Shares, other than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Company in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. Generally, the difference between the amount paid by the Company and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not a dividend.

Conversion

The conversion of a Series A Preferred Share into a Series B Preferred Share and a Series B Preferred Share into a Series A Preferred Share will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of a Series B Preferred Share or Series A Preferred Share, as the case may be, received on the conversion will be deemed to be equal to the holder’s adjusted cost base of the converted Series A Preferred Share or Series B Preferred Share, as the case may be, immediately before the

conversion. The adjusted cost base of all of the Series A Preferred Shares and Series B Preferred Shares held by the holder will be determined in accordance with the cost averaging rules in the Tax Act.

RISK FACTORS

An investment in the Series A Preferred Shares or Series B Preferred Shares is subject to a number of risks. Before deciding whether to invest in the Series A Preferred Shares or Series B Preferred Shares, investors should consider carefully the risks described below as well as the other information in this Prospectus and the documents incorporated by reference herein, including, without limitation, the “*Cautionary Statement Regarding Forward-Looking Information*” section in this Prospectus, and the sections entitled “Description of the Business – Risk Management” and “Description of the Business – Risk Factors” in the AIF, the sections entitled “Risk Management” and “Risk Factors” in the Annual MD&A, each of which is incorporated by reference in this Prospectus.

Risk Factors Specific to the Series A Preferred Shares and the Series B Preferred Shares

The market value of Series A Preferred Shares and Series B Preferred Shares will be affected by a number of factors and, accordingly, their trading prices will fluctuate.

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Series A Preferred Shares and Series B Preferred Shares for reasons unrelated to the Company’s performance. The value of those Series A Preferred Shares and Series B Preferred Share are also subject to market fluctuations based upon factors which influence the Company’s operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

The value of Series A Preferred Shares and Series B Preferred Shares will be affected by the general creditworthiness of the Company. The AIF, the Annual MD&A and the Annual Financial Statements are incorporated by reference in this Prospectus and discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Company’s business, financial condition or results of operations. See also the discussion under “*Earnings Coverage Ratio*”, which ratio is relevant to an assessment of the risk that the Company will be unable to pay dividends on the Series A Preferred Shares and Series B Preferred Shares.

The market value of the Series A Preferred Shares and the Series B Preferred Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the rating assigned to such shares. Real or anticipated changes in ratings on the Series A Preferred Shares and Series B Preferred Shares may also affect the cost at which the Company can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

Prevailing yields on similar securities will affect the market value of the Series A Preferred Shares and the Series B Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series A Preferred Shares and the Series B Preferred Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities may affect the market value of the Series A Preferred Shares and the Series B Preferred Shares in an analogous manner.

The market value of Series A Preferred Shares and Series B Preferred Shares may also depend on the market price of the Common Shares. The prices at which the Common Shares will trade cannot be predicted. Trading prices of the Common Shares will be influenced by the Company’s financial results and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which the Common Shares are traded and the market segment of which the Company is a part.

The Company’s ability to meet its financial obligations is dependent on receipt of funds from its principal subsidiaries, its ability to raise additional capital and the value of its underlying business and assets.

As the Company is a holding company, the Company’s ability to pay dividends and other operating expenses and interest and to meet its obligations depends to a significant extent upon receipt of sufficient funds from its principal subsidiaries, the returns generated by its investments, its ability to raise additional capital and the value

of its underlying business and assets. Accordingly, the likelihood that holders of the Series A Preferred Shares and Series B Preferred Shares will receive dividends will depend to a significant extent upon the financial position and creditworthiness of the Company's principal subsidiaries and affiliates, the principal entities in which the Company invests and its underlying business and assets. The payment of interest and dividends to the Company by certain of these principal subsidiaries or investee entities, is also subject to restrictions set forth in certain laws and regulations which require that solvency and capital standards be maintained by such companies.

Preferred Share Rating

The preferred share rating applied to the Series A Preferred Shares is an assessment, by DBRS, of the Company's ability to pay its obligations. The rating is based on certain assumptions about the future performance and capital structure of the Company that may or may not reflect the actual performance or capital structure of the Company. Changes in rating of the Series A Preferred Shares or Series B Preferred Shares may affect the market price or value and the liquidity of the Series A Preferred Shares or Series B Preferred Shares. There is no assurance that any rating assigned to the Series A Preferred Shares or Series B Preferred Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating organization.

The Series A Preferred Shares and Series B Preferred Shares do not have a fixed maturity or redemption date, may not be redeemed at the holder's option and may be liquidated by the holder only in limited circumstances.

Neither Series A Preferred Shares nor the Series B Preferred Shares have a fixed maturity or redemption date and they are not redeemable at the option of the holders thereof. The ability of a holder to liquidate his, her or its holdings of Series A Preferred Shares or Series B Preferred Shares, as applicable, may be limited.

Limitations on the Payment of Dividends

Although the Series A Preferred Shares and Series B Preferred Shares carry cumulative dividends, the Company may not be in a position pursuant to law to declare and pay such dividends as contemplated in this Prospectus. The Company may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the payment of the dividend would render the Company unable to pay its debts as they become due in the ordinary course of its business.

Limitations on the Repurchase of Shares

The Company may not make a payment or provide any consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the making of the payment or providing the consideration would render the Company unable to pay its debts as they become due in the ordinary course of its business.

There is currently no trading market for the Series A Preferred Shares or Series B Preferred Shares.

There is currently no market through which the Series A Preferred Shares and Series B Preferred Shares may be sold and purchasers of the Series A Preferred Shares and Series B Preferred Shares may not be able to resell the securities purchased under this Prospectus. There can be no assurance that an active or liquid trading market will develop for the Series A Preferred Shares after the Offering or for the Series B Preferred Shares following the issuance of any of those shares, or if developed, that such a market will be sustained at the offering price of the Series A Preferred Shares or the issue price of the Series B Preferred Shares. This may affect the trading price of the Series A Preferred Shares and Series B Preferred Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Series A Preferred Shares and Series B Preferred Shares. If an active or liquid market for the Series A Preferred Shares or the Series B Preferred Shares fails to develop or be sustained, the prices at which the Series A Preferred Shares or the Series B Preferred Shares trade may be adversely affected.

The Company may redeem Series A Preferred Shares and Series B Preferred Shares.

The Company may choose to redeem the Series A Preferred Shares and the Series B Preferred Shares from time to time, in accordance with its rights described under "*Details of the Offering — Description of the Series A*

Preferred Shares — Redemption” and “*Details of the Offering — Description of the Series B Preferred Shares — Redemption*”, including when prevailing interest rates are lower than yields borne by the Series A Preferred Shares and the Series B Preferred Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yields on the Series A Preferred Shares or the Series B Preferred Shares being redeemed. The Company’s redemption right also may adversely impact a purchaser’s ability to sell Series A Preferred Shares and Series B Preferred Shares as the optional redemption date or period approaches.

The Company may not make a payment or provide any consideration to redeem any of its shares if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the making of the payment or providing the consideration would render the Company unable to pay its debts as they become due in the ordinary course of its business.

Creditors of the Company rank ahead of holders of Series A Preferred Shares and Series B Preferred Shares in the event of an insolvency or winding-up of the Company.

The Series A Preferred Shares and Series B Preferred Shares rank equally with other preferred shares of the Company that may be outstanding in the event of an insolvency or winding-up of the Company. If the Company becomes insolvent or is wound-up, the Company’s assets must be used to pay debt, including subordinated and inter-company debt, before payments may be made on Series A Preferred Shares, Series B Preferred Shares and other Preferred Shares.

The dividend rates on the Series A Preferred Shares and Series B Preferred Shares will reset.

The dividend rate in respect of the Series A Preferred Shares will reset on September 30, 2016 and on September 30 every five years thereafter. The dividend rate in respect of the Series B Preferred Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Investments in Series B Preferred Shares, given their quarterly dividend rate reset, expose holders thereof to interest rate fluctuations that are different than those that would apply to the Series A Preferred Shares.

The resetting of the applicable rate on a Series B Preferred Share may result in a lower yield compared to fixed rate Series A Preferred Shares. The applicable rate on a Series B Preferred Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Company has no control.

The Series A Preferred Shares and Series B Preferred Shares may be converted or redeemed without the holders’ consent in certain circumstances.

The Series A Preferred Shares and Series B Preferred Shares may be redeemed by the Company in certain circumstances without the holder’s consent. The Company may not make a payment or provide any consideration to redeem any of its shares if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the making of the payment or providing the consideration would render the Company unable to pay its debts as they become due in the ordinary course of its business.

In addition, an investment in the Series A Preferred Shares, or in the Series B Preferred Shares, as the case may be, may become an investment in Series B Preferred Shares, or in Series A Preferred Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under “*Details of the Offering — Description of the Series A Preferred Shares — Conversion of Series A Preferred Shares into Series B Preferred Shares*” and “*Details of the Offering — Description of the Series B Preferred Shares — Conversion of Series B Preferred Shares into Series A Preferred Shares*”. Upon the automatic conversion of the Series A Preferred Shares into Series B Preferred Shares, the dividend rate on the Series B Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series B Preferred Shares into Series A Preferred Shares, the dividend rate on the

Series A Preferred Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series A Preferred Shares into Series B Preferred Shares, and vice versa, in certain circumstances. See “*Details of the Offering — Description of the Series A Preferred Shares — Conversion of Series A Preferred Shares into Series B Preferred Shares*”, “*Details of the Offering — Description of the Series B Preferred Shares — Conversion of Series B Preferred Shares into Series A Preferred Shares*”.

The declaration of dividends on the Series A Preferred Shares and Series B Preferred Shares is in the discretion of the Board of Directors.

Holders of Series A Preferred Shares and Series B Preferred Shares do not have a right to dividends on such shares unless declared by the Board of Directors of the Company. The declaration of dividends is in the discretion of the Board of Directors even if the Company has sufficient funds, net of its liabilities, to pay such dividends.

The Company may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the payment of the dividend would render the Company unable to pay its debts as they become due in the ordinary course of its business. Debts of the Company will include those arising in the course of its business, indebtedness, including inter-company debt, and amounts, if any, that are owing by the Company under guarantees in respect of which a demand for payment has been made. See “*Consolidated Capitalization*”.

Holders of the Series A Preferred Shares and Series B Preferred Shares do not have voting rights except under limited circumstances.

Holders of Series A Preferred Shares and Series B Preferred Shares will generally not have voting rights at meetings of the shareholders of the Company except under limited circumstances. Holders of Series A Preferred Shares and Series B Preferred Shares will have no right to elect the Board of Directors of the Company. See “*Details of the Offering*”.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP and Torys LLP, the Series A Preferred Shares offered hereby, if issued on the date of this Prospectus, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account.

The Series A Preferred Shares will not be a “prohibited investment” for a trust governed by a tax-free savings account on such date provided the holder of the tax-free savings account deals at arm’s length with the Company for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in the Company or in any person or partnership with which the Company does not deal at arm’s length for purposes of the Tax Act. Tax Proposals contain similar rules with respect to registered retirement savings plans and registered retirement income funds. Holders should consult their own tax advisors in this regard.

LEGAL MATTERS

Certain legal matters in connection with the Offering are being reviewed on behalf of the Company by Goodmans LLP and on behalf of the Underwriters by Torys LLP. As at June 15, 2011, the respective partners and associates of each firm beneficially owned, directly or indirectly, less than one percent of the issued and outstanding securities of the Company.

AUDITOR

The auditors of the Company are Ernst & Young LLP, Chartered Accountants, Suite 2300 – 700 W. Georgia Street, Vancouver, British Columbia V7Y 1C7. Ernst & Young LLP is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Series A Preferred Shares and Series B Preferred Shares is Computershare Investor Services Inc., 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions to the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions to the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT – THE COMPANY

We have read the short form prospectus of Canaccord Financial Inc. (the “**Company**”) dated June 16, 2011 relating to the issue and sale of 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A of the Company. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our auditors’ report to the shareholders of the Company on the consolidated balance sheets of the Company as at March 31, 2011 and 2010 and the consolidated statements of operations, comprehensive income, changes in shareholders’ equity and cash flows for the years then ended. Our report is dated May 17, 2011.

(Signed) “ERNST & YOUNG LLP”
Chartered Accountants

Vancouver, Canada
June 16, 2011

AUDITORS' CONSENT – GENUITY CAPITAL MARKETS

We have read the short form prospectus of Canaccord Financial Inc. dated June 16, 2011 relating to the issuance and sale of 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A of Canaccord Financial Inc. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned prospectus, of our auditors' report dated March 5, 2010 to the Partners Committee of Genuity Capital Markets on the combined balance sheets of Genuity Capital Markets, Genuity Capital Markets USA Corp., Genuity Limited Partnership, Genuity G.P. Inc. and 2054386 Ontario Inc. as at January 31, 2010 and 2009 and the combined statements of operations, changes in partners' equity and cash flows for each of the years in the three-year period ended January 31, 2010.

(Signed) "KPMG LLP"
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
June 16, 2011

CERTIFICATE OF THE COMPANY

Dated: June 16, 2011

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

(Signed) "PAUL REYNOLDS"
President and Chief Executive
Officer

(Signed) "BRAD KOTUSH"
Executive Vice President and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) "MARK MAYBANK"
Director

(Signed) "MATTHEW GAASENBEEK"
Director

CERTIFICATE OF THE UNDERWRITERS

Date: June 16, 2011

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

CIBC WORLD MARKETS INC. CANACCORD GENUITY CORP.

By: (Signed) "SHANNAN LEVERE" By: (Signed) "DANIEL DAVIAU"

BMO NESBITT BURNS INC. NATIONAL BANK FINANCIAL INC. RBC DOMINION SECURITIES INC. SCOTIA CAPITAL INC.

By: (Signed) "BRADLEY J. HARDIE" By: (Signed) "MAUDE LEBLOND" By: (Signed) "RAJIV BAHL" By: (Signed) "BURHAN KHAN"

GMP SECURITIES L.P. MACQUARIE CAPITAL MARKETS CANADA LTD.

By: (Signed) "NEIL SELFE" By: (Signed) "NOREEN FLAHERTY"

HSBC SECURITIES (CANADA) INC. RAYMOND JAMES LTD. WELLINGTON WEST CAPITAL MARKETS INC.

By: (Signed) "JAY LEWIS" By: (Signed) "J. GRAHAM FELL" By: (Signed) "SCOTT LARIN"

CORMARK SECURITIES INC. DESJARDINS SECURITIES INC. DUNDEE SECURITIES LTD. HAYWOOD SECURITIES INC. MACKIE RESEARCH CAPITAL CORPORATION MANULIFE SECURITIES INCORPORATED

By: (Signed) "ROB PENTELIUK" By: (Signed) "A. THOMAS LITTLE" By: (Signed) "AARON UNGER" By: (Signed) "FRANK STRONACH" By: (Signed) "DAVID KEATING" By: (Signed) "DAVID MACLEOD"