

SECURITIES AND EXCHANGE COMMISSION

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

DIVISION OF TRADING & MARKETS

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING April 1, 2011 AND ENDING March 31, 2012
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Canaccord Genuity Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

99 High Street

(No. and Street)

Boston

(City)

MA

(State)

02110

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Donald MacFayden

617-788-1518

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

(Name - if individual, state last, first, middle name)

200 Clarendon Street

(Address)

Boston

(City)

MA

(State)

02116

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Donald MacFayden, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Canaccord Genuity Inc. of March 31, 2012, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Handwritten Signature]

Signature

Chief Financial Officer

RICHARD BAGGE Title
Notary Public
Commonwealth of Massachusetts
My Commission Expires
August 24, 2012

[Handwritten Signature]
Notary Public



This report ** contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Canaccord Genuity Inc.
Statement of Financial Condition

March 31, 2012

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Canaccord Genuity Inc.

We have audited the accompanying statement of financial condition of Canaccord Genuity Inc. (the Company) as of March 31, 2012. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of Canaccord Genuity Inc. at March 31, 2012, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

May 29, 2012

Canaccord Genuity Inc.

Statement of Financial Condition

March 31, 2012

Assets

Cash and cash equivalents	\$ 30,268,183
Deposits with clearing organizations and others	665,390
Receivables from clearing organization	2,351,755
Corporate finance and trading receivables (net of allowance of \$522,622)	2,655,267
Securities owned, at fair value	654,976
Forgivable loans to employees	918,327
Notes receivable from employees and former employees	872,143
Receivables from affiliates	438,884
Taxes receivable	198,447
Other receivables	389,069
Stock-based compensation	266,478
Fixed assets, at cost (net of accumulation depreciation of \$6,389,173)	9,314,754
Prepaid expenses and other assets	529,918
Total assets	<u>\$ 49,523,591</u>

Liabilities and stockholder's equity

Securities sold, not yet purchased, at fair value	\$ 337,633
Accounts payable and accruals	4,328,982
Accrued compensation payable	8,913,194
Payables to affiliates	282,428
	<u>13,862,237</u>
Subordinated borrowings	27,000,000

Stockholder's equity:

Common stock (3,000 shares authorized, issued, and outstanding; \$0.01 par value)	30
Additional paid-in capital	20,102,602
Accumulated deficit	(11,441,278)
Total stockholder's equity	<u>8,661,354</u>
Total liabilities and stockholder's equity	<u>\$ 49,523,591</u>

See accompanying notes.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition

March 31, 2012

1. Organization and Nature of Operations

Canaccord Genuity Inc. (the Company), a wholly owned subsidiary of Canaccord Adams (Delaware) Inc. (the Parent or CADI), is a registered broker-dealer under the Securities Exchange Act of 1934, and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). CADI is a wholly owned subsidiary of Canaccord Adams Financial Group Inc. (CAFGI), a wholly owned subsidiary of Canaccord Financial Inc. (CFI), a publicly traded company based in Vancouver, British Columbia.

Effective May 10, 2010, the name of the Company was changed from Canaccord Adams Inc. to Canaccord Genuity Inc.

As a non-clearing broker, all customer transactions are cleared on a fully disclosed basis through an unrelated third-party clearing firm, which is also a registered broker-dealer. Certain trades in foreign securities are cleared and settled pursuant to an operating agreement with Canaccord Genuity Corp., an affiliated Canadian broker-dealer and a wholly owned subsidiary of CFI.

The Company provides corporate finance and underwriting services, financial advisory services, including services in respect of mergers and acquisitions, institutional sales, and trading and equity research to its customers.

2. Significant Accounting Policies

Use of Estimates

The preparation of statement of financial condition in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of less than 90 days, and which are not held for sale in the ordinary course of business.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

Deposits with Clearing Organizations and Others

Cash is kept on deposit with various clearing organizations, and represent the minimum balance required to be maintained in order to utilize such clearing services. These balances are subject to withdrawal restrictions such that the Company would be prohibited from doing business with the clearing agent if the minimum cash balance on deposit was not maintained.

Securities Owned and Sold, Not Yet Purchased

Securities owned represent proprietary positions, and may be pledged as collateral to counterparties on terms which permit the counterparty to sell or repledge the securities to others. As of March 31, 2012, no securities were pledged to counterparties.

Securities sold, not yet purchased, represent obligations of the Company to deliver the specified security at the contracted price and, thereby, create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in an off-balance sheet risk as the Company's ultimate obligation to satisfy the sale of securities sold, not yet purchased, may exceed the amount reflected in the statement of financial condition.

Propriety securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses recorded on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Securities are recorded at fair value.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated to United States dollars at year-end rates of exchange.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

Fixed Assets

Fixed assets include furniture, fixtures, equipment, software, and leasehold improvements which are amortized using the straight-line method over the shorter of the lease term or useful life.

Commission Revenue

Commission revenue consists of revenue generated through providing commission-based brokerage services to customers, including trade execution, clearing, and settlement. Commission revenue is recorded as services are performed and transactions are executed on a trade date basis net of expenses.

Investment Banking Revenue

Investment banking revenue includes gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenue and equity selling concessions are recorded at the time underwriting or financing transactions are completed, and the associated revenue is reasonably determinable. Investment banking revenue also includes fees earned from providing mergers and acquisitions, and other financial advisory services, which are recorded when earned and reasonably determinable. The Company provides for potential uncollectible investment banking receivables based upon management's best estimate of probable losses associated with these balances.

Principal Transactions

Gains and losses from proprietary securities transactions, and the related revenues and expenses, are recorded on a trade date basis. Securities owned and securities sold, not yet purchased, are stated at fair value with unrealized gains and losses reflected in current operations. Fair value is generally based on published market prices, quoted prices from dealers, recent market transactions, or on such other information and valuation methods as may be reasonable in the circumstances. Investments in illiquid or non-publicly traded securities are valued based upon estimates as determined by management.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

Share-Based Compensation

Share-based compensation is recorded based upon the fair value of the share-based payment determined as of the grant date. The fair value as of the grant date, or cost of the award, is recognized over the period during which an employee is required to provide service in exchange for the award. No compensation cost is recognized for equity instruments which do not ultimately vest.

Development Costs

Development costs include certain costs incurred in respect of new employees and employee retention, and any related restricted stock amortization expense, placement, and other recruiting costs.

Income Taxes

The Company is included in the consolidated income tax returns of its U.S.-based holding company, CAFGI. The Company's provision for income taxes is recorded on the basis of filing a separate income tax return adjusted to reflect tax-sharing allocations among members of the U.S. consolidated group of which the Company is a member. Income taxes as calculated on this basis, and currently payable or receivable are paid to or received from affiliates within the consolidated group. The Company determines deferred tax liabilities and assets, and any provision for deferred income taxes, based on the differences between the financial statement and tax bases of assets and liabilities using the current tax rate. The Company records a valuation allowance for net deferred tax assets when it is more-likely-than-not that such amounts will not be recoverable in the future.

The Company recognizes and measures uncertain tax positions based upon an evaluation of tax positions taken, or expected to be taken, in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. The measurements of unrecognized tax benefits is adjusted when new information is available, as when an event occurs that requires a change.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

3. Business Combination

On March 23, 2012, in connection with the acquisition of Collins Stewart Hawkpoint plc by CFI, the Company's indirect parent, CAFGI, acquired a 100% interest in Canaccord Genuity Securities LLC (formerly Collins Stewart LLC) (CGS), a registered broker-dealer under the Securities Exchange Act of 1934 and a member of FINRA, based in New York, New York. On March 26, 2012, the Company initiated a plan for the integration of the operations of CGS with the operations of the Company and as part of that plan a number of employees of the Company became dual FINRA registrants with CGS. Also, in accordance with the integration plan, a number of employees of the Company were declared redundant and were terminated or were provided with notice of termination. An application for the combination of the business of the Company with the business of CGS in accordance with FINRA Rule 1017(a)(3) was filed with FINRA on May 11, 2012. The expected combination date is July 12, 2012 or as soon as practicable thereafter. In accordance with the terms of the integration plan, the effective date for the termination of certain employees has been set as July 31, 2012. The termination payment amount to be paid to employees at that date is \$676,000 which will be recognized as an expense over the future service period. A restructuring expense in the amount of \$1,287,904 was recorded as of March 31, 2012 in connection with employees that had been terminated on or before March 31, 2012 of which \$762,304 was unpaid as of March 31, 2012.

4. Fair Value Measurements

The fair value hierarchy prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach, as specified by ASC 820, are used to measure fair value.

The measurement of fair value is based upon a hierarchy that gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Company's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy, and its applicability to the Company's investments, are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

4. Fair Value Measurements (continued)

Level 2 – Quoted prices for markets that are not active, or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Pricing inputs are unobservable for the asset, and reflect management's own assumptions to determine fair value. The Level 3 asset held by the Company is comprised of preferred shares in a private company. The initial measurement for the fair value of these shares was the acquisition cost to the Company, discounted to reflect limitations on marketability. Subsequent determinations and assessments of fair value were then made on the basis of additional information obtained by the Company, including financial statements and transactional information.

The following table is a summary of the levels used, as of March 31, 2012, in valuing the Company's assets and liabilities carried at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Securities owned:				
Equities	\$ 606,939	\$ –	\$ 48,037	\$ 654,976
Liabilities				
Securities sold, not yet purchased:				
Equities	\$ 337,633	\$ –	\$ –	\$ 337,633

There was no net change in unrealized depreciation for the period attributable to Level 3 assets still held at March 31, 2012.

5. Cash Segregated Under Federal Regulations

Pursuant to Rule 15c3-3, the Securities and Exchange Commission (SEC) requires brokers and dealers that hold cash and securities on behalf of customers to maintain cash balances at financial institutions that are specifically reserved for customers when the customer-related credit balances exceed the customer-related debit balances. As an introducing broker with trades on behalf of customers cleared on a fully disclosed basis, the Company does not hold any customer assets, and, in accordance with Rule 15c3-3(k)(ii), the Company is exempt from Rule 15c3-3. In connection with foreign trades by the Company on behalf of customers which are settled on a DVP/RVP basis pursuant to the operating agreement with Canaccord Genuity Corp., the Company is exempt from Rule 15c3-3 pursuant to 15c3-3(k)(2)(i).

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

6. Receivables from Brokers, Dealers, and Clearing Organizations

Amounts receivable from brokers, dealers, and clearing organizations represent amounts due to the Company from clearing and settlement services provided to the Company in connection with commissions earned from normal transactions involving the trading of securities.

7. Fixed Assets

At March 31, 2012, fixed assets were comprised of the following:

Leasehold improvements	\$ 12,307,317
Furniture and fixtures	1,892,105
Equipment	1,504,505
	<u>15,703,927</u>
Less: Accumulated depreciation	6,389,173
	<u>\$ 9,314,754</u>

8. Income Taxes

The Company is included in the consolidated federal income tax return filed by CAFGI. Federal income taxes are calculated as if the Company filed a separate federal income tax return. The Company generally files separate state and local income tax returns but, where applicable, is included in a combined state income tax return of CAFGI, and certain other affiliates of CAFGI. If included in a combined return, the tax-sharing arrangement provides that incremental taxes caused by the Company's participation in the combined state return shall be owed by the Company.

The tax-sharing arrangement among the companies within the consolidated group provides that the tax benefits related to the utilization of taxable losses, from prior years and from the current year, of affiliates within the consolidated group by the Company, will be recorded through the intercompany accounts with periodic settlement by way of cash transfers. As of March 31, 2012, the Company has recorded a receivable from affiliates in the amount of \$330,918 in respect of the tax-sharing arrangement.

The amount of current taxes payable is recognized as of the date of the statement of financial condition, utilizing currently enacted tax rates and laws.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

8. Income Taxes (continued)

The Company has adopted Statement of Financial Accounting Standards Codification CASCI 740-10, *Accounting for Income Taxes*, which requires the Company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using substantively enacted tax rates and laws in effect in the year in which the differences are expected to reverse.

As a result of the implementation of ASC 740-10-50, *Accounting for Uncertainty in Income Taxes*, the Company did not recognize a liability for unrecognized tax benefits.

The significant components of the Company's deferred tax assets and liabilities were as follows as of March 31, 2012:

Deferred tax assets:	
Net operating losses	\$ 4,448,247
Stock-based incentive compensation	2,705,378
Depreciation	2,015,428
Accrued rent	597,020
Unpaid compensation	361,928
Contributions	61,079
Unrealized losses	35,548
Allowance for bad debts	<u>252,247</u>
	10,476,875
Valuation allowance	<u>(10,476,875)</u>
Net deferred tax asset	<u>\$ -</u>

The Company has recorded a full valuation allowance because of its limited history of operating earnings, and because market factors and the nature of the Company's business do not enable the Company to reliably and accurately forecast future earnings to a standard that would permit it to reverse previously recorded valuation allowances.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

8. Income Taxes (continued)

On April 1, 2009, the Company, as a small private issuer, adopted the provisions of ASC 740, which require tax reserves to be recorded for uncertain tax positions. There was no cumulative effect adjustment as a result of adopting these new accounting provisions. In preparing its tax returns, the Company is required to interpret complex tax laws and regulations, and utilize income and cost allocation methods, to determine its taxable income. On an ongoing basis, the Company may be subject to examinations by federal, state, and local government taxing authorities that may give rise to differing interpretations of these complex laws, regulations, and methods. Due to the nature of the examination process, it generally takes years before these examinations are completed, and matters are resolved. Income tax returns for the taxation years ended December 31, 2005, January 3, 2006, and March 31, 2006, 2007, 2008, 2009, 2010, and 2011 are considered to be open for examination by federal and state taxing authorities. The Company is not currently under income tax audit by any federal or state taxing authorities. An uncertain tax position with respect to the deductibility of certain expenses incurred in connection with the Company's annual Global Growth Conference is reflected as a \$1,140,000 reduction of deferred tax assets. The Company recognizes interest and penalties related to unrecognized tax positions as a component of income tax expense. As of March 31, 2012, no interest or penalties have been accrued for unrecognized tax positions.

9. Employee Benefit and Stock-Based Incentive Compensation Plans

The Company maintains a qualified deferred compensation plan arrangement under Internal Revenue Code 401(k) covering substantially all employees (the Plan). Participants may contribute, on a pre-tax basis, up to 60% of their eligible compensation subject to certain aggregate limitations. Participants who are at least the age of 50 may make additional pre-tax contributions subject to certain aggregate limitations. The Company made a discretionary matching contribution of \$647,682 to this plan during the year ended March 31, 2012.

The Company has two stock-based compensation programs in which employees are entitled to receive shares in CFI, over a service or vesting period, in most cases, three years.

As of March 31, 2012, the asset amounts recorded in the statement of financial condition pertaining to these programs were as follows:

Restricted stock awards	\$ 266,478
Long-term incentive plan (LTIP) awards	—
Stock-based incentive compensation	<u>\$ 266,478</u>

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

9. Employee Benefit and Stock-Based Incentive Compensation Plans (continued)

Restricted Stock Awards: The Company has made grants to certain employees in respect of shares of CFI. These awards generally vest over periods ranging from three to four years. At the time of granting such awards, the Company acquires the stock and amortizes the cost of such purchase on a straight-line basis over the applicable service or vesting period. During the year ended March 31, 2012, the Company did not grant any restricted stock awards under this plan.

LTIP: Certain of the Company's senior employees also participate in CFI's long-term incentive plan (LTIP). Under the LTIP, eligible employees receive common shares of CFI at the time of vesting, which typically takes place over a three year period. The fair value of these awards is determined at the date of grant based upon the quoted market price of CFI. The Company amortizes the fair value on a graded basis over the applicable service or vesting period and increases contributed surplus by the amount of such amortization expense.

In addition, during the year ended March 31, 2012, an accrued liability of \$10,109,668 payable to CADI, incurred in connection with the accumulated amortization of LTIP awards, was utilized by CADI to repay an amount owed by CADI to the Company in the amount of \$5,766,614. The difference of \$4,343,054 owed to CADI by the Company was forgiven and accordingly was recorded as a non-cash capital contribution from CADI to the Company. As at March 31, 2012 there was no liability outstanding in connection with LTIP awards.

The remaining amortization expense associated with LTIP awards outstanding as of March 31, 2012 is as follows:

	Estimated Amortization Expense
2013	\$ 2,232,995
2014	612,022
2015	46,792
Total	<u>\$ 2,891,809</u>

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

9. Employee Benefit and Stock-Based Incentive Compensation Plans (continued)

Stock Options: Certain employees of the Company also participate in a stock option program established by CFI. The stock options were granted on August 31, 2009, vest over a five-year period, and expire on the earliest of: (a) seven years from the grant date; (b) three years after death or any other event of termination of employment; (c) after any unvested optioned shares held by the optionee are canceled for any reason (other than early retirement, but including resignation or retirement under certain circumstances); and (d) termination for cause. The exercise price was based on the fair market value of the CFI common shares on the grant date. The Company records a stock option expense included under compensation and benefits in the statement of income over the expected life of the stock options, and records a liability at the same rate as the expense is recorded, as the Company expects to settle with CFI by way of cash as stock options are exercised. As of March 31, 2012, the Company had recorded a cumulative liability of \$762,256 in connection with the stock options. As of March 31, 2012 the expected total amortization expense and liability to be recorded in future periods is \$460,938. The remaining contractual life of the stock options is 4.4 years.

At March 31, 2012, the Company held 26,652 shares of CFI stock, resulting from shares that were awarded to employees but then forfeited by the employees. The net cost basis of these shares, \$204,208 is included in "Prepaid expenses and other assets" in the statement of financial condition, and will be utilized for future awards.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

10. Commitments and Contingencies

Leases

The Company leases office space, furniture, and communications and information technology equipment under various non-cancelable operating leases. Office space leases are subject to escalation clauses covering operating expenses and real estate taxes. Future minimum aggregate annual rental commitments under these non-cancelable operating leases for the years ending March 31 are as follows:

	Minimum Annual Rental Payments
2013	\$ 2,706,992
2014	3,032,991
2015	3,149,767
2016	3,136,867
2017	3,142,395
Thereafter	<u>19,182,289</u>
Total	<u>\$ 34,351,301</u>

Underwriting

In the normal course of business, the Company enters into underwriting commitments. At March 31, 2012, the Company did not have any open underwriting commitments.

Legal

The Company is involved in litigation arising in the normal course of the securities business. The Company has recorded accruals under professional fees for matters that are considered probable, and can be reasonably estimated. While the outcome of any litigation is uncertain, in the opinion of management, after consultation with legal counsel, the ultimate resolution of such litigation will not have a material adverse effect on the Company's financial position or results of operations.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

10. Commitments and Contingencies (continued)

Contingencies

The Company clears its customers' transactions through Pershing LLC. In addition, the Company has entered into an operating agreement with its affiliate, Canaccord Genuity Corp., in order to conduct DVP/RVP brokerage business involving Canadian securities. In connection with these agreements, the Company may be required to indemnify Pershing LLC or Canaccord Genuity Corp. if losses are incurred that are deemed to be the fault of either the Company or one of its customers. The Company does not have a history of incurring material losses related to the clearing of customer transactions and, as such, has not recorded a provision in respect of such guarantee or potential liability. However, while material losses due to the clearing of customer transactions is considered remote by the Company, the possibility exists that such losses may occur; therefore, the Company closely monitors all customer clearing activities.

The Company may enter into collateralized financing transactions that may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Company minimizes credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis, and requiring additional collateral to be deposited with, or returned by, the Company when deemed necessary.

As of March 31, 2012, the Company has provided a standby bank letter of credit issued by The Bank of New York Mellon, in the aggregate amount of \$857,175, as a guarantee for certain office space lease obligations. The Company has secured this letter of credit by providing cash collateral to the lender in the amount of \$857,175. This restricted cash is included in Cash and cash equivalents in the statement of financial condition.

11. Related Party Transactions

The Company's Parent holds certain office space leases in its own name, and provides such facilities to the Company at cost.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

11. Related Party Transactions (continued)

In the normal course of business, the Company executes securities transactions with affiliated entities. As of March 31, 2012, the Company had balances with affiliates as follows:

	<u>Assets</u>	<u>Liabilities</u>
Due from/to Parent	\$ 6,443	\$ —
Due from other affiliates	432,441	—
Due to other affiliates		282,428
Subordinated debt (<i>Note 12</i>)		27,000,000

The Company has entered into an operating agreement with its affiliate, Canaccord Genuity Corp., in order to conduct DVP/RVP brokerage business involving Canadian securities. As of March 31, 2012, the amount due from Canaccord Genuity Corp. in respect of this activity is \$97,979 and is included in the “Due from other affiliates” amount above.

Balances due from/to other affiliates are generally settled by the transfer of cash on a periodic basis.

12. Subordinated Debt

The Company has subordinated debt with its Parent consisting of a \$27,000,000 subordinated loan, pursuant to a subordination agreement, which matures on March 31, 2015. The subordinated borrowing bears interest at 10% per annum.

The lender has agreed to subordinate its right of collection of principal and claims to all creditors of the Company prior to the expiration of its note.

The subordinated loan has been approved by the FINRA and is thus available for computing regulatory net capital under the SEC’s uniform net capital rule (Note 14). To the extent that this loan is required for the Company’s continued compliance with minimum net capital requirements, it may not be repaid.

Canaccord Genuity Inc.

Notes to Statement of Financial Condition (continued)

13. Borrowing Arrangement and Credit Facility

The Company has an established borrowing arrangement in place with Pershing LLC, a third-party clearing agent, and with The Bank of New York Mellon, which provides for borrowings at the discretion of the financial institution for purposes of daylight or overnight loans. Such borrowings are generally used to cover periodic interim financing requirements in respect of settlements for underwriting transactions and deposit requirements. Any such borrowings are unsecured, due upon demand, and carry interest at a rate based on the Federal Funds rate. As of March 31, 2012, there were no balances outstanding under this arrangement.

On May 6, 2011, the Company entered into a subordinated revolving credit agreement with The Bank of New York Mellon in the amount of \$10,000,000. As of March 31, 2012, there was no amount outstanding in connection with this facility. The credit facility expired on May 6, 2012.

14. Net Capital Requirements and Other Regulatory Matters

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1). The Company computes its net capital requirements under the alternative method provided for in Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of 2% of aggregate customer-related debit items, as defined, and \$1,000,000.

At March 31, 2012, the Company had net capital of \$17,342,035 which was \$16,342,035 in excess of the required net capital of \$1,000,000. The Company's ratio of net capital to aggregate debit items was 0%.

Advances to affiliates, repayment of subordinated borrowings, dividend payments, and other equity withdrawals are subject to certain notification and other provisions of the SEC Uniform Net Capital Rule, and the rules and requirements of other regulatory bodies.

15. Subsequent Events

In preparing the statement of financial condition, the Company has evaluated the impact of all events and transactions for potential recognition or disclosure through the date of the statement of financial condition were issued, and has determined that there were no subsequent events, other than those disclosed herein, requiring recognition or disclosure in the statement of financial condition.

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