

## INFORMATION STATEMENT DATED FEBRUARY 19, 2007

*This Information Statement has been prepared solely for the purpose of assisting prospective purchasers in making an investment decision with respect to the Deposit Notes. This Information Statement is confidential and should not be reproduced or disseminated in whole or in part without the permission of The Bank of Nova Scotia. This Information Statement constitutes an offering of these Deposit Notes only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Deposit Notes. No securities commission or similar authority in Canada has in any way passed upon the merits of the Deposit Notes offered hereunder and any representation to the contrary is an offence. The Deposit Notes offered under this Information Statement have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any State securities laws and, subject to certain exceptions, may not be offered for sale, sold or delivered, directly or indirectly in the United States, its territories or possessions to or for the account or benefit of US persons within the meaning of Regulation S under the 1933 Act. In addition, the Deposit Notes may not be offered or sold to residents of any jurisdiction or country in Europe. The Deposit Notes are being offered and sold in Canada only.*



### The Bank of Nova Scotia

## SC Universe Bond Index™ Deposit Notes, Series 3

### PRINCIPAL GUARANTEED

The Bank of Nova Scotia SC Universe Bond Index™ Deposit Notes, Series 3 (the "Deposit Notes") are deposit notes issued by The Bank of Nova Scotia (the "Bank"), the return on which is linked, in the manner provided herein, to the performance of the Scotia Capital Universe Bond Index™ (the "Index"). The Deposit Notes will mature on April 11, 2012 (the "Maturity Date"). The Deposit Notes are not redeemable prior to the Maturity Date.

The Index is designed to be a broad measure of the Canadian investment-grade fixed income market. As of February 16, 2007, the Index consisted of 999 securities, with a total market value of approximately \$657 billion. Returns are calculated daily, and are weighted by market capitalization, so that the return on a Bond influences the return on the Index in proportion to the Bond's market value. The Index has been published since 1979. It is intended to be a transparent index, with individual security holdings disclosed electronically each day. The Index represents substantially all of the marketable domestic Canadian fixed income securities with a term exceeding one year.

At the Maturity Date, a holder of a Deposit Note (each an "Investor") will receive an amount per Deposit Note equal to the sum of: (i) the amount deposited of Cdn \$100 (the "Principal Amount"); and (ii) variable return, if any, calculated as set forth in this Information Statement (the "Variable Return"). See "Description of the Deposit Notes — Variable Return".

**A prospective investor should decide to invest in the Deposit Notes only after carefully considering with his or her advisor whether the Deposit Notes are a suitable investment in light of the information set out in this Information Statement. Neither the Bank, Scotia Capital Inc. nor any of their respective affiliates makes any recommendation as to whether the Deposit Notes are a suitable investment for any person. See "Risk Factors".**

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**PRICE: \$100 PER DEPOSIT NOTE**  
**Minimum Subscription: \$5,000 (50 Deposit Notes)**  
**FundSERV Code: SSP 108**

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*The Bank has taken reasonable care to ensure that the facts stated in this Information Statement with respect to the Deposit Notes are true and accurate in all material respects. However, the Bank and the Selling Agent make no assurances, representations or warranties with respect to the accuracy, reliability or completeness of any information obtained from third parties reproduced herein.*

*Any directional view on the future performance of the Index expressed in this Information Statement or implied within the terms of the Deposit Notes may not reflect the views of the Bank, the Selling Agent or any of their respective affiliates concerning the Index and are not necessarily consistent with the views of the Bank's research analysts concerning the Index. Investors should make any decision to invest in the Deposit Notes based only on their own views on the likely future performance of the Index without reliance on the Bank or any of its affiliates and with the knowledge that the views of the Bank or any of its affiliates and the views of other market professionals may be different than theirs. Neither the Bank nor the Selling Agent nor any of their affiliates expresses any views on the future performance of the Index.*

Unless otherwise indicated, all dollar or currency amounts expressed herein are Canadian currency.

## SUITABILITY FOR INVESTMENT

An investment in Deposit Notes is suitable only for investors prepared to assume risks with respect to a return tied to the performance of the Index. The return on the Deposit Notes, if any, is uncertain in that an Investor may not receive anything more at the Maturity Date than the Principal Amount. **The Principal Amount is guaranteed to be repaid only if the Deposit Notes are held to the Maturity Date.** A person should reach a decision to invest in the Deposit Notes only after carefully considering, with his or her advisors, the suitability of this investment in light of his or her investment objectives and the information set out in this Information Statement. The Deposit Notes are not conventional indebtedness in that they have no fixed yield. It is possible that the Deposit Notes could produce no yield at the Maturity Date. Therefore, the Deposit Notes are not suitable investments for Investors requiring or expecting certainty of yield. See “Risk Factors”.

## ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, the Deposit Notes offered hereby would, if issued on the date of this Information Statement, be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans (other than a trust governed by a deferred profit sharing plan to which contributions are made by the Bank or by an employer with which the Bank does not deal at arm’s length within the meaning of such Act).

## SUMMARY

*The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Information Statement. Capitalized terms that are used but not defined in this Summary are defined elsewhere in this Information Statement. See “Glossary” for defined terms.*

**Issue:** The Bank of Nova Scotia SC Universe Bond Index™ Deposit Notes, Series 3.  
**Bank:** The Bank of Nova Scotia.  
**Denominations:** The Deposit Notes will be sold in denominations of Cdn \$100 per Deposit Note (the “Principal Amount”), with a minimum subscription of fifty (50) Deposit Notes per Investor (i.e. \$5,000).

<b>Subscription Price:</b>	<u>Price to an Investor<sup>(1)</sup></u>	<u>Selling Agent Fees</u>	<u>Proceeds to the Bank<sup>(2)</sup></u>
	\$100 per Deposit Note . . . . .	\$1.00	\$99.00

- (1) The price to be paid by each Investor upon issuance has been determined by negotiation between the Bank and the Selling Agent.  
 (2) Before deduction of expenses of issue, which will be paid by the Bank out of its general funds.

**Maturity Date/Term:** The Deposit Notes will mature on or about April 11, 2012, resulting in a term to maturity of approximately 5 years.

**Initial Index Date:** The Initial Index Level will be as published by PC-Bond at the Closing Time on the Issue Date, subject to the provisions set out under “Description of the Deposit Notes — Special Circumstances — Market Disruption Event”.

**Issue Date:** On or about April 11, 2007.

**Final Index Level Date:** The Final Index Level will be as published by PC-Bond at the Closing Time on the date that is three Business Days prior to the Maturity Date (the “Final Index Level Date”), subject to the provisions set out under “Description of the Deposit Notes — Special Circumstances — Market Disruption Event”.

**Underlying Index:** Scotia Capital Universe Bond Index™. PC-Bond is the sponsor of the Index.

**Maturity Redemption Amount:** The amount payable on the Maturity Date in respect of each Deposit Note (the “Maturity Redemption Amount”) will, subject to matters discussed under “Description of the Deposit Notes — Special Circumstances”, be equal to the sum of: (i) the Principal Amount; and (ii) the Variable Return, if any. The Maturity Redemption Amount will not be less than the Principal Amount. **Unless the Final Index Level is higher than the Initial Index Level, after subtracting the Program Fee, no Variable Return will be payable on the Deposit Notes.**

**Variable Return:** The Deposit Notes do not carry a fixed rate of interest. The Variable Return, if any, that an Investor receives at the Maturity Date will be equal to the positive dollar amount, if any, determined as follows:

$$\text{Variable Return} = \text{PA} \times \frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}} - \text{Program Fee}$$

Where:

“PA” is the Principal Amount.

“Final Index Level” is the level of the Index at the Closing Time on the Final Index Level Date, as published by PC-Bond.

“Initial Index Level” is the level of the Index at the Closing Time on the Issue Date, as published by PC-Bond.

“Program Fee” is the amount, if any, determined as set forth under “Summary — Program Fee”.

Payment of Variable Return, if any, may be deferred in certain circumstances to ensure compliance with Canadian laws governing interest rates. See “Description of the Deposit Notes — Deferred Payment”. **The amount of the Variable Return, if any, will be reduced by the Program Fee. See “Description of the Deposit Notes — Program Fee.”**

The amount and method of calculating Variable Return, if any, and the timing of the payment of Variable Return, if any, may be affected by Market Disruption Events, which could defer payment beyond maturity. In all cases, the Principal Amount of the Deposit Note will only be payable at maturity.

**Program Fee:**

The Program Fee is designed to compensate the Bank for the fees and expenses of the Offering and will reduce the amount of Variable Return, if any, payable in respect of the Deposit Notes. No Program Fee will be paid if the Base Variable Return (being the Variable Return prior to deducting the Program Fee) is not positive. The Program Fee will be determined as follows:

$$(\text{Principal Amount} + \text{Base Variable Return}) \times 0.7368\% \text{ p/a} \times 5 \text{ years.}$$

**No Redemption:**

The Deposit Notes are not redeemable, either at the option of the Investor or the Bank, prior to the Maturity Date.

**Deferral of Payment:**

In certain circumstances, payment of Variable Return, if any, at maturity may be deferred to ensure compliance with Canadian laws regarding interest rates. See “Deferred Payment”.

**Market Disruption Event:**

If a Market Disruption Event in respect of the Index is in effect on the Issue Date or the Final Index Level Date, the determination of the Initial Index Level or the Final Index Level, as applicable, will be postponed to a later date. As a result, payment of Variable Return, if any, (but not the Principal Amount) may be deferred. See “Description of the Deposit Notes — Special Circumstances — Market Disruption Event”.

**Extraordinary Event:**

The occurrence of an Extraordinary Event may result in the early determination of the Variable Return, if any, payable to Investors. If an Extraordinary Event occurs, the Bank may elect to pay the Variable Return, if any, to Investors at that time or, instead, defer payment of any such Variable Return until the Maturity Date. Notwithstanding the occurrence of an Extraordinary Event, the Principal Amount of each Deposit Note will not, under any circumstances, be repaid until the Maturity Date. See “Description of the Deposit Notes — Special Circumstances — Extraordinary Event”.

**Secondary Market:**

There is currently no market through which the Deposit Notes may be sold. There can be no assurance that a secondary market for the Deposit Notes will develop or, if such market does develop, that it will be sustained or liquid. The Deposit Notes will not be listed on any stock exchange. However, an Investor may be able to sell Deposit Notes prior to maturity in any available secondary market. The Selling Agent intends to use reasonable efforts to initiate and maintain a secondary market for the Deposit Notes, but reserves the right not to do so at any time in the future, in its sole discretion, without providing prior notice to Investors. These efforts will consist of posting a daily bid price (the “Bid Price”) through FundSERV for the Deposit Notes. The Selling Agent may, for any reason, elect not to purchase Deposit Notes from any particular Investor. **If an Investor sells a Deposit Note to the Selling Agent within the first 720 days from the Issue Date, the Investor will receive sale proceeds equal to the Bid Price for the Deposit Note as determined by the Selling Agent minus any applicable Early**

**Trading Charge.** A sale of Deposit Notes originally purchased through FundSERV will be subject to certain additional procedures and limitations established by FundSERV. See “Description of the Deposit Notes — Secondary Trading of Deposit Notes”, “FundSERV” and “Risk Factors”.

**Early Trading Charge:**

During the first 720 days following the issuance of the Deposit Notes, an Early Trading Charge will apply to any secondary market sale of a Deposit Note through the Selling Agent. The Early Trading Charge will be equal to a percentage of the Principal Amount of the Deposit Note, determined as follows:

<u>If Sold Within</u>	<u>Early Trading Charge</u>
0-90 days . . . . .	2.50%
91-180 days . . . . .	2.25%
181-270 days . . . . .	2.00%
271-360 days . . . . .	1.75%
361-450 days . . . . .	1.50%
451-540 days . . . . .	1.25%
541-630 days . . . . .	1.00%
631-720 days . . . . .	0.50%
Thereafter . . . . .	Nil

**An Investor should be aware that any valuation price for Deposit Notes appearing on his or her monthly or quarterly investment account statement will be BEFORE deduction of any applicable Early Trading Charge. An Investor wishing to sell Deposit Notes prior to the Maturity Date should consult with his or her investment advisor as to whether an Early Trading Charge is payable and, if so, how much it will be.**

**Use of Proceeds:**

The Net Proceeds will not be held by the Bank in trust for Investors in any segregated or other account, but rather the Bank will use the Net Proceeds for its general banking purposes. See “Use of Proceeds”.

**Status:**

The Deposit Notes will constitute direct, unsubordinated and unsecured obligations of the Bank ranking *pari passu* among themselves and equally with all other unsecured, unsubordinated indebtedness of the Bank from time to time outstanding. The Deposit Notes are not insured under the provisions of the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime.

**Credit Rating:**

**The Deposit Notes have not been rated.** As of the date of this Information Statement, the Bank’s deposit liabilities with a term of more than one year were rated AA by Dominion Bond Rating Service, Limited (“DBRS”), AA – by Standard & Poors Ratings Service, a division of the McGraw-Hill Companies, Inc. (“S&P”) and Aa3 by Moody’s Investors Service Inc. (“Moody’s”). There can be no assurance that if the Deposit Notes were specifically rated by these rating agencies that they would have the same rating as the Bank’s other deposit liabilities. **A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.** See “Description of the Deposit Notes — Credit Rating”.

**Income Tax Considerations:**

This income tax summary is subject to the limitations and qualifications set out under the heading “Certain Canadian Federal Income Tax Considerations”. Except in the case of an Extraordinary Event, a Material

Index Change, or a cessation of the calculation and dissemination of the Index, there should be no deemed accrual of interest on the Deposit Notes under the “prescribed debt obligation” rules of the Act and the Regulations until the taxation year of an Initial Investor that includes the Maturity Date. Where the Variable Return is determined because of an Extraordinary Event but payment is deferred until the Maturity Date or the Variable Return is determined prior to the Maturity Date because of a Material Index Change or because of a cessation of the calculation and dissemination of the Index, then the Variable Return will generally be required to be accrued by the Initial Investor in accordance with the “prescribed debt obligation” rules of the Act and the Regulations. Where there is an early payment of the Variable Return as a result of an Extraordinary Event the full amount of such Variable Return payment will generally be required to be included in an Initial Investor’s income in the taxation year of such Initial Investor in which the Variable Return is calculable. The full amount of the Variable Return paid to an Initial Investor at the Maturity Date will generally be required to be included in an Initial Investor’s income in the taxation year of such Initial Investor that includes the Maturity Date. Although not free from doubt, an Initial Investor who disposes of, or is deemed to dispose of, a Deposit Note (other than by virtue of repayment of the Deposit Note on the Maturity Date) should realize a capital gain (or capital loss) to the extent that the proceeds of disposition of the Deposit Note, less any costs of disposition, exceed (or are exceeded by) the Initial Investor’s adjusted cost base of the Deposit Note. **Initial Investors who dispose of Deposit Notes prior to the Maturity Date should consult their tax advisors with respect to their particular circumstances.**

See “Certain Canadian Federal Income Tax Considerations”.

**Book Entry Registration:**

The Deposit Notes will be evidenced by a single global Deposit Note held by a depository (initially being CDS Clearing and Depository Service Inc.), or its nominee on its behalf, as registered holder of the Deposit Notes. Registration of the interests in and transfers of the Deposit Notes will be made only through its book-entry system. Subject to certain limited exceptions, you will not be entitled to any certificate or other instrument from us or the depository evidencing the ownership thereof and you will not be shown on the records maintained by the depository except through an agent who is a participant of the depository.

**Risk Factors:**

Investors should consider carefully certain risk factors set out under “Risk Factors” before reaching a decision to buy the Deposit Notes.

## DESCRIPTION OF THE DEPOSIT NOTES

### Issue

The Bank of Nova Scotia SC Universe Bond Index™ Deposit Notes, Series 3, will be issued by the Bank on the Issue Date. The maximum offering size is \$100,000,000. The Bank reserves the right to change the maximum offering size at any time without notice. The Bank reserves the right to close the subscription books at any time.

### Principal Amount and Minimum Subscription

Each Deposit Note will be issued in a Principal Amount of Cdn \$100. The minimum subscription per Investor will be fifty (50) Deposit Notes (\$5,000).

### Maturity and Repayment of Principal Amount

Each Deposit Note will mature on the Maturity Date, on which date the Investor will receive the Principal Amount (\$100 per Deposit Note) and Variable Return, if any. If the Maturity Date does not occur on a Business Day, then the Maturity Date will be deemed to occur on the next following Business Day and no interest or other compensation will be paid in respect of any such postponement.

### Variable Return

Each Deposit Note will bear Variable Return, if any, payable in Canadian dollars. Variable Return, if any, will be an amount in Canadian dollars determined by the Calculation Agent in accordance with the following formula:

$$\text{Variable Return} = \text{PA} \times \frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}} - \text{Program Fee}$$

Where:

“PA” is the Principal Amount.

“Final Index Level” is the level of the Index at the Closing Time on the Final Index Level Date, as published by PC-Bond.

“Initial Index Level” is the level of the Index at the Closing Time on the Issue Date, as published by PC-Bond.

“Program Fee” is the amount determined as set forth under “Description of the Deposit Notes — Program Fee”.

Variable Return, if any, will be paid only on the Maturity Date, subject to the circumstances described under “Description of the Deposit Notes — Deferred Payment” and “Description of the Deposit Notes — Special Circumstances”. **Payment of Variable Return, if any, may be deferred in certain circumstances to ensure compliance with Canadian laws governing interest rates.**

The expected value of the Variable Return will be a function of a number of variables, including but not limited to: (a) the level of the Index on the Issue Date; (b) the level of the Index on the Final Index Date; (c) the amount of the Program Fee; and (d) the absence of the circumstances described under “Description of the Deposit Notes — Special Circumstances”. The relationship between these factors is complex and may also be influenced by various political, economic and other factors. Due to the method used to price the Variable Return, if any, the expected value of the Variable Return may be substantially less than the value computed only with reference to relative level of the Index. **The Variable Return, if any, will be reduced by the amount of the Program Fee. See “Description of the Deposit Notes — Program Fee”.**

**It is possible that no Variable Return will be payable. No Variable Return will be paid if the Final Index Level is not higher than the Initial Index Level after subtracting the Program Fee. See “Risk Factors — Variable Return May be Zero”.**

An Investor cannot elect to receive the Variable Return, if any, before the Maturity Date.

## Program Fee

The Program Fee is designed to compensate the Bank for the fees and expenses of the Offering and will reduce the amount of Variable Return, if any, payable in respect of the Deposit Notes. The Program Fee is the amount determined as follows:

$$(\text{Principal Amount} + \text{Base Variable Return}) \times 0.7368\% \text{ p/a} \times 5 \text{ years.}$$

## Examples of Variable Return

The examples set out below demonstrate how Variable Return, if any, is to be calculated. **These examples are included for illustrative purposes only. The Initial Index Level and Final Index Level used to illustrate the calculation of Variable Return are not estimates or forecasts of how the Index may perform from the Issue Date to the Final Date.**

### Example 1 — Positive Performance

#### Assumptions:

Initial Index Level: 610  
Final Index Level: 900  
Principal Amount: \$10,000

$$\text{Base Variable Return} = \text{Principal Amount} \times \frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}}$$

$$= \$10,000 \times \frac{900 - 610}{610} = \$4,754.10$$

$$\begin{aligned} \text{Program Fee} &= (\text{Principal Amount} + \text{Base Variable Return}) \times 0.7368\% \text{ p/a} \times 5 \text{ years} \\ &= (\$10,000 + \$4,754.10) \times 3.684\% = \$543.54 \end{aligned}$$

$$\begin{aligned} \text{Variable Return} &= \text{Base Variable Return} - \text{Program Fee} \\ &= \$4,754.10 - \$543.54 = \$4,210.56 \end{aligned}$$

$$\text{Maturity Redemption Amount} = \$10,000 + \$4,754.10 - \$543.54 = \$14,210.56$$

The Maturity Redemption Amount payable to the Investor on the Maturity Date is \$14,210.56, which represents the sum of the Principal Amount (\$10,000) and the Base Variable Return (\$4,754.10) less the Program Fee (\$543.54).

### Example 2 — Negative Performance

#### Assumptions:

Initial Index Level: 610  
Final Index Level: 590  
Principal Amount: \$10,000

The Final Index Level is less than the Initial Index Level. No Variable Return is paid and no Program Fee is applied when the Final Index Level is equal to or less than the Initial Index Level.

$$\text{Variable Return} = \$0$$

$$\text{Maturity Redemption Amount} = \$10,000 + \$0 - \$0 = \$10,000$$

The Maturity Redemption Amount payable to the Investor is \$10,000, which represents the sum of the Principal Amount (\$10,000), and the zero Variable Return less the zero Program Fee.

## **Credit Rating**

**The Deposit Notes have not been rated.** As of the date of this Information Statement the deposit liabilities of the Bank with a term to maturity of more than one year are rated AA by DBRS, AA – by S&P and Aa3 by Moody's. There can be no assurance that, if the Deposit Notes were specifically rated by these rating agencies, they would have the same rating as the other deposit liabilities of the Bank. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

## **Use of Proceeds**

The Net Proceeds will not be held by the Bank in trust for the Investors in any segregated or other account, but rather the Bank will use the Net Proceeds of the Offering for its general banking purposes.

## **Secondary Trading of Deposit Notes**

There is currently no market through which the Deposit Notes may be sold. There can be no assurance that a secondary market for the Deposit Notes will develop or, if such market does develop, that it will be sustained or liquid. The Deposit Notes will not be listed on any stock exchange. However, Investors may be able to sell Deposit Notes prior to maturity in any available secondary market. The Selling Agent intends to use reasonable efforts to initiate and maintain a secondary market for the Deposit Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Investors. These efforts will consist of posting a daily Bid Price determined by the Selling Agent through FundSERV for the Deposit Notes. The Selling Agent may, for any reason, elect not to purchase Deposit Notes from any particular Investor. Each sale of a Deposit Note to the Selling Agent will be effected at a price equal to: (i) the Bid Price for the Deposit Note; minus (ii) any applicable Early Trading Charge. See "FundSERV" for details regarding secondary trading where the Deposit Notes are held through participants in FundSERV.

The Bid Price for a Deposit Note will be affected by a number of factors, the most important of which are: (i) the Principal Amount of the Deposit Note which is payable on maturity; and (ii) the expected value of the Variable Return, if any. Generally the longer the term to maturity, and the higher the prevailing interest rates at the time such Bid Price is obtained, the less the Deposit Note will be worth. The expected value of the Variable Return will be a function of a number of variables, including but not limited to: (a) the volatility of the Index; (b) the remaining term to maturity of the Deposit Notes; and (c) various other factors including, but not limited to, prevailing interest rates, and market demand for the Deposit Notes. The relationship between these factors is complex and may also be influenced by various political, economic and other factors that can affect the Bid Price of a Deposit Note. Due to the method used to price the Variable Return, the expected value of the Variable Return may be less than the value computed only with reference to the performance of the Index.

If an Investor sells Deposit Notes prior to maturity, the Investor may have to do so at a discount from the original Principal Amount even if the performance of the Index has been positive and, as a result, the Investor may suffer losses. See "Risk Factors — Liquidity Risk and Secondary Market".

## Early Trading Charge

During the first 720 days following the issuance of the Deposit Notes, an Early Trading Charge will apply to any secondary market sale of a Deposit Note through the Selling Agent. The Early Trading Charge will be equal to a percentage of the Principal Amount of the Deposit Note, determined as follows:

<u>If Sold Within</u>	<u>Early Trading Charge</u>
0-90 days . . . . .	2.50%
91-180 days . . . . .	2.25%
181-270 days . . . . .	2.00%
271-360 days . . . . .	1.75%
361-450 days . . . . .	1.50%
451-540 days . . . . .	1.25%
541-630 days . . . . .	1.00%
631-720 days . . . . .	0.50%
Thereafter . . . . .	Nil

**An Investor should be aware that any price for the Deposit Notes appearing on his or her monthly or quarterly investment account statement will be before the application of any applicable Early Trading Charge. An Investor wishing to sell Deposit Notes prior to the Maturity Date should consult with his or her investment advisor as to whether any Early Trading Charge is payable and, if so, how much it will be.**

The Deposit Notes are generally not suitable for an Investor who requires liquidity prior to the Maturity Date. An Investor should consult his or her investment advisor as to whether it would be more favorable in the circumstances at any time to sell Deposit Notes (assuming the availability of a secondary market) or hold Deposit Notes until the Maturity Date. An Investor should also consult his or her tax advisor as to the income tax consequences arising from a sale prior to the Maturity Date as compared to holding the Deposit Note until the Maturity Date. See “Canadian Federal Income Tax Considerations”.

## Special Circumstances

Over the term of the Deposit Notes, certain events affecting the Index may occur. Following the occurrence of any such event, the Calculation Agent may be required to make decisions with respect to the Deposit Notes relating to the calculation of Variable Return, if any, and the valuation of the Index.

In connection with the foregoing, the Calculation Agent will make its calculations and determinations in good faith and using commercially reasonable procedures in order to produce a commercially reasonable result; provided, however, that absent manifest error, all of the Calculation Agent’s calculations and determinations will be final and binding on Investors, without any liability on the part of the Bank or the Calculation Agent, and Investors will not be entitled to any compensation from the Bank or the Calculation Agent for any loss suffered as a result of any of the Calculation Agent’s calculations or determinations. See “Risk Factors”.

### *Market Disruption Event*

If the Calculation Agent determines that a Market Disruption Event has occurred and is continuing on the Issue Date or the Final Index Level Date, then the determination of the Initial Index Level or the Final Index Level, as the case may be, will be postponed to the next following Business Day on which there is no Market Disruption Event in effect.

There will be a limit for postponement of the determination of the Initial Index Level or the Final Index Level, as the case may be. If, on the eighth Business Day following the date originally scheduled as the Issue Date or the Final Index Level Date, a Market Disruption Event continues in effect then, subject as set forth below, notwithstanding the occurrence of any Market Disruption Event on or after such eighth Business Day, the Calculation Agent may determine that:

- (i) such eighth Business Day shall be the Initial Index Level Date or the Final Index Level Date, as the case may be; and

- (ii) the Closing Value of the Index as of such eighth Business Day shall be determined by the Calculation Agent in accordance with the formula and method of calculating the Closing Value of the Index last in effect prior to the first day on which the relevant Market Disruption Event occurred using exchange traded or quoted prices on such eighth Business Day for each security underlying the Index or, if the Market Disruption Event pertains to any particular security, using the Calculation Agent's good faith estimate, without any liability on the part of the Calculation Agent, of the value for such security on such eighth Business Day and taking into account all market circumstances considered by the Calculation Agent to be relevant, acting reasonably (the "MDE Formula").

A Market Disruption Event may delay the determination of the Final Index Level and, consequently, the calculation of Variable Return, if any, payable on the Maturity Date. In such circumstances, the Bank may delay such payment until the tenth Business Exchange Day after the Final Price has been determined.

#### ***Extraordinary Event***

If the Calculation Agent determines that one or more Extraordinary Events have occurred, the Bank may, at its option upon notice to the Investors (the date of such notification being the "Extraordinary Event Notification Date"), elect to accelerate the determination of Variable Return, if any, on all outstanding Deposit Notes. Upon such election, Variable Return, if any, per Deposit Note will be determined and calculated by the Calculation Agent as of the Extraordinary Event Notification Date or the next following Business Day if such date is not a Business Day, subject to the following:

- (i) the Final Index Level shall be determined as of the Business Day immediately following the Extraordinary Event Notification Date; and
- (ii) if a Market Disruption Event has occurred and is continuing, the Final Index Level shall be determined in accordance with the MDE Formula.

In the event of the early determination of the Variable Return, if any, as a consequence of the occurrence of an Extraordinary Event, the Bank may, at its option, elect to: (i) pay the Variable Return, if any, prior to Maturity Date; or (ii) defer payment of the Variable Return, if any, until the Maturity Date. If the Bank elects to pay the Variable Return, if any, prior to the Maturity Date, payment will be made no later than the tenth Banking Day after the Extraordinary Event Notification Date.

Notwithstanding the occurrence of an Extraordinary Event, payment of the Principal Amount per Deposit Note will not be accelerated and will remain due and payable only on the Maturity Date.

#### ***Discontinuation or Modification of the Index***

If, at any time during the term of the Deposit Notes, PC-Bond should cease calculation and dissemination of the Index either temporarily or permanently, the Calculation Agent may, in its sole discretion, but is not required to, designate a successor to the Index (a "Successor Index").

Any Successor Index will be designated by the Calculation Agent using its discretion on the basis that the Successor Index will be substantially similar to the Index. If the Calculation Agent designates a Successor Index, then the Index will be deemed, for all purposes in respect of the Deposit Notes, to be the Successor Index. In such circumstances, Variable Return, if any, will be calculated on the basis of the Initial Index Level and Final Index Level of the Successor Index on the Initial Index Date and the Final Index Date, respectively, in accordance with the formula previously set out herein. If the Calculation Agent, in its discretion, elects not to designate a Successor Index, then Variable Return, if any, will be calculated using the level of the Index as at the Closing Time on the last Business Day that the Index was published prior to the cessation of its calculation and dissemination. In no event, however, will Variable Return, if any, be paid prior to the Maturity Date.

If, on or prior to the Final Index Level Date in the sole judgement of the Calculation Agent, a material change is made in the formula or the method of calculating the Index or there is a material modification to the Index (other than a modification prescribed in the formula or method to maintain the Index in event of changes

to the Bonds in the Index and other routine events) (in either case, a “Material Index Change”) then the Calculation Agent may, in its discretion:

- (i) determine that such Material Index Change has a material effect on Variable Return and, if so, may calculate Variable Return as of the last Business Day that the Index was published prior to the Material Index Change;
- (ii) designate a Successor Index; or
- (iii) continue to calculate Variable Return, based on the Index, in accordance with the formula previously set out under “Description of the Deposit Notes — Variable Return”.

In no event will Variable Return, if any, be paid prior to the Maturity Date.

Neither the Calculation Agent nor the Bank is responsible for good faith errors or omissions in calculating or disseminating information regarding the Index or in other adjustments or calculations by the Calculation Agent including those used to determine the amount of Variable Return, if any.

## **Form of the Deposit Notes**

### ***General***

Each Deposit Note will be represented by a global Deposit Note representing the entire issuance of Deposit Notes. The Bank will issue Deposit Notes evidenced by certificates in definitive form to a particular Investor only in limited circumstances.

### ***Global Deposit Note***

The Bank will issue the registered Deposit Notes in a form of the fully registered global Deposit Note that will be deposited with a depository (initially being CDS) and registered in the name of such depository or its nominee in a denomination equal to the aggregate Principal Amount of the Deposit Notes. Unless and until it is exchanged in whole for Deposit Notes in definitive registered form, the registered global Deposit Note may not be transferred except as a whole by and among the depository, its nominee or any successors of such depository or nominee.

The Bank anticipates that the following provisions will apply to all arrangements in respect of a depository.

Ownership of beneficial interests in a global Deposit Note will be limited to persons, called participants, that have accounts with the relevant depository or persons that may hold interests through participants. Upon the issuance of a registered global Deposit Note, the depository will credit, on its book-entry registration and transfer system, the participants’ accounts with the respective Principal Amounts of the Deposit Notes beneficially owned by the participants. Any dealers participating in the distribution of the Deposit Notes will designate the accounts to be credited. Ownership of beneficial interests in a registered global Deposit Note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depository, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants.

So long as the depository, or its nominee, is the registered owner of a registered global Deposit Note, that depository or its nominee, as the case may be, will be considered the sole owner or holder of the Deposit Notes represented by the registered global Deposit Note for all purposes. Except as described below, owners of beneficial interests in a registered global Deposit Note will not be entitled to have the Deposit Notes represented by the registered global Deposit Note registered in their names, will not receive or be entitled to receive physical delivery of the Deposit Notes in definitive form and will not be considered the owners or holders of Deposit Notes. Accordingly, each person owning a beneficial interest in a registered global Deposit Note must rely on the procedures of the depository for that registered global Deposit Note and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder. The Bank understands that under existing industry practices, if the Bank requests any action of holders or if an owner of a beneficial interest in a registered global Deposit Note desires to give or take any action that a holder is entitled to give or take in respect of the Deposit Notes, the depository for the registered

global Deposit Note would authorize the participants holding the relevant beneficial interests to give or take that action, and the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them.

Payments on the Deposit Notes represented by a registered global Deposit Note registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the registered global Deposit Note. The Bank will not have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial ownership interests in the registered global Deposit Note or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

The Bank expects that the depositary for any of the Deposit Notes represented by a registered global Deposit Note, upon receipt of any payment on the Deposit Notes, will immediately credit participants' accounts in amounts proportionate to their respective beneficial interests in that registered global Deposit Note as shown on the records of the depositary. The Bank also expects that payments by participants to owners of beneficial interests in a registered global Deposit Note held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of those participants.

### *Definitive Deposit Notes*

If the depositary for any of the Deposit Notes represented by a registered global Deposit Note is at any time unwilling or unable to continue to properly discharge its responsibilities as depositary, and a successor depositary is not appointed by the Bank within 90 days, the Bank will issue Deposit Notes in definitive form in exchange for the registered global Deposit Note that had been held by the depositary.

In addition, the Bank may at any time and in its sole discretion decide not to have any of the Deposit Notes represented by one or more registered global Deposit Notes. If the Bank makes that decision, the Bank will issue Deposit Notes in definitive form in exchange for all of the registered global Deposit Notes representing the Deposit Notes.

Except in the circumstances described above, beneficial owners of the Deposit Notes will not be entitled to have any portions of such Deposit Notes registered in their name, will not receive or be entitled to receive physical delivery of the Deposit Notes in certificated, definitive form and will not be considered the owners or holder of a global Deposit Note.

Any Deposit Notes issued in definitive form in exchange for a registered global Deposit Note will be registered in the name or names that the depositary gives to the Bank or its agent, as the case may be. It is expected that the depositary's instructions will be based upon directions received by the depositary from participants with respect to ownership of beneficial interests in the registered global Deposit Note that had been held by the depositary.

The text of any Deposit Notes issued in definitive form will contain such provisions as the Bank may deem necessary or advisable. The Bank will keep or cause to be kept a register in which will be recorded registrations and transfers of Deposit Notes in definitive form if issued. Such register will be kept at the offices of the Bank, or at such other offices notified by the Bank to Investors.

No transfer of a definitive Deposit Note will be valid unless made at such offices upon surrender of the certificate in definitive form for cancellation with a written instrument of transfer in form and as to execution satisfactory to the Bank or its agent, and upon compliance with such reasonable conditions as may be required by the Bank or its agent and with any requirement imposed by law, and entered on the register.

Payments on a definitive Deposit Note will be made by cheque mailed to the applicable registered Investor at the address of the Investor appearing in the aforementioned register in which registrations and transfers of Deposit Notes are to be recorded or, if requested in writing by the Investor at least five Business Days before the date of the payment and agreed to by the Bank, by electronic funds transfer to a bank account nominated by the Investor with a bank in Canada. Payment under any definitive Deposit Note is conditional upon the Investor first delivering the Deposit Note to the Bank which reserves the right, in the case of payment of Variable Return and

the Principal Amount under the Deposit Note in full at any time, to retain the Deposit Note and mark the Deposit Note as cancelled.

### **Deferred Payment**

Federal laws of Canada preclude the charging of interest or other amounts for the advancing of credit at effective rates in excess of 60% per annum. When any payment is to be made by the Bank to an Investor at the Maturity Date, payment of a portion of such payment constituting a Variable Return that would exceed 60% per annum may be deferred to ensure compliance with such laws. In addition, the Bank may withhold a portion of any payment to an Investor that the Bank is legally able or required to withhold. The Bank will pay the portion so deferred to the Investor together with interest at the Bank's equivalent term deposit rate as soon as Canadian law permits.

### **Status**

The Deposit Notes will constitute direct, unsubordinated and unsecured obligations of the Bank ranking pari-passu among themselves with all other direct, unsecured and unsubordinated indebtedness of the Bank from time to time outstanding. Investors will not have the benefit of any insurance under the provisions of the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime.

### **Dealings in Bonds**

The Bank may from time to time, in the course of its normal business operations, hold interests linked to any Bond. The Bank and its affiliates may deal in the Bonds underlying the Index and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with the issuer of any Bond or any other person or entity having obligations relating to such issuers and may act with respect to such business in the same manner as it would if the Deposit Notes did not exist, regardless of whether any such action may have an adverse effect on the value of any Bond and thus the Variable Return, if any, payable in respect of the Deposit Notes. The Bank and its affiliates may, whether by virtue of the relationships described above or otherwise, from time to time be in possession of information in relation to any issuer of any Bond that may not be publicly available or known to Investors, and the Deposit Notes do not create an obligation on the part of the Bank or its affiliates to disclose to Investors such relationship or information (whether or not confidential).

### **Notification**

All notices to Investors regarding the Deposit Notes will be valid and effective: (i) if such notices are given (which notice may be given by wire or fax) to the applicable depository (initially being CDS); or (ii) in the case where the Deposit Notes are directly registered in the Investors' names and issued in definitive form, if such notices are mailed or otherwise delivered to the registered addresses of the Investors; provided, however, that any required notice of an Extraordinary Event will also be published in the Toronto and national editions of a major daily English language Canadian newspaper with national circulation and in a daily French language newspaper of general circulation in Montreal.

### **Amendments to the Deposit Notes**

The terms of the Deposit Notes may be amended without the consent of the Investors by the Bank if, in the reasonable opinion of the Bank, the amendment would not materially and adversely affect the interests of the Investors. In other cases, the terms of the Deposit Notes may be amended if the Bank proposes the amendment and if the amendment is approved by a resolution passed by the favourable votes of the Investors holding not less than 66⅔% of the Deposit Notes represented at a meeting convened for the purpose of considering the resolution. The quorum for a meeting of Investors is at least two Investors represented in person or by proxy holding at least 10% of the Deposit Notes outstanding. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting will be adjourned to another day, not less than 10 days or more than 21 days later, selected by the Bank and notice will be given to the Investors of such adjourned meeting. The

Investors present at the adjourned meeting will constitute a quorum. Each Investor is entitled to one vote per Deposit Note held by such Investor for the purposes of voting at meetings.

The Deposit Notes do not carry the right to vote in any other circumstances.

### **Investors' Right of Rescission**

A person may rescind any order to buy a Deposit Note (or its purchase if issued) within 48 hours of the earlier of actual receipt and deemed receipt of the Information Statement. Upon rescission, the person is entitled to a refund of the Principal Amount. This rescission right does not extend to Investors buying a Deposit Note in the secondary market. A person will be deemed to have received the Information Statement: (i) on the day recorded as the time of sending by the server or other electronic means, if provided by electronic means; (ii) on the day recorded as the time of sending by fax, if provided by fax; (iii) five days after the postmark date, if provided by mail, and (iv) when it is received, in any other case.

### **PLAN OF DISTRIBUTION**

Each Deposit Note will be issued for a subscription price of 100% of the Principal Amount thereof (Cdn \$100 per Deposit Note). The subscription price was determined by negotiation between the Bank and the Selling Agent. The Selling Agent is a wholly owned subsidiary of the Bank. As a result, the Bank is a related Bank of the Selling Agent under applicable securities legislation.

The closing of this offering is scheduled to occur on or about April 4, 2007. The Bank may, at any time prior to the Issue Date, in its discretion, elect whether or not to proceed in whole or in part with the issue of the Deposit Notes. Subscriptions 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. Upon acceptance of a subscription, the Selling Agent will deliver or cause to be delivered a confirmation of acceptance by prepaid mail or other means of delivery to the subscriber.

The Bank will pay selling expenses of \$1.00 per Deposit Note to qualified selling group members for selling the Deposit Notes. The selling expenses will be paid out of the proceeds of the offering. The Selling Agent may form a sub-agency group including other qualified selling members and determine the fee payable to the members of such group, which fee will be paid by the Selling Agent out of its own funds. While the Selling Agent has agreed to use its best efforts to sell the Deposit Notes offered hereby, the Selling Agent will not be obligated to purchase any Deposit Notes which are not sold. For greater certainty, the Selling Agent may purchase Deposit Notes offered hereby as principal.

A global Deposit Note for the full amount of the Offering will be issued in registered form to CDS and will be deposited with CDS on the Closing Date. Subject to certain exceptions, certificates evidencing the Deposit Notes will not be available to Investors under any circumstances and registration of interests in and transfer of Deposit Notes will be made through the Book-Entry System of CDS. See "Description of the Deposit Notes — Form of the Deposit Notes".

In connection with the issue and sale of the Deposit Notes by the Bank, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement or the global Deposit Note and the Bank does not accept responsibility for any information not contained herein or therein. This Information Statement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. The Deposit Notes have not, and will not be, registered under the 1933 Act or any State securities laws and, subject to certain exceptions may not be offered for sale, sold or delivered, directly or indirectly, in the United States, its territories or possessions or to or for the account or benefit of U.S. persons within the meaning of Regulation S under the 1933 Act. The Deposit Notes may not be offered or sold to residents of any country or jurisdiction in Europe. The Deposit Notes are being offered and sold in Canada only.

Dealers may from time to time purchase and sell Deposit Notes in any available secondary market but are not obligated to do so. The offering price and other selling terms for such sales in a secondary market may, from time to time, be varied by such dealers.

The Bank reserves the right to issue additional Deposit Notes of this series or a series previously issued, and other debt securities which may have terms substantially similar to the terms of the Deposit Notes offered hereby, which may be offered by the Bank concurrently with the Deposit Notes. The Bank further reserves the right to purchase for cancellation at its discretion any amount of Deposit Notes in a secondary market, without notice to Investors.

## **FUNDSERV**

### **General**

Some Investors may purchase Deposit Notes through dealers and other firms that facilitate purchase and related settlement through a clearing and settlement service operated by FundSERV Inc. (“FundSERV”). The following FundSERV information is pertinent for such Investors. Investors should consult with their financial advisors as to whether their Deposit Notes have been purchased through FundSERV and to obtain further information on FundSERV procedures applicable to those Investors.

Where an Investor’s purchase order for Deposit Notes is effected by a dealer or other firm through FundSERV, such dealer or other firm may not be able to accommodate a purchase of Deposit Notes through certain registered plans for purposes of the Income Tax Act (Canada). Investors should consult their financial advisors as to whether their orders for Deposit Notes will be made through FundSERV and any limitations on their ability to purchase Deposit Notes through certain registered plans.

FundSERV is owned and operated by both fund sponsors and distributors and provides distributors of funds and certain other financial products (including brokers and dealers who sell investment funds, companies who administer registered plans that include investment funds and companies who sponsor and sell financial products) with online order access to such financial products. FundSERV was originally designed and is operated as a mutual fund communications network facilitating the members in electronically placing, clearing and settling mutual fund orders. In addition, FundSERV is currently used in respect of other financial products that may be sold by financial planners, such as the Deposit Notes. FundSERV enables its participants to clear certain financial product transactions between participants, to settle the payment obligations arising from such transactions, and to make other payments between themselves.

### **FundSERV Deposit Notes Held Through Scotia Capital Inc., a CDS Participant**

As stated above, all Deposit Notes will initially be issued in the form of a fully registered global Deposit Note that will be deposited with CDS. Deposit Notes purchased through FundSERV (“FundSERV Deposit Notes”) will also be evidenced by that Global Note, as are all other Deposit Notes. See “Description of the Deposit Notes — Form of the Deposit Notes” above for further details on CDS as a depositary and related matters with respect to the Global Note. Investors holding FundSERV Deposit Notes will therefore have an indirect beneficial interest in the Global Note. That beneficial interest will be recorded in CDS as being owned by Scotia Capital Inc., as a direct participant in CDS. Scotia Capital Inc. will in turn record in its records respective beneficial interests in the FundSERV Deposit Notes. An Investor should understand that Scotia Capital Inc. will make such recordings as instructed through FundSERV by the Investor’s financial advisor.

### **Purchase Through FundSERV**

In order to complete the purchase of FundSERV Deposit Notes, the full subscription price (i.e., the aggregate Principal Amount therefor) must be delivered to Scotia Capital Inc. in immediately available funds by no later than the Issue Date. Despite delivery of such funds, Scotia Capital Inc. reserves the right not to accept any offer to purchase FundSERV Deposit Notes. If FundSERV Deposit Notes are not issued to the Investor for any reason, such funds will be returned forthwith to the Investor. In any case, whether or not the FundSERV Deposit Notes are issued, no interest or other compensation will be paid to the Investor on such funds.

### **Sale Through FundSERV**

An Investor wishing to sell FundSERV Deposit Notes prior to the Maturity Date is subject to certain procedures and limitations to which an Investor holding Deposit Notes through a “full service broker” with

direct connections to CDS may not be subject. Any Investor wishing to sell a FundSERV Deposit Note should consult with his or her financial advisor in advance in order to understand the timing and other procedural requirements and limitations of selling. An Investor must sell FundSERV Deposit Notes by using the “redemption” procedures of FundSERV; any other sale or redemption is not possible. Accordingly, an Investor will not be able to negotiate a sales price for FundSERV Deposit Notes. Instead, the financial advisor for the Investor will need to initiate an irrevocable request to “redeem” the FundSERV Deposit Note in accordance with the then established procedures of FundSERV. Generally, this will mean the financial advisor will need to initiate such request by 1:00 p.m. (Toronto time) on a Banking Day (or such other time as may hereafter be established by FundSERV). Any request received after such time will be deemed to be a request sent and received on the next following Banking Day. Sale of the FundSERV Deposit Note will be effected at a sale price equal to (i) the “net asset value” of a Deposit Note as of the close of business on the applicable Banking Day as posted to FundSERV by Scotia Capital Inc., minus (ii) any applicable Early Trading Charge (as outlined under “Secondary Trading of Deposit Notes”). The “net asset value” of a Deposit Note will factor in accrued interest, if any. The Investor should be aware that, although the “redemption” procedures of FundSERV would be utilized, the FundSERV Deposit Notes of the Investor will not be redeemed by Scotia Capital Inc. but rather will be sold in the secondary market to Scotia Capital Inc. In turn, Scotia Capital Inc. will be able in its discretion to sell those FundSERV Deposit Notes to other parties at any price, to hold them in its inventory or to arrange for purchase for cancellation by the Bank.

Investors should also be aware that from time to time such “redemption” mechanism to sell FundSERV Deposit Notes may be suspended for any reason without notice, thus effectively preventing Investors from selling their FundSERV Deposit Notes. Potential Investors requiring liquidity should carefully consider this possibility before purchasing FundSERV Deposit Notes.

Scotia Capital Inc. is the “fund sponsor” for the FundSERV Deposit Notes within FundSERV. It is required to post a “net asset value” for the FundSERV Deposit Notes on a daily basis, which value may also be used for valuation purposes in any statement sent to Investors. See the second paragraph under the heading “Description of the Deposit Notes — Secondary Trading of Deposit Notes” for some of the factors that will determine the “net asset value” or Bid Price of the Deposit Notes at any time. The sale price will actually represent Scotia Capital Inc.’s Bid Price for the Deposit Notes as of the close of business for the applicable Banking Day less any applicable Early Trading Charge. There is no guarantee that the sale price for any day is the highest bid price possible in any secondary market for the Deposit Notes, but will represent Scotia Capital Inc.’s Bid Price generally available to all Investors as at the relevant close of business, including clients of Scotia Capital Inc.

An Investor holding FundSERV Deposit Notes should realize that such FundSERV Deposit Notes may not be transferable to another dealer, if the Investor were to decide to move his or her investment account to such other dealer. In that event, the Investor would have to sell the FundSERV Deposit Notes pursuant to the procedures outlined above.

## **THE SCOTIA CAPITAL UNIVERSE BOND INDEX™**

### **General**

The Index is designed to be a broad measure of the Canadian investment-grade fixed income market. As of February 16, 2007, the Index consisted of 999 securities, with a total market value of approximately \$657 billion. Returns are calculated daily, and are weighted by market capitalization, so that the return on a Bond influences the return on the Index in proportion to the Bond’s market value. The Index has been published since 1979. It is intended to be a transparent index, with individual security holdings disclosed electronically each day.

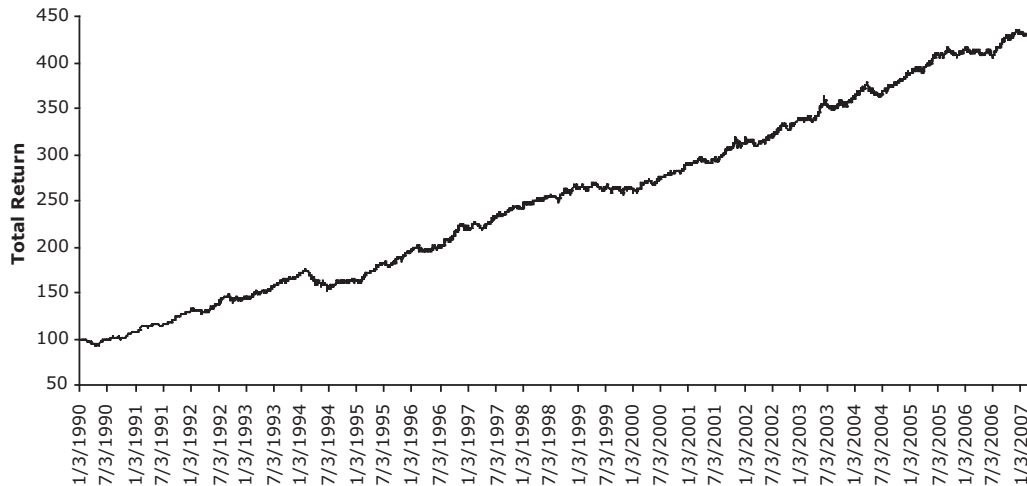
### **Index Statistics (As at February 16, 2007)**

<u>Average Term</u>	<u>Average Coupon</u>	<u>Average Yield</u>	<u>Modified Duration</u>	<u>Val of 01</u>	<u>Convexity</u>
10.13 yrs	5.481%	4.35%	6.534	7.654	0.879

## Historical Performance of the Index

The following chart illustrates the values of the Index from January 1, 1990 through to January 31, 2007. The chart is a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the Index or the Deposit Notes.

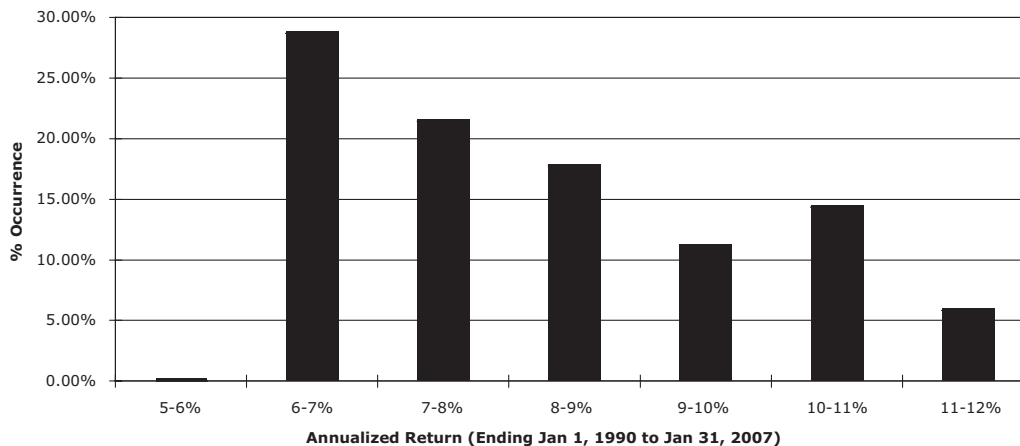
**Scotia Capital Universe Bond Index™ —  
Growth of \$100 invested — January 1, 1990 to January 31, 2007**



Source: Scotia Capital Inc.

The following chart illustrates the distribution of annualized returns for five-year periods beginning January 1, 1990-1995 and ending January 31, 2002-2007. The chart is a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the Index or the Deposit Notes.

**Scotia Capital Universe Bond Index™  
Distribution of Annualized Returns over Rolling Five Year Periods  
(January 1, 1990 to January 31, 2007)**



Source: Scotia Capital Inc.

PC-Bond (and its predecessors) have been publishing indices to measure the performance of the Canadian fixed income market since 1947. PC-Bond's indices are the most widely used fixed income performance benchmarks in Canada. The best known of these indices is the Index, which tracks the broad Canadian bond market. In addition to the Index, PC-Bond publishes a variety of sub-indices for different term and credit

sectors, as well as indices for tracking other segments of the market, including High Yield, Euro, and Yankee Bonds, inflation-indexed Real Return Bonds, Strip Bonds, 20+ Bonds, Maple Bonds, T-Bills, and residential and commercial Mortgage-Backed Securities.

***Information Sources and Publications***

The Index can be monitored on a daily basis through a variety of electronic information channels.

PC-Bond’s internet site, [www.canadianbondindices.com](http://www.canadianbondindices.com), contains a full description of the Index methodology and also provides daily Index returns and statistics for the Index.

Daily Index performance is also available through electronic information sources like Bloomberg, Reuters, as well as major newspapers.

Bloomberg	SMFR		
Reuters	Pages SM2A to SM2N SM2E: month to date returns SM2F: quarter to date returns SM2G: year to date returns	In print	Globe and Mail, National Post, Bank of Canada Weekly, Monthly Financial Review
Index Inquiries	<a href="mailto:pcbond@tsx.com">pcbond@tsx.com</a>	Internet	<a href="http://www.canadianbondindices.com">www.canadianbondindices.com</a>

**Disclaimer**

The Deposit Notes are not sponsored, endorsed, sold or promoted by the PC-Bond Group. The PC-Bond Group make no representation, condition or warranty, express or implied, regarding the advisability of investing in securities generally or in the Deposit Notes particularly or the ability of the Index to track general bond market performance or any other economic factors. PC-Bond’s relationship to Scotia Capital Inc. is restricted to the licensing (or sublicensing) of certain data sourced from Scotia Capital Inc., from which PC-Bond derives the Index, which is determined, composed and calculated by PC-Bond without regard to Scotia Capital Inc. or the Deposit Notes. PC-Bond also licenses certain trade-marks from The Bank of Nova Scotia. PC-Bond has no obligation to take the needs of Scotia Capital Inc. or the Investors into consideration in determining, composing or calculating the Index. PC-Bond is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Deposit Notes to be issued or in the determination or calculation of Variable Return. PC-Bond has no obligation or liability in connection with the administration, marketing or trading of the Deposit Notes.

PC-Bond Group does not guarantee the accuracy and/or the completeness of the Index or any data included therein or any other data provided by the PC-Bond Group and PC-Bond Group shall have no liability for any interruptions, delays, errors or omissions therein. PC-Bond Group makes no warranty, condition or representation, express or implied, as to results to be obtained by Scotia Capital Inc., Investors, or any other person or entity from the use of the Index or any data included therein or any other data provided by the PC-Bond Group. PC-Bond Group makes no express or implied warranties, representations or conditions, and expressly disclaims all warranties or conditions of merchantability, merchantable quality or fitness for a particular purpose or use and any other express or implied warranty or condition with respect to the Index or any data included therein or any other data provided by the PC-Bond Group. Without limiting any of the foregoing, in no event shall PC-Bond Group have any liability for any special, punitive, indirect or consequential damages (including lost profits), even if notified of the possibility of such damages.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Deposit Notes by an Investor who purchases Deposit Notes at the time of their issuance (“Initial Investor”). This summary is applicable only to an Initial Investor who is an individual (other than a trust) and, for the purposes of the *Income Tax Act* (Canada) (the “Act”), is a resident of Canada, deals at arm’s length, and is not affiliated, with the Bank and holds Deposit Notes as capital property. The Deposit Notes will generally be considered to be capital property to an Initial Investor unless: (i) the Initial Investor holds the Deposit Notes in the course of carrying on or otherwise as part of a business of trading or dealing in or buying and selling securities; or (ii) the Initial Investor acquired the Deposit Notes as an adventure in the nature of trade. The determination of whether the Deposit Notes are held as capital property for purposes of the Act should take into account, among other factors, whether the Deposit Notes are acquired with the intention or secondary intention of selling them prior to the Maturity Date. Certain Initial Investors resident in Canada whose Deposit Notes might not otherwise be considered to be capital property or who desire certainty with respect to the treatment of the Deposit Notes as capital property may be entitled to make an irrevocable election to have the Deposit Notes and all of the Initial Investor’s other “Canadian securities” deemed to be capital property pursuant to subsection 39(4) of the Act. This summary does not apply to an Initial Investor that is a corporation, partnership or trust.

This summary is based on the current provisions of the Act and the regulations thereunder as in force on the date hereof (the “Regulations”), the current administrative and assessing practices of the Canada Revenue Agency (the “CRA”) published in writing prior to the date hereof and all specific proposals to amend the Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (“Tax Proposals”) and assumes all Tax Proposals will be enacted substantially as proposed; however, no assurance can be given that the Tax Proposals will be enacted as proposed or at all. This summary does not, except for the Tax Proposals, otherwise take into account or anticipate any changes in law or the CRA’s administrative or assessing practices, whether by legislative, governmental or judicial action. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Deposit Notes and does not take into account provincial, territorial or foreign income tax legislation or considerations, which are not addressed in this summary.

**This summary is of a general nature only and is not intended to be legal or tax advice to any Investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Deposit Notes, based on their particular circumstances.**

### Variable Return

A Deposit Note is a “prescribed debt obligation” within the meaning of the Act. The rules in the Regulations applicable to a prescribed debt obligation generally require a taxpayer to accrue the amount of any interest, bonus or premium receivable in respect of the obligation over the term of the obligation, based on the maximum amount of interest, bonus or premium receivable on the obligation. Based in part on the CRA’s administrative practice with regard to prescribed debt obligations, there should be no deemed accrual of the Variable Return on the Deposit Notes under these provisions prior to the Maturity Date, provided that no Extraordinary Event or Material Index Change has occurred, and provided that the Variable Return has not been calculated early due to a cessation of calculation and dissemination of the Index.

When in a particular taxation year, as a result of an Extraordinary Event, the Variable Return is determined but the Bank elects to defer the payment of the Variable Return until the Maturity Date, or the Variable Return is determined early because of a Material Index Change or a cessation in the calculation and dissemination of the Index, the portion of the Variable Return that has accrued from the date of purchase of the Deposit Note up to the anniversary date of the Deposit Note in that particular taxation year generally will be required to be included in the Initial Investor’s income, except to the extent that the amount was otherwise included in income for the taxation year or a preceding taxation year. Thereafter, in each of the following taxation years, the annual accrual rules in the Regulations applicable to a prescribed debt obligation will generally apply to include in the Initial Investor’s income, the appropriate portion of the Variable Return.

Where a payment of the Variable Return takes place prior to the Maturity Date as a result of an Extraordinary Event, the full amount of such payment will be required to be included in the Initial Investor's income in the taxation year of the Initial Investor in which the Variable Return becomes calculable except to the extent that any amount of the Variable Return has been included in the Initial Investor's income for that or a preceding year.

The Bank will file an information return with the CRA in respect of any amount required to be included in an Initial Investor's income as described above and will provide the Initial Investor with a copy of such return.

### **Disposition of Deposit Notes**

On a disposition to the Bank of a Deposit Note at the Maturity Date, an Initial Investor will be required to include in income for the taxation year in which the disposition occurs, the amount, if any, of the Variable Return, except to the extent otherwise included in income in the taxation year or a preceding taxation year. The Bank will file an information return with the CRA in respect of any such amount to be included in an Initial Investor's income and will provide the Initial Investor with a copy of such return. The Initial Investor will realize a capital gain (or a capital loss) to the extent that the proceeds received from the Bank, less the Variable Return so included in income, exceed (or are less than) the aggregate of the Initial Investor's adjusted cost base of the Deposit Note and any reasonable costs of disposition.

In certain circumstances, where an Initial Investor assigns or otherwise transfers a debt obligation, the amount of interest accrued on the debt obligation to that time, but unpaid, will be excluded from the proceeds of disposition of the obligation and will be required to be included as interest in computing the Initial Investor's income for the taxation year in which the transfer occurs, except to the extent that it has been otherwise included in income for that year or a preceding year. Other than in the event of an Extraordinary Event, a Material Index Change, or a cessation in the calculation and dissemination of the Index, there should be no amount in respect of the Variable Return that will be treated as accrued interest on an assignment or transfer of a Deposit Note prior to the Maturity Date. Except as described above regarding a payment at the Maturity Date by the Bank, while the matter is not free from doubt, an amount received by an Initial Investor on a disposition or deemed disposition of a Deposit Note should give rise to a capital gain (or capital loss) to the extent proceeds of disposition exceed (or are less than) the aggregate of the Initial Investor's adjusted cost base of the Deposit Note and any reasonable costs of disposition. **Initial Investors who dispose of Deposit Notes prior to the Maturity Date should consult their tax advisors with respect to their particular circumstances.**

One-half of a capital gain realized by an Initial Investor must be included in the income of the Initial Investor. One-half of a capital loss realized by an Initial Investor is deductible against the taxable portion of capital gains realized in the year, in the three preceding years or in subsequent years, subject to and in accordance with the rules in the Act.

Capital gains realized by an individual may give rise to a liability for alternative minimum tax under the Act.

### **DESCRIPTION OF THE BANK**

The Bank was granted a charter under the laws of the Province of Nova Scotia in 1832, and commenced operations in Halifax, Nova Scotia in that year. Since 1871, the Bank has been a chartered bank under the Bank Act (Canada) (The "Bank Act"). The Bank is a Schedule I bank under the Bank Act and the Bank Act is its charter. The head office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia and the executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1. A copy of the Bank's by-laws are available on [www.sedar.com](http://www.sedar.com).

The Bank is one of North America's premier financial institutions and Canada's most international bank. The Bank is a full-service financial institution, active in both domestic and international markets. In Canada, the Bank provides a full range of retail, commercial, corporate, investment and wholesale banking services through its extensive network of branches and offices across Canada. With close to 57,000 employees, the Bank and its affiliates have branches and offices serving almost 12 million customers in some 50 countries, which provide a wide range of banking and financial services, either directly or through subsidiary and associated banks, trust companies and other financial institutions.

The Bank has three major business lines: Domestic Banking, International Banking and Scotia Capital. Each of these three business lines is discussed below and additional information on each of the Bank's business lines is available in the 2006 Management's Discussion and Analysis found on page 42 of the Annual Report.

### ***Domestic Banking***

The Bank's Domestic Banking business line provides a full range of banking and investment services to retail and small business banking, commercial and wealth management customers across Canada. Retail Banking provides a full range of financial products and services to nearly 7 million customers through a multi-channel domestic delivery network that includes 972 branches; 2,742 automated banking machines ("ABMs"); telephone, wireless and internet banking; three call centres, 100 wealth management branches, four dealer finance centres; and six commercial and business banking centres. Retail and Small Business Banking supplies mortgages, loans, credit cards, investments, insurance and day-to-day banking products to individuals and small businesses. Wealth Management provides a full range of products and services including: retail brokerage (discretionary, non-discretionary and self-directed); investment management advice; mutual funds and savings products; and financial planning and private client services for affluent clients. Commercial Banking delivers a full product suite to medium and large businesses.

### ***International Banking***

The Bank's International Banking business line operates in more than 40 countries and includes operations in the following geographic regions: the Caribbean and Central America, Mexico, Latin America, and Asia. International Banking includes the Bank's retail and commercial banking operations outside of Canada. Including the Bank's subsidiaries and affiliates, more than 27,100 employees worldwide provide a full range of services to over 4.7 million customers. In the Caribbean and Central America, the Bank operates in 25 countries with 372 branches and offices and a network of 844 ABMs and employs over 11,200 staff. In Mexico, Grupo Financiero Scotiabank Inverlat, S.A. de C.V. is the sixth-largest financial group in the Mexican banking system, serving more than 1.4 million customers through 494 branches and offices, and has a network of 1,122 ABMs, nearly 7,400 employees and a significant portion of the rapidly expanding mortgage and automotive financing markets. In Latin America, the Bank's holdings include Scotiabank Sud Americano, S.A. in Chile, Scotiabank Peru S.A.A. and an affiliate in Venezuela. In Chile, the Bank operates 53 branches and offices and provides personal, commercial and corporate banking services. The Bank expanded its operations in Peru in 2006, which resulted in 77.57% ownership of the third-largest bank in the country, with 140 branches and other operations. In the Asia Pacific region, the Bank operates in nine countries with 24 branches and offices. Current activities are focused on commercial banking and trade finance, along with some wholesale banking.

### ***Scotia Capital***

Scotia Capital provides full service wholesale banking to corporate, government and institutional clients across the NAFTA region as well as other selected niche markets globally. Scotia Capital has 18 offices and more than 300 relationship managers who are organized primarily around industry specialties. Scotia Capital is organized into two main businesses. Global Corporate and Investment Banking is organized geographically with four groups: Canadian Corporate and Investment Banking; United States Corporate; Europe Corporate; and Mexico Wholesale. In Canada, Scotia Capital provides wholesale banking services. In Mexico, Scotia Capital offers a full suite of wholesale products, as well as cash management, trade finance and correspondent banking to our Mexico-based clients. The United States and European units provide corporate lending products as well as select non-lending products. Global Capital Markets represents the Bank's trading businesses and operates in Canada, the United States, Mexico, Western Europe and Asia. Global Capital Markets specializes in fixed income, derivatives, foreign exchange, and equity sales, trading and research, and through ScotiaMocatta, precious metals.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Information Statement from documents filed by the Bank with securities commissions or similar authorities in Canada.** Copies of the documents incorporated by reference may be obtained on request without charge from the Executive Vice-President, General Counsel and Secretary, The Bank of Nova Scotia, Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1, telephone: (416) 866-3672.

The following documents are specifically incorporated by reference into, and form an integral part of, this Information Statement:

- (i) the Bank's Annual Information Form dated December 19, 2006;
- (ii) the Bank's consolidated financial statements as at and for the years ended October 31, 2006 and 2005 together with the auditors' report thereon, including management's discussion and analysis of financial condition and results of operations as contained in the Bank's Annual Report for the year ended October 31, 2006; and
- (iii) the Bank's Management Proxy Circular accompanying its Notice of Meeting dated January 15, 2007.

**Any documents of the type referred to in the preceding paragraph and any unaudited interim financial statements for three, six or nine month financial periods, any information circulars; any material change reports (excluding confidential material change reports), news releases containing financial information concerning the Bank for periods following October 31, 2006 and any business acquisition reports for acquisitions completed after October 31, 2006 filed by the Bank with a securities regulatory authority in Canada after the date of this Information Statement and prior to the completion or withdrawal of this offering, are deemed to be incorporated by reference in this Information Statement.**

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contemplated in this Information Statement shall be deemed to be modified or superseded for purposes of this Information Statement 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 it or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or 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 Information Statement.**

## RISK FACTORS

Prior to investing in the Deposit Notes, prospective investors should carefully consider the following risk factors:

### **Suitability of Deposit Notes for Investment**

A person should reach a decision to invest in the Deposit Notes only after carefully considering, with his or her own investment, legal, accounting, tax and other advisors, the suitability of the Deposit Notes in light of his or her investment objectives and the information set out in this Information Statement. For instance, an investment in a Deposit Note is not suitable for a person seeking a guaranteed or fixed rate of return. The Bank, the Agent and the Calculation Agent make no recommendation as to the suitability of the Deposit Notes for investment by any particular person. The Deposit Notes have certain investment characteristics that differ from fixed income investments. The Deposit Notes will not provide Investors with Variable Return prior to the Maturity Date and may not provide any Variable Return at maturity. Therefore, an investment in the Deposit Notes is only suitable for an Investor prepared to assume risks with an investment whose return is tied to the performance of the Index. The Principal Amount is only repaid if the Deposit Notes are held to the Maturity Date. The Deposit Notes are not conventional indebtedness. The Deposit Notes could produce no yield. Therefore, the Deposit Notes are not suitable investments for Investors who need or expect a positive annual return.

## **Comparison to Other Obligations**

The terms of the Deposit Notes differ from those of ordinary obligations or debt instruments, in that a return, if any, is payable on the Deposit Notes only at the Maturity Date in most circumstances and only to the extent that the Final Index Level exceeds the Initial Index Level after deducting the Program Fee. Whether the Final Index Level will exceed the Initial Index Level after deducting the Program Fee is contingent on events that are inherently difficult to predict and which are beyond the Bank's control. Accordingly, there can be no assurance that more than the Principal Amount will ever be payable with respect to the Deposit Notes. Moreover, the value of an investment in the Deposit Notes may diminish over time owing to inflation and other factors that adversely affect the present value of future payments. Accordingly, an investment in the Deposit Notes may result in a lower return when compared to alternative investments.

## **No Guaranteed Return on Deposit Notes**

While an Investor is entitled to payment on the Maturity Date which cannot be less than the Principal Amount of the Deposit Note, the Deposit Notes do not bear a fixed rate of interest and there can be no assurance that the Deposit Notes will bear any return. Historical returns on the Index should not be considered as an indication of the future performance of the Deposit Notes. No assurance can be given, and none is intended to be given, that the Index will appreciate in the period during which the Deposit Notes are outstanding and that any return will be achieved on the Deposit Notes at the Maturity Date.

## **Pledging**

The ability of an Investor to pledge the Deposit Notes or otherwise take action with respect to such Investor's interest in such Deposit Notes (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

## **No Variable Return May Be Payable**

Variable Return, if any, payable on the Deposit Notes is directly linked to the change in Index level between the Initial Index Level and the Final Index Level (which may be positive or negative), subtracting the Program Fee. The Program Fee will reduce the amount of Variable Return, if any, that might otherwise be paid to an Investor in the Deposit Notes. In order for any Variable Return to be paid, the performance of the Index between the Issue Date and the Final Index Level Date must exceed the Program Fee. See "Description of the Deposit Notes — Variable Return".

## **Variable Return Not the Same as Owning the Bonds in the Index**

Variable Return, if any, on the Deposit Notes will not necessarily reflect the return an Investor would realize if the Investor actually owned the Bonds underlying the Index.

## **Historical Performance of the Index is not an Indication of Future Performance**

Variable Return, if any, will be determined on the basis of the performance of the Index. The historical performance of the Index is not necessarily indicative of the future performance of the Index. The performance of the Index will be influenced by complex and interrelated political, economic, financial and other factors.

## **Risks Relating to the Index**

While the trading prices of the Bonds comprising the Index will determine the value of the Index, it is impossible to predict whether the Final Index Value will exceed the Initial Index Value. Trading prices of the Bonds comprising the Index will be influenced by both the complex and interrelated political, economic, financial and other factors that can affect the capital markets generally and the bond markets on which the underlying Bonds are traded. The composition of the Index may also change from time to time.

## **Liquidity Risk and Secondary Market**

The Principal Amount and Variable Return, if any, per Deposit Note are only payable at maturity (subject, in the case of Variable Return, to deferral of payment upon the occurrence of an Extraordinary Event and in

certain other circumstances related to compliance with Canadian interest laws). An Investor cannot elect to receive Variable Return prior to the Maturity Date. The Deposit Notes will not be listed on any stock exchange. However, the Selling Agent intends to use reasonable efforts to initiate and maintain a secondary market for the Deposit Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to Investors. These efforts will consist of posting a daily Bid Price for the Deposit Notes through FundSERV. The Selling Agent may, for any reason, elect not to purchase Deposit Notes from any particular Investor. Investors may sell the Deposit Notes in any such secondary market prior to maturity. The Bid Price of the Deposit Note will be affected by a number of factors, the most important of which are: (i) the Principal Amount of the Deposit Note which is payable on maturity; and (ii) the expected value of the Variable Return. Generally the longer the term to maturity, and the higher the prevailing interest rates, the less the Deposit Note will be worth. The expected value of the Variable Return will be a function of a number of variables, including but not limited to: (a) the level of the Index on the Initial Index Date; (b) the level of the Index on the Final Index Date; (c) the performance of the Index; (d) the Program Fee; and (e) the absence of the circumstances described under “Description of the Deposit Notes — Special Circumstances — Extraordinary Events” and “Description of the Deposit Notes — Special Circumstances — Discontinuation and Modification of the Index”. The relationship between these factors is complex and may also be influenced by various political, economic and other factors. Due to the method used to price the Variable Return, if any, the expected value of the Variable Return may be less than the value computed only with reference to relative level of the Index. If an Investor sells Deposit Notes prior to maturity, the Investor may have to do so at a discount from the Principal Amount even if the performance of the Index has been positive and, as a result, the Investor may suffer losses. An Investor who sells a Deposit Note prior to the Maturity Date may have to pay an Early Trading Charge to the Selling Agent of up to 2.50% of the Principal Amount.

#### **Potential Conflicts of Interest between the Investor and The Bank of Nova Scotia**

The Bank of Nova Scotia is the issuer of the Deposit Notes. Scotia Capital, will, as the Calculation Agent, calculate the amount of Variable Return, if any, to be paid to Investors at maturity. The Calculation Agent may also be required to exercise its judgment in relation to the Deposit Notes from time to time. For example, the Calculation Agent may have to determine whether an Extraordinary Event has occurred, and may, as a consequence, have to make certain calculations and determinations. The Calculation Agent may also have to determine whether a Successor Index is required or any modifications to the Index are required. While the Calculation Agent is required to make such calculations and determinations in good faith and using commercially reasonable procedures in order to produce a commercially reasonable result, absent manifest error, all of the Calculation Agent’s calculations and determinations will be final and binding on Investors, without any liability on the Calculation Agent’s, the Selling Agent’s or the Bank’s part, and Investors will not be entitled to any compensation from the Calculation Agent, the Selling Agent or the Bank for any loss suffered as a result of any of the Calculation Agent’s calculations and determinations. Since the Calculation Agent’s calculations and determinations may affect the market value of the Deposit Notes, the Bank may have a conflict of interest if the Calculation Agent needs to make any such calculations and determinations.

Since the Bank and the Calculation Agent may be the same person, the Calculation Agent may have an economic interest adverse to those of Investors, including with respect to the Bank’s hedging arrangements with respect to the Deposit Notes and with respect to certain determinations that the Calculation Agent must make including, without limitation, whether an Extraordinary Event has occurred. The Bank and its affiliates may also deal in the Bonds underlying the Index and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with any issuer of any Bond underlying the Index or any other person or entity having obligations relating to such issuers and may act with respect to such business in the same manner as it would if the Deposit Notes did not exist, regardless of whether any such action might have an adverse effect on the value of the Index and, thus, the Variable Return payable in respect of the Deposit Notes. The Bank and its affiliates may, whether by virtue or the relationships described above or otherwise, from time to time be in possession of information in relation to any issuer of any Bond underlying the Index that may not be publicly available or known to Investors, and the Deposit Notes do not create an obligation on the part of the Bank or its affiliates to disclose to Investors such relationships or such information (whether or not confidential).

## **Adjustments In Special Circumstances**

If the Calculation Agent should cease calculation and dissemination of the Index either temporarily or permanently the Calculation Agent may select a Successor Index. If so, Variable Return, if any, will be based on the performance of that Successor Index, over the term of the Deposit Notes and the difference between the performance of the Index and the performance of the Successor Index may be material. Alternatively the Calculation Agent may calculate Variable Return, if any, as of the last Business Day prior to the cessation of publication. See “Description of The Deposit Notes — Special Circumstances — Discontinuation or Modification of the Index”. In the case of a Material Index Change, the Calculation Agent may determine that such Material Index Change has a material effect on Variable Return and, if so, shall calculate Variable Return as of the last Business Day that the Index was published prior to the Material Index Change, designate a Successor Index, or continue to calculate Variable Return, based on the Index, in accordance with the formula previously set out under “Description of the Deposit Notes — Variable Return”. See “Description of The Deposit Notes — Special Circumstances — Discontinuation or Modification of the Index”.

## **Market Disruption Event**

If a Market Disruption Event occurs on the Issue Date or the Final Index Level Date, the determination of the Initial Index Level or the Final Index Level, as the case may be, (and, possibly, any subsequent payment of Variable Return, if any) may be delayed. Fluctuations in the Closing Value of the Index may occur in the interim. In the event that a Market Disruption Event occurs and continues for eight consecutive Business Days, the Calculation Agent may elect to determine the Closing Value of the Index utilizing the MDE Formula. In such circumstances, the Variable Return, if any, may be less than the Variable Return, if any, that would otherwise have been payable had the Market Disruption Event not occurred. See “Description of the Deposit Notes — Special Circumstances — Market Disruption Event”.

## **Extraordinary Event**

If the Calculation Agent determines that an Extraordinary Event has occurred, the Bank may, at its option upon notice to the Investors to be given effective on the Extraordinary Event Notification Date, elect to accelerate the determination of the Variable Return, if any, on all outstanding Deposit Notes. If so, the Bank may, at its option, elect to pay the Variable Return, if any, prior to the Maturity Date or to defer such payment until the Maturity Date. In such circumstances, the Variable Return, if any may be less than the Variable Return, if any, that would otherwise have been payable had the Extraordinary Event not occurred. However, in no event will be Principal Amount of a Deposit Note be paid prior to the Maturity Date. See “Description of the Deposit Notes — Special Circumstances — Extraordinary Event”.

## **Credit Risk**

Because the obligation to make payments on the Deposit Notes is an obligation of the Bank, the likelihood that Investors will receive the payments owing to them in connection with the Deposit Notes will be dependent upon the financial health and creditworthiness of the Bank.

## **No Deposit Insurance**

The Deposit Notes are not deposits that are insured under the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime. Therefore, an Investor will not be entitled to Canada Deposit Insurance Corporation protection.

## **Deferral of Payment**

Payment of Variable Return, if any, in respect of the Deposit Notes may be deferred to ensure compliance with Canadian laws governing interest rates.

## **Economic and Regulatory Issues**

Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, war, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects or issuers, the securities of which are reflected in the Index and, therefore, the value of the Index. None of these conditions are within the control of the Bank.

The Deposit Notes are generally not subject to Canadian securities laws. Accordingly, Investors do not have the same rights of action with respect to the disclosure in this Information Statement that a prospectus would provide. No securities commission or similar authority has in any way passed upon the merits of the Deposit Notes or the Information Statement.

## GLOSSARY

*For the purposes of this Information Statement, the following terms have respective meanings set forth below:*

**“Bank”** means The Bank of Nova Scotia.

**“Base Variable Return”** means the Variable Return, if any, prior to subtracting the Program Fee.

**“Bid Price”** means the price determined by the Selling Agent for the Deposit Notes before deduction of any applicable Early Trading Charge, as described under “Description of the Deposit Notes — Secondary Trading”.

**“Bond”** means a debt obligation contained in the Index.

**“Business Day”** means any day: (i) on which Scotia Capital and the Bank are open for business in Toronto, Ontario; and (ii) which is (or, but for the occurrence of Market Disruption Event, would have been) a Toronto business day for the trading of any Bond contained in the Index, other than a day on which trading is scheduled to close prior to its regular weekday Closing Time.

**“Calculation Agent”** means Scotia Capital.

**“CDS”** means CDS Clearing and Depository Service Inc.

**“CDS Participant”** means any broker, dealer, bank or other financial institution or other entity that participates in the book-based system of CDS.

**“Closing Time”** means approximately 4:00 p.m. on the relevant Business Day.

**“Closing Value”** means the value of the Index at approximately 4:00 p.m. on the relevant Business Day.

**“DBRS”** means Dominion Bond Rating Service Limited.

**“Deposit Notes”** means The Bank of Nova Scotia SC Universe Bond Index™ Deposit Notes, Series 3 issued by the Bank under this Information Statement.

**“Early Trading Charge”** has the meaning ascribed thereto under “Description of the Deposit Notes — Secondary Trading”.

**“Extraordinary Event”** means any of the following event that occurs on or after the Issue Date and prior to the Maturity Date where the Calculation Agent, acting in its sole and absolute discretion, has determined to designate such event as an “Extraordinary Event”: (i) the Bank is unable to effectively acquire, establish, re-establish, substitute, maintain or unwind any hedge transaction in connection with the offering of Deposit Notes or to realize, recover or remit the proceeds of any such hedging transaction; (ii) an increase in the cost of acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any hedging transaction entered into connection with the offering of Deposit Notes or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction; or (iii) as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, after such date or as a result of any other event it would become unlawful for the Bank to acquire, establish, re-establish, substitute, maintain or unwind any hedge transaction entered into in connection with the offering of Deposit Notes.

**“Extraordinary Event Notification Date”** has the meaning ascribed thereto under “Description of the Deposit Notes — Special Circumstances — Extraordinary Event”.

**“Final Index Level”** means, subject to the matters discussed under “Description of the Deposit Notes — Special Circumstances”, the level of the Index, as published by PC-Bond as at the Closing Time on the Final Index Level Date.

**“Final Index Level Date”** means, subject to the matters discussed under “Description of the Deposit Notes — Special Circumstances”, the third Business Day preceding the Maturity Date.

**“Index”** means the Scotia Capital Universe Bond Index™.

**“Initial Index Level”** means, subject to the matters discussed under “Description of the Deposit Notes — Special Circumstances”, the level of the Index as at the Closing Time on the Issue Date as published by PC-Bond.

**“Initial Index Level Date”** means the Issue Date.

**“Investors”** means all holders of the Deposit Notes and each is an “Investor”.

**“Issue Date”** means the date of initial issuance of the Deposit Notes, being April 11, 2007.

**“Market Disruption Event”** means the occurrence or existence on the Issue Date or the Final Index Level Date, as the case may be, of any of the following: (i) the occurrence or existence of any suspension of or limitation imposed on trading as at 4:00 pm Toronto time: (i) in options contracts on the benchmark bonds that may comprise the Index; or (ii) in futures contracts on the benchmark bonds that may comprise the Index if, in the determination of the Calculation Agent, such suspension or limitation is material; (ii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which would make it unlawful or impracticable for the Calculation Agent to perform its obligations under the Deposit Notes; (iii) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada or any other country, or any political subdivision thereof, which has a material adverse effect on the financial markets of Canada; or (iv) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) which has or would have a material adverse effect on the ability of the Calculation Agent to perform its obligations under the Deposit Notes or of its ability to generally place, maintain or modify hedges of positions with respect to any Bond or a material or adverse effect on the Canadian economy or the trading of Bonds generally.

**“Material Index Change”** has the meaning ascribed thereto under “Description of the Deposit Notes — Special Circumstances — Discontinuation or Modification of the Index”.

**“Maturity Date”** means April 11, 2012.

**“Maturity Redemption Amount”** means the sum of: (i) the Principal Amount; and (ii) Variable Return, if any, payable to the Investor on the Maturity Date.

**“MDE Formula”** has the meaning ascribed to that term under “Description of the Deposit Notes — Special Circumstances — Market Disruption Event.”

**“Offering”** means the offering of the Deposit Notes under this Information Statement.

**“PC-Bond”** means 2099242 Ontario Inc.

**“PC-Bond Group”** means PC-Bond, its affiliates (including TSX Group Inc.) and third party data suppliers (including Scotia Capital Inc., in its capacity as data supplier to PC-Bond).

**“Principal Amount”** means the face amount of a Deposit Note, being \$100.

**“Program Fee”** has the meaning ascribed to that term under “Description of the Deposit Notes — Program Fee”.

**“Scotia Capital”** means Scotia Capital Inc. and its affiliates.

**“Selling Agent”** means Scotia Capital Inc. and any further agents that the Bank permits to participate as a selling agent.

**“Successor Index”** has the meaning ascribed thereto under “Description of the Deposit Notes — Special Circumstances — Discontinuation or Modification of the Index” and, in the event that any Successor Index is selected by the Calculation Agent, all references herein to the Index shall be deemed to be references to such Successor Index.

**“Variable Return”** means the positive dollar amount, if any, payable in respect of a Deposit Note in excess of the Principal Amount, determined as set forth under “Description of the Deposit Notes — Variable Return”, on the Maturity Date.



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