# The Bank of Nova Scotia Deposit Notes Linked to the Scotia Canadian Dividend Fund

Scotiabank

*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 in the Information Statement attached.*

**The Bank of Nova Scotia Deposit Notes – Linked to the Scotia Canadian Dividend Fund are principal protected Deposit Notes which provide a return linked to the performance of a notional investment in the Class A Units of the Scotia Canadian Dividend Fund ("Fund").**

## FEATURES

| | |
|---|---|
| Issue: | The Bank of Nova Scotia Deposit Notes Linked to the Scotia Canadian Dividend Fund |
| Issuer: | The Bank of Nova Scotia |
| Maturity: | July 28, 2014 (8 Year Term) |
| Available: | June 19, 2006 to July 21, 2006 |
| Minimum Subscription: | $2000 |

## HIGHLIGHTS

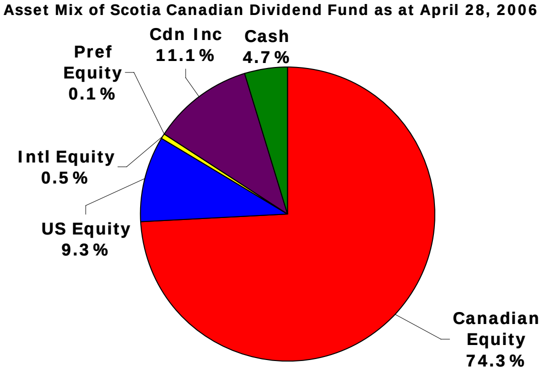
- **Returns Linked to the Scotia Canadian Dividend Fund**
- **Principal Protected at Maturity by The Bank of Nova Scotia**
- **Lower Note Fees than average MER of Canadian Dividend Funds for 2005 (by Morningstar)**

| | | | | |
|---|---|---|---|---|
| Principal Protection | The Bank of Nova Scotia if held to maturity | | | |
| Portfolio | Allocated dynamically in a portfolio consisting of a notional investment in the Scotia Canadian Dividend Fund and a notional Bond | | | |
| Leverage | Deposit Note provides up to 200% exposure to the Fund, based on net proceeds ($95.50) | | | |
| Reinvested Distributions | Fund distributions, if any, are reinvested in the notional Portfolio | | | |
| Secondary Market | There are no lockout periods. Scotia Capital Inc. will use reasonable efforts in normal market conditions to maintain a secondary market for the Deposit Notes, allowing Investors to trade out of the Deposit Notes at the bid price then established by Scotia Capital Inc. less any applicable Early Trading Charges | | | |
| RRSP Eligible | 100% qualified for RRSPs, RRIFs, RESPs and DPSPs | | | |
| Early Trading Charge | Year 1: 5.00% | Year 2: 3.50% | Year 3: 2.00% | Thereafter: Zero |
| Fees | Maximum all-inclusive fees of 2.14% per annum, which represents a cost of 0.50% over the current MER of the Fund (for the period ending December 31, 2005), lower than the average for Canadian Dividend Funds for 2005 (by Morningstar) | | | |

## SCOTIA CANADIAN DIVIDEND FUND

| | | | | |
|---|---|---|---|---|
| Fund Manager: | Scotia Securities Inc. | | | |
| Portfolio Advisor: | Scotia Cassels Investment Counsel Limited. | | | |
| Portfolio Manager: | Britt Doherty | | | |
| Net Assets: | $1,699 million (As at April 28, 2006) | | | |
| Star Rating: | Five Stars by Globefund (As at May 31, 2006) | | | |
| Quartile Ranking: (by Globefund) | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
| | 2nd | 1st | 1st | 1st |
| Fund Returns (May 31)*: | 1 Yr | 3 Yr | 5 Yr | 10 yr |
| Fund | 15.63% | 18.05% | 10.81% | 14.12% |
| S&P/TSX Composite | 24.64% | 21.84% | 9.53% | 10.24% |

Asset Mix of Scotia Canadian Dividend Fund as at April 28, 2006




*Past performance of the Fund is not necessarily indicative of future results.

**For more information, please contact your investment advisor**

# IMPORTANT INFORMATION

**The information above must be read in conjunction with the Information Statement attached. Complete information related to this issue of Deposit Notes, including the risk factors and detailed disclosures are set out in the attached Information Statement. A hard copy will be sent to all investors in the Deposit Notes.**

A prospective investor should decide to invest in the Deposit Notes only after carefully considering with his or her advisor as to whether the Deposit Notes are a suitable investment in light of the information set out in the Information Statement. None of the Fund Manager, the Portfolio Advisor nor the Bank including in its capacity as Calculation Agent, nor Scotia Capital Inc., including in its capacity as Selling Agent, makes any recommendation as to whether the Deposit Notes are a suitable investment for any person.

The Deposit Notes have certain investment characteristics that differ from conventional fixed income investments in that they do not provide Holders with any return or income stream prior to the Maturity Date, or a return at the Maturity Date that is calculated by reference to a fixed or floating rate of interest that is determinable prior to the Maturity Date. The return on the Deposit Notes (if any), unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that the Deposit Notes could produce no return on the Holder's original investment. Therefore, the Deposit Notes are not suitable investments for a Holder if the Holder needs or expects to receive any return or a specific return on investment. The Deposit Notes are designed for Holders with a long–term investment horizon who are prepared to hold the Deposit Notes to the Maturity Date and are prepared to assume risks with respect to a return tied to the performance of the Fund. Prospective purchasers should take into account additional risk factors associated with this Offering. Also, there is no assurance that the Fund will be able to meet its investment objective or avoid losses. See "Risk Factors" in the Information Statement attached.

If a Holder sells Deposit Notes prior to the Maturity Date, the Holder may have to do so at a substantial discount from the original Principal Amount even if the performance of the Portfolio has been positive, and, as a result, the Holder may suffer substantial losses. In addition, an Early Trading Charge will be applied if the Holder sells Deposit Notes prior to maturity in years 1, 2, or 3 following purchase.

The Deposit Notes are not redeemable by the Holder. The Deposit Notes are generally not suitable for a Holder who requires liquidity prior to the Maturity Date. A Holder should consult his or her investment advisor concerning whether it would be more favourable to the Holder in the circumstances at any time, to sell the Deposit Notes (assuming the availability of a secondary market) or to hold the Deposit Notes until the Maturity Date. A Holder should also consult his or her tax advisor as to the income tax consequences arising from a sale prior the Maturity Date as compared to holding the Deposit Notes until the Maturity Date.

The Bank of Nova Scotia Deposit Notes – Linked to the Scotia Canadian Dividend Fund are issued by The Bank of Nova Scotia. The price to be paid by each Holder upon issuance of a Deposit Note has been determined by agreement between the Bank and Scotia Capital Inc. (the "Selling Agent"). The Selling Agent is a subsidiary of the Bank. As a result, the Bank is a related and connected issuer of the Selling Agent under applicable securities legislation. The Fund Manager and the Portfolio Advisor are wholly owned subsidiaries of the Bank.



Scotia Capital™

**For more information, please contact your investment advisor**

**INFORMATION STATEMENT DATED JUNE 13, 2006**

*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 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.*

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# THE BANK OF NOVA SCOTIA DEPOSIT NOTES- LINKED TO THE SCOTIA CANADIAN DIVIDEND FUND

**$100,000,000 Maximum**

The Bank of Nova Scotia Deposit Notes **-** Linked to the Scotia Canadian Dividend Fund, (the "Deposit Notes") issued by The Bank of Nova Scotia (the "Bank") will mature on or about July 28, 2014 (the "Maturity Date"). The Deposit Notes have been developed to provide holders of Deposit Notes ("Holders") who hold the Deposit Notes to the Maturity Date with a principal protected product that provides up to 200% exposure to the distributions and capital appreciation of the Class A Units (the "Units") of the Scotia Canadian Dividend Fund (the "Fund") that could have otherwise been purchased with the net proceeds of the offering of the Deposit Notes. Scotia Securities Inc. ("Scotia Securities") is the manager of the Fund (the "Fund Manager") and Scotia Cassels Investment Counsel Limited ("Scotia Cassels") is the Portfolio Advisor of the Fund (the "Portfolio Advisor"). The Fund's investment objective is to earn a high level of dividend income with some potential for long-term capital growth. The Fund invests primarily in dividend-paying common shares and in a broad range of preferred shares, such as floating rate, convertible and retractable preferred shares of Canadian companies. The Fund can invest in foreign securities. It will generally invest in U.S. securities for the foreign portion of its portfolio. The Fund may invest in other mutual funds which are managed by Scotia Securities or by other mutual fund managers. The link between the Deposit Notes and the distributions and capital appreciation on the Units will be based on a notional investment of the net proceeds of the offering (the "Offering") in a portfolio of notional assets (the "Portfolio") consisting of notional Units and notional 1.15% coupon bonds ("Bonds") of the Bank and a notional loan facility (the "Loan"). It is anticipated that 100% of the Portfolio will be allocated to notional Units on the closing of the Offering. **For the avoidance of doubt, the Portfolio is notional only and all actions taken with respect thereto including, without limitation, all purchases, sales and redemptions of Units and/or Bonds, receipts of Distributions (as defined below) and drawdowns and repayments of any Loans are notional actions only.** See "Description of the Deposit Notes" and "Scotia Canadian Dividend Fund".

All distributions, if any, made by the Fund net of fees and expenses ("Distributions") on Units notionally held in the Portfolio as of the record date for any such Distribution will be notionally reinvested in the Portfolio. The Fund has indicated in its prospectus that it undertakes to pay a quarterly Distribution of income (including dividends), if any, and annual Distribution of capital gains, if any. However, there is no guarantee that the Fund will make any Distributions, in which case the reinvestment in the Fund could be zero. See "Description of the Deposit Notes – Variable Return – Reinvestment."

At the Maturity Date, each Holder will receive an amount per Deposit Note equal to: (i) the amount deposited of $100 (the "Principal Amount"); and (ii) the variable return, if any (the "Variable Return"), calculated in accordance with the Variable Return Calculation (as defined herein). The Variable Return, if any, will be based on the return on the Portfolio after the payment of certain fees and expenses. See "Fees and Expenses Associated with the Deposit Notes".

**PRICE: $100 PER DEPOSIT NOTE**
**Minimum Subscription: $2,000 (20 Deposit Notes)**

| | Price to the Public | Selling Agent's Fees | Net Proceeds to Bank |
|---|---|---|---|
| Per Deposit Note ………………….... | $100 | $4.50 | $95.50 |
| Maximum Offering (1) ……………… | $100,000,000 | $4,500,000 | $95,500,000 |

(1) The Bank has set the maximum offering at $100,000,000. The Bank reserves the right to change such amount at any time in its sole discretion.

Following closing of the Offering, the relative weighting of the Portfolio to the Units and to the Bonds will be determined in accordance with a predetermined asset allocation calculation (the "Asset Allocation Calculation"). Each Business Day (as defined herein), the Calculation Agent (as defined herein) will use the Asset Allocation Calculation to determine whether the relative proportion of notional Units and notional Bonds in the Portfolio needs to be reallocated. A number of factors will affect this allocation, including the performance of the Units, the remaining term to maturity of the Deposit Notes and interest rates as of the relevant date of determination. The Calculation Agent will employ leverage in an amount not to exceed $95.50 per outstanding Deposit Note under the Loan in order to increase the exposure of the Deposit Notes to the Distributions and the appreciation in value of the Units in the Portfolio. Any leverage employed by the Calculation Agent is without liability to any Holder. The Variable Return, if any, that a Holder receives at the Maturity Date will be reduced by the amount of interest payable to Scotia Capital on the borrowed money, calculated at an annual interest rate equal to the one–month Bankers' Acceptance Rate (as defined herein) plus 0.25% accrued daily and paid monthly. See "Description of the Deposit Notes – Asset Allocation and the Asset Allocation Calculation".

Holders of Deposit Notes will not have an ownership interest in the Units, the Bonds or any other assets notionally held in the Portfolio as a result of their investment in the Deposit Notes and will not have the rights of a holder of Units of the Fund or of a holder of Bonds.

**The Deposit Notes will constitute direct, unconditional obligations of the Bank.** The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu*, as among themselves, and with all other outstanding direct, unsecured and unsubordinated, present and future obligations (except as otherwise prescribed by law) of the Bank, and will be payable rateably without any preference or priority. **The Deposit Notes will not be deposits insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime.** See "Description of the Deposit Notes – Rank; No Deposit Insurance."

**The Deposit Notes have certain investment characteristics that differ from conventional fixed income investments in that they do not provide Holders with any return or income stream prior to the Maturity Date, or a return at the Maturity Date that is calculated by reference to a fixed or floating rate of interest that is determinable prior to the Maturity Date. The return on the Deposit Notes (if any), unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that the Deposit Notes could produce no return on the Holder's original investment. Therefore, the Deposit Notes are not suitable investments for a Holder if the Holder needs or expects to receive any return or a specific return on investment. The Deposit Notes are designed for Holders with a long–term investment horizon who are prepared to hold the Deposit Notes to the Maturity Date and are prepared to assume risks with respect to a return tied to the performance of the Fund. Prospective purchasers should take into account additional risk factors associated with this Offering. Also, there is no assurance that the Fund will be able to meet its investment objective or avoid losses. See "Risk Factors".**

**A prospective investor should decide to invest in the Deposit Notes only after carefully considering with his or her advisor as to whether the Deposit Notes are a suitable investment in light of the information set out in this Information Statement. None of the Bank, Scotia Capital Inc., the Fund Manager nor the Portfolio Advisor makes any recommendation as to whether the Deposit Notes are a suitable investment for any person.**

**If a Holder sells Deposit Notes prior to the Maturity Date (assuming the availability of a secondary market), the Holder may have to do so at a substantial discount from the original Principal Amount even if the performance of the Portfolio has been positive and, as a result, the Holder may suffer substantial losses.**

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

**The price to be paid by each Holder upon issuance of a Deposit Note has been determined by agreement between the Bank and Scotia Capital Inc. (the "Selling Agent"). The Selling Agent is a wholly-owned subsidiary of the Bank. As a result, the Bank is a related issuer of the Selling Agent under applicable securities legislation. See "Plan of Distribution".**

In this Information Statement, "$" refers to Canadian dollars, unless otherwise expressly specified.

The closing of this Offering is scheduled to occur on or about July 28, 2006 (the "Closing Date"). Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved by the Bank to close the subscription books at any time without notice. Subscriptions for Deposit Notes may be made directly through the Selling Agent or any other registered dealer. Funds in respect of all subscriptions shall be payable on the Closing Date. Upon acceptance of a subscription at closing, a confirmation of acceptance will be sent out by prepaid mail or other means of delivery to the subscriber. See "Plan of Distribution".

A global note (the "Global Note") representing all Deposit Notes issued on the Closing Date will be issued in registered form to The Canadian Depository for Securities Limited or its nominee ("CDS") and will be deposited with CDS on the Closing Date. Subject to certain exceptions, certificates evidencing the Deposit Notes will generally not be available to Holders under any circumstances and registration of interests in the Deposit Notes will be made only through CDS's book–entry only system. See "Description of the Deposit Notes – Book–Entry Only System".

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This Information Statement has been prepared for the sole purpose of assisting prospective investors in making an investment decision with respect to the Deposit Notes. 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. The Bank makes no recommendation concerning the Fund Manager, the Portfolio Advisor, the Units, the Fund or mutual funds as an asset class or the suitability of investing in securities generally or the Deposit Notes in particular. No person has been authorized to give any information or to make any representation not contained in this Information Statement and the Bank does not accept any responsibility for any information not contained in this Information Statement.

## 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 Fund. 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 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 or floating yield. In addition, it is possible that the Units will not have appreciated in value by the Maturity Date and therefore 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 the Glossary for defined terms.*

**Issue:** The Bank of Nova Scotia Deposit Notes – Linked to the Scotia Canadian Dividend Fund (the "Deposit Notes").

**Issuer:** The Bank of Nova Scotia (the "Bank").

**Subscription Price:** The Deposit Notes will be sold in denominations of $100 per Deposit Note.

**Minimum Subscription:** Minimum subscription of $2,000 (20 Deposit Notes).

**Issue Size:** A maximum of $100,000,000 principal amount of Deposit Notes will be issued by the Bank. The maximum size of the Offering may be changed at any time without notice in the sole discretion of the Bank.

**Issue Date:** The Deposit Notes will be issued on or about July 28, 2006 (the actual date of issuance being the "Issue Date").

**Maturity Date/Term:** The Deposit Notes will mature on July 28, 2014, resulting in a term to maturity of approximately eight years.

**The Fund:** Scotia Canadian Dividend Fund. See "Scotia Canadian Dividend Fund".

**Fund Manager:** Scotia Securities Inc. is the Fund Manager.

**Portfolio Advisor:** Scotia Cassels Investment Counsel Limited is the Portfolio Advisor to the Fund.

**Offering:** This Offering has been developed to provide investors with the opportunity to purchase a principal protected product that provides up to 200% of exposure (based on the Net Proceeds) to the Distributions and capital appreciation of the Class A Units of Scotia Canadian Dividend Fund. The link between the Deposit Notes and the Distributions and capital appreciation on the Units of the Fund will be based on a notional investment of the Net Proceeds of the Offering in the Portfolio, consisting of notional Units of the Fund, the Bonds and, from time to time as more specifically described herein, the Loan. It is anticipated that 100% of the Portfolio will be allocated to notional Units on the closing of the Offering. The Portfolio may include cash, from time to time, attributable to the notional Units in the Portfolio.

**The Portfolio:** The Portfolio will consist of two book–entry accounts, being the Fund Account and the Bond Account, and the Loan. The Fund Account will notionally hold Units of the Fund. It is anticipated that the Calculation Agent will initially allocate the entire Net Proceeds to the notional purchase of Units for the Fund Account. Thereafter, the Portfolio may be re–allocated and notional Units may be notionally redeemed or purchased upon the occurrence of certain events in accordance with the Asset Allocation Calculation. **For the avoidance of doubt, the Portfolio is notional only and all actions taken with respect thereto including, without limitation, all purchases, sales and redemptions of Units and/or Bonds, receipts of Distributions and drawdowns and repayments of any Loans are notional actions only.**

If the market value of the Units in the Fund Account increases or if the price for the Bonds in the Bond Account falls beyond certain thresholds, a Leveraging Event (as defined herein) will occur and additional Units will be notionally purchased using proceeds from the notional sale of Bonds and/or a notional drawdown of the Loan (subject to a maximum of $95.50 per Deposit Note). In contrast, if the market value of the Units in the Fund Account declines or the price for the Bonds in the Bond Account rises beyond a certain threshold, a De–Leveraging Event (as defined herein) will occur and Units will be notionally redeemed to repay any outstanding Loan and, if applicable, to notionally purchase Bonds. Units will be notionally redeemed and notionally purchased at their prevailing net asset value.

The Fund Account will be margined through a notional Loan. The amount of the Loan that may be outstanding from time to time will depend on the value of the notional Units, interest rates, interest and other fees payable and may increase or decrease upon the occurrence of an Allocation Event. The Asset Allocation Calculation sets the maximum limit of the outstanding Loan at $95.50 per Deposit Note. Notional interest on the Loan will be at a rate equal to the one–month Bankers' Acceptance Rate plus 0.25% per annum accrued daily and paid monthly. Units may be notionally redeemed from the Fund Account to pay the notional interest on the Loan.

From time to time, nominal amounts of cash may be notionally held in the Fund Account beginning on the Issue Date as a result of notional cash Distributions and proceeds received from the notional redemption of Units during the term of the Deposit Notes. See "Description of the Deposit Notes–The Portfolio".

The Bond Account will notionally consist of Bonds. The Bonds are notional obligations of the Bank that pay interest on a monthly basis. Bonds may be notionally purchased or sold in accordance with the Asset Allocation Calculation. It is anticipated that no Bonds will be notionally purchased on the Issue Date. Bonds will be notionally purchased when a Protection Event (as defined herein) occurs and will be notionally purchased when a De–Leveraging Event occurs only if any proceeds remain after the notional repayment of the applicable Loan. To the extent that Bonds are notionally held in the Portfolio, some or all of such Bonds will be notionally sold when a Leveraging Event occurs.

Bonds will be notionally purchased and sold at yields equal to the prevailing Canadian dollar inter–bank swap rate as reasonably determined by the Calculation Agent using the bid price for purchases and offer price for sales for a term equivalent to the remaining term of the Deposit Notes.

All Distributions, if any, made by the Fund on Units notionally held in the Portfolio as of the record date for any such Distribution will be notionally reinvested in the Portfolio. The Fund has indicated in its prospectus that it undertakes to pay a quarterly Distribution of income (including dividends), if any, and annual Distribution of capital gains. However, there is no guarantee that the Fund will make any Distributions, in which case the reinvestment in the Fund could be zero. See "Description of the Deposit Notes – Variable Return – Reinvestment".

**Asset Allocation Calculation:**

The Asset Allocation Calculation will dictate the allocation of the Portfolio, from time to time, between Units and Bonds and will dictate the amount, if any, of the outstanding Loan. The Calculation Agent will be responsible for applying the Asset Allocation Calculation, including facilitating any notional transactions in Units or Bonds and any notional drawdown or repayment of the Loan. The Asset Allocation Calculation is based on the following concepts:

- "Value Spread" means, at any time, the total of: (i) the NAV; minus (ii) the

Floor, where:

> "NAV" means, at any time the total of: (i) the value of the Fund Account and the Bond Account; plus (ii) any cash in the Fund Account at that time; minus (iii) the principal amount of the Loan outstanding at that time; minus (iv) interest on the Loan accrued and unpaid at that time; minus (v) the Program Fees (as defined herein) accrued and unpaid at that time; divided by (vi) the number of Deposit Notes outstanding.
>
> "Floor" means, at any time, the estimated offer price at that time for a Bond with a $100 face amount and a maturity date of July 28, 2014, determined by the Calculation Agent.

- "Fund Account Value" or "FAV" means, at any time, the aggregate of: (i) the amount that could be realized at that time by notionally redeeming all Units in the Fund Account; and (ii) any cash in the Fund Account at that time, expressed as an amount per Deposit Note.

On the Issue Date, Units of the Fund will be notionally purchased using the Net Proceeds of $95.50 per Deposit Note. Thereafter, the Portfolio will be rebalanced based on certain events as determined by the Value Margin (as defined herein). The Value Margin can be equivalently expressed as a ratio (the "Value Margin") as follows:

$$\text{Value Margin} = \frac{\text{Value Spread}}{\text{FAV}} = [x]\%$$

Upon the occurrence of certain events that may be triggered by changes in the Value Margin which, in turn, is triggered by changes in the Value Spread and/or the FAV (each, an "Allocation Event"), the Portfolio will be notionally re–balanced by re–allocating the assets of the Portfolio between notional Units and Bonds. The Calculation Agent will be required to monitor the Value Margin on a daily basis.

An Allocation Event will occur if, at any time on a Business Day: (i) the Value Margin falls below 16% (a "De–Leveraging Event"); (ii) the Value Margin rises above 24% (a "Leveraging Event"); or (iii) the Value Spread falls to $1.50 or less per Deposit Note (a "Protection Event").

Upon the occurrence of a Leveraging Event, Bonds notionally held in the Bond Account will be notionally sold and, thereafter the amount of Loan will be notionally drawn down (to a maximum of $95.50 per Deposit Note) and any proceeds thereof notionally applied to purchase more Units for the Fund Account.

Upon the occurrence of a De–Leveraging Event, Units in the Fund Account will be notionally redeemed and the proceeds thereof notionally applied to first reduce any Loan outstanding and pay accrued and unpaid interest, and second, to purchase Bonds for the Bond Account, if any proceeds remain.

In either case, notional purchases and sales (or redemptions) are made to return the Value Margin to approximately 20%, which is the mid point of the range.

Upon the occurrence of a Protection Event, all Units in the Fund Account will be notionally redeemed and the proceeds thereof applied first to notionally repay any Loan outstanding, to notionally pay any accrued and unpaid Loan interest and any accrued and unpaid Program Fees, and second, to notionally purchase Bonds. Following the occurrence of a Protection Event, no further notional Units will be purchased for the Fund Account (regardless of the subsequent occurrence of any Leveraging Event) with the result that, thereafter until the Maturity Date, the Portfolio will consist only of Bonds. If a Protection Event occurs, the possibility of receiving more than the Principal Amount of $100 per Deposit Note on the Maturity Date is significantly reduced. In this case, Holders may only have the Principal Amount of their Deposit Notes returned to them on the Maturity Date.

See “Description of the Deposit Notes–Asset Allocation and the Asset Allocation Calculation”.

**Consequences of an Extraordinary Event:**

If an Extraordinary Event (as defined herein) occurs, the Portfolio may thereafter not include any notional Units and may only consist of the Bond Account. If so, no Variable Return may be paid, even though the Units may earn a positive return following the occurrence of the Extraordinary Event. If an Extraordinary Event occurs, Holders will receive the Principal Amount per Deposit Note no earlier than the Maturity Date. The notional liquidated proceeds of the Fund Account less payment of the Loan, if any, up to the occurrence of the Extraordinary Event will be notionally invested in the Bond Account. If an Extraordinary Event occurs, the possibility of receiving more than the Principal Amount of $100 per Deposit Note at the Maturity Date is significantly reduced. In this case, Holders may only have the Principal Amount of their Deposit Notes returned to them on the Maturity Date. See “Description of the Deposit Notes–Extraordinary Events”.

**Amounts Payable at the Maturity Date:**

The amount payable to a Holder in respect of a Deposit Note on the Maturity Date will be equal to the sum of: (i) the Principal Amount; plus (ii) the Variable Return, if any. See “Description of the Deposit Notes–Maturity and Principal Repayment”.

**Variable Return Calculation:**

The Variable Return, if any, on a Deposit Note is linked to the performance of the Portfolio. The Variable Return, if any, per Deposit Note will be payable on the Maturity Date, subject to deferral in the case of an Extraordinary Event. The Variable Return will be the amount, if any, by which the $NAV_{FINAL}$ (as defined herein) exceeds the Principal Amount. The Variable Return Calculation is calculated as follows:

$$\text{Variable Return} = \text{Principal Amount} \times \text{Portfolio Performance}$$

Where:

$$\text{Portfolio Performance} = \frac{NAV_{FINAL} - 100}{100}$$

- “$NAV_{FINAL}$” means, at any time (expressed pro rata per Deposit Note), the notional proceeds from the liquidation of the Fund Account plus the maturity value of the Bond Account as calculated by the Calculation Agent, minus repayment of the Loan and any accrued and unpaid Loan interest and Program Fees.

Portfolio Performance will be expressed as a percentage rounded to two decimal places. No Variable Return will be paid unless the $NAV_{FINAL}$ exceeds $100. **For any Variable Return to be paid to Holders, the performance of the Portfolio must exceed all fees and expenses. See “Risk Factors”.**

**The Fund:**

The return on the Deposit Notes will provide exposure to the performance of the Class A Units of Scotia Canadian Dividend Fund. The investment objective of the Fund is to provide a high level of dividend income with some potential for long term capital growth. It invests primarily in dividend-paying common shares and in a broad range of preferred shares, such as floating rate, convertible and retractable preferred shares of Canadian companies.

The Fund is described under "Scotia Canadian Dividend Fund" in this Information Statement. You may obtain further information about the Fund at www.sedar.com or through your advisor. See "Scotia Canadian Dividend Fund".

**Secondary Market:**

The Deposit Notes will not be listed on any stock exchange. However, a Holder may be able to sell Deposit Notes prior to maturity in any available secondary market. The Selling Agent will use reasonable efforts to 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 notice. The price that the Selling Agent will pay Holders for Deposit Notes prior to the Maturity Date will be determined by the Selling Agent, acting in its sole discretion, and will be based on, among other things:

- how much the value of the assets in the Portfolio has risen or fallen since the closing of the Offering;
- the fact that notional assets in the Portfolio will be reallocated from time to time between notional Units and Bonds during the term of the Deposit Notes; and
- a number of other interrelated factors including, without limitation, volatility of the value of the assets in the Portfolio, prevailing interest rates and the time remaining to the Maturity Date.

The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that the secondary market price for the Deposit Notes: (a) may not rise and fall with changes in the net asset value of the Units; and (b) may be substantially affected by changes in current interest rates independent of performance of the assets in the Portfolio. Holders may wish to consult their respective investment advisors concerning whether it would be more appropriate in the circumstances at any time to sell or to hold their Deposit Notes until the Maturity Date.

Subject to as set forth below, a Holder who sells a Deposit Note on a Business Day to the Selling Agent prior to the Maturity Date will receive sale proceeds equal to the bid price on the Business Day the order is processed, established by the Selling Agent for the Deposit Note, minus any applicable Early Trading Charge. Orders for secondary market sales received before 12:00 noon (Toronto time) on a Business Day will be processed on that Business Day at the then current bid price. Orders for secondary market sales received after 12:00 noon (Toronto time) on a Business Day will be processed on the following Business Day at the then current bid price. Sales of Deposit Notes prior to the Maturity Date may be subject to an Early Trading Charge.

If a Holder sells a Deposit Note within the first three years from the closing of this Offering, the proceeds from the sale of the Deposit Note will be reduced by the Early Trading Charge. The Early Trading Charge is $5.00 per Deposit Note sold in the first year following the closing of the Offering, $3.50 per Deposit Note sold in the second year following the closing of the Offering and $2.00 per Deposit Note sold in the third year following the closing of the Offering. After the end of the third year following the closing of the Offering, the Early Trading Charge will cease to apply. See "Description of the Deposit Notes – Early Trading Charge".

While the Selling Agent will use reasonable efforts, the Selling Agent is under no obligation to facilitate or arrange for such a secondary market, and such secondary market, when commenced, may be suspended at any time at the sole discretion of the Selling Agent, without notice. If there is no secondary market, a Holder will not be able to sell its Deposit Notes. The Deposit Notes are intended to be instruments held to the Maturity Date. If a Holder sells Deposit Notes prior to the Maturity Date, the Holder may have to do so at a substantial discount from the original Principal Amount even if the performance of the Portfolio has been positive and, as a result, the Holder may suffer substantial losses. See "Description of the Deposit Notes – Secondary Trading" and "Certain Canadian Federal Income Tax Considerations".

**Rank:** The Deposit Notes will rank equally with all other deposit liabilities of the Bank. **The Deposit Notes will not be deposits insured under the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial institution**. See "Description of the Deposit Notes – Rank; No Deposit Insurance".

**Credit Rating:** As of the date of this Information Statement, the Bank's deposit liabilities with a term of more than one year were rated AA (low) by Dominion Bond Rating Service Limited, AA- by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and Aa3 by Moody's Investors Service, Inc. The Deposit Notes have not been rated. 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".

**Use of Proceeds:** The proceeds received from the issuance of the Deposit Notes will be deposits of the Bank. The Bank will use the Net Proceeds of the Offering for its general banking purposes. See "Use of Proceeds".

**Income Tax Considerations:** If Deposit Notes are held until the Maturity Date, the Holder will be required to include in its income the amount, if any, by which the payment at the Maturity Date exceeds the Principal Amount. Generally, a Holder should not have to report any amount in its tax return in respect of Variable Return, if any, for any taxation year ending before the year in which the Deposit Notes mature. The Bank will file an information return with the Canada Revenue Agency in respect of any interest or deemed interest to be included in a Holder's income and will provide the Holder with a copy of such information return. Subject to the limitations outlined under "Certain Canadian Federal Income Tax Considerations", an amount received by a Holder on a disposition of a Deposit Note (other than on the Maturity Date) should give rise to a capital gain (or capital loss) to that Holder at such time to the extent such amount exceeds (or is less than) the aggregate of its adjusted cost base of the Deposit Note and any reasonable costs of disposition.

A Holder should 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 Notes until the Maturity Date. See "Certain Canadian Federal Income Tax Considerations".

**Eligibility for Investment:** 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.).

**Selling Expenses:** Selling expenses of $4.50 per Deposit Note will be paid out of the proceeds of this Offering to Scotia Capital Inc. for its services as Selling Agent. The Selling Agent will pay all or a portion of this amount to qualified selling members for selling the Deposit Notes.

**Fees and Expenses:** **The following fees and expenses will be paid prior to Variable Return, if any, at the Maturity Date of the Deposit Notes:**

**Program Fee**

The Deposit Notes will be subject to an annual program fee of up to 1.15% of the value of the notional Units and the Bonds in the Portfolio (the "Program Fee").

The Program Fee will vary depending upon the allocation in the Portfolio between the notional Units and the Bonds. The Program Fee will be 0.50% for the portion of the Portfolio allocated to the notional Units (including any Units notionally acquired with the Loan in the case of a Leveraging Event) and 1.15% for the portion of the Portfolio allocated to the Bonds. The Program Fee will be accrued daily and paid monthly in arrears to the Bank, as Calculation Agent of the Deposit Notes. The 1.15% Program Fee on the portion of the Portfolio allocated to the Bonds is produced by the coupon on the Bonds. The 0.50% Program Fee on the portion of the Portfolio allocated to the notional Units is paid out of Distributions and, if no Distributions are paid, Units notionally held in the Portfolio will be notionally redeemed to pay this portion of the Program Fee.

**Fees of Scotia Canadian Dividend Fund**

The Fund has certain fees and expenses, including management fees paid to the Portfolio Advisor for the management services provided by it. The ratio of these fees and expenses to the average net asset value of the Units is called the management expense ratio. In 2005, the management expense ratio of the Class A Units of the Fund was 1.64%. The management expense ratio may go up or down over the term of the Deposit Notes. However, for the purpose of calculating the net asset value of the notional Units in the Portfolio over the term of the Deposit Notes, a fixed management expense ratio of 1.64% will be used and no adjustment will be made to reflect any changes to the actual management expense ratio of the Units that may occur after the date of this Information Statement.

**If the Fund reduces the management expense ratio below the fixed management expense ratio, the Variable Return, if any, payable to Holders will be less than the amount that would have been earned by Holders if they had invested directly in the Units.** See "Fees and Expenses Associated with the Deposit Notes".

**Leverage**

For providing leverage to the Portfolio, the Bank will receive the interest payable on Funds notionally borrowed under the Loan, calculated at the annual interest rate equal to the one–month Bankers' Acceptance Rate plus 0.25%, accrued daily and paid monthly.

**Calculation Agent:** The Bank will act as the Calculation Agent, provided that the Bank may appoint a successor calculation agent and may delegate its functions to a third party. The Calculation Agent will make all necessary calculations and determinations required in respect of the Notes. In certain circumstances involving a Market Disruption Event, exact and precise calculations may not be possible. The Calculation Agent's calculations and determinations will be made in good faith and will, absent manifest error, be final and binding on Holders.

**Book–Entry Only Registration:** All of the Deposit Notes will be evidenced by a single global Deposit Note held by CDS, or its nominee on its behalf, as registered Holder of the Deposit Notes. Registration of interests in and transfers of the Deposit Notes will be made only through participants in its book–entry system ("Participants"). Subject to certain limited exceptions, no Holder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership thereof and no Holder will be shown on the records maintained by the depositary except through an agent who is a Participant of the depositary. See "Description of the Deposit Notes – Book Entry System".

**Risk Factors:** Before reaching a decision to purchase any Deposit Notes, prospective investors should carefully consider a variety of risk factors associated with the ownership of the Deposit Notes. A Holder will not be able to redeem Deposit Notes prior to the Maturity Date. The Deposit Notes have certain characteristics that differ from conventional fixed income investments in that they do not provide any return or income stream prior to the Maturity Date, or a return at the Maturity Date that is calculated by reference to a fixed or floating rate of interest that can be determined prior to the Maturity Date. The return on the Deposit Notes (if any), unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain. Therefore, the Deposit Notes are not suitable investments for Holders that need or expect to receive payments during the term of the Deposit Notes or a return on investment at the Maturity Date. The Deposit Notes are designed for Holders with a long–term investment horizon who are prepared to hold the Deposit Notes to the Maturity Date and are prepared to assume risks with respect to a return tied to the performance of the Class A Units of the Fund.

There is no assurance that the investment objective and strategies of the Fund and the investment decisions made by the Portfolio Advisor will generate any positive returns or avoid losses for the Fund (and, hence, the Deposit Notes). Therefore, there is no assurance that Holders will receive any amount at the Maturity Date other than the repayment of the Principal Amount. The Deposit Notes do not represent a direct or indirect ownership interest in any notional Units or Bonds. All fees and expenses in respect of the Deposit Notes will be deducted from the value of the Portfolio and will reduce the Variable Return, if any.

A prospective investor should decide to invest in the Deposit Notes only after carefully considering with his or her advisor as to whether the Deposit Notes are a suitable investment in light of the information set out in this Information Statement. None of the Bank, Scotia Capital Inc., the Fund Manager nor the Portfolio Advisor makes any recommendation as to whether the Deposit Notes are a suitable investment for any person. See "Risk Factors".

## GLOSSARY

**"Act"** means *Income Tax Act* (Canada).

**"Agency Agreement"** means the meaning ascribed thereto under "Plan of Distribution".

**"Allocation Event"** has the meaning ascribed thereto under "Summary–Asset Allocation Calculation".

**"Asset Allocation Calculation"** has the meaning ascribed thereto under "Summary–Asset Allocation Calculation".

**"Bank"** means The Bank of Nova Scotia.

**"Bankers' Acceptance Rate"** means, in respect of calculating interest on the Loan for a particular calculation period, the arithmetic average of the rates for Canadian dollar bankers' acceptances having a comparable face amount and identical maturity date to such bankers' acceptance appearing on Reuters Screen CDOR Page "Canadian Interbank Bid BA Fee Rates" (or such other page as the Bank shall designate which replaces that page for the purpose of displaying rates quoted for such bankers' acceptances) at approximately 10:00 a.m. (Toronto time) on the first Business Day of the calculation period.

**"Bond"** means notional 1.15% coupon bonds issued by the Bank maturing on the Maturity Date.

**"Bond Account"** means the book-entry account comprising part of the Portfolio that may notionally hold Bonds.

**"Business Day"** means any day, other than a Saturday, a Sunday or any day in which the Bank is closed in Toronto, Ontario.

**"Calculation Agent"** means the Bank.

**"CDS"** means The Canadian Depository for Securities Limited.

**"Closing Date"** means the date on or about July 28, 2006 on which the Deposit Notes will be issued.

**"CRA"** means Canada Revenue Agency.

**"DBRS"** means Dominion Bond Rating Service Limited.

**"De–Leveraging Event"** has the meaning ascribed thereto under "Summary–Asset Allocation Calculation".

**"Deposit Note"** means The Bank of Nova Scotia Deposit Notes – Linked to the Scotia Canadian Dividend Fund offered by this Information Statement.

**"Distribution"** means a distribution, if any, by the Fund paid and received in cash or Units, unless such distributed Units are consolidated into the Units of the Fund outstanding immediately prior to such distribution or any other similar transaction is effected by the Fund so that the net effect to Unit holders is not the receipt of cash or additional Units of the Fund.

**"Early Trading Charge"** has the meaning ascribed thereto under "Description of the Deposit Notes–Early Trading Charge".

**"Extraordinary Event"** means any of the following events that occurs after the Closing 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 winding–up, dissolution, liquidation of the Fund or other cessation of trading of any Units; (ii) the Portfolio Advisor or any affiliate of the Portfolio Advisor ceases to act as the Portfolio Advisor of the Fund; (iii) the investment objectives of the Fund are modified or the investment strategies of the Fund are modified (except where such modification is of a formal, minor or technical nature), in either case, in a manner that the Calculation Agent, acting reasonably, considers material; (iv) a material modification (other than any modifications referred to in (iii) above) of the terms and conditions relating to any Units (including but not limited to a material modification of the constating documents of the Fund) or the occurrence of any event or change having a material adverse effect on any Units (including, but not limited to, the interruption, breakdown or suspension for a significant period of time of the calculation or publication of the net asset value per Unit); (v) except as otherwise agreed between a Fund investor and the Fund Manager and except as disclosed in the Fund's disclosure documents, the non–execution or partial–execution by the Fund of a subscription or redemption order given by a holder in any Units or a refusal to transfer any Units to an eligible transferee save where such non–execution, partial execution or refusal is the result of circumstances beyond the control of the Fund; (vi) except as otherwise disclosed in the Fund's disclosure documents, any mandatory redemption or other reduction (actual or potential as determined by the Calculation Agent in its sole discretion) in the number of Units held by any holder of such Units for any reason beyond the control of such holder; (vii) any failure by the Fund Manager to calculate or publish the daily official net asset value per Unit of the Fund within 5 Business Days after the relevant valuation date except as provided in the case of a suspension of determination of the net asset value per Unit in accordance with the provisions set out in the constating documents of the Fund; (viii) the Fund imposes in whole or in part any restriction, charge or fee in respect of a redemption or subscription of any securities of the Fund by any holder thereof that would impact the performance of such securities (other than any restriction, charge or fee applicable to a holder of Units as at the Closing Date); (ix) any relevant activities of or in relation to the Fund, the Fund Manager or the Portfolio Advisor are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof; (x) a relevant authorisation or licence is revoked or is under review by a competent authority in respect of the Fund, the Fund Manager, or the Portfolio Advisor; (xi) any change in or in the official interpretation or administration of any laws or regulation relating to taxation that has or is likely to have a material adverse effect on any unitholder of the Fund or in respect of any hedge established in connection with the Offering; (xii) the Bank is unable to effectively acquire, establish, reestablish, substitute, maintain or unwind any hedge transaction in connection with the Offering or to realize, recover or remit the proceeds of any such hedging transaction; (xiii) 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 or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction; or (xiv) as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, howsoever described, 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, howsoever described, after such date or as a result of any other event; (1) it would become unlawful for any unitholder of the Fund to hold, purchase or sell any Units; (2) the cost of investing in any Units would materially increase, other than ordinary course increases in the market value of Units; or (3) a unitholder of the Fund would be subject to a material loss as a result of holding any Units.

**"Floor"** has the meaning ascribed thereto under "Summary–Asset Allocation Calculation".

**"Fund"** has the meaning ascribed thereto under "Summary–The Fund" and as more particularly described under "Scotia Canadian Dividend Fund".

**"Fund Account"** means the book-entry account comprising part of the Portfolio that may notionally hold Units and cash.

**"Fund Manager"** means Scotia Securities Inc.

**"Fund Account Value"** or **"FAV"** has the meaning ascribed thereto under "Summary–Asset Allocation Calculation".

**"Holder"** means a holder of Deposit Notes.

**"Issue Date"** has the meaning ascribed thereto under "Summary–Issue Date".

**"Issue Price"** means $100 per Deposit Note.

**"Leveraging Event"** has the meaning ascribed thereto under "Summary–Asset Allocation Calculation".

**“Loan”** has the meaning ascribed thereto on the cover page.

**“Maturity Date”** means July 28, 2014.

**“Moody’s”** means Moody’s Investors Service, Inc.

**“NAV”** has the meaning ascribed thereto under “Summary–Asset Allocation Calculation”.

**“$NAV_{FINAL}$”** has the meaning ascribed thereto under “Summary–Variable Return Calculation”.

**“Net Proceeds”** means $95.50 per Deposit Note.

**“Participants”** has the meaning ascribed thereto under “Summary–Book–Entry Registration”.

**“Portfolio”** has the meaning ascribed thereto under “Summary”.

**“Portfolio Advisor”** means Scotia Cassels Investment Counsel Limited.

**“Portfolio Performance”** has the meaning ascribed thereto under “Summary–Variable Return Calculation”.

**“Principal Amount”** means $100 per Deposit Note.

**“Program Fee”** has the meaning ascribed thereto under “Summary–Fees and Expenses”.

**“Proposals”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

**“Protection Event”** has the meaning ascribed thereto under “Summary–Asset Allocation Calculation”.

**“Regulations”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

**“S&P”** means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.

**“Scotia Capital”** means, collectively, Scotia Capital Inc. and any of its affiliates and, where the context requires , “Scotia Capital” also refers to the global corporate and investment banking and capital markets products and services provided by the Bank and its affiliates.

**“Scotia Cassels”** means Scotia Cassels Investment Counsel Limited.

**“Selling Agent”** means Scotia Capital Inc.

**“Selling Agent Fees”** has the meaning ascribed thereto under “Summary–Selling Expenses”.

**“Unit”** means a Class A Unit of the Fund.

**“Value Margin”** has the meaning ascribed thereto under “Summary–Asset Allocation Calculation”.

**“Value Spread”** has the meaning ascribed thereto under “Summary–Asset Allocation Calculation”.

**“Variable Return”** has the meaning ascribed thereto under “Summary–Variable Return Calculation”.

**“Variable Return Calculation”** has the meaning ascribed thereto under “Summary–Variable Return Calculation”.

## 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:

(a) the Bank's Annual Information Form dated December 19, 2005;

(b) the Bank's Management Proxy Circular attached to the Notice of Meeting dated January 13, 2006 (excluding those portions which, pursuant to National Instrument 44-101 of the Canadian Securities Administrators, are not required to be incorporated by reference);

(c) the Bank's consolidated financial statements as at and for the years ended October 31, 2005 and 2004 together with the auditors' report thereon, including management's discussion and analysis of financial conditions and results of operations as contained in the Bank's Annual Report for the year ended October 31, 2005;

(d) the Bank's comparative consolidated interim financial statements (unaudited) and management's discussion and analysis of financial conditions and results of operations as at and for the six months ended April 30, 2006; and

(e) a material change report of the Bank dated January 20, 2006 announcing certain changes to the Bank's senior executive team.

**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 release containing financial information concerning the Bank for periods following October 31, 2005 and any business acquisition reports for acquisitions completed after October 31, 2005 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.**

## DESCRIPTION OF THE BANK

The Bank of Nova Scotia 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 1 bank under the Bank Act and the Bank Act is its charter. The head office 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.

In terms of total assets, the Bank was the third largest Canadian chartered bank as at October 31, 2005. 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 in all 10 provinces and two territories. With more than 55,000 employees, the Bank, and its affiliates, have branches and offices serving about 10 million customers in some 50 countries, which provide a diverse range of products and services, including personal, commercial, corporate and investment banking.

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 2005 Management's Discussion and Analysis found on page 51 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 over 6.8 million customers through a network of 954 branches and 2,624 ABMs, as well as telephone and internet banking. The Retail Banking division supplies mortgages, loans, credit cards and day-to-day banking products to individuals and small businesses. The Wealth Management division provides retail brokerage, mutual funds and private client services. The Commercial Banking division delivers a full product suite to medium and large businesses. As well, merchant banking services are provided through one of the Bank's subsidiaries, Roynat Capital Inc.

**International Banking**

The Bank's International Banking business line operates in more than 40 countries and includes operations in three geographic regions: the Caribbean and Central America, Latin America and Asia Pacific. International Banking includes the Bank's retail and commercial banking operations outside of Canada. Including the Bank's subsidiaries and affiliates, more than 22,000 employees worldwide provide a full range of services to almost three million customers. In the Caribbean and Central America, the Bank operates in 25 countries with 366 branches and offices and a network of 775 ABMs and provides customers with a broad range of personal and commercial banking services. In Mexico, Grupo Financiero Scotiabank Inverlat has 444 branches and offices and a network of 1,046 ABMs. It provides more than 1.3 million personal, commercial and corporate customers with a full range of banking products and services, along with select capital markets capabilities. In Latin America, the Bank's holdings include Scotiabank Sud Americano in Chile, and affiliates in Peru and Venezuela. In Chile, the Bank operates 57 branches and offices and a network of 115 ABMs and provides personal, commercial and corporate banking services. In the Asia Pacific region, the Bank operates in nine countries with 24 branches and offices. Our business in these countries is primarily focused on commercial banking and trade finance, with some wholesale banking.

**Scotia Capital**

Scotia Capital provides full service wholesale banking to corporate, government and investor clients across the NAFTA region as well as other selected niche markets globally. Scotia Capital was reorganized into two main businesses, effective November 1, 2005. Global Corporate and Investment Banking provides corporate lending, equity underwriting and mergers & acquisitions advisory services. Global Capital Markets provides products and services such as fixed income; derivatives; foreign exchange; equity sales, trading and research; and, through ScotiaMocatta, precious metals

## DESCRIPTION OF THE DEPOSIT NOTES

**Issue Size**

The Bank of Nova Scotia Deposit Notes – Linked to the Scotia Canadian Dividend Fund, will be issued by the Bank on the Issue Date. A maximum of $100,000,000 principal amount of Deposit Notes will be issued by the Bank. The maximum size of the Offering may be changed at any time without notice in the sole discretion of the Bank.

**Principal Amount and Minimum Subscription**

Each Deposit Note will be issued in a Principal Amount of $100. The price to be paid by each Holder upon issuance has been determined by agreement between the Bank and the Selling Agent. The minimum subscription per Holder will be twenty (20) Deposit Notes (i.e. $2,000).

**Maturity and Principal Repayment**

Each Deposit Note matures on the Maturity Date, on which date the Holder will receive a minimum of the Principal Amount of $100 per Deposit Note. If the Maturity Date is not a Business Day for any reason, then the Maturity Date will be deemed to occur on the next following Business Day and no interest or other compensation will be paid to a Holder in respect of such postponement.

**The Portfolio**

***General***

The Portfolio consists of two book–entry accounts referred to as the Fund Account and the Bond Account, and the Loan. The Portfolio is a notional portfolio of assets allocated in accordance with the Asset Allocation Calculation over the term of the Deposit Notes between the Fund Account and the Bond Account. Since the Portfolio is notional only, Holders will have no ownership or other interest in the Bonds, Units or other assets comprising the Portfolio, other than the right to be paid the Principal Amount and the Variable Return, if any, on the Deposit Notes based on the performance of the Portfolio. **For the avoidance of doubt, all holdings in the Portfolio and all actions including, without limitation, all purchases, sales, liquidations, redemptions, receipts of Distributions and drawdowns and repayments of the Loan taken in connection with the Portfolio are notional holdings and actions only.**

***The Fund Account***

The Fund Account will consist mainly of notional Units of the Fund and may be notionally margined through the Loan. The Fund Account may also notionally hold, from time to time, a nominal amount of cash. Cash from the net proceeds of the issuance of the Deposit Notes, minus any repayment of the Loan, may be notionally reserved in the Fund Account on the Issue Date. During the term of the Deposit Notes, cash distributions and proceeds may be notionally received on Units and held in the Fund Account. The cash notionally held in the Fund Account will earn notional interest at the over–night Bank of Canada rate.

Notional Units in the Fund Account may be affected by the occurrence of an Extraordinary Event or a Protection Event.

***The Bond Account***

The Bond Account will consist of notional 1.15% coupon bonds of the Bank, which will be notionally purchased and sold at yields equal to the prevailing Canadian dollar inter–bank swap rates as reasonably determined by the Calculation Agent, using the bid price for purchases and offer price for sales for a term equivalent to the remaining term of the Deposit Notes. The 1.15% coupon is solely to support the Program Fees associated with the Bond Account. On the Issue Date, it is anticipated that all assets comprising the Portfolio will be allocated to the Fund Account with no assets used to make a notional purchase in the Bond Account.

Following the Issue Date, assets comprising the Portfolio will be allocated between the Fund Account and the Bond Account according to the Asset Allocation Calculation and cash notionally accumulated in the Fund Account may be used for notional purchases of Units. See "Description of the Deposit Notes–Asset Allocation and the Asset Allocation Calculation."

***The Loan***

The amount of the Loan notionally outstanding at any time will vary, and will be increased or decreased according to the values of the Units, interest rates, interest payments and other fees payable. Interest on the Loan will be calculated at a rate equal to the one–month Bankers' Acceptance Rate plus 0.25% per annum accrued daily and paid monthly. If the Value Margin rises above 24%, the amount of outstanding Loan may notionally be drawn down (up to a maximum of $95.50 per Deposit Note) to allow for the notional acquisition of additional Units at the then prevailing net asset value. If the Value Margin falls below 16%, the amount of any outstanding Loan may be notionally repaid and the proceeds used to notionally purchase Bonds. See "Description of the Deposit Notes–Asset Allocation and the Asset Allocation Calculation".

**Asset Allocation and the Asset Allocation Calculation**

***General***

The Calculation Agent will allocate assets of the Portfolio between the Fund Account and the Bond Account according to the Asset Allocation Calculation. The Asset Allocation Calculation has been designed to protect the Principal Amount of the Deposit Notes. For example, if a Protection Event occurs, notional Units in the Fund Account will be notionally redeemed and notional proceeds will be used to notionally purchase Bonds such that the value of the Bond Account at the Maturity Date is at least equal to the Principal Amount per Deposit Note. The Asset Allocation Calculation has also been designed to allocate assets between the Bond Account and Fund Account such that the Value Margin, at any time, will fall between 16% and 24%. The occurrence of an Allocation Event on any Business Day triggers the application of the Asset Allocation Calculation.

The Calculation Agent will be required to monitor the Value Margin and, subject to any adjustments to calculations as a result of the occurrence of a Protection Event or an Extraordinary Event, will administer the allocation of the Portfolio in accordance with the Asset Allocation Calculation through a notional purchase or redemption of Units, a notional purchase or sale of Bonds, and a notional drawdown or repayment of the Loan.

On the Issue Date it is anticipated that the full amount of the Net Proceeds from the issuance of the Deposit Note of $95.50 per Deposit Note, which is the Principal Amount less the Selling Agent's fees, plus proceeds of the applicable amount of the Loan, if any, will be notionally allocated to the purchase of notional Units for the Fund Account with a nominal amount of such proceeds held as cash in the Fund Account. It is anticipated that no Bonds will be notionally purchased initially.

***Leveraging Events***

If the Value Margin rises above 24%, a Leveraging Event occurs. This may occur for a number of reasons including, without limitation, an increase in the market value of the Units or if the applicable price for the Bonds falls beyond certain thresholds. Once a Leveraging Event occurs, the Calculation Agent, acting with reasonable promptness, will, as necessary, notionally sell Bonds from the Bond Account (if there are any such notional Bonds) and thereafter, notionally draw down the amount of the Loan (to a maximum of $95.50 per Deposit Note) and notionally apply the proceeds of such Loan and the notional proceeds from the notional sale of the Bonds to notionally purchase additional Units such that the Value Margin is approximately 20% after these transactions. This will increase the assets notionally held in the Fund Account and decrease the assets notionally held in the Bond Account.

***De–Leveraging Events***

A De–Leveraging Event occurs if the Value Margin falls below 16%. This may occur for a number of reasons including, without limitation, a decrease in the market value of the Units or if the price for the Bonds rises beyond certain thresholds. Once a De–Leveraging Event occurs, the Calculation Agent, acting with reasonable promptness, will notionally sell Units and notionally apply the proceeds, first to reduce any Loan notionally outstanding and any accrued and unpaid interest thereon, and second, as to any proceeds remaining, to notionally purchase Bonds such that the Value Margin is approximately 20% after such notional purchases. This will increase the assets notionally held in the Bond Account and decrease the assets notionally held in the Fund Account.

***Protection Events***

If the Value Spread reaches or falls below $1.50 per Deposit Note, a Protection Event occurs and all notional Units held in the Fund Account will be notionally redeemed and the notional proceeds applied first to repay the notionally outstanding Loan and accrued and unpaid interest and accrued and unpaid Program Fees, and second to the notional purchase of Bonds such that, on the Maturity Date, the value of the Bonds therein is expected to equal at least $100 per Deposit Note, with the Bank assuming the risk for any shortfall. Holders are, in all events, entitled to receive the Principal Amount in respect of each Deposit Note held at the Maturity Date. After a Protection Event occurs, the assets comprising the Portfolio will remain in the Bond Account, despite any subsequent occurrences of a Leveraging Event, until the Maturity Date. In this case, the Variable Return per Deposit Note payable on the Maturity Date, if any, will be the amount by which the aggregate par value of the Bonds (pro–rated per Deposit Note) exceeds $100. If a Protection Event occurs, the possibility of receiving more than the Principal Amount of $100 per Deposit Note on the Maturity Date is significantly reduced. In this case, Holders may have only the Principal Amount of their Deposit Notes returned to them on the Maturity Date.

***Illustrative Examples***

*General*

The illustrative examples set out below demonstrate how the Asset Allocation Calculation is performed on the Deposit Notes under both positive and negative performance scenarios. **These examples are for illustrative purposes only and are not to be construed as a forecast or estimate of the anticipated performance of the Deposit Notes or the Fund.** For simplicity in these examples, it is assumed that interest rates remain constant throughout the term of the Deposit Notes. The hypothetical fluctuations in the value of the notional Units held in the Fund Account are used for illustration purposes only. Accordingly, the hypothetical performances of the Fund are not estimates or forecasts of future values of the Units for the periods set out below. The following examples assume the Holder has purchased a single Deposit Note.

Holders should note that, although Variable Return is linked to the performance of the Portfolio, the amount, if any, of the Variable Return will depend upon the timing and extent of the increase and decrease in the price of the Units over the term to the Maturity Date. Specifically:

- the performance of the Portfolio is dependant upon the Asset Allocation Calculation;

- Variable Return, if any, will only be payable if the $NAV_{FINAL}$ exceeds the Principal Amount on the Maturity Date;

- upon the occurrence of a Leveraging Event, the Portfolio will be re–balanced by the purchase of additional Units using proceeds from the Loan (up to a maximum amount of $95.50 per Deposit Note) or the notional sale of any Bonds in the Bond Account;

- there is no theoretical maximum Variable Return payable on the Deposit Notes and the Asset Allocation Calculation using leverage and Distribution reinvestment creates the opportunity for enhanced returns on the Deposit Notes;

- the Asset Allocation Calculation provides for the occurrence of a Leveraging Event if the Value Margin rises above 24% and a De–Leveraging Event if the Value Margin falls below 16%;

- upon the occurrence of a De–Leveraging Event, the Portfolio will be re–balanced with proceeds from the notional sale of notional Units by paying down a portion of the Loan or the notional purchase of Bonds;

- a Protection Event will occur if the Value Spread reaches or falls below $1.50 per Deposit Note, in which case the Portfolio will be fully invested in Bonds until the Maturity Date and the Holder will not participate in any subsequent performance (positive or negative) of the Fund, with the result that it is possible that no Variable Return may be paid on the Deposit Notes;

- it is very unlikely that investing in the Deposit Notes will offer the same return as a direct investment in the Fund; and

- the Principal Amount of $100 per Deposit Note will be payable by the Bank on the Maturity Date regardless of the performance of the Fund.

*Positive Performance*

| | Assumptions | 1st Leveraging Event: At Leveraging Event | 1st Leveraging Event: After Leveraging Event |
|---|---|---|---|
| NAV - (Note NAV per $100.00) | $95.50 | $99.99 | $99.99 |
| Floor - (Cost of Notional Bond) | $75.98 | $75.98 | $75.98 |
| Value Spread - (NAV - Floor) | $19.52 | $24.01 | $24.01 |
| Value Margin - (Value Spread/FAV) | 20.44% | 24.01% | 20.00% |
| FAV - (Fund Account Value) | $95.50 | $99.99 | $120.04 |
| Loan Amount | $0.00 | $0.00 | $20.05 |
| Bond Account Value | $0.00 | $0.00 | $0.00 |
| | | | |
| % Change in Fund NAV From Issue | 0.00% | 4.70% | 4.70% |
| % Exposure to Fund | 100% | 100% | 122% |
| | | | |
| Value Margin < 16% | - | - | - |
| Value Margin between 16% - 24% | T | - | T |
| Value Margin > 24% | - | T | - |

The above example shows the occurrence of Leveraging Events pursuant to the Asset Allocation Calculation. A Leveraging Event will occur if the Value Margin rises above 24% and a De–Leveraging Event will occur if the Value Margin falls below 16%. In this case, a Leveraging Event will require the purchase of additional notional Units to re–balance the Portfolio such that the Value Margin is approximately 20% using proceeds of the Loan (up to a maximum amount of $95.50 per Deposit Note). Variable Return payable on the Maturity Date would be the amount by which the pro rata value of the Portfolio exceeds the Principal Amount of the Deposit Notes.

*Negative Performance*

| | Assumptions | 1st De-Leveraging Event: At De-Leveraging Event | 1st De-Leveraging Event: After De-Leveraging Event |
|---|---|---|---|
| NAV - (Note NAV per $100.00) | $95.50 | $90.44 | $90.44 |
| Floor - (Cost of Notional Bond) | $75.98 | $75.98 | $75.98 |
| Value Spread - (NAV - Floor) | $19.52 | $14.46 | $14.46 |
| Value Margin - (Value Spread/FAV) | 20.44% | 15.99% | 20.00% |
| FAV - (Fund Account Value) | $95.50 | $90.44 | $72.31 |
| Loan Amount | $0.00 | $0.00 | $0.00 |
| Bond Account Value | $0.00 | $0.00 | $18.13 |
| | | | |
| % Change in Fund NAV From Issue | 0.00% | -5.30% | -5.30% |
| % Exposure to Fund | 100.00% | 100.00% | 81.44% |
| | | | |
| Value Margin < 16% | - | T | - |
| Value Margin 16% - 24% | T | - | T |
| Value Margin > 24% | - | - | - |

In this example, the value of the Units declined from the Issue Date. In this case, that the Loan would not be drawn down and the Value Margin would be re–balanced upon the occurrence of a De–Leveraging Event by purchasing Bonds with the proceeds from the notional sale of notional Units.

*Protection Event*

| | Assumptions | Protection Event: At Protection Event | Protection Event: After Protection Event |
|---|---|---|---|
| NAV - (Note NAV per $100.00) | $95.50 | $77.48 | $77.48 |
| Floor - (Cost of Notional Bond) | $75.98 | $75.98 | $75.98 |
| Value Spread - (NAV - Floor) | $19.52 | $1.50 | n/a |
| Value Margin - (Value Spread/FAV) | 20.44% | 1.94% | n/a |
| FAV - (Fund Account Value) | $95.50 | $77.48 | $0.00 |
| Loan Amount | $0.00 | $0.00 | $0.00 |
| Bond Account Value | $0.00 | $0.00 | $77.48 |
| % Change in Fund NAV From Issue | 0.00% | -18.87% | 0.00% |
| % Exposure to Fund | 100.00% | 100.53% | 0.00% |
| Value Margin < 16% | - | T | n/a |
| Value Margin 16% - 24% | T | - | n/a |
| Value Margin > 24% | - | - | n/a |

A Protection Event would occur if the Value Spread reaches or falls below $1.50 per Deposit Note, at which time the Portfolio would be entirely invested in Bonds. Following a Protection Event, the Portfolio will remain entirely in Bonds until the Maturity Date regardless of the occurrence of subsequent Leveraging Events based on the performance of the Units. In this case, the Variable Return per Deposit Note payable on the Maturity Date, if any, will be the amount by which the aggregate par value of the Bonds (pro-rated per Deposit Note) exceeds $100. If a Protection Event occurs, the possibility of receiving more than the Principal Amount of $100 per Deposit Note on the Maturity Date is significantly reduced and the Holders will not receive any interest payments during the remainder of the term of the Deposit Notes. In this case, Holders may only have the Principal Amount of their Deposit Notes returned to them on the Maturity Date.

## Variable Return

### *General*

Subject to the occurrence of an Extraordinary Event or a Protection Event, a Holder will be paid the Variable Return, if any, at the Maturity Date, subject to the provisions and conditions described or contemplated in this Information Statement. The Variable Return, if any, is linked to the performance of the Portfolio, the assets of which will be allocated as described above under "Description of the Deposit Notes – Asset Allocation and the Asset Allocation Calculation". Allocations will be made in accordance with the Asset Allocation Calculation based on the value of the notional Units, the Bonds and Loan, interest rates and other factors.

The Variable Return Calculation is the formula used to determine the Variable Return on the Deposit Notes at the Maturity Date. The Variable Return Calculation per Deposit Note is calculated as follows:

Variable Return = Principal Amount ($100) x Portfolio Performance

Where:

$$\text{Portfolio Performance} = \frac{NAV_{FINAL} - 100}{100}$$

Portfolio Performance will be the amount, if any, determined on the Maturity Date and expressed as a percentage of the Principal Amount, by which the pro rata value of the Portfolio per Deposit Note exceeds the Principal Amount, being $100. A Holder cannot elect to receive the Variable Return, if any, prior to the Maturity Date and the Deposit Notes cannot be redeemed or retracted prior to the Maturity Date.

There is a possibility that a Holder may not receive any Variable Return. No Variable Return will be paid unless the Portfolio Performance per Deposit Note is greater than 0% (i.e. unless the pro rata value of the Portfolio at the Maturity Date is greater than $100 per Deposit Note). In addition, if a Protection Event or an Extraordinary Event occurs, the Variable Return may be zero. Investors may only receive their Principal Amount on the Maturity Date. All applicable Program Fees will be paid by the 1.15% coupon on the Bonds until the Maturity Date.

In no event will payment of the Principal Amount or the Variable Return, if any, be made by the Bank earlier than the Maturity Date. The Fund Account will be gradually notionally liquidated (at the discretion of the Calculation Agent to ensure orderly liquidation) during the ten Business Days immediately preceding the Maturity Date or such longer or shorter period as may be required. The Calculation Agent is expected to have fully liquidated the notional assets of the Portfolio by, and to calculate the $NAV_{FINAL}$ on, the third Business Day prior to the Maturity Date. The timing and manner of determining the Variable Return, if any, may be affected by the occurrence of Extraordinary Events or the inability notionally to fully liquidate the Portfolio by the third Business Day prior to the Maturity Date. See "Description of the Deposit Notes–Extraordinary Events".

***Reinvestment***

All Distributions, if any, made by the Fund on Units notionally held in the Portfolio as of the record date for any such distribution will be notionally reinvested in the Fund Account, net of fees and expenses. The Fund has indicated in its prospectus that it undertakes to pay a quarterly Distribution of income (including dividends), if any, and annual Distribution of capital gains, if any. However, there is no guarantee that the Fund will make any Distributions, in which case the reinvestment in the Fund could be zero.

**Extraordinary Events**

Subject to the occurrence of an Extraordinary Event, payment of the Principal Amount and the Variable Return, if any, is expected to occur on the Maturity Date. If an Extraordinary Event occurs and is resolved by the fifteenth Business Day before the Maturity Date, payment of the Principal Amount and the Variable Return, if any, will occur on the Maturity Date. If an Extraordinary Event occurs and is not resolved by the fifteenth Business Day before the Maturity Date, payment of the Principal Amount will occur on the Maturity Date, and payment of the Variable Return, if any, will occur as soon as practicable following resolution of the Extraordinary Event and, in any event, no later than 180 days after the Maturity Date.

If an Extraordinary Event occurs, the Calculation Agent may determine that the Deposit Notes will no longer have exposure to the Units, the Loan will be repaid and the Portfolio may consist only of Bonds until the Maturity Date. Upon such determination by the Calculation Agent, the Loan will be repaid, and no further Variable Return will be earned on the Deposit Notes, even though the Units may earn a positive return following the occurrence of an Extraordinary Event. At the sole discretion of the Calculation Agent, if the circumstances giving rise to the Extraordinary Event no longer exist or are determined by the Calculation Agent to have been adequately resolved, the Calculation Agent may, but is not required to, reallocate the assets of the Portfolio according to the Asset Allocation Calculation. Any Variable Return on the Deposit Notes calculated as of the date of the occurrence of an Extraordinary Event will be used to repay any Loan outstanding, and the excess, if any, will be paid to the Holders at maturity. If an Extraordinary Event occurs, the possibility of a Holder receiving any Variable Return at the Maturity Date may be significantly reduced. Following the occurrence of an Extraordinary Event, a Holder would continue to be able to sell a Deposit Note in accordance with the terms of, and subject to the restrictions of, any secondary market then offered by the Selling Agent. See "Description of the Deposit Notes – Secondary Trading".

The Calculation Agent's calculations and determinations, acting reasonably in respect of the Deposit Notes, will be final and binding on the Holders. Holders will not be entitled to any compensation from the Calculation Agent or any of its affiliates for any loss suffered as a result of any of the Calculation Agent's calculations and determinations.

For the avoidance of doubt, if an Extraordinary Event occurs, neither payment nor calculation of the Variable Return, if any, or payment of the Principal Amount per Deposit Note will be accelerated.

**Secondary Trading**

The Deposit Notes will not be listed on any stock exchange. However, a Holder may be able to sell Deposit Notes prior to maturity in any available secondary market. The Selling Agent will use reasonable efforts to maintain a liquid secondary market for the Deposit Notes, but reserves the right, in its sole discretion, not to do so at any time in the future, without providing any prior notice to the Holders. A Holder who sells a Deposit Note to the Selling Agent prior to the Maturity Date will receive sale proceeds equal to the bid price on the Business Day the order is processed, established by the Selling Agent for the Deposit Note minus any applicable Early Trading Charge. Orders for secondary market sales received before 12:00 noon (Toronto time) on a Business Day will be processed on that Business Day at the then current bid price. Orders for secondary market sales received after 12:00 noon (Toronto time) will be processed on the next following Business Day at the then current bid price. If a Holder sells Deposit Notes prior to the Maturity Date, the Holder may have to do so at a substantial discount from the original Principal Amount even if the performance of the Portfolio has been positive and, as a result, the Holder may suffer substantial losses. The sale of a Deposit Note to the Selling Agent will be effected at a price equal to the Selling Agent's bid price for the Deposit Note, minus any applicable Early Trading Charge.

The Principal Amount of a Deposit Note is repaid by the Bank only at the Maturity Date. There is no assurance that any premium that may have been paid by a Holder having purchased Deposit Notes in the secondary market will be recouped. The price that the Selling Agent will pay to a Holder for a Deposit Note prior to the Maturity Date will be determined by the Selling Agent, acting in its sole discretion, and will be based on, among other things:

- how much the value of the assets in the Portfolio have risen or fallen since the Closing Date;
- the fact that assets in the Portfolio will be reallocated from time to time between the Fund Account and the Bond Account during the term of the Deposit Note; and
- a number of other interrelated factors including, without limitation, volatility of the value of the notional assets in the Portfolio, prevailing interest rates and the time remaining to the Maturity Date.

The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that the secondary market price for the Deposit Notes: (a) may not rise and fall with changes in the net asset value of the Units; and (b) may be substantially affected by changes in current interest rates independent of performance of the notional assets in the Portfolio. Holders may wish to consult their investment advisors concerning whether it would be more appropriate in the circumstances at any time to sell or to hold their Deposit Notes until the Maturity Date.

A Holder will not be able to redeem Deposit Notes prior to the Maturity Date.

**Early Trading Charge**

A sale of the Deposit Notes prior to the Maturity Date may be subject to the Early Trading Charge. If a Deposit Note is sold to the Selling Agent within the first three years following the Issue Date, the proceeds from the sale of the Deposit Note will be reduced by an Early Trading Charge expressed as a percentage of the Principal Amount of the Deposit Note as follows:

| *If Sold Within* | *Early Trading Charge* |
|---|---|
| 1 year | 5% |
| 2 years | 3.5% |
| 3 years | 2% |
| Thereafter | Nil |

A Holder should understand that any valuation price for the Deposit Notes appearing on its investment account statement, as well as any bid price quoted to the Holder to sell Deposit Notes prior to the Maturity Date, will be before the application of any applicable Early Trading Charge. A Holder wishing to sell Deposit Notes prior to the Maturity Date should consult its investment advisor about whether the Holder will bear the Early Trading Charge 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. A Holder should consult his or her investment advisor about whether it would be more favourable in the circumstances at any time, to sell Deposit Notes (assuming the availability of a secondary market) or to hold the Deposit Notes until the Maturity Date. A Holder 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 “Certain Canadian Federal Income Tax Considerations”.

The Selling Agent and/or any of it affiliates may, at any time, subject to the applicable laws, purchase Deposit Notes at any price in the open market or by private agreement.

**Rank; No Deposit Insurance**

The Deposit Notes will constitute direct unconditional obligations of the Bank. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu*, as among themselves and with all other outstanding, direct, unsecured and unsubordinated, present and future obligations (except as otherwise prescribed by law) of the Bank, and will be payable rateably without any preference or priority. **The Deposit Notes will not be insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime.**

**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(low) 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.

**Settlement of Payments**

The Bank will be required to make available to CDS, no later than 10:00 a.m. (Toronto time) on the Maturity Date, funds in an amount sufficient to pay the amounts due under the Deposit Notes. Payment of the Variable Return, if any, may be delayed in certain circumstances. See “Description of the Deposit Notes - Extraordinary Events”.

All amounts payable in respect of the Deposit Notes will be made available by the Bank through CDS or its nominee. CDS or its nominee will, upon receipt of any such amount, facilitate payment to the applicable CDS Participants or credit the account of such CDS Participants, in amounts proportionate to their respective interests as shown on the records of CDS.

The Bank expects that payments by CDS Participants to Holders will be governed by standing instructions and customary practices, as is the case with securities or instruments held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such CDS Participants. The responsibility and liability of the Bank in respect of Deposit Notes represented by a Global Note is limited to making payment of the amounts due in respect of the Global Note to CDS or its nominee. Neither the Bank nor any of its affiliates will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership of the Deposit Notes represented by the Global Note or for maintaining, supervising or reviewing records relating to any such ownership.

The Bank retains the right, as a condition to payment of amounts at the Maturity Date, to require the surrender for cancellation of any certificate evidencing the Deposit Notes.

Neither the Bank nor CDS will be bound to see the execution of any trust affecting the ownership of any Deposit Note or be affected by notice of any equity that may be subsisting with respect to any Deposit Note.

**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 a Holder 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 a Holder that the Bank is legally able or required to withhold. The Bank will pay the portion so deferred to the Holder together with interest at the Bank's equivalent term deposit rate as soon as Canadian law permits.

**Book–Entry Only System**

Each Deposit Note will generally be represented by a Global Note representing the entire issuance of Deposit Notes. The Bank will issue Deposit Notes evidenced by certificates in definitive form to a particular Holder only in limited circumstances. Both any certificated Deposit Notes in definitive form and any Global Note will be issued in registered form, whereby the Bank's obligation will run only to the Holder named on the face of such note. Definitive Notes if issued will name Holders or nominees as the owners of the Deposit Notes, and in order to transfer or exchange these definitive Deposit Notes or to receive payment, the Holders or nominees (as the case may be) must physically deliver the Deposit Notes to the Bank. A Global Note will name a depositary or its nominee as the owner of the Deposit Notes, initially to be CDS. Each Holder's beneficial ownership of Deposit Notes will be shown on the records maintained by the Holder's broker/dealer, bank, trust company or other representative that is a participant in the relevant depositary, as explained more fully below. Interests of participants will be shown on the records maintained by the relevant depositary. Neither the Bank nor any depositary will be bound to see to the execution of any trust affecting the ownership of any Deposit Note or be affected by notice of any equitable interest that may be subsisting with respect to any Deposit Note.

**Global Note**

The Bank will issue the registered Deposit Notes in the form of the fully registered Global Note that will be deposited with a depositary (initially being CDS) and registered in the name of such depositary or its nominee in denominations 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 Note may not be transferred except as a whole by and among the depositary, its nominee or any successors of such depositary or nominee.

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

Ownership of beneficial interests in a Global Note will be limited to persons, called "Participants", that have accounts with the relevant depositary or persons that may hold interests through participants. Upon the issuance of a registered Global Note, the depositary 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, underwriters or agents participating in the distribution of the Deposit Notes will designate the accounts to be credited. Ownership of beneficial interests in a registered Global Note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depositary, 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 depositary, or its nominee, is the registered owner of a registered Global Note, that depositary 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 Note for all purposes. Except as described below, owners of beneficial interests in a registered Global Note will not be entitled to have the Deposit Notes represented by the registered Global 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 Note must rely on the procedures of the depositary for that registered Global 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 Note desires to give or take any action that a Holder is entitled to give or take in respect of the Deposit Notes, the depositary for the registered Global 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 Note registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the ease may be, as the registered owner of the registered Global Note. Neither the Bank nor any agent thereof will 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 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 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 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 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 or customers in bearer form or registered in "street name," and will be the responsibility of those Participants.

**Definitive Notes**

If the depositary for any of the Deposit Notes represented by a registered Global 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 180 days, the Bank will issue Deposit Notes in definitive form in exchange for the registered Global 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 Notes. If the Bank makes that decision, the Bank will issue Deposit Notes in definitive form in exchange for all of the registered Global 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 Holders of a Global Note.

Any Deposit Notes issued in definitive form in exchange for a registered Global 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 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 paying and transfer agent, or at such other offices notified by the Bank to Holders.

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, if issued, will be made by cheque mailed to the applicable registered Holder at the address of the Holder appearing in the aforementioned register in which registrations and transfers of Deposit Notes are to be recorded or, if requested in writing by the Holder at least five Business Days before the date of the payment and agreed to by the Bank, by electronic fund transfer to a bank account nominated by the Holder with a bank in Canada. Payment under any definitive Deposit Note is conditional upon the Holder first delivering the Deposit Note to the paying and transfer agent who reserves the right on behalf of the Bank to retain the Deposit Note and mark the Deposit Note as cancelled.

**Notices to Holders**

All notices to the Holders regarding the Deposit Notes will be validly given if published once in a French language Canadian newspaper and in the national edition of an English language Canadian newspaper. The Calculation Agent will give notice as aforesaid to the Holders of an Extraordinary Event and the resolution of an Extraordinary Event.

**Amendments to the Notes**

The Global Note may be amended without the consent of the Holders if, in the reasonable opinion of the Bank, the amendment would not materially and adversely affect the interests of the Holders. For other changes proposed by the Bank or Scotia Capital Inc., the Global Note may be amended if the amendment is approved by a resolution passed by the favourable votes of Holders representing not less than 66 2/3% of the outstanding aggregate Deposit Notes represented for the purpose of considering the resolution. Each Holder is entitled to one vote per Deposit Note held for the purpose of voting at meetings convened to consider such a resolution. The Deposit Notes do not carry the right to vote in any other circumstances.

**Holders' Right of Rescission**

A person may rescind any order to buy a Deposit Note (or its purchase if issued) within 48 hours following the earlier of actual receipt or deemed receipt of the Information Statement. Upon rescission, the person is entitled to a refund of the subscription price. This rescission right does not extend to Holders 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 machine, 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.

## SCOTIA CANADIAN DIVIDEND FUND

**The Fund Manager**

Scotia Securities is the Fund Manager of the Fund.

**The Portfolio Advisor**

Scotia Cassels is the Portfolio Advisor to the Fund.

**Investment Objective**

The Fund's investment objective is to earn a high level of dividend income with some potential for long-term capital growth. It invests primarily in dividend-paying common shares and in a broad range of preferred shares, such as floating rate, convertible and retractable preferred shares of Canadian companies.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose. Holders of Deposit Notes will not have any right to participate in such a meeting or otherwise have any rights in respect of Units of the Fund. A change in the Fund's investment objective may constitute an Extraordinary Event. See "Description of the Deposit Notes – Extraordinary Events."

**Investment Strategies**

The Portfolio Advisor uses fundamental analysis to identify investments that pay dividends and income and have the potential for capital growth over the long term. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The Fund's assets are diversified by industry and company to help reduce risk.

The Fund can invest in foreign securities. It will generally invest in U.S. securities for the foreign portion of its portfolio.

The Fund may invest in other mutual funds which are managed by Scotia Securities or by other mutual fund managers.

The following investments represent the top 10 holdings of the Fund as at April 28, 2006:

| ***Investment*** | ***% of Assets*** |
|---|---|
| Toronto Dominion Bank - Common | 6.00% |
| Royal Bank of Canada – Common | 5.60% |
| Manulife Financial Co - Common | 5.40% |
| Bank of Montreal - Common | 3.80% |
| Encana Corporation - Common | 3.00% |
| Barrick Gold Corp – Common | 2.50% |
| CIBC – Common | 2.20% |
| Power Corp Canada Ltd - Common Sub Voting | 2.10% |
| Sun Life Financial Inc - Common | 1.90% |
| Canada Government 0% 05/18/06 | 1.90% |

## PLAN OF DISTRIBUTION

Under an agreement (the "Agency Agreement") between the Bank and the Selling Agent, the Selling Agent has agreed to offer the Deposit Notes for sale as agent of the Bank on a best efforts basis, if, as and when issued by the Bank in accordance with the provisions of the Agency Agreement.

Subscriptions for Deposit Notes may be made directly through the Selling Agent or any other registered dealer. Funds in respect of all subscriptions shall be payable on the Closing Date. The Bank will have the sole right to accept offers to purchase Deposit Notes and may reject any proposed purchase of Deposit Notes in whole or in part, and the right is reserved to close the subscription book at any time. The Selling Agent is a wholly-owned subsidiary of the Bank. As a result, the Bank is a related issuer of the Selling Agent under applicable securities legislation. The decision to offer the Deposit Notes and the terms of this Offering were negotiated at arm's length between the Bank and the Selling Agent.

Each Deposit Note will be issued at 100% of the Principal Amount thereof (i.e. $100). There is a maximum issue size of $100,000,000 principal amount of Deposit Notes. The Bank may change the maximum size of the Offering at its discretion. The Selling Agent will be paid an upfront commission of four and a half percent (4.50%) of the Principal Amount of each Deposit Note sold. 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 fees. 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.

The closing of this Offering is scheduled to occur on or about July 28, 2006 (the "Closing Date"). The Bank may, at any time prior to the Closing Date, in its discretion, elect whether or not to proceed in whole or in part with the issue of the Deposit Notes.

A Global 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 Holders 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 – Book–Entry Only System".

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 Note and the Bank does not accept responsibility for any information not contained herein. 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 been, 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 continuing obligations of the Selling Agent under the Agency Agreement may be terminated and the Selling Agent may withdraw all subscriptions for Deposit Notes on behalf of the subscribers at its sole discretion on the basis of its assessment of the state of the financial markets and the Agency Agreement may also be terminated upon the occurrence of other stated events.

The Bank reserves the right, from time to time, to issue any additional class of notes or other debt securities which may, or may not, resemble the Deposit Notes and which may be offered by the Bank concurrently with the Offering. The Bank further reserves the right to purchase for cancellation at its sole discretion any amount of Deposit Notes in the secondary market, without notice to Holders.

## DEALINGS WITH THE FUND

The Bank may, from time to time in the course of its normal business operations, hold Units or other securities of the Fund or other interests linked to the Units or such securities, extend credit to or enter into other business dealings with the Fund (and/or the management, insiders, associates or affiliates of the Fund). All such actions by the Bank will be taken based on commercial criteria in the particular circumstances, and the Bank will not be required to take into account the effect, if any, of such actions on the value of the Units or the Deposit Notes.

## SELLING EXPENSES

Selling expenses of $4.50 (4.50%) per Deposit Note will be paid out of the proceeds of this Offering to Scotia Capital Inc. for its services as Selling Agent. The Selling Agent will pay all or a portion of this amount to qualified selling members for selling the Deposit Notes.

## FEES AND EXPENSES ASSOCIATED WITH THE DEPOSIT NOTES

**Program Fee**

The Deposit Notes will be subject to an annual Program Fee of up to 1.15% of the value of the Portfolio. The Program Fee will vary depending upon the relative allocation in the Portfolio between notional Units and the Bonds. The Program Fee will be 0.50% for the portion of the Portfolio allocated to the notional Units (including any Units notionally acquired with the Loan) and 1.15% for the portion of the Portfolio allocated to the Bonds. The Program Fee will be calculated daily and payable quarterly in arrears to the Bank, as Calculation Agent of the Deposit Notes. The 1.15% Program Fee on the portion of the Portfolio allocated to the Bonds is produced by the coupon on the Bonds. The 0.50% Program Fee on the portion of the Portfolio allocated to the notional Units is paid out of Distributions, and if no Distributions are paid, Units notionally held in the Fund Account will be redeemed to pay this portion of the Program Fee.

During the term of the Deposit Notes, a portion of the Program Fee in an amount equal to 0.25% per annum per Deposit Note will be paid by the Calculation Agent to qualified selling members in respect of Deposit Notes held by their clients, and the remainder will be retained by the Calculation Agent.

**Fees of the Fund**

The Fund has certain fees and expenses, including management fees paid to the Fund Manager for the management services provided by it. The ratio of these expenses to the average net asset value of the Units is called the management expense ratio. In 2005, the management expense ratio of the Units of the Fund was 1.64%. The management expense ratio may go up or down over the term of the Deposit Notes. However, for the purpose of calculating the net asset value of the notional Units in the Portfolio over the term of the Deposit Notes, a fixed management expense ratio of 1.64% will be used and no adjustment will be made to reflect any changes to the actual management expense ratio of the Units that may occur after the date of this Information Statement. If the Fund’s management expense ratio falls below the fixed management expense ratio, the return, if any, payable to Holders will be less than the amount that would have been earned by Holders if they had invested directly in the Units.

**Leverage**

For providing leverage to the Portfolio, the Bank will receive the interest payable on funds notionally borrowed under the Loan, calculated at the annual interest rate equal to the one–month Bankers' Acceptance Rate plus 0.25%, accrued daily and paid monthly.

## USE OF PROCEEDS

The proceeds received by the Bank from the issuance of the Deposit Notes will be deposited with the Bank. The Bank will use the Net Proceeds of the Offering for its general banking purposes.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tetrault 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 (''Initial Holder'') who purchases Deposit Notes at the time of their issuance. This summary is applicable only to an Initial Holder 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 Holder unless: (i) the Initial Holder 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 Holder acquired the Deposit Notes as an adventure in the nature of trade. Certain Initial Holders 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 Holder'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 Holder 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''), counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency (the ''CRA'') 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. This summary does not 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 Prior to Maturity**

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 understanding of 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 has occurred and the Portfolio does not consist only of the Bond Account. If an Extraordinary Event occurs or the Portfolio consists only of the Bond Account and the Calculation Agent determine that the Portfolio will only consist of the Bonds, an Initial Holder would generally be required to include in income for each taxation year commencing in the taxation year in which the Extraordinary Event occurred or the Portfolio consists only of the Bond Account, the portion of the Variable Return deemed to accrue as interest to the Initial Holder to the end of the "anniversary day" of the Deposit Note in the taxation year determined in accordance with the prescribed debt obligation rules, except to the extent that the amount was otherwise included in income for the taxation year or a preceding taxation year. The Bank will file an information return with the CRA in respect of any such deemed interest required to be included in an Initial Holder's income and will provide the Initial Holder with a copy of such return.

**Disposition of Deposit Notes**

On a disposition of a Deposit Note at the Maturity Date, an Initial Holder 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 Holder's income and will provide the Initial Holder with a copy of such return. The Initial Holder 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 Holder's adjusted cost base of the Deposit Note and any reasonable costs of disposition.

In certain circumstances, where an 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 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. Under the terms of the Deposit Notes, there should be no amount in respect of 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, while the matter is not free from doubt, an amount received by an Initial Holder 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 Holder's adjusted cost base of the Deposit Note and any reasonable costs of disposition. Initial Holders 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 Holder must be included in the income of the Initial Holder. One-half of a capital loss realized by an Initial Holder 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.

## RISK FACTORS

Investing in the Deposit Notes is subject to certain risks. Before reaching a decision to purchase Deposit Notes, a person should carefully consider a variety of risk factors including, but not limited to, the following:

**Suitability of Deposit Notes for Investment**

A prospective investor should decide to invest in the Deposit Notes only after carefully considering with his or her advisors as to whether the Deposit Notes are a suitable investment in light of the information set out in this Information Statement. None of the Bank (in its capacity as issuer and Calculation Agent), Scotia Capital Inc. (as Selling Agent), the Portfolio Advisor nor the Fund Manager makes any recommendation as to whether the Deposit Notes are a suitable investment for any person.

The Deposit Notes have certain investment characteristics that differ from conventional fixed income investments. The Deposit Notes will not provide Holders with an income stream or return prior to the Maturity Date and may not provide any return in excess of the Principal Amount on maturity. The Deposit Notes do not provide a return in excess of the Principal Amount at the Maturity Date that is calculated or determined with reference to a fixed or floating rate of interest. Therefore, an investment in the Deposit Notes is only suitable for Holders prepared to assume risks with an investment whose return is tied to the performance of the Fund. 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 do not have a fixed yield and could produce no yield. Therefore, the Deposit Notes are not suitable investments for Holders who need or expect any return or a specific return on investment.

Holders should understand that the risk involved in this type of investment is greater than that normally associated with other types of investments. The investments in which the Fund invests can be subject to sudden, unexpected and substantial price movements and various other risks. The trading of investments held by the Fund can lead to substantial losses as well as gains in the value of the Fund within a short period of time.

**Uncertain Return Until the Maturity Date**

There is no assurance that the Fund will be able to achieve its investment objectives and there is no assurance that the Fund will be able to pay Distributions. In certain circumstances, the Fund may suspend the payment of Distributions. If so, Holders of Deposit Notes will not enjoy the benefits of reinvestment of notional Distributions in the Portfolio. It should be noted that past performance of the Fund is not necessarily indicative of future results.

The Deposit Notes are generally not suitable for an investor who requires liquidity prior to the Maturity Date. A Holder should consult his or her investment advisor on whether it would be more favourable in the circumstances at any time to sell the Deposit Note (assuming the availability of a secondary market) or hold the Deposit Note until the Maturity Date. A Holder 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.

**Dependence on Management**

The Fund's success depends on the skill and acumen of the Portfolio Advisor and Fund Manager, which manage and administer the Fund, and on the management team of the Portfolio Advisor and Fund Manager, which provides portfolio advisory and administrative services to the Fund. Neither the employees of the Portfolio Advisor and Fund Manager nor the management team of the Portfolio Advisor and Fund Manager devote all of their time to the business of the Fund. If these individuals should cease to participate in the Fund's business and if satisfactory replacements cannot be found, the Fund's ability to select attractive investments and manage its portfolio could be severely impaired. There can be no assurance that: (a) the Fund's investment objective will be realized; (b) the Fund's investment strategies will prove successful; (c) the Fund's Distribution policy can be maintained; or (d) the Fund can avoid losses. Past performance of the Fund is not indicative of future returns.

**Reliance on Portfolio Advisor**

The Portfolio Advisor will be responsible for the investment management of the Fund's portfolio. The Portfolio Advisor's decisions will influence the overall performance of the Fund. There can be no assurance that the Portfolio Advisor's management of the Fund will result in generating a positive return either for the Fund or for the Deposit Notes.

**Liquidity Risk and Secondary Trading of Deposit Notes**

The Deposit Notes are designed for Holders with long–term investment horizons who are prepared to hold the Deposit Notes to the Maturity Date. The Deposit Notes are not designed as a short–term investment.

There is currently no market through which the Deposit Notes may be sold. The Bank does not intend to apply to have the Deposit Notes listed on any securities exchange.

The Selling Agent will use reasonable efforts to (but is not obligated to) arrange for a secondary market for the purchase and sale of the Deposit Notes. Should there be such a secondary market, it is not possible to predict, due to several factors, at what price the Deposit Notes will trade in the secondary market or whether such market will be liquid or illiquid.

If a Holder sells Deposit Notes prior to the Maturity Date, the Holder may have to do so at a substantial discount from the original Principal Amount even if the performance of the Portfolio has been positive and, as a result, the Holder may suffer substantial losses.

The Principal Amount is repaid by the Bank only at the Maturity Date. There is no assurance that any premium that may have been paid by a Holder having purchased Deposit Notes in the secondary market will be recouped. The price that the Selling Agent will pay to a Holder for a Deposit Note prior to the Maturity Date will be determined by the Selling Agent, acting in its sole discretion, and will be based on, among other things:

- how much the value of the assets in the Portfolio have risen or fallen since the Closing Date;
- the fact that notional assets in the Portfolio will be reallocated from time to time between the Fund Account and the Bond Account during the term of the Deposit Note; and
- a number of other interrelated factors including, without limitation, volatility of the value of the assets in the Portfolio, prevailing interest rates and the time remaining to the Maturity Date.

The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that the secondary market price for the Deposit Notes: (a) may not rise and fall with changes in the net asset value of the Units; and (b) may be substantially affected by changes in current interest rates independent of performance of the notional assets in the Portfolio. The Holders may wish to consult their respective investment advisors concerning whether it would be more appropriate in the circumstances at any time to sell or to hold their Deposit Notes until the Maturity Date.

A Holder will not be able to redeem or sell Deposit Notes prior to the Maturity Date, other than through the secondary market, if available.

**Reallocation of the Portfolio**

If, pursuant to the Asset Allocation Calculation, assets are reallocated from the Fund Account to the Bond Account during the term of the Deposit Notes, such allocation will reduce the exposure of the Deposit Notes to the Fund. The amounts to be allocated between the Fund Account and the Bond Account will be determined in accordance with the Asset Allocation Calculation.

**Fees and Transaction Costs**

In order for the payment at the Maturity Date to exceed the Principal Amount, the return on the notional assets in the Portfolio at the Maturity Date will have to exceed the aggregate fees and expenses paid in respect of the Deposit Notes during the term of the Deposit Notes.

**Leverage**

It is possible to have an exposure to Units in the Portfolio of up to 200% of the Net Proceeds. If such exposure exceeds 100% of the Net Proceeds, the Portfolio will have notionally borrowed money to acquire the additional notional Units. The use of borrowed money creates an opportunity for increased exposure to the Units and the potential of an increased return. At the same time, however, borrowing money creates special risks. Although the principal amount of funds notionally borrowed will be fixed, the net asset value of the Units may change in value during the time a borrowing is outstanding. Since any decline in net asset value of the Units will be borne entirely by the Portfolio (and not by those persons providing the borrowed money), a decline in the net asset value of the Units will result in a greater decrease in the Portfolio Performance than if no money was borrowed. Decreases in Portfolio Performance can lead to an increased allocation to the Bond Account under the Asset Allocation Calculation which will reduce the potential for the Deposit Notes to produce a Variable Return at Maturity.

Notionally borrowing money will create interest expenses for Holders of the Deposit Notes. The interest costs may exceed the return made from the borrowed funds. To the extent that the return on the notional Units purchased with borrowed funds is greater than the interest the Deposit Notes will have to pay on the borrowed money, then the Portfolio Performance will be greater than the return if no funds were borrowed. Conversely, if the return from the notional Units acquired with borrowed funds is not sufficient to cover the interest costs on the borrowed money, then the Portfolio Performance will be less than if no money was borrowed.

**Conflicts of Interest**

The Bank is the promoter of the Fund. The Bank is also the promoter of the other mutual funds managed by Scotia Securities . As a result, the Bank may have conflicts of interest in allocating its time and activity between the Fund, other mutual funds managed by Scotia Securities and its other activities and it may have a conflict of interest between its capacity as promoter of the Fund and as issuer of, and Calculation Agent for, the Deposit Notes.

The Fund Manager and the Portfolio Advisor and their affiliates act as trustee, manager and/or investment manager of other mutual funds and other investment funds. The services of the Fund Manager and the Portfolio Advisor are not exclusive to the Fund. The Fund Manager and the Portfolio Advisor are wholly owned subsidiaries of the Bank, which is the issuer of the Deposit Notes. The Bank will, as the Calculation Agent, calculate the amount, if any, of Variable Return paid to Holders at maturity. The Bank, as Calculation Agent, relies on the Fund NAV posted by Scotia Securities to determine the NAV of the Deposit Notes and the Variable Return, if any, paid to Holders at maturity. The Bank 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. 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, all of the Calculation Agent's calculations and determinations will be final and binding on Holders, absent manifest error, without any liability on the part of the Calculation Agent or any of its affiliates, and Holders will not be entitled to any compensation from the Calculation Agent or any of its affiliates 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 it needs to make any such calculations and determinations in its capacity as Calculation Agent.

The Bank, Scotia Capital Inc., the Fund Manager, the Portfolio Advisor and any of their affiliates may conduct any other business. This other business may include activities in securities and such business may be in competition with the Fund or the Deposit Notes. For example, the Fund Manager, the Portfolio Advisor or any of their affiliates may act as a general partner, managing member, investment adviser or portfolio advisor for others (including the issuers of securities owned by the Fund). The Fund Manager, the Portfolio Advisor or any of their affiliates may also manage funds or capital for others, may have, make and maintain investments in its own name or through other entities, may serve as a consultant, managing member, partner or stockholder of one or more investment advisers, partnerships, securities firms or advisory firms, and may act as a director, officer or employee of any corporation, a trustee of any trust, an executor or manager of any estate, or an administrative official of any other business entity. The investment objectives and policies relating to these other entities and activities may not be consistent with the investment objective and strategies of the Fund. As a result, the investments taken, held or liquidated by the Fund may vary in kind, terms or price from those taken, held or liquidated by or on behalf of these other entities or in connection with these other activities. The Portfolio Advisor also may be subject to certain limitations, bylaws or under its own internal code of ethics or other policies that may prevent the Portfolio Advisor from taking certain actions or making certain investments for the Fund. As a result of the foregoing, the Fund Manager, the Portfolio Advisor and their affiliates may have conflicts of interest in allocating their time and activity between the Fund and other entities and activities, and in allocating investments among the Fund and other clients, including those in which the Fund Manager, the Portfolio Advisor and their affiliates may have a greater financial interest.

The Bank may, at any time and from time to time, hedge its exposure under the Deposit Notes. It may do so in a number of ways including, without limitation, by acquiring securities of the Fund other than the Units, which securities may have a different management expense ratio than that applicable to the Units. In addition, each of the Bank and Scotia Capital Inc. whether in their respective capacities as Calculation Agent and Selling Agent and any of their respective affiliates, may from time to time, in the course of its normal business operations, hold units of the Fund or other interests linked to the Fund or hold securities of, extend credit to or enter into other business dealings with the Portfolio Advisor, the Fund or one or more of the companies whose securities are owned by the Fund. Each has agreed that all such actions taken by it shall be taken based on normal commercial criteria in the particular circumstances, which may include payment of trailer fees. Such actions may not take into account the effect, if any, of such actions on the amount of Variable Return, if any, that may be payable on the Deposit Notes.

**Regulatory Change**

Future regulatory changes in applicable jurisdictions could limit the ability of the Portfolio Advisor and/or Fund Manager to carry out its business. Future regulatory changes in applicable jurisdictions could have a material adverse effect on the Deposit Notes.

**Credit Risk**

Because the obligation to make payments to Holders is an obligation of the Bank, the likelihood that such Holders 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 will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime.

**Protection Event**

If a Protection Event occurs then, for the remaining term of the Deposit Notes, the Deposit Notes will no longer have any exposure to the Units. Following the occurrence of a Protection Event, any Variable Return on the Deposit Notes calculated as of the date of such occurrence will be notionally invested in the Bond Account and the proceeds will be paid to the Holder at the Maturity Date. If a Protection Event occurs, the possibility of a Holder receiving any Variable Return is significantly reduced and a Holder will not receive any interest payments during the remainder of the term of the Deposit Notes.

**Extraordinary Events**

If an Extraordinary Event occurs, the Deposit Notes may no longer have exposure to the Fund Account and may have exposure only to the Bond Account. Following the occurrence of an Extraordinary Event, the Deposit Notes may not participate in any return that may have been realized on the Units following an Extraordinary Event. If an Extraordinary Event occurs, the possibility of a Holder receiving any Variable Return may be significantly reduced.

An Extraordinary Event may also result in a delay in payment of the Variable Return, if any. If an Extraordinary Event occurs and is not resolved by the fifteenth Business Day before the Maturity Date, payment of the Principal Amount will occur on the Maturity Date, and payment of the Variable Return, if any, will occur as soon as practicable following resolution of the Extraordinary Event and, in any event, no later than 180 days after the Maturity Date.

**No Independent Calculation**

As part of its responsibilities, the Calculation Agent, acting reasonably, will be solely responsible for computing the NAV per Deposit Note based on the calculations of the Portfolio Performance and the Asset Allocation Calculation made by the Calculation Agent. No independent calculation agent will be retained to make or confirm the determinations and calculations made by the Calculation Agent.

**Valuation of the Fund**

In valuing the Units, the Calculation Agent will be dependent on information reported by the Fund and the Fund's determinations as to the fair value of its assets, which generally will be unaudited. Readily available market prices or quotations normally may not be available for all interests in the Fund and the Bank may not have access to information about the Fund's portfolio holdings that could be used to verify the fair value of the Units as reported by the Fund.

**Risks Relating to the Fund**

The Variable Return, if any, payable on the Deposit Notes is linked to the performance of the Portfolio, which in turn is based on the performance of the Fund. Accordingly, certain risk factors applicable to holders who invest directly in Units are also applicable to an investment in Deposit Notes to the extent that such risk factors could adversely affect the Distributions made by, and the performance of, the Fund. Such risk factors include credit risk (in the case of debt securities, factors that may result in non-payment of the obligation), currency risk (change in value of Canadian dollar compared to foreign currencies), derivatives risk (including counterparty risk), equity risk (in the case of equity investments, factors which may cause the price of the stock to rise or fall), foreign investment risk (financial, political and social factors that affect investments outside Canada and the United States), government securities risk (including credit risk and interest rate risk), income trust risk (in the case of investments in income trusts, factors that affect their returns), interest rate risk (in the case of investments in fixed income instruments, factors which might cause interest rates to rise or fall, since the value of fixed income instruments varies inversely with interest rates), large transaction risk (where another mutual fund or other large investor invests some or all of its assets in the Fund, if such other investor receives large redemption requests it may, in turn, make large redemption requests to the Fund and the Fund may have to sell its investments at unfavourable prices to meet the redemption requests), liquidity risk (factors relating to how easy it is to convert an investment into cash and which can cause dramatic changes in an investment's value), smaller companies risk (in the case of investments in smaller companies, the share price is usually more volatile than in established larger companies and the shares may trade less frequently so that a sale or purchase of shares can have a greater impact on the share price) and class risk (if the Fund cannot pay the expenses of one class using that class's proportionate share of Fund assets it may have to pay those expenses out of the other class ' proportionate share of the assets, which could lower the investment return of those other class ). This is not a complete description of the risks applicable to the Fund. A complete description of the risks as they apply to the Fund is contained in the current simplified prospectus of the Fund, which may be obtained at www.sedar.com.

**No Ownership of Units or the Bonds**

The Deposit Notes will not entitle a Holder to any direct or indirect ownership of or entitlement to Units, Bonds or assets notionally held in the Portfolio. As such, a Holder will not be entitled to the rights and benefits of a unitholder or any other securityholder of the Fund, including any right to receive Distributions or dividends or to vote at or attend meetings of unitholders or securityholders of the Fund.

Owning the Deposit Notes is different from owning Units of the Fund. The Deposit Notes do not represent a direct substitute for an investment in the Fund. Investing in the Deposit Notes provides the opportunity to participate in the value of the Portfolio, while receiving at the Maturity Date repayment of the Principal Amount invested in each Deposit Note. As such, the Deposit Notes serve as a way of participating in the appreciation in the Fund, if any, based on the Portfolio Performance, while assuring the ultimate return of the Principal Amount invested on the Maturity Date.

**The Fund Net Asset Value**

The trading prices of the securities comprising the assets of the Fund from time to time will affect the net asset value of the Fund. Other activities of the Fund may impact on the value of the Units. For details regarding the calculation of the net asset value of the Units, see the disclosure filed by the Fund, which is available at www.sedar.com. Holders should recognize that it is impossible to know whether the value of the securities comprising the assets of the Fund at any time will rise or fall and whether the investment decisions of the Portfolio Advisor of the Fund will prove to be successful. Trading prices of the securities comprising the assets of the Fund may be influenced by complex and inter–related political, economic, financial and other factors that can affect the capital markets generally or the equity trading markets on which the securities comprising the assets of the Fund are trading. Holders should familiarize themselves with the basic features of the Units of the Fund, including the general method of calculating the net asset value of the Fund.

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