**INFORMATION STATEMENT DATED MAY 17, 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.*

Scotiabank

# BID NOTES

## The Bank of Nova Scotia
## SC Universe Bond Index™ Deposit Notes

**SERIES 2**

**DUE JUNE 21, 2011**

**Price: $100.00 per Deposit Note**

**Scotia Capital Inc.**

**Selling Agent**

## Table of Contents

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 of Nova Scotia (the "Issuer") has taken reasonable care to ensure that the facts stated in this Information Statement with respect to the Deposit Notes are true and accurate in all material respects. However, the Issuer makes no assurances, representations or warranties with respect to the accuracy, reliability or completeness of information obtained from third parties. Furthermore, the Issuer makes no recommendation concerning the Index 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 Issuer does not accept any responsibility for any information not contained in this Information Statement.

## SUITABILITY FOR INVESTMENT

The Bank of Nova Scotia SC Universe Bond Index ™ Deposit Notes, Series 2 (each a "Deposit Note" collectively the "Deposit Notes") are variable interest Deposit Notes issued by The Bank of Nova Scotia (the "Bank" or the "Issuer"). In this Information Statement when we use the terms "we", "our" or "us" we are referring to the Issuer. A Deposit Note entitles the holder ("you" or the "Investor"), at maturity, to an amount in Canadian dollars equal to the amount you deposited with us, plus variable interest (if any) ("Variable Interest"). Variable Interest, if any, will be linked to the performance of the Scotia Capital Universe Overall Bond Index (Total Return) (the "Index").

An investment in Deposit Notes is suitable only for investors prepared to assume risks with respect to a return tied to the performance of the Index. Whether Variable Interest will be paid on the Deposit Notes is uncertain and an Investor may not receive anything more at the Maturity Date than the Principal Amount. The Principal Amount is guaranteed to be repaid only if the Deposit Notes are held to the Maturity Date. A person should reach a decision to invest in the Deposit Notes only after carefully considering, with his or her advisors, the suitability of this investment in light of his or her investment objectives and the information set out in this Information Statement. The Deposit Notes have certain investment characteristics that differ from fixed income investments. **The Deposit Notes will not provide Investors with any Variable Interest prior to the Maturity Date**, **and they may not provide a return in excess of the Principal Amount at the Maturity Date**. Therefore, an investment in the Deposit Notes is only suitable for Investors prepared to assume the risks associated with an investment whose return is tied to the performance of the Index. The Deposit Notes are not conventional indebtedness. The Deposit Notes could produce no yield. Therefore, the Deposit Notes are not suitable investments for Investors who require a fixed annual return. See "Risk Factors".

## 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 Issuer or by an employer with which the Issuer does not deal at arm's length within the meaning of such Act.)**.**

## CURRENCY

All dollar or currency amounts expressed in this Information Statement are Canadian dollars, unless otherwise specified.

# 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.*

**Issue:** The Bank of Nova Scotia SC Universe Bond Index ™ Deposit Notes, Series 2

**Issuer:** The Bank of Nova Scotia.

**Issue Price:** $100.

**Denominations:** The Deposit Notes will be sold in denominations of $100 per Deposit Note (the "Principal Amount"), with a minimum subscription of fifty (50) Deposit Notes per Investor (i.e. $5,000).

**Initial Index Date:** June 21, 2006

**Initial Index Level:** •

**Settlement Date:** On or about June 21, 2006

**Maturity Date/Term:** The Deposit Notes will mature on or about June 21, 2011, resulting in a term to maturity of 5 years.

**Final Index Level Date:** Three business days prior to the Maturity Date.

**Underlying Index:** Scotia Capital Universe Overall Bond Index ™ (Total Return).

**Redemption Amount:** The Redemption Amount payable on the Maturity Date will, subject to matters discussed under "Description of the Deposit Notes – Special Circumstances", be equal to the sum of: (i) the Variable Interest, if any; and (ii) the Principal Amount. The Redemption Amount will not be less than the Principal Amount. **Unless the Final Index Level is higher than the Initial Index Level, after subtracting the Annual Factor, no Variable Interest will be payable on the Deposit Notes.**

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

$$\text{Variable Interest} = \; = \left\{ \left( PA \times \frac{\text{Final Index Level}}{\text{Initial Index Level}} \right) \times \left( 1 - \left( \frac{F}{4} \right) \right)^{t} \right\} - PA$$

Where:

"*PA*" is the Principal Amount

"*Final Index Level*" is the level of the Index at the Closing Time on the Final Index Level Date as published by Scotia Capital.

"*Initial Index Level*" is the level of the Index at the Closing Time on the Initial Index Date as published by Scotia Capital.

*"F"* is equal to the Annual Factor of 0.75% (0.0075) The Annual Factor is designed to compensate the Issuer for the fees and expenses of the offering and will reduce the value of the Variable Interest, if any, payable to an Investor

*"t"* is equal to the number of quarterly periods, or portion thereof, since the Initial Index Date.

Payment of Variable Interest, if any, may be deferred in certain circumstances to ensure compliance with Canadian laws governing interest rates as described under "Description of the Deposit Notes – Deferred Payment".

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

**Use of Proceeds:** The net proceeds from this offering of Deposit Notes will be used by the Issuer for its general banking business.

**No Redemption:** The Deposit Notes are not redeemable, either at the option of the Investor or the Issuer, prior to the Maturity Date.

**Deferral of Payment:** In certain circumstances, payment of Variable Interest, if any, at maturity may be deferred to ensure compliance with Canadian laws regarding interest rates. See "Deferred Payment".

**Special Circumstances:** If an Extraordinary Event in respect of the Index is in effect on the Final Index Level Date, determination of the Final Index Level will be postponed to a later date. As a result, payment of Variable Interest, if any, (but not the Principal Amount) may be deferred. See "Description of the Deposit Notes – Special Circumstances".

**Eligibility for Investment:** The Deposit Notes 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 and deferred profit sharing plans (other than a trust governed by a deferred profit sharing plan to which contributions are made by the Issuer or by an employer with which the Issuer does not deal at arm's length within the meaning of such Act).

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

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

**Secondary Market**: The Deposit Notes will not be listed on any stock exchange. However, Investors may be able to sell them prior to maturity in any available secondary market. Scotia Capital intends to use reasonable efforts to maintain a secondary market for the Deposit Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to Investors. **An Investor who sells a Deposit Note to Scotia Capital within the first 720 days of issuance will receive sales proceeds equal to the bid price for the Deposit Note as determined by Scotia Capital (the "Bid Price") minus any applicable Early Trading Charge.** Due to the method used to price the Deposit Notes, the Bid Price may be substantially less than the values computed only with reference to the relative level of the Index. If an Investor sells Deposit Notes prior to maturity, the Investor may have to do so at a substantial discount from the original Principal Amount even if the performance of the Index has been positive, and as a result, the Investor may suffer substantial losses. See "Description of the Deposit Notes –

Secondary Trading of Deposit Notes".

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

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

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

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

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

**Risk Factors:** You should consider carefully certain risk factors set out under "Risk Factors" before reaching a decision to buy the Deposit Notes.

**Calculation Agent:** Scotia Capital will act as the Calculation Agent, provided that we may appoint a successor calculation agent. The Calculation Agent will make all necessary calculations and determinations required in respect of the Deposit Notes. Due to the nature of the Deposit Notes, the calculations required, liquidity in the relevant markets and other factors, 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 the Investors.

**Commission:** Upfront sales commission of 1% of the Principal Amount payable on the Issue Date by the Issuer to Scotia Capital (the "Selling Agent").

**CUSIP:** **064149TX5**

# GLOSSARY

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

**"Annual Factor"** has the meaning ascribed to that term under ''Description of the Deposit Notes – Variable Interest''.

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

**"Bond"** means a debt obligation contained in the Index.

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

**"Calculation Agent"** means Scotia Capital.

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

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

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

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

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

**"Deposit Notes"** means the SC Universe Bond Index ™ Deposit Notes, Series 2 issued by The Bank of Nova Scotia under this Information Statement.

**"Determination Date"** has the meaning ascribed thereto under ''Description of the Deposit Notes – Special Circumstances - Extraordinary Events''.

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

**''Extraordinary Event''** has the meaning ascribed thereto under ''Description of the Deposit Notes – Special Circumstances - Extraordinary Events''.

**"Extraordinary Event Notification Date"** has the meaning ascribed thereto under ''Description of the Deposit Notes – Special Circumstances - Extraordinary Events''.

**"Final Index Level"** means, subject to the matters discussed under ''Description of the Deposit Notes – Special Circumstances'', the level of the Index, as published by Scotia Capital, as at the Closing Time on the Final Index Level Date.

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

**"Index"** means the Scotia Capital Universe Overall Bond Index ™ (Total Return).

**"Initial Index Date"** means June 21, 2006.

**"Initial Index Level"** means the level of the Index as at the Closing Time on the Initial Index Date as published by Scotia Capital.

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

**“Issue Date”** means the date of initial issuance of the Deposit Notes, being June 21, 2006.

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

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

**“Maturity Date”** means June 21, 2011.

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

**“Payment Date”** has the meaning ascribed to that term under “Description of the Deposit Notes – Special Circumstances – Extraordinary Events”.

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

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

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

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

**“Settlement Date”** means June 21, 2006.

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

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

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Information Statement from documents filed by the Issuer 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 Issuer's Annual Information Form dated December 19, 2005;

(b) the Issuer'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 Administrator, are not required to be incorporated by reference);

(c) the Issuer'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 condition and results of operations as contained in the Issuer's Annual Report for the year ended October 31, 2005;

(d) the Issuer's interim financial statements as at for the three months ended January 31, 2006, including management's discussion and financial condition and results of operations as contained in the Issuer's First Quarter Report to Shareholders;

(e) a material change report of the Issuer dated January 20, 2006 announcing certain changes to the Issuer'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 releases containing financial information concerning the Issuer for periods following October 31, 2005 and any business acquisition reports for acquisitions completed after October 31, 2005 filed by the Issuer 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 ISSUER

## General

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 Issuer has been a chartered bank under the *Bank Act* (Canada) (The "Bank Act"). The Issuer is a Schedule I 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 Issuer's by-laws are available on www.sedar.com.

In terms of total assets, the Issuer was the third largest Canadian chartered bank as at October 31, 2005. The Issuer is one of North America's premier financial institutions and Canada's most international bank. The Issuer is a full-service financial institution, active in both domestic and international markets. In Canada the Issuer 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 50,000 employees, the Issuer, and its affiliates, have branches and offices serving approximately 10 million customers in some 50 countries, which provide a wide range of banking and financial services, either directly or through subsidiary and associated banks, trust companies and other financial institutions.

The Issuer 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 Issuer's business lines is available in the 2005 Management's Discussion and Analysis found on page 51 of the Annual Report.

## Domestic Banking

The Issuer'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 Issuer's subsidiaries, Roynat Capital Inc.

## International Banking

The Issuer'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 Issuer's retail and commercial banking operations outside of Canada. Including the Issuer'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 Issuer 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 Issuer's holdings include Scotiabank Sud Americano in Chile, and affiliates in Peru and Venezuela. In Chile, the Issuer 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 Issuer 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

SC Universe Bond Index ™ Deposit Notes, Series 2, will be issued by the Issuer. The Issuer reserves the right to issue such number and principal amount of Deposit Notes as the Issuer may determine in its absolute discretion. The Issuer reserves the right to close the subscription books at any time.

### Principal Amount and Minimum Subscription

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

### Maturity and Repayment of Principal Amount

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

### Variable Interest

Each Deposit Note will bear Variable Interest, if any, payable in Canadian dollars on the Maturity Date, subject to deferral in the circumstances described under "Description of the Deposit Notes – Deferred Payment" and the occurrence of an Extraordinary Event. Variable Interest, if any, will be an amount in Canadian dollars determined by the Calculation Agent in accordance with the following formula:

$$Variable\ Interest = \left\{\left(PA \times \frac{Final\ Index\ Level}{Initial\ Index\ Level}\right) \times \left(1 - \left(\frac{F}{4}\right)\right)^{t}\right\} - PA$$

Where:

''*PA*'' is the Principal Amount

''*Final Index Level*'' is the level of Index at the Closing Time on the Final Index Level Date as published by Scotia Capital.

''*Initial Index Level*'' is the level of the Index at the Closing Time on the Initial Index Date as published by Scotia Capital.

*''F''* is equal to the Annual Factor of 0.75% (0.0075) The Annual Factor is designed to compensate the Issuer for the fees and expenses of the offering and will reduce the value of the Variable Interest, if any, payable to an Investor.
*''t''* is equal to the number of quarterly periods, or portion thereof, since the Initial Index Date.

Variable Interest, if any, will be paid only on the Maturity Date, subject to postponement of the determination of the amount of Variable Interest due to an Extraordinary Event. **Payment of Variable Interest, if any, may be deferred in certain circumstances to ensure compliance with Canadian laws governing interest rates as described under "Description of the Deposit Notes – Deferred Payment".**

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

**It is possible that no Variable Interest will be payable. No Variable Interest will be paid if the Final Index Level is not higher than the Initial Index Level after subtracting the Annual Factor. See "Risk Factors – Variable Interest May be Zero".**

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

## Examples of Variable Interest

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

**Example 1**

**Assumptions:**

Initial Index Level: 610
Final Index Level: 750
Principal Amount: $10,000

$$Variable\ Interest = \left\{\left(PA \times \frac{Final\ Index\ Level}{Initial\ \ Index\ Level}\right) \times \left(1 - \left(\frac{F}{4}\right)\right)^{t}\right\} - PA$$

$$= \left\{\left(10{,}000 \times \frac{750}{610}\right) \times \left(1 - \frac{0.0075}{4}\right)^{20}\right\} - 10{,}000$$

*= 12,295.08 x 0.96316 – 10,000 = $1,842.13*

*Redemption Amount = $10,000 + $1,842.13 = $11,842.13*

The Redemption Amount payable to the investor on the Maturity Date is $11,842.13 and represents the sum of the Principal Amount ($10,000) and the Variable Interest ($1,842.13).

**Example 2**

**Assumptions:**

Initial Index Level: 750
Final Index Level: 610
Principal Amount: $10,000

The Final Index Level is less than the Initial Index Level. No Variable Interest is paid when the Final Index Level is equal to or less than the Initial Index Level.

*Variable Interest = $0*

*Redemption Amount = $10,000 + $0 = $10,000*

The Redemption Amount payable to the investor on the Maturity Date is $10,000 and represents the Principal Amount ($10,000) and zero Variable Interest.

## Credit Rating

The Deposit Notes have not been rated. As of the date of this Information Statement the deposit liabilities of the Issuer 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 Issuer. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

## Use of Proceeds

The net proceeds received by the Issuer from the issuance of the Deposit Notes will be deposits of the Issuer. The Issuer will use the net proceeds of the Offering for its general banking purposes.

## Secondary Trading

The Deposit Notes will not be listed on any stock exchange. However, Investors may be able to sell Deposit Notes prior to maturity in any available secondary market. Scotia Capital intends to use reasonable efforts to maintain a secondary market for the Deposit Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Investors. Each sale of a Deposit Note to Scotia Capital will be effected at a price equal to: (i) the Bid Price for the Deposit Note determined by Scotia Capital; minus (ii) any applicable Early Trading Charge.

The Bid Price for a Deposit Note will be affected by a number of factors, the most important of which are: (i) the Principal Amount of the Deposit Note which is payable on maturity, and (ii) the expected value of the Variable Interest, if any. Generally the longer the term to maturity, and the higher the prevailing interest rates at the time such Bid Price is obtained, the less the Deposit Note will be worth. The expected value of the Variable Interest will be a function of a number of variables, including but not limited to: (i) the volatility of the Index; (ii) the remaining term to maturity; (iii) the performance of the Index; and (iv) prevailing interest rates. Due to the method used to price the Variable Interest, the expected value of the Variable Interest, if any, may be substantially less than the value computed only with reference to the price performance of the Index.

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

In addition to these factors, during the first 720 days following the issuance of the Deposit Notes, an Early Trading Charge will apply to any secondary market sale of a Deposit Note through Scotia Capital. The Early Trading Charge will be equal to a percentage of the Principal Amount of the Deposit Note determined as follows:

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

**An Investor should be aware that any price for the Deposit Notes appearing on his or her monthly or quarterly investment account statement will be BEFORE deduction of any applicable Early Trading Charge. An Investor wishing to sell Deposit Notes prior to the Maturity Date should consult with his or her investment advisor as to whether the Investor 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. An Investor should consult his or her investment advisor on whether it would be more favorable in the circumstances at any time to sell Deposit Notes (assuming the availability of a secondary market) or hold Deposit Notes until the Maturity Date. An Investor should also consult his or her tax advisor as to the income tax consequences arising from a sale prior to the Maturity Date as compared to holding the Deposit Note until the Maturity Date. See "Canadian Federal Income Tax Considerations".**

## Special Circumstances

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

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

### *Extraordinary Events*

An Extraordinary Event, with respect to the Deposit Notes, is the occurrence or existence on the Final Index Level Date of any of the following:

(a) the occurrence or existence on any Business Day of any suspension of or limitation imposed on trading as at 4:00 pm Toronto: (i) in options contracts on the benchmark bonds that may comprise the Index; or (ii) in futures contracts on the benchmark bonds that may comprise the Index if, in the determination of the Calculation Agent, such suspension or limitation is material;

(b) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which would make it unlawful or impracticable for the Calculation Agent to perform its obligations under the Deposit Notes;

(c) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada or any other country, or any political subdivision thereof, which has a material adverse effect on the financial markets of Canada; or

(d) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) which has or would have a material adverse effect on the ability of the Calculation Agent to perform its obligations under the Deposit Notes or of its ability to generally place, maintain or modify hedges of positions with respect to any Bond or a material or adverse effect on the Canadian economy or the trading of Bonds generally.

If the Calculation Agent determines in good faith that an Extraordinary Event has occurred and is continuing on the Final Index Level Date, then the date for the determination of Variable Interest, if any, will be postponed up to five Business Days after the next Business Day (such date being the ''Payment Date'') on which there is no continuing Extraordinary Event. In such a case, the Final Index Level shall be determined on the first Business Day following the Final Index Level Date on which there is no Extraordinary Event continuing, unless there is an Extraordinary Event on each of the four Business Days immediately following the Final Index Level Date. In that case, the fifth Business Day following the Final Index Level Date shall be deemed to be the date on which the Final Index Level will be determined (such date being the "Determination Date"). The third Business Day following the Determination Date will be deemed to be the Payment Date, notwithstanding the existence of an Extraordinary Event, and the Calculation Agent shall determine the Final Index Level as of the Closing Time on that fifth Business Day on the basis of its good faith estimate by the Calculation Agent in its sole discretion of the closing level of the Index on such date that would have prevailed after taking into account any relevant market influences including occurrences that may have caused, in whole, or in part the Extraordinary Event.

Under no circumstances will the payment of the Principal Amount or Variable Interest, if any, per Deposit Note be accelerated. Notwithstanding the occurrence of an Extraordinary Event, the Principal Amount will remain due and payable at the Maturity Date.

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

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

Any Successor Index will be designated by the Calculation Agent using its discretion on the basis that the Successor Index will be substantially similar to the Index. If the Calculation Agent designates a Successor Index, then the Index will be deemed, for all purposes in respect of the Deposit Notes, to be the Successor Index. In such circumstances, Variable Interest will be calculated on the basis of the Initial Index Level and Final Index Level of the Successor Index on the Initial Index Date and the Final index Date, respectively, in accordance with the formula previously set out herein. If the Calculation Agent, in its discretion, elects not to designate a Successor Index, then Variable Interest, if any, will be calculated using the level of the Index as at the Closing Time on the last Business Day that the Index was published prior to the cessation of its calculation and dissemination.

If, on or prior to the Final Index Level Date in the sole judgement of the Calculation Agent, a material change is made in the formula or the method of calculating the Index or there is a material modification to the Index (other than a modification prescribed in the formula or method to maintain the Index in event of changes to the Bonds in the Index and other routine events) (in either case, a "Material Index Change") then the Calculation Agent may, in its discretion:

(a) determine that such Material Index Change has a material effect on Variable Interest and, if so, shall calculate Variable Interest as of the last Business Day that the Index was published prior to the Material Index Change : or

(b) designate a Successor Index; or

(c) continue to calculate Variable Interest, based on the Index, in accordance with the formula previously set out under "Description of the Deposit Notes – Variable Interest".

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

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

## Forms of the Deposit Notes

Each Deposit Note will be represented by a global Deposit Note representing the entire issuance of Deposit Notes. The Issuer will issue Deposit Notes evidenced by certificates in definitive form to a particular Investor only in limited circumstances. Any certificated Deposit Notes in definitive form and any global Deposit Note will be issued in registered form, whereby the Issuer's obligation will be to the holder of the security named on the face of the security. Definitive Deposit Notes, if issued, will name Investors or their nominees as the owners of the Deposit Notes, and in order to transfer or exchange these definitive Deposit Notes or to receive payments, the Investors or nominees (as the case may be) must physically deliver the Deposit Notes to the Issuer. A global Deposit Note will name a depositary or its nominee as the owner of the Deposit Notes, initially to be CDS or its nominee. Each Investor's beneficial ownership of Deposit Notes will be shown on the records maintained by the Investor'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 Issuer 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 equity that may be subsisting with respect to any Deposit Note.

## Global Deposit Note

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

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

Ownership of beneficial interests in a global Deposit 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 Deposit 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 participating in the distribution of the Deposit Notes will designate the accounts to be credited. Ownership of beneficial interests in a registered global Deposit Note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the 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 Deposit 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 Deposit Note for all purposes. Except as described below, owners of beneficial interests in a registered global Deposit Note will not be entitled to have the Deposit Notes represented by the registered global Deposit Note registered in their names, will not receive or be entitled to receive physical delivery of the Deposit Notes in definitive form and will not be considered the owners or holders of Deposit Notes. Accordingly, each person owning a beneficial interest in a registered global Deposit Note must rely on the procedures of the depositary for that registered global Deposit Note and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder. The Issuer understands that under existing industry practices, if the Issuer requests any action of holders or if an owner of a beneficial interest in a registered global Deposit Note desires to give or take any action that a holder is entitled to give or take in respect of the Deposit Notes, the depositary for the registered global Deposit Note would authorize the participants holding the relevant beneficial interests to give or take that action, and the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them.

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

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

## Definitive Deposit Notes

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

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

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

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

The text of any Deposit Notes issued in definitive form will contain such provisions as the Issuer may deem necessary or advisable. The Issuer 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 Issuer, or at such other offices notified by the Issuer to Investors.

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

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

## Deferred Payment

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

## Status

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

## Dealings in Bonds

The Issuer may from time to time, in the course of its normal business operations, hold interests linked to any Bond. The Issuer has agreed that all such actions taken by it shall be taken based on normal commercial criteria in the particular circumstances and shall no take into account the effect, if any, of such actions on the value of any Bond or the amount of Variable Interest, if any, that may be payable on the Deposit Notes.

## Notification

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

# PLAN OF DISTRIBUTION

Each Deposit Note will be issued for a Subscription Price of 100% of the Principal Amount thereof (i.e. $100). The Subscription Price was determined by negotiation between the Issuer and the Selling Agent. Currently the Selling Agent is a wholly-owned subsidiary of the Issuer. As a result the Issuer is a related issuer of the Selling Agent under applicable securities legislation.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Upon acceptance of a subscription, the Selling Agent will deliver or cause to be delivered a confirmation of acceptance by prepaid mail or other means of delivery to the subscriber.

The Issuer will pay the Selling Agent an upfront sales commission of 1.00% of the Principal Amount, payable on the Issue Date. The commission payable to the Selling Agent will be paid on account of services rendered in connection with the Offering and will be paid out of the general funds of the Issuer. 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 Agent may purchase Deposit Notes offered hereby as principal.

The closing of this Offering is scheduled to occur on or about June 21, 2006. The Issuer may, at any time prior to the Issue Date, in its discretion, elect whether or not to proceed in whole or in part with the issue of the Deposit Notes.

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 Issue Date. Subject to certain exceptions, certificates evidencing the Deposit Notes will not be available to Investors under any circumstances and registration of interests in and transfer of Deposit Notes will be made through the Book-Entry System of CDS. See ‘‘Description of the Deposit Notes —Book-Entry Only System’’.

In connection with the issue and sale of the Deposit Notes by the Issuer, 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 Issuer 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.

Dealers may from time to time purchase and sell Deposit Notes in any available secondary market but are not obligated to do so. The price and other selling terms for such sales in a secondary market may, from time to time, be varied by such dealers. The Issuer reserves the right to issue additional Deposit Notes of this series or a series previously issued, and other debt securities which may have terms substantially similar to the terms of the Deposit Notes offered hereby, which may be offered by the Issuer concurrently with the Offering of Deposit Notes. The Issuer further reserves the right to purchase, at any time and from time to time, for cancellation any Deposit Notes in a secondary market, without notice to Investors.

# INVESTORS' RIGHT OF RESCISSION

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

## THE SC UNIVERSE OVERALL BOND INDEX (TOTAL RETURN)

All information contained in this Information Statement relating to the Index is distributed and maintained by the Fixed Income Research Group at Scotia Capital, the ''Index Sponsor'' and ''Calculation Agent'', a wholly owned subsidiary of the Issuer. SC Universe Bond Index is a registered trademark of The Bank of Nova Scotia.

### General

The Index is designed to be a broad measure of the Canadian investment-grade fixed income market. As of April 30, 2006, the Index consisted of *995* securities, with a total market value of approximately *$618 billion*. Returns are calculated daily, and are weighted by market capitalization, so that the return on a Bond influences the return on the Index in proportion to the Bond's market value. The Index has been published since 1979. It is intended to be a transparent index, with individual security holdings disclosed electronically each day.

The Index represents substantially all of the marketable domestic Canadian fixed income securities with a term exceeding one year. The composition of credit sectors such as those represented generally, but not exclusively, by Government of Canada bonds (''Canadas''), provincial bonds (''Provincials''), municipal bonds (''Municipals'') and corporate obligations (''Corporates''), is determined purely by relative net issuance of those entities in the public market place. Currently no pre-determined composition of sector representation exists, other than those criteria set out below. The following is a sector breakdown of the SC Universe Bond Index as at April 30, 2006:

**Composition of SC Universe Overall Bond Index (Total Return)**

**As at April 30, 2006**

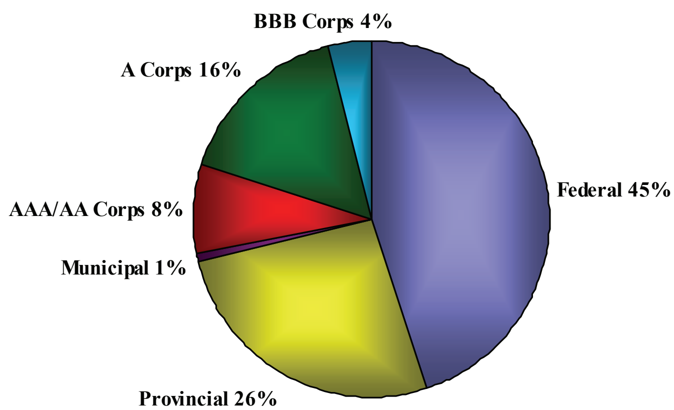


*Figure 1.a. Composition of SC Universe Overall Bond Index As at April 30, 2006*

*Source: Scotia Capital Inc.*

**Index Statistics (As at May 16, 2006)**

| Average Term | Average Coupon | Average Yield | Modified Duration | Val 01 | Convexity |
|---|---|---|---|---|---|
| 9.883 yrs | 5.594% | 4.55% | 6.281 | 5.594 | 0.814 |

## Historical Performance of the Index

**The following chart illustrates the values of the Index from January 1, 1990 through to May 12, 2006. The chart is a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the Index or the Deposit Notes.**

**SC Universe Overall Bond Index (Total Return)**
**Total Return – January 1, 1990 to May 12, 2006**

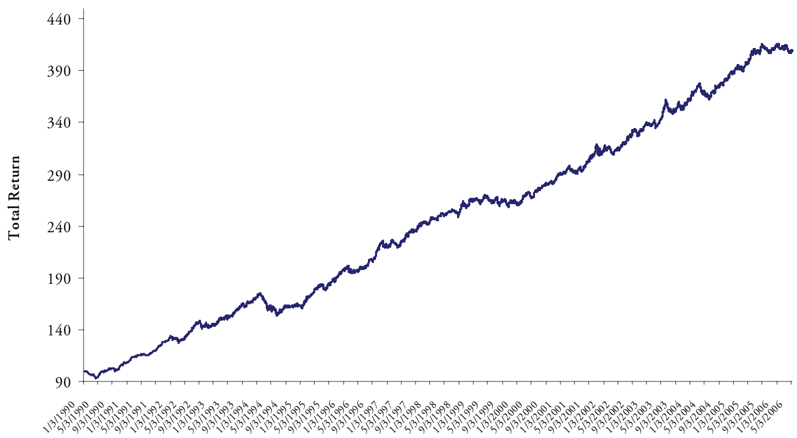


*Figure 2.a. Growth of $100 invested in SC Universe Bond Index Overall Total Return (January 1, 1990 to May 12, 2006)*

**The following chart illustrates the annualized total returns of the Index for five-year periods beginning December 31, 1990-95 and ending December 31, 2000-05. The chart is a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the Index or the Deposit Notes.**

**SC Universe Overall Bond Index (Total Return)**
**Annualized Yields over Five Year Periods since 1990**

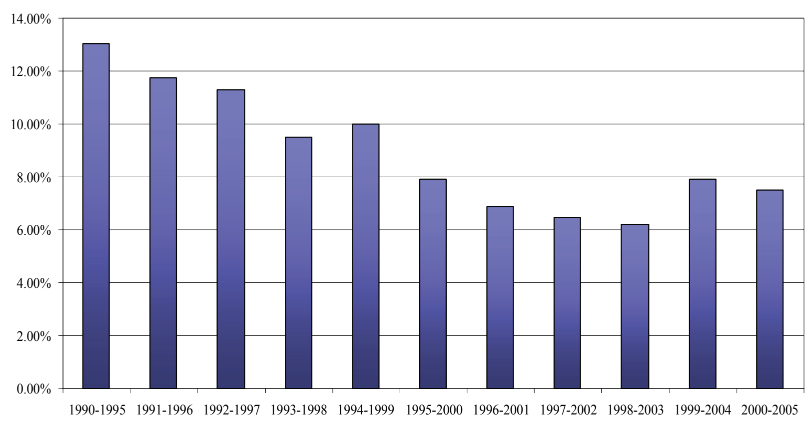


*Figure 3.a. SC Universe Overall Total Return Bond Index 5 Year Annualized Yields (December 31, 1990 to December 31, 2005)*

**The following chart illustrates the distribution of total return annualized yields for five-year periods beginning January 1, 1985-1990 and ending May 11, 2001-2006. The chart is a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the Index or the Deposit Notes.**

**SC Universe Overall Bond Index (Total Return)**
**Distribution of Annualized Yields over Rolling Five Year Periods (Ending January 1, 1990 to May 11, 2006)**

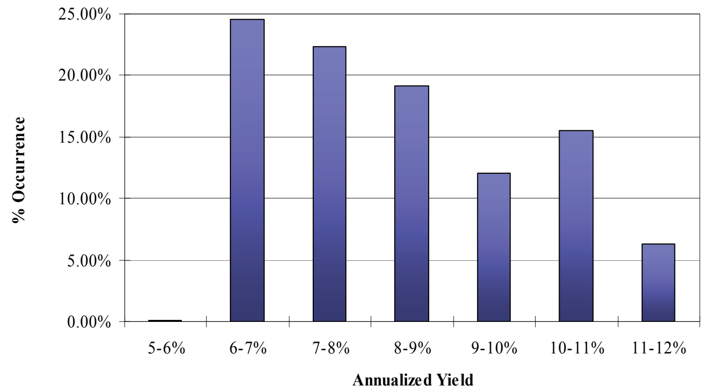


*Figure 4.a. Distribution of Annualized Yields over Rolling Five Year Periods (January 1, 1990 to May 11, 2006)*

## Disclaimer

The information contained in this Information Statement relating to the Index has been obtained from the Fixed Income Research Group of Scotia Capital Inc. and is presented herein in summary form. As such neither Scotia Capital, nor the Issuer makes any representation or warranty, express or implied, as to the accuracy or completeness of the Index or data used in the calculation of such information or data contained herein with reference to the Index or as to the results to be obtained from the use of such data or as to the merchantability or fitness thereof for any particular purpose. In no event shall Scotia Capital or the Issuer be responsible or liable for any costs, claims, expenses, lost profits, lost savings or other incidental or consequential damages arising out of the use or inability to use the data, or any changes in, or interruption to the Index or the manner in which it is calculated or published even in the event that Scotia Capital, the Issuer or any of their authorized representatives or employees has been apprised of the possibility of such damages, or for any claim by any other party. Scotia Capital is under no obligation to continue to maintain, calculate and disseminate data relating to the Index. **See "Description of the Deposit Notes – Special Circumstances - Extraordinary Events";** ***and*** **"Description of the Deposit Notes – Special Circumstances - Discontinuation or Modification".**

## Eligibility Criteria

The Index consists of semi-annual pay fixed rate Bonds issued domestically in Canada and denominated in Canadian dollars, with a remaining effective term to maturity of at least one year. It is an investment grade Index, and thus only includes securities rated BBB and higher. The majority of the Bonds in the Index are semi-annual pay bullet securities with no call or other option features. However, the Index also includes the following: callable Bonds, extendible/ retractable Bonds, sinking funds, exchangeables, fixed-floaters, semi-annual amortizing securities, and certain asset-backed securities (ABS) that are structured as semi-annual pay bullet Bonds. This latter category primarily consists of credit card Asset Backed Securities. Bonds with option features are assigned to Index term sectors based on their effective maturity date (either the option exercise date or the final maturity date). Although most Bonds in the Index are public issues, private issues that meet the above criteria are also eligible for inclusion.

The Index does not include floating-rate notes, convertible Bonds, residential and commercial mortgage backed securities (CMBS and MBS), other monthly-pay securities, other prepayable securities, inflation Indexed securities, or securities specifically targeted to the retail market. It also excludes securities that are not priced, which would typically be securities that are closely held and do not trade. Securities must meet minimum size requirements to help ensure that the securities in the

Index are sufficiently liquid, and that it is possible for a fund manager to replicate the performance of the Index.

Since July 15, 2003, the following minimum sizes have applied for index inclusion, reflecting the shift toward larger issuance:
$100 million for Corporate bonds
$50 million for Government bonds
In both cases, there must be a minimum of 10 institutional buyers in order for the issue to be included in the Index. These dollar amounts include the original issue amount plus subsequent issuances. Note that for the purpose of calculating returns and risk measures, Index holdings are adjusted to reflect buybacks, amounts held by the Bank of Canada, and the stripping and reconstitution of securities, but these adjustments do not affect Index inclusion or exclusion.

## Weighting

The securities in the Index are weighted by relative market capitalization. Thus, the return on a Bond influences the return on the Index in proportion to the Bond's market value. Market value of a bond equals the adjusted amount outstanding, multiplied by the gross price (market price plus accrued interest), with the gross price expressed as a percentage. The total amount outstanding of each issue is adjusted so that Bank of Canada holdings and stripped securities are excluded, and reconstituted securities are included. Capitalization weighting effectively assumes an investor "buys the market." It thus reflects passive bond portfolio management better than other weighting schemes, and is therefore the most appropriate weighting scheme for a performance benchmark.

## Effective Term

Bonds are classified into term sub-indices based on their effective terms, so that each term sub-index reflects securities that trade off of comparable parts of the yield curve. For a Bond with an embedded option feature, including putable, callable, extendible, and retractable securities, the effective term is either the option exercise date, or the Bond's final maturity date, depending on where the Bond is trading in the market. In the case of a fixed-floater, the effective term is the date of the final fixed coupon payment. Amortizing securities are classified based on final maturity.

## Re-Balancing: Handling New Issues, Coupon Payments, and Roll-Outs

A market Index has to be re-balanced periodically in order to account for routine events like coupon payments and new issues. The Index is re-balanced on a daily basis, since daily rebalancing most closely reflects the dynamic investment environment faced by portfolio managers. A new issue enters the Index on the day it is issued or auctioned. The Bond is included in the calculation of Index risk statistics like duration on the day of issue, though it does not affect the return on the Index until the following Business Day. The new security does not begin to accrue interest until the new issue settlement date. A Bond is removed from the Index on the day its remaining effective term to maturity declines to one calendar year, whether that year has 365 or 366 days. For example, on December 1, 2005, the Index sells a Bond maturing in one year, December 1, 2006, at the 4:00 pm mark-to-market price. This Bond therefore contributes to the return on the Index from November 30 (the previous Business Day) to December 1, 2005. It does not contribute to Index duration and other risk statistics calculated at the close on December 1, 2005. Analogous rules apply for the movement of Bonds from one term sub-Index to another, e.g. from Long to Mid. For a Bond with embedded option features, the rule for moving from one term category to another, and for rolling out of the Index, is based on effective term (either the option exercise date, or the final maturity date), since these Bonds are classified into Index term categories according to effective term. Thus, a June 1, 2008 Bond callable as of June 1, 2004 and trading to its call date would be removed from the Index on June 1, 2003. Coupon income, realized and unrealized, is reinvested daily across all Bonds in the Index in proportion to their market values.

## Valuation

The securities that make up the Index are priced each day by the trading desk at 4:00pm Eastern Standard Time. The 4:00 pm prices are automatically supplied to the Index calculation system. The same 4:00pm prices are electronically distributed to investors through a variety of channels, including the PC Bond software system, the ScotiaBond Performance Attribution System, the Fastquote service, and via third party data vendors. Thus, a portfolio valued using one of these sources can be compared on a consistent basis with the appropriate Scotia Capital bond index. The Index is constructed using mid-market prices. Valuation at the 4:00 pm close is based on the trader's judgment of where a security should be priced, taking into account such factors as where the security previously traded, liquidity, and any market-wide as well as security-specific developments that can be expected to affect the price. This policy is intended to reflect changing market conditions, even in cases where a security may not frequently trade. For securities that trade actively, the closing price will generally be close to where the security last traded, if not the same. For securities that trade less frequently, however, there could be a larger difference between the closing price and the price where the security last traded. Consider the extreme case of a security that trades in the morning, is subsequently and unexpectedly downgraded, and does not trade for the rest of the day. When setting the 4:00 pm price, it is more accurate and conservative for the trader to reflect the expected impact of the credit rating downgrade, rather than simply rely on the latest available transaction.

### Settlement Conventions

Accrued interest on Bonds in the Index is calculated assuming same day settlement. Most bonds in Canada accrue interest using an actual/365 day count convention. When the last calendar day in a month is not a Business Day, accrued interest is calculated to the last Business Day of the month. Same day settlement is used for calculating all Index risk measures.

### Credit Rating Categories

Bonds in the Index are classified into broad credit rating categories of AAA/AA, A, and BBB, based on information from DBRS, S&P, and Moody's. Ratings data from these three agencies is transmitted electronically into our Index database, requiring minimal user involvement. The Index does not distinguish between minor ratings notches, such as plus or minus signs or their equivalent within a broad letter category. Thus, the ratings A+, A, and A- are viewed as equivalent for the purposes of the Index. As well, the Index does not take into account a rating agency's outlook for a credit rating, or whether a particular rating may be under review by an agency.

### Handling Split Ratings, Defaults and Downgrades below Investment Grade

In cases where the agencies do not agree on the credit rating, the Bond will be classified according to the following rules:

- if two agencies rate a security, and the ratings are not equal, use the lower of the two ratings;
- if three agencies rate a security, use the most common rating;
- in the rare event that all three agencies disagree, use the middle rating.

These rules mean that a Bond rated by two or more agencies must have at least two investment grade credit ratings to be eligible for the Index. For example, a new issue rated BBB- by S&P and BB+ by DBRS would be assigned a rating of BB for the purposes of the Index, and would not be eligible for inclusion in the Index. Similarly, a Bond in the Index that is downgraded to BB+ by one agency would no longer be eligible for Index inclusion. Additional examples are shown in the table below.

| Example | DBRS | Moody's | S & P | Index Rating |
|---|---|---|---|---|
| 1 | BBB- | BBB- | BB+ | BBB |
| 2 | BBB- | Not Rated | BB+ | BB |
| 3 | A- | BBB+ | BBB+ | BBB |
| 4 | Not Rated | A+ | AA- | A |

When a Bond defaults or is downgraded below BBB, it is removed from the Index 90 days after the initial default or downgrade. Removal is delayed to help ensure that the full price impact of the default/downgrade is reflected in the Index before the Bond is removed. If the Bond was instead removed from the Index before the full price decline had happened, and a portfolio continued to hold the Bond, Index returns would tend to be biased upward relative to actual portfolio returns. When a corporate Bond is downgraded or upgraded from one investment grade category to another, for example from A to BBB, the change is made to the Index on the following Business Day. Unsolicited ratings will not be used when determining Index rating categories.

### Superceded Split-Rating Rules

Prior to July 15, 2003, credit ratings were based on information from DBRS and S&P. A Bond with a split credit rating was categorized in the Index based on how the bond traded in the market, which was established in consultation with the trading desk and the Corporate research analysts.

### Index Risk Measures

Several risk measures are calculated for the Index each day. Modified duration, Macaulay duration, and convexity are calculated as market-value weighted averages of the respective measures for constituent Bonds. Val01, which measures the dollar price sensitivity to a change in yield (in contrast to modified duration, which measures percentage price sensitivity), is calculated by weighting the individual Bonds by their adjusted par values. All risk measures are calculated based on same-day settlement (prior to implementation of the new Index system on July 15, 2003, published risk measures were based on normal settlement conventions).

Routine events like coupon payments and the addition or removal of Bonds from the Index can cause significant changes in Index duration. The payment of a coupon on an individual Bond causes the duration of the Bond to increase, holding yield constant. At the level of the Index, the coupon payments on the first of June and December typically cause significant increases in Index duration. As a typical example, the payment of $5.6 billion in coupons on June 1, 2001 caused the modified duration of the Index to increase approximately 0.08 years.

A large Bond issue can also significantly affect Index duration. Issuance of a Bond that has a shorter duration than that of the Index causes Index duration to decline, whereas issuance of a longer duration Bond causes Index duration to increase. As an example of the typical impact, the issuance of $3.5 billion 2-year Canada Bonds on June 14, 2001 caused the Index modified duration to decline approximately 0.024 years. The $1.9 billion re-opening of the long Canada on April 19, 2001 caused the Index modified duration to increase approximately 0.02 years.

### Other Index Statistics

The Price Index measures the return from capital gains, excluding coupon income and the reinvestment of coupons. The Yield Index measures the average yield of the constituent Bonds, weighted by market value. A variety of other statistics is also calculated, including average coupon and term.

### Revision of Index Rules Over Time

The rules and practices for constructing the Index necessarily change over time in order to reflect developments in the market. For example, the changes implemented effective July 15, 2003 take into account the increasing role played by Moody's in the Canadian bond market, and the shift over time to larger issuance in the corporate bond market. Some key historical changes have included the incorporation of MTNs, private placements, and certain types of asset-backed securities into the index.

### Information Sources and Publications

| | | | |
|---|---|---|---|
| Bloomberg | SMFR | | |
| Reuters | pages SM2A to SM2N<br>SM2E: month to date returns<br>SM2F: quarter to date returns<br>SM2G: year to date returns | In print | *Globe and Mail, National Post, Bank of Canada Weekly, Monthly Financial Review* |
| Index Email | pcbond@scotiacapital.com<br>Index Inquiries | Internet | www.scotiacapital.com |

Scotia Capital's public internet site, www.scotiacapital.com, provides daily Index returns and statistics for the domestic Short, Mid, Long and Universe Bond Indices and for the Money Market Indices. In addition, this site provides general descriptions of the different indices. Daily index performance is also available through electronic information sources like Bloomberg, Reuters, and Telerate, as well as major newspapers.

Scotia Capital calculates and publishes the Index and other Scotia Capital fixed income indices at its own expense as an information service to financial market participants. The indices are published on a best-efforts basis, and do not constitute a recommendation to trade any particular security. Scotia Capital through its normal course of business as an investment dealer may at times hold positions in any of the securities in the Index or other indices. Scotia Capital may act as principal in any bond transaction, and may earn revenue from the spread between the bid and ask prices when executing trades. Scotia Capital may have acted in the past 12 months as underwriter or adviser for a fee to issuers that have securities in any of the bond indices. The indices are based on data believed to be reliable. No guarantee is made as to the accuracy, timeliness, or completeness of the data used in the indices. In the event a data input to a published index calculation is subsequently believed to be in error, we may at our sole discretion declare the data error to be immaterial to the published index value, and are under no obligation to re-calculate an already published index value. Index construction rules, guidelines, and practices may be changed at any time at our sole discretion, though we will endeavour to provide reasonable advance notice of such changes. The Index and other Scotia Capital indices are copyright of Scotia Capital, Inc. 2003 and are trademarks of The Bank of Nova Scotia.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Deposit Notes by an Investor who purchases Deposit Notes at the time of their issuance (''Initial Holder''). 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 Issuer 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''), 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 Interest

A Deposit Note is a ''prescribed debt obligation'' within the meaning of the Act. The rules in the Regulations applicable to a prescribed debt obligation generally require a taxpayer to accrue the amount of any interest, bonus or premium receivable in respect of the obligation over the term of the obligation, based on the maximum amount of interest, bonus or premium receivable on the obligation. Based in part on the CRA's administrative practice with regard to prescribed debt obligations, there should be no deemed accrual of the Variable Interest on the Deposit Notes under these provisions prior to the Maturity Date, provided that no Extraordinary Event has occurred. Where a payment of the Variable Interest takes place prior to the Maturity Date as a result of an Extraordinary Event, the full amount of such payment will be included in the Initial Holder's income in the taxation year of the Initial Holder in which the Variable Interest becomes calculable except to the extent that any amount of Variable Interest has been included in the Initial Holder's income for that or a preceding year. The Issuer 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 Interest, except to the extent otherwise included in income in the taxation year or a preceding taxation year. The Issuer 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 Issuer, less the Variable Interest 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 Initial Holder assigns or otherwise transfers a debt obligation, the amount of interest accrued on the debt obligation to that time, but unpaid, will be excluded from the proceeds of disposition of the obligation and will be required to be included as interest in computing the Initial Holder'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. Prior to the date on which the Issuer has given notice of its intention to pay Variable Interest prior to the Maturity Date, there should be no amount in respect of Variable Interest 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

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

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

- **No Variable Interest May Be Payable** – Variable Interest, if any, payable on the Deposit Notes is directly linked to the change in Index level between the Initial Index Level and the Final Index Level (which may be positive or negative) subtracting the Annual Factor of 75 basis points (0.75%). If the Final Index Level is equal to or lower than the Initial Index Level at maturity after subtracting the Annual Factor of 75 basis points (0.75%), no Variable Interest will be payable on the Deposit Notes. The calculation of Variable Interest takes into account the Annual Factor, which has the effect of compensating the Issuer for fees and expenses associated with the offering. The Annual Factor will reduce the amount of Variable Interest, if any, that might otherwise be paid to an Investor in the Deposit Notes. See "Description of the Deposit Notes – Variable Interest"

- **Variable Interest Not the Same as Owning the Bonds in the Index** – Variable Interest, if any, on the Deposit Notes will not necessarily reflect the return an Investor would realize if the Investor actually owned the Bonds in the Index.

- **Historical Performance of the Index is not an Indication of Future Performance** – Variable Interest, if any, will be determined on the basis of the performance of the Index. The historical performance of the Index is not necessarily indicative of the future performance of the Index. The performance of the Index will be influenced by complex and interrelated political, economic, financial and other factors.

- **Liquidity Risk and Secondary Market** – The Principal Amount and Variable Interest, if any, per Deposit Note are only payable at maturity (subject, in the case of Variable Interest, to deferral of payment upon the occurrence of an Extraordinary Event and in certain other circumstances related to compliance with Canadian interest laws). An Investor cannot elect to receive Variable Interest prior to the Maturity Date. The Deposit Notes will not be listed on any stock exchange. However, Scotia Capital intends to use reasonable efforts to maintain a secondary market for the Deposit Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to Investors. Investors may sell the Deposit Notes in any such secondary market prior to maturity. Each sale of a Deposit Note to Scotia Capital will be effected at a price equal to: (i) the Bid Price for the Deposit Note determined by Scotia Capital; minus (ii) any applicable Early Trading Charge. The Bid Price of the Deposit Note will be affected by a number of factors, the most important of which are: (i) the Principal Amount of the Deposit Note which is payable on maturity; and (ii) the expected value of the Variable Interest. Generally the longer the term to maturity, and the higher the prevailing interest rates, the less the Deposit Note will be worth. The expected value of the Variable Interest will be a function of a number of variables, including but not limited to: (a) the level of the Index on the Initial Index Date; (b) the level of the Index on the Final Index Date; (c) the performance of the Index; (d) the Annual Factor; and (e) the absence of the circumstances described under "Description of the Deposit Notes – Special Circumstances - Extraordinary Events" and "Description of the Deposit Notes – Special Circumstances – Discontinuation and Modification of the Index". The relationship between these factors is complex and may also be influenced by various political, economic and other factors. Due to the method used to price the Variable Interest, if any, the expected value of the Variable Interest may be substantially less than the value computed only with reference to relative level of the Index. If an Investor sells Deposit Notes prior to maturity, the Investor may have to do so at a substantial discount from the original Principal Amount even if the performance of the Index has been positive and, as a result, the Investor may suffer substantial losses. An Investor who sells a Deposit Note prior to the Maturity Date may have to pay an Early Trading Charge to Scotia Capital of up to 2.50% of the Principal Amount.

- **Potential Conflicts of Interest between the Investor and The Bank of Nova Scotia** – The Bank of Nova Scotia is the Issuer of the Deposit Notes. Scotia Capital, a wholly owned subsidiary of the Issuer is the Calculation Agent. The Calculation Agent will calculate the amount of Variable Interest, if any, to be paid to Investors at maturity. Scotia Capital may also be required to exercise its judgment in relation to the Deposit Notes from time to time. For example, the Calculation Agent may have to determine whether an Extraordinary Event has occurred, and may, as a consequence, have to make certain calculations and determinations. The Calculation Agent may also have to determine whether a Successor Index is required or any modifications to the Index are required. While the Calculation Agent is required to make such calculations and determinations in good faith and using commercially reasonable procedures in order to produce a commercially reasonable result, absent manifest error, all of the Calculation Agent's calculations and determinations will be final and binding on Investors, without any liability on the Calculation Agent's, the Selling Agent's or the Issuer's part, and Investors will not be entitled to any compensation from the Calculation Agent, the Selling Agent or the Issuer 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 Issuer may have a conflict of interest if the Calculation Agent needs to make any such calculations and determinations.

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

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

- **No Deposit Insurance -** The Deposit Notes are not deposits that are insured under the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime.

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