

Guide to
Preferred Shares

Winter 2009



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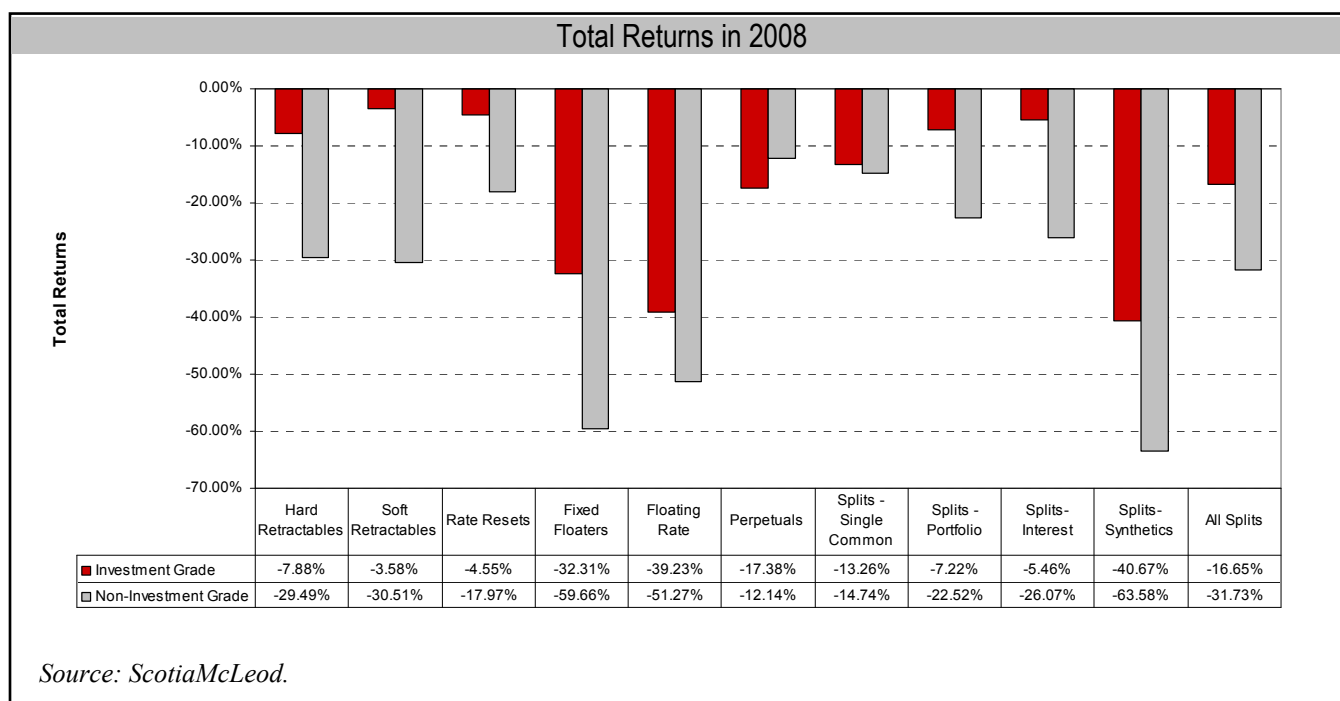
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Introduction

Market Overview

2008 – The Impact of Credit Spreads on the Preferred Share Market

This past year has definitely been memorable for preferred share investors, yet it may not be the most positive memory. The global financial and economic crisis has had widespread affects on most markets including the various types of preferred shares. The S&P/TSX Preferred Share Index, which is the benchmark for the Canadian preferred share market, was down -21.40% on a total return basis over the year. This index is comprised of preferred stocks trading on the Toronto Stock Exchange that meet criteria relating to minimum size, liquidity, issuer rating, and exchange listing. This index is also rebalanced twice a year. Among the various types of preferred shares it has been the fixed floating, floating rate preferreds, straight perpetuals and the synthetic split shares which contributed the most to the decline, although no structure provided positive total returns last year.



Preferred shareholders occupy a position ahead of the common shareholders but behind all other debt-holders on the balance sheet of a company. Over the past year, as the confidence of the market diminished, we saw investors become more cautious and sell their riskier assets, such as preferred shares, and move into the safety of Government issued securities. Fixed floaters, floating rate preferred shares and straight perpetuals all have no maturity date. This lack of a maturity date has caused the yield on these products to increase (prices lower) as investors want to be compensated accordingly for being exposed indefinitely to the credit risk of the company. The performances of these types of preferred shares closely resemble the -11.70% total return experienced by the DEX Long All Corporate Total Return Bond Index (10+ years) for 2008.

One of the key factors that has affected the preferred share market over the last year has been the widening of credit spreads. Credit spreads can be defined as the yield pick-up over the relevant benchmark Government bond and are representative of investors' risk appetite. Traditionally, in the preferred share market our recommendations have been to focus on issues which offer investors at least 1.50% in pre-tax interest equivalent yield over Government of Canada bonds of equivalent term. However, this year we have seen credit spreads spike higher than the 30 year average and high quality preferred shares are now offering investors a yield pickup between 3.00% - 9.00% interest equivalent yield over Government of Canada bonds. With credit spreads being at all time highs during 2008, they should be viewed as the main culprit affecting last years returns' within the preferred share sector.

The failure of the BCE transaction to take place also had a negative impact on the preferred share market. All of the outstanding BCE preferred shares are either fixed floaters or floating rate preferreds and these shares were expected to get called at a premium if the BCE transaction was completed. However, at the end of November, KPMG indicated that based on market conditions, it did not expect to be in a position to deliver an opinion that BCE Inc. would meet its various solvency tests, and the BCE privatization transaction did not proceed. The BCE takeout was expected to remove approximately \$2.75 billion of product from the market. With the preferred shares no longer expected to be called, they have sold off significantly, and are now trading in-line with other cumulative utility preferred shares of similar credit quality and structure.

As for the split shares, dramatic losses in the stock market throughout 2008 have significantly decreased the downside protection available to the preferred shareholder. Those split shares which have experienced a reduction in downside protection are now taking on additional risk as investors are concerned about further declines in the underlying portfolio. This impacts the ability for the preferred shareholder to continue to receive dividend payments and principal upon maturity.

Additionally, with the significant turmoil in the credit market, a couple of the synthetic split shares were affected by the widening of credit spreads. Global Credit Pref (GPA.A), and the various CC&L ROC Products (PRF.A, RPA.A, RPB.A, RPQ.A) are all issues which are based on credit linked notes which derive their performance from a reference portfolio of credit default swaps. The economic downturn is taking its toll on corporations worldwide and Moody's Investors Service has highlighted that the default rate of corporate borrowers around the world more than quadrupled in 2008 to 4.00%. Some issues impacting the performance of these structures include the default of Lehman Brothers Inc., Washington Mutual, and most recently Tribune Co.. In addition, these structures were also impacted by Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae) being placed under "conservatorship" which is considered a "credit event" according to the International Swaps and Derivatives Association (ISDA).

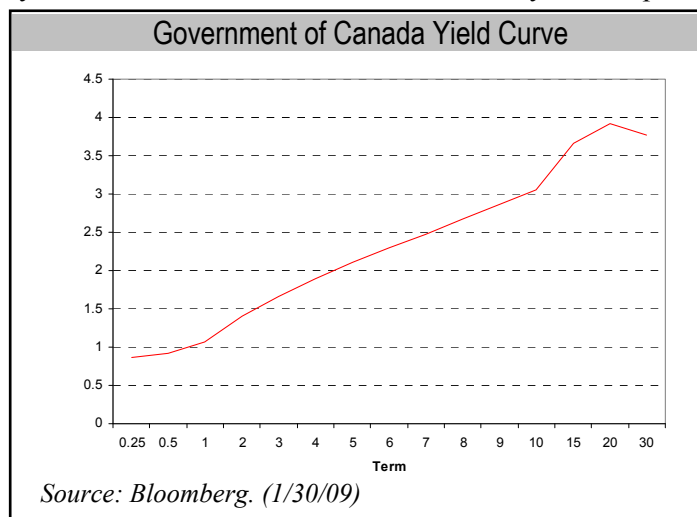
The Office of the Superintendent of Financial Institutions Canada (OSFI) supervises and is the primary regulator of federally-regulated banks, insurance companies, and pension plans in Canada. OSFI currently allows certain high quality preferred shares to be included in Tier 1 capital. Tier 1 capital is the highest quality capital and includes retained earnings, common shares, high quality preferred shares with no retraction date, as well as innovative instruments. In November 2008, OSFI announced an increase on the limit of Qualified Preferred Shares and Innovative Tier 1 to be included in Tier 1 capital from 30% to 40%. Based on these changes there is more room for issuers to issue new preferred shares in the market. Yet, it should be noted that if there is an overwhelming supply of new issuance without the demand for the product the prices within the preferred share market will likely decline due to the excess supply.

Our strategy and advice to investors is to buy high coupon, investment grade rate reset preferred shares and high credit quality structured preferred shares which have more than 30% downside protection.

Interest Rate Movement

Throughout 2008, the Government of Canada yield curve became steeper in shape yet shifted down with dramatically lower interest rates across the entire curve. The largest movement was evident in the shorter term maturities (< 5 years). The 2-year and 5-year bond yields decreased by 2.65% and 2.18% respectively while the 10 and 30-year bond yields decreased by 1.31% and 0.65% respectively. These lower yields correspond with the Bank of Canada reducing its overnight rate substantially over the year from 4.25% to 1.50% in order to try and improve conditions in the marketplace. Bank Prime in Canada at year end (2008) was 3.50% compared to 6.00% at the beginning of 2008.

Although lower interest rates generally correspond with higher prices on preferred shares the widening of credit spreads diminished the effect of lower interest rates. Therefore, as credit spreads narrow, preferred shareholders should experience capital appreciation as long as interest rates do not increase at the same pace.



Economic Forecast

For 2009, Scotia Economics is forecasting real GDP to decline in most major industrial nations and in Canada is expecting a -1.6% growth rate. Consumer prices this year are expected to decrease -0.1% versus the 2.4% increase experienced in 2008. The Bank of Canada is expected to lower its overnight rate by an additional 0.50% in the first quarter bringing the overnight rate to 0.50%. Throughout the remainder of 2009 Scotia Economics is forecasting the Bank of Canada to leave the overnight rate on hold at 0.50%, and is looking for a 0.25% rate hike in the second quarter of 2010 once economic growth and consumer prices begin to rise. The complete forecast for the Government of Canada yield curve can be seen in the table below. Essentially, we are anticipating lower yields in the short term as the Bank of Canada lowers the overnight rate, while the one year forecast predicts a yield curve that is very similar to the current curve in the long end and with higher yields in short-term securities. This forecast sheds a positive light on the preferred share market as we are expected to encounter a low inflationary, low interest rate environment throughout 2009. However, credit spreads will also be a factor in the pricing of preferred shares in the current environment.

Scotia Economics Interest Rate Forecast							
	1/30/2008	09 Q1 f	09 Q2 f	09 Q3 f	09 Q4 f	10 Q1 f	10 Q2 f
Canada							
BoC Overnight Target Rate	1.00	0.50	0.50	0.50	0.50	0.50	0.75
Prime Rate	3.00	2.25	2.25	2.25	2.25	2.25	2.50
3-month T-bill	0.86	0.35	0.40	0.45	0.50	0.60	0.90
2-year Canada	1.41	1.20	1.15	1.35	1.60	1.70	1.85
5-year Canada	2.10	1.70	1.80	2.00	2.15	2.30	2.50
10-year Canada	3.05	2.70	2.80	2.90	3.05	3.15	3.25
30-year Canada	3.77	3.40	3.50	3.55	3.65	3.80	3.95

Source: Scotia Capital. (2/2/09)

Ratings Changes

There have been numerous credit rating changes and outlook changes over the past year as the preferred share market was impacted by the global credit crisis. Nortel was changed to a D rating by DBRS after the company announced that it will be suspending its preferred share dividend payments going forward. Subsequently, Nortel has filed for bankruptcy. Some of the outstanding split shares have been placed under review with negative implications or downgraded by DBRS as the preferred shares have experienced significant declines in downside protection due to the downturn in the global equity market. Additionally, the ROC products have been downgraded by S&P to reflect the reduced number of defaults that each reference portfolio can withstand in order to return par value upon maturity. For a list of all the DBRS rating changes throughout 2008 please refer to the table below. DBRS provides access to credit ratings on all of the preferred shares they cover at www.dbrs.com.

DBRS Rating Changes in 2008							
Issuer	Symbol	Type	Rating Agency	Date Changed	Old Rating	New Rating	
5Banc Split Inc.	FBS	Split Shares	DBRS	23-Jun-08	Pfd-2	Pfd-2 (low)	
AIC Global Financial Split	ASC	Split Shares	DBRS	17-Apr-08	Pfd-2 (high)	Pfd-2 (low)	
AIC Global Financial Split	ASC	Split Shares	DBRS	06-Nov-08	Pfd-2 (low)	Pfd-5	
BCE	BCE	All Types	DBRS	20-Jun-08	Pfd-2 (low)	Pfd-2 (low) with Negative Implications	
Brascan SoundVest	BSD	Split Shares	DBRS	04-Dec-08	Pfd-2	Pfd-5	
Copemican International Financial Split Corp	CIR	Split Shares	DBRS	17-Apr-08	Pfd-2 (low)	Pfd-3	
Copemican International Financial Split Corp	CIR	Split Shares	DBRS	02-Jul-08	Pfd-3	Pfd-4 (low)	
Copemican International Financial Split Corp	CIR	Split Shares	DBRS	06-Nov-08	Pfd-4 (low)	Pfd-5 (low)	
Copemican World Banks	CBW	Split Shares	DBRS	17-Apr-08	Pfd-2 (low)	Pfd-3 (low)	
Copemican World Banks	CBW	Split Shares	DBRS	02-Jul-08	Pfd-3 (low)	Pfd-5	
Copemican World Banks	CBW	Split Shares	DBRS	06-Nov-08	Pfd-5	Pfd-5 (low)	
Financial 15 Split II	FFN	Split Shares	DBRS	25-Apr-08	Pfd-2 (low)	Pfd-3	
George Weston	WN	All Types	DBRS	12-Feb-08	Pfd-3 (high)	Pfd-3	
GlobalBanc Advantaged 8 (ROC)	GBA	Split Shares	DBRS	16-Jan-08	Pfd-2	Pfd-3 (high)	
GlobalBanc Advantaged 8 (ROC)	GBA	Split Shares	DBRS	17-Apr-08	Pfd-3 (high)	Pfd-4 (high)	
GlobalBanc Advantaged 8 (ROC)	GBA	Split Shares	DBRS	02-Jul-08	Pfd-4 (high)	Pfd-5	
GlobalBanc Advantaged 8 (ROC)	GBA	Split Shares	DBRS	06-Nov-08	Pfd-5	Pfd-5 (low)	
HI Prefs 5.85%	HPF	Split Shares	DBRS	16-Jan-08	Pfd-2	Pfd-2 (low)	
HI Prefs 7.25%	HPF	Split Shares	DBRS	16-Jan-08	Pfd-3	Pfd-4	
HI Prefs 7.25%	HPF	Split Shares	DBRS	04-Dec-08	Pfd-4	Pfd-5L	
Laurentian Bank	LB	Perpetual	DBRS	11-Jun-08	Pfd-3	Pfd-3 (high)	
Mulvihill Premium bank	PIC	Split Shares	DBRS	25-Apr-08	Pfd-2	Pfd-3 (high)	
NB Split Corp	NBF	Split Shares	DBRS	23-Dec-08	Pfd-2 (low)	Pfd-4 (low)	
Nortel Networks Ltd	NT	Floating	DBRS	11-Dec-08	Pfd-5L	D	
Quebecor World Inc.	IQW	Retractable	DBRS	15-Aug-08	D	Disc. Coverage	
SL Split Corp	SLS	Split Shares	DBRS	04-Dec-08	Pfd-2 (low)	Pfd-4 (low)	
SNP Health Split	SNH	Split Shares	DBRS	04-Dec-08	Pfd-3 (high)	Pfd-5 (high)	
Split Yield I	YLD	All Types	DBRS	07-Jan-08	Pfd-2 (low)	Pfd-3	
Split Yield I	YLD	All Types	DBRS	06-Nov-08	Pfd-3	Pfd-5	
Top 10 Split Trust 6.0%	TXT	Split Shares	DBRS	23-Jun-08	Pfd-2 (low)	Pfd-3 (high)	
US Financial 15 Split	FTU	Split Shares	DBRS	25-Apr-08	Pfd-2	Pfd-3	
US Financial 15 Split	FTU	Split Shares	DBRS	30-Sep-08	Pfd-3	Pfd-5	
World Financial	WFS	Split Shares	DBRS	23-Jun-08	Pfd-2	Pfd-2 (low)	

Source: DBRS.

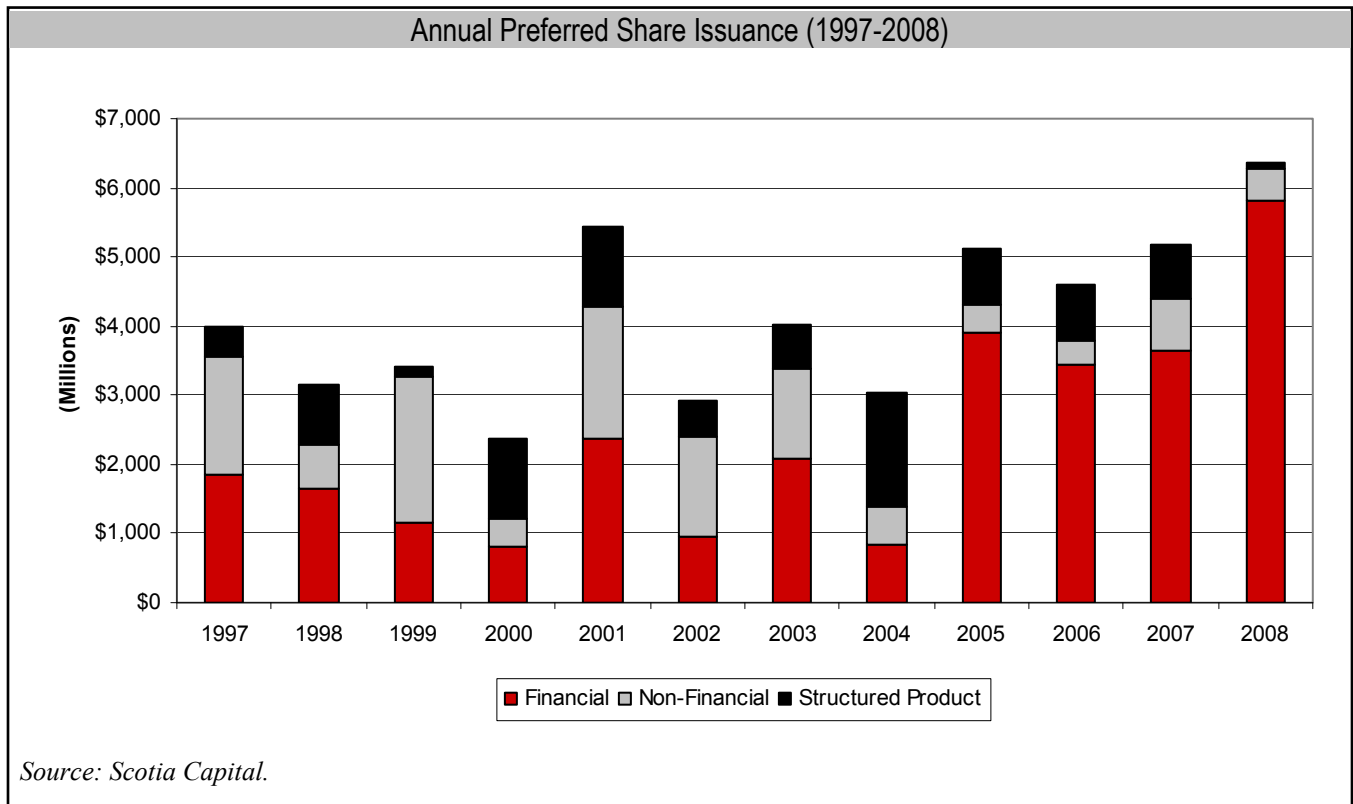
New Issuance

Total preferred share new issuance was over \$6.4 billion during 2008, which is up 23% versus preferred share issuance in 2007. As seen in the graph on the following page it was the financial institutions which were the most active new issuers. Issuance by financial institutions was up by 59% even though credit spreads (yield over Government of Canada bonds) were considerably wider throughout 2008. This was the largest amount of new issuance in the preferred share market over the last 12 years. Straight perpetuals and the new rate reset perpetual preferred shares were the two dominant types of new issues in 2008. Financial issuers benefit from raising money in the perpetual preferred share class as this is counted as Tier 1 Capital. OSFI guidelines require all chartered banks to have a minimum amount of Tier 1 and Tier 2 Capital as a means of providing safety and liquidity for depositors. Tier 1 capital is the most stable form of capital and includes retained earnings, common shares, high quality preferred shares with no retraction date, as well as innovative instruments. Therefore, it is unlikely that there will be an abundance of new retractable preferred shares issued going forward.

The rate reset preferred shares are a new type of preferred share that were introduced in March 2008 as investor demand waned for the traditional straight perpetual preferred shares. As of year end over 18 of these new structures had been issued. Rate resets offer investors an attractive dividend rate which is re-set in line with yields prevailing in the market on a periodic basis. The first rate reset issued was the Bank of Nova Scotia Series 18, BNS.P, which has a 5.00% dividend and a reset rate of 2.05% over Government of Canada 5-year bond. Meanwhile, the last rate reset issued in 2008 was the Bank of Montreal Series 18, BMO.O, with a 6.50% dividend and a 3.83% reset rate. This increase in dividend and reset rate coincides with the increase in credit spreads that was experienced throughout the year. One caution is that these products are still perpetual in nature and the issuer will only redeem these structures if it is in their best interest. For more information on the rate reset structure, please refer to page 31 of this publication.

Preferred Shares Redeemed and New Issues Annually			
Year	Redemptions	New Issues	Difference
2001	\$2,637,023,500	\$5,073,000,000	\$2,435,976,500
2002	\$1,835,848,008	\$2,566,675,000	\$730,826,992
2003	\$4,014,161,937	\$4,027,960,595	\$13,798,658
2004	\$4,914,862,381	\$3,040,919,193	-\$1,873,943,188
2005	\$3,426,809,260	\$5,198,672,525	\$1,771,863,265
2006	\$2,429,103,077	\$4,639,959,734	\$2,210,856,657
2007	\$3,019,845,298	\$4,990,931,691	\$1,971,086,393
2008	\$997,562,364	\$6,490,810,594	\$5,493,248,230
TOTAL '01-'08	\$23,275,215,825	\$36,028,929,331	\$12,753,713,506
Average	\$2,909,401,978	\$4,503,616,166	

Source: ScotiaMcLeod.



Preferred Share Issuance in 2008

Issue	Symbol	Credit Rating		Type	Listing Date	Size (\$M)	Issue Price	Type of Distribution	Dividend/ Distribution	Issue Yield	Reset Rate
		DBRS	S&P								
Bank of Nova Scotia Series 17	BNS.PR.O	Pfd-1	P-1 (L)	Perpetual	31-Jan-08	\$230	\$25.00	Dividend	\$1.4000	5.60%	
Toronto Dominion Bank Ser Q	TD.PR.Q	Pfd-1	P-1 (L)	Perpetual	31-Jan-08	\$200	\$25.00	Dividend	\$1.4000	5.60%	
Toronto Dominion Bank Series R	TD.PR.R	Pfd-1	P-1 (L)	Perpetual	12-Mar-08	\$250	\$25.00	Dividend	\$1.4000	5.60%	
Bank of Nova Scotia Series 18	BNS.PR.P	Pfd-1	P-1 (L)	Reset	25-Mar-08	\$345	\$25.00	Dividend	\$1.2500	5.00%	2.05%
Bank of Montreal Series 15	BMO.PR.L	Pfd-1	P-1 (L)	Perpetual	2-Apr-08	\$250	\$25.00	Dividend	\$1.4500	5.80%	
National Bank of Canada, Series 20	NA.PR.M	Pfd-1L	P-2 (H)	Perpetual	16-Apr-08	\$173	\$25.00	Dividend	\$1.5000	6.00%	
Royal Bank of Canada Series AH	RY.PR.H	Pfd-1	P-1 (L)	Perpetual	29-Apr-08	\$213	\$25.00	Dividend	\$1.4125	5.65%	
Fortis Inc. Series G	FTS.PR.G	Pfd-3H	P-2	Reset	23-May-08	\$230	\$25.00	Dividend	\$1.3125	5.25%	2.13%
Bank of Nova Scotia Series 20	BNS.PR.Q	Pfd-1	P-1 (L)	Reset	10-Jun-08	\$350	\$25.00	Dividend	\$1.2500	5.00%	1.70%
Toronto-Dominion Bank Series S	TD.PR.S	Pfd-1	P-1 (L)	Reset	11-Jun-08	\$250	\$25.00	Dividend	\$1.2500	5.00%	1.60%
National Bank of Canada, Series 21	NA.PR.N	Pfd-1L	P-2 (H)	Reset	17-Jun-08	\$175	\$25.00	Dividend	\$1.3438	5.38%	2.05%
Loblaw Companies Ltd Series A	L.PR.A	Pfd-3L	P-3 (H)	Soft Retractable	20-Jun-08	\$225	\$25.00	Dividend	\$1.4875	5.95%	
Bank of Montreal Series 16	BMO.PR.M	Pfd-1	P-1 (L)	Reset	23-Jun-08	\$300	\$25.00	Dividend	\$1.3000	5.20%	1.65%
Brookfield Asset Management Series 21	BAM.PR.O	Pfd-2L	P-2	Soft Retractable	25-Jun-08	\$150	\$25.00	Dividend	\$1.2500	5.00%	
Toronto Dominion Bank Series Y	TD.PR.Y	Pfd-1	P-1 (L)	Reset	16-Jul-08	\$250	\$25.00	Dividend	\$1.2750	5.10%	1.68%
Bank of Nova Scotia Series 22	BNS.PR.R	Pfd-1	P-1 (L)	Reset	9-Sep-08	\$300	\$25.00	Dividend	\$1.2500	5.00%	1.88%
Canadian Imperial Bank of Commerce Series 33	CM.PR.K	Pfd-1	P-1 (L)	Reset	10-Sep-08	\$300	\$25.00	Dividend	\$1.3375	5.35%	2.18%
Toronto-Dominion Bank Series AA	TD.PR.A	Pfd-1	P-1 (L)	Reset	12-Sep-08	\$250	\$25.00	Dividend	\$1.2500	5.00%	1.93%
Royal Bank of Canada Series AJ	RY.PR.I	Pfd-1	P-1 (L)	Reset	16-Sep-08	\$400	\$25.00	Dividend	\$1.2500	5.00%	1.93%
Royal Bank of Canada Series AL	RY.PR.L	Pfd-1	P-1 (L)	Reset	3-Nov-08	\$300	\$25.00	Dividend	\$1.40	5.60%	2.67%
Toronto-Dominion Bank Series AC	TD.PR.C	Pfd-1	P-1 (L)	Reset	5-Nov-08	\$220	\$25.00	Dividend	\$1.40	5.60%	2.74%
Great-West Lifeco Inc. Series J	GWO.PR.J	Pfd-1L	P-1 (L)	Reset	27-Nov-08	\$200	\$25.00	Dividend	\$1.50	6.00%	3.07%
Industrial Alliance Insurance and Financial Services Inc.	IAG.PR.C	Pfd-1L	P-2 (H)	Reset	25-Nov-08	\$100	\$25.00	Dividend	\$1.55	6.20%	3.38%
Power Financial Corporation, Series M	PUF.PR.M	Pfd-1L	P-1 (L)	Reset	28-Nov-08	\$150	\$25.00	Dividend	\$1.50	6.00%	3.20%
Royal Bank of Canada Series AN	RY.PR.N	Pfd-1	P-1 (L)	Reset	8-Dec-08	\$225	\$25.00	Dividend	\$1.5625	6.25%	3.50%
Bank of Montreal Class B, Series 18	BMO.PR.O	Pfd-1	P-1 (L)	Reset	11-Dec-08	\$150	\$25.00	Dividend	\$1.6250	6.50%	3.83%
Average										5.52%	2.40%
Split Preferreds											
First Asset CanBanc Corp	CBU.PR.A	Pfd-2L	N/A	Structured	12-Nov-08	\$13	\$10.00	Dividend	\$0.65	6.50%	n/a
Big 8 Split INC	BIG.PR.B	Pfd-2L	N/A	Structured	15-Dec-08	\$14	\$12.00	Dividend	\$0.84	7.00%	n/a

Source: ScotiaMcLeod.

Investing in Preferred Shares

Advantages

- **Tax Advantaged Investment Income.** The main reason to invest in preferred shares is for investment income. Preferred shares may pay higher dividends than common shares and the dividend income provides investors with a favorable tax treatment relative to other forms of income. Therefore, in some cases, preferred shares are able to offer a better after-tax yield than bonds of similar credit quality and risk.
- Dividends from Canadian corporations are taxed at a lower rate than interest income due to the dividend tax credit, which recognizes that a dividend is paid from the after-tax earnings of a corporation. The lower tax rate applied to dividends provides an advantage to the income investor. For example, under the most recent 2008 Ontario tax rates, an investor in the highest income tax bracket would be taxed at a rate of 23.96% on dividend income and 46.41% on interest income. Therefore, an investor would need approximately \$1.42 of interest income to equal \$1.00 of dividend income before taxes are paid. This difference in the amount of income required before taxes is described as a “pre-tax interest equivalent” amount. This can be calculated by multiplying the amount of dividend income by a factor (1.4189 in the case of Ontario) that takes into account the different tax rates for dividends and interest. A table of pre-tax interest equivalent multipliers for each province can be found in Appendix II.
- **Security of Principal.** Greater security of principal may also motivate investors to invest in preferred shares as they rank above the interests of common shareholders, both in their seniority to receive dividend payments and their higher ranking in the distribution of assets if a company is liquidated.
- **Priority of Dividends.** Preferred shares’ dividend payments are often “cumulative”, which means that dividends accrue to the holder of the preferred share if the issuer misses a payment. The issuer must pay the missed dividend before any dividends are paid on common shares. Additionally, in order for an issuer to suspend the dividend payment on the preferred shares they must first suspend all dividend payments for the common shareholders.
- **Exchange Traded Markets.** Unlike bonds, preferred shares trade on public exchanges where the bid and ask prices are visible to all market participants. This is an advantage for investors as it provides greater transparency and efficiency in pricing.

Risks

The risks of investing in preferred shares include interest rate risk, credit risk, call risk, liquidity risk, and the risk of tax law changes that may impact the tax advantaged status of dividend income.

- **Interest Rate Risk.** Preferred shares are income investments that are impacted by changes in the level of interest rates. There is an inverse relationship between interest rates and the price of preferred shares - i.e. as interest rates rise, prices fall. The amount of the price change due to a change in interest rates is related to both the term to maturity and the dividend rate. In general, the longer the term to maturity, and the lower the dividend rate, the higher the interest rate risk. Investors in term preferred shares (i.e. those with a fixed maturity date) will lock in a rate of return upon the purchase of a preferred share but will be subject to reinvestment risk on dividends earned and once the principal is paid upon maturity. Investors in straight perpetual preferred shares are exposed to a greater degree of interest rate risk due to the fact that these preferred shares lack a maturity date and are structured to pay a fixed dividend in perpetuity to the holder.
- **Credit Risk.** Credit risk involves any change in the creditworthiness of the preferred share issuer. The creditworthiness of an issuer refers to its general financial strength, including its ability to pay dividends and repay principal on maturity. The credit quality of preferred shares in Canada is monitored by two independent credit rating agencies: Dominion Bond Rating Service (DBRS), and Standard & Poor's (S&P). Investors can consult these two agencies to assess the credit risk of investing in the preferred shares of an individual company. Credit risk is also apparent in credit spreads (yield pick-up over Government of Canada bonds). Preferred shares which have a longer maturity date or lack a maturity date (perpetuals) will be more impacted by credit spreads than those which have a short term to maturity. Credit spreads have the same impact as interest rates - i.e. widening credit spreads, increases yield, and depressed the price of preferred shares.
- **Call Risk.** Many preferred shares include a call option where the issuer can call all or part of the issue prior to maturity. This is a disadvantage to the investor as the call will only be exercised when it is advantageous for the issuer. Preferred share call options are usually exercised in a declining rate environment when it is cost effective for the issuer to call in a higher dividend rate share. However, factors such as refinancing options of the issuer, size of the issue, and current market conditions impact the issuers' decision to call outstanding preferred shares.
- **Liquidity Risk.** This risk arises from the difficulty of selling preferred shares in the secondary market due to the lack of liquidity relative to most bonds and common equity. Liquidity risk can be measured by size of the spread between the bid and the offer price - i.e. wider spreads increase the risk.
- **Tax Risk.** One of the attractive features of preferred shares is the lower rate of tax applied to dividend income compared to interest income. The relative attractiveness of this feature depends on the investors' marginal tax bracket and their province of residence. Changes to provincial or federal tax rates may affect the attractiveness of preferred shares relative to fixed income investments. In general, for investors in lower tax brackets, dividend income becomes less attractive relative to interest income (on an after-tax basis).

Incorporating Preferred Shares within a Portfolio

Preferred shares can differ dramatically depending on their type, yield, term, and credit quality. When incorporating preferred shares into a portfolio an investor needs to consider a number of factors in order to determine whether a particular preferred share is an appropriate investment. Using the guidelines set out in the Investment Policy Statement is a perfect starting point as it spells out an investor's investment philosophy, asset allocation targets, and expected results.

Return Objectives. It is important to consider the return requirements that the investor is anticipating, which is referred to as yield, when purchasing fixed income products. An investor must also evaluate the various income products available and choose a product which generates an adequate return for the investor. There are two components to investment return from a preferred share: dividend income and capital gains (or losses). The current yield of a preferred share is calculated by dividing the dividend by the purchase price. However, simply looking at current yield can be misleading as it does not account for the accrued dividends or any capital gains or losses realized. If the investor is purchasing the preferred share at a discount (or premium) to its par value, then there is a capital gain (or loss) that must be included in the yield calculation. The most accurate measure of yield for preferred shares is the bond equivalent yield, which provides an all-in rate of return based on purchase price, dividend payments, lower tax rates on dividend income, and the maturity value (if any). The bond equivalent yield is then compared to bonds of similar term to provide a gauge of relative value. The greater the difference (spread) between the preferred share yield and the yield on Government of Canada bonds of similar term, the greater the value to the investor.

Risk Tolerance. In order for an investor to achieve their required return, the risk inherent in purchasing a preferred share must also be assessed. Credit ratings are often used to gauge the issuers' ability to consistently pay dividends and repay principal at maturity. Preferred share credit ratings vary from P-1 (highest quality) to P-5 (lowest quality). Preferred shares are considered "investment grade" if they are rated P-2 (low) or higher. Conservative investors may wish to limit their preferred share investments to investment grade preferred shares. More risk tolerant preferred share investors may consider non-investment grade preferred shares to take advantage of higher yields provided they are fully aware of the greater risk.

Investor Constraints:

- **Time Horizon** - Given that most investors consider preferred shares for current income, the length of time a preferred share will be outstanding in the market and paying dividends is an important consideration. If the client has a definitive time horizon, retractables and split shares should be the preferred shares of choice as these have a maturity date and investors can predict their cash flows accordingly. Additionally, the advantage of shorter maturities is that they exhibit less sensitivity to fluctuations in interest rates. The disadvantage is that they require more frequent reinvestment of principal. For investors who are comfortable lending their money indefinitely there are various types of perpetual preferred shares which offer investors an income stream without a definitive maturity date. Straight perpetual preferred shares pay a fixed dividend and have no maturity date. Rate reset preferred shares have a readjustment mechanism that resets the dividend rate periodically.

- **Liquidity Needs** – Determining whether the investor has ongoing liquidity needs will also influence the choices for preferred shares within a portfolio. Generally speaking, the preferred share market is less liquid than the common share market as issues are smaller in size and there are fewer investors. Therefore, if the investor may have upcoming liquidity needs it is recommended focusing on issues which have more than 5 million shares outstanding or 2 million shares outstanding in the split share space. However, each issue should be scrutinized over liquidity as it may change depending on market conditions. In addition, preferred shares which have a set retraction/maturity date may be more suitable for investors with future liquidity needs.
- **Tax Considerations** – An individual's tax rates must also be evaluated since the dividend income usually offers a beneficial tax treatment compared to interest income. The tax rates depend on investors' marginal tax bracket and their province of residence.

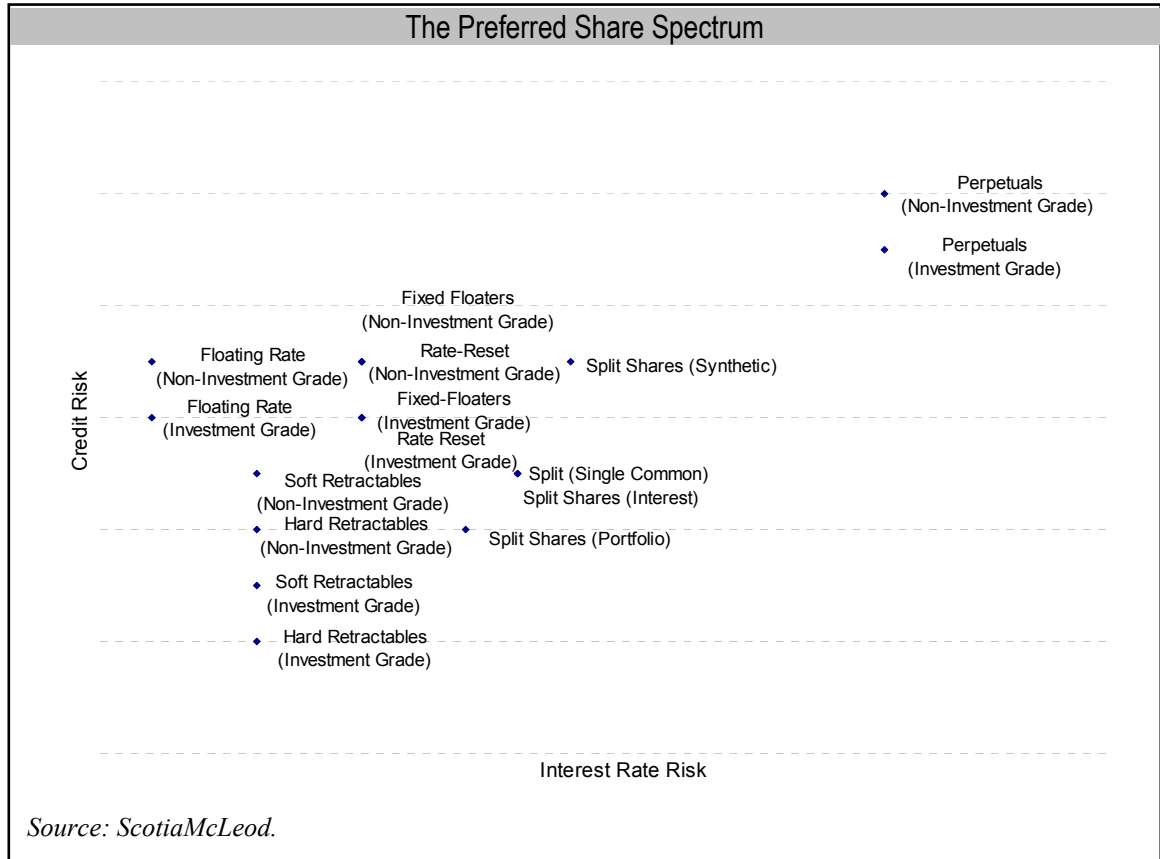
Diversification Principles for Conservative Investors

Within a preferred share portfolio there are also diversification principles which should be considered as a guideline for conservative investors.

- Within the fixed-income portion of a portfolio, preferred shares should comprise approximately 20%, and no more than 50%, of the total fixed income portion of a portfolio.
- Investors should avoid having an exposure of more than 10% in a single name within a preferred portfolio.
- Preferred share holdings should be considered investment grade (rated Pfd-2 (L) or higher by DBRS, P-2 (L) by S&P).
- Exposure to perpetual preferred shares should be limited to 5% of a portfolio.

The Range of Preferred Shares

Preferred shares range depending on credit risk as well as interest rate risk. The chart below identifies the various types of preferred shares and their ranking with respect to interest rate risk and credit risk.



Credit Ratings

Since credit risk is a key characteristic when investing in preferred shares it is important to understand how the various credit ratings compare to bond ratings. As mentioned, the term “investment grade” refers to a preferred share issued by a company with strong credit quality and stable earnings that would be comparable to a bond rated ‘BBB’ or higher. Investment grade preferred shares are designated a rating of P-1 or P-2 by major credit rating agencies such as Dominion Bond Rating Service (DBRS) or Standard & Poor’s (S&P). Companies with preferred credit ratings in the P-3 category or lower are considered “non-investment” grade by virtue of their weaker balance sheets and potentially volatile earnings. Non-investment grade preferred shares compare to bonds rated ‘BB+’ or lower by credit rating agencies. Below is a table which lists the various credit ratings and the equivalent bond rating.

Preferred Share Credit Ratings				
<u>Dominion Bond Rating Service (DBRS)</u>			<u>Standard and Poors (S&P)</u>	
Canadian Preferred Share Rating	Equivalent Bond Rating		Canadian Preferred Share Rating	Global Scale Preferred Share Rating
Pfd-1	AAA-AA	Superior credit quality	P-1 (High)	AA
Pfd-1 low			P-1	AA-
Pfd-2 high			P-1	A+
Pfd-2	A	Satisfactory credit quality	P-1 (Low)	A
Pfd-2 low			P-1 (Low)	A-
Pfd-3 high			P-2 (High)	BBB+
Pfd-3	BBB	Adequate credit quality	P-2	BBB
Pfd-3 low			P-2 (Low)	BBB-
Pfd-4 high			P-3 (High)	BB+
Pfd-4	BB	Speculative	P-3	BB
Pfd-4 low			P-3 (Low)	BB-
Pfd-5	B	Highly Speculative	P-4 (High)	B+
D		In arrears.	P-4	B
			P-4 (Low)	B-
			P-5 (High)	CCC+
			P-5	CCC
			P-5 (Low)	CCC-
			CC	CC
			C	C
			C	C
			C	C
			D	D

Source: DBRS; S & P

Recommendations

The Canadian Preferred Share Recommended List represents the “best picks” of Canadian preferred shares chosen by ScotiaMcLeod’s Portfolio Advisory Group. These are suitable for conservative to moderate risk tolerant investors. The list is compiled based on fundamental analysis of Scotia Capital Fixed Income and Equity Research. The recommendations will only include preferred shares which are considered investment grade: Pfd -2 (L) or higher by Dominion Bond Rating Service, or P-2 (L) or higher by Standard & Poor’s. In addition, the Canadian Preferred Share Recommended List will only include preferred shares which have at least 5 million shares outstanding, or at least 2 million shares outstanding in the split share space, in an effort to help ensure an adequate level of liquidity. These preferred shares have been selected due to the following criteria:

- Attractive yield compared to a bond with similar maturity and credit quality.
- Attractive, sector specific fundamentals and valuation supporting the ability to continue to pay dividends to its holders.

The Preferred Share Recommended List

Retractable

TSE Symbol	Issuer Description	DBRS Rating	S&P Rating	Shares O/S	Hist Close	Div	Ex Div Date	Div Date	Retraction Date	Retraction Price	Yield to Retraction	Red. Worst Case Call Date	Red. Price **	Red. Yield to Worst	Int. Equiv.	Equiv. Canada	Spread vs YTR
CM.PR.R	CIBC 4.95% Ser. 19 Financial (Non-Cumulative)	Pfd-1	P-1 (L)	8MM	\$25.70	\$1.24	12/23/2008	1/28/2009	30-Apr-13	25.00	4.23	28-Apr-09	25.00	3.34	8.00	1.85	415
CM.PR.A	CIBC 5.3% Ser. 23 Financial (Non-Cumulative)	Pfd-1	P-1 (L)	18MM	\$26.09	\$1.33	12/23/2008	1/28/2009	31-Jul-11	25.00	3.47	26-Oct-09	25.25	0.80	4.93	1.42	361
GWO.PR.X	GWL 4.8% 1st Ser. E Financial (Non-Cumulative)	Pfd-1L	P-1 (L)	24MM	\$25.05	\$1.20	12/11/2008	12/31/2008	30-Sep-13	25.00	4.85	30-Sep-12	25.00	4.96	8.98	1.90	498
MFC.PR.A	Manulife 4.10% Ser. 1 Financial (Non-Cumulative)	Pfd-1L	P-1	14MM	\$24.70	\$1.03	11/14/2008	12/19/2008	19-Dec-16	25.00	4.38	19-Jun-15	25.00	4.40	8.22	2.36	388
PWF.PR.D	Power Finl. Ser. C 5.20% Financial (Non-Cumulative)	Pfd-1L	P-1 (L)	6MM	\$25.40	\$1.30	1/7/2009	1/31/2009	31-Jul-12	25.00	4.70	31-Jul-12	25.00	4.70	8.67	1.70	497
PWF.PR.J	Power Finl. 4.70% Ser. J Financial (Non-Cumulative)	Pfd-1L	P-1 (L)	6MM	\$25.00	\$1.18	1/7/2009	1/31/2009	31-Jul-13	25.00	4.70	30-Apr-12	25.00	4.70	8.67	1.90	477
CGI.PR.B	CDN Genl. Invest. 4.85% Financial (Cumulative)	Pfd-1	N/R	3MM	\$23.50	\$1.16	11/25/2008	12/15/2008	15-Mar-14	25.00	6.16	15-Mar-13	25.00	6.48	8.74	2.00	674
CGI.PR.C	CDN Genl. Invest. 3.9% Financial (Cumulative)	Pfd-1	N/R	3MM	\$18.99	\$0.98	11/25/2008	12/15/2008	15-Jun-16	25.00	8.39	15-Jun-15	25.00	9.00	11.91	2.40	951

Fixed Reset Rate

TSE Symbol	Issuer Description	DBRS Rating	S&P Rating	Shares O/S	Hist Close	Div	Ex Div Date	Div Date	Current Yield	Reset Date	Yield to Reset	Reset Rate	Call Date	Call Price	Yield to Call	Int. Equiv.	Equiv. Canada	Spread vs. YTC
BNS.PR.P	BNS 5.00% Ser. 18 Financial (Non-Cumulative)	Pfd-1	P-1 (L)	13.8MM	\$23.00	\$1.25	3/27/2009	4/28/2009	5.43	4/26/2013	7.22	+205 bp	4/26/2013	25.00	7.22	10.25	1.80	845
CM.PR.K	CIBC 5.35% Ser. 33 Financial (Non-Cumulative)	n.a.	P-1 (L)	12MM	\$22.25	\$1.34	12/23/2008	1/28/2009	6.01	7/31/2014	7.83	+218 bp	7/31/2014	25.00	7.83	11.11	2.10	902
TD.PR.A	TD Bank 5.00% Ser. AA Financial (Non-Cumulative)	Pfd-1	P-1 (L)	10MM	\$22.68	\$1.25	1/6/2009	1/31/2009	5.52	1/31/2014	7.24	+196 bp	1/31/2014	25.00	7.24	10.27	2.00	828
RY.PR.L	Royal Bank 5.80% Ser. AL Financial (Non-Cumulative)	Pfd-1	P-1 (L)	12MM	\$22.50	\$1.40	4/22/2009	2/24/2009	6.22	2/24/2014	7.92	+267 bp	2/24/2014	25.00	7.92	11.24	2.00	924

Fixed Floating

TSE Symbol	Issuer Description	DBRS Rating	S&P Rating	Shares O/S	Hist Close	Div	Ex Div Date	Div Date	Current Yield	Reset Date	Price	Yield to Reset	Int. Equiv.	Equiv. Canada	Spread vs. YTC
GWL.PR.O	Great West Life 5.55% O Financial (Non-Cumulative)	Pfd-1	P-1 (L)	6.279MM	\$22.80	\$1.39	12/30/2008	1/31/2009	6.14	10/31/2010	25.00	11.69	16.59	1.23	1536.12
BCE.PR.I	BCE Inc. 4.65% Ser. AI Utility (Cumulative)	Pfd-2L /	P-2 /-	14MM	\$16.08	\$1.16	12/29/2008	2/1/2009	7.23	9/1/2011	25.00	24.04	34.11	1.42	3289.35

Floating

TSE Symbol	Issuer Description	DBRS Rating	S&P Rating	Shares O/S	Hist Close	Div	Ex Div Date	Div Date	Red. Date	Red. Price **	Current Yield	Yield as % of Prime	Int. Equiv.	Floats @ % of Prime
PWF.PR.A	Power Finl. Ser. A Cumulative	Pfd-1L	P-1 (L)	4MM	\$11.02	\$0.85	1/21/2009	2/15/2009	ANYTIME	25.00	7.71	267.11	10.94	0.70
TRI.PR.B	Thomson Reuters Ser. II Cumulative	Pfd-2L	P-2	6MM	\$11.75	\$0.85	12/15/2008	12/31/2008	ANYTIME	25.00	7.23	241.13	10.28	0.70

Perpetual

TSE Symbol	Issuer Description	DBRS Rating	S&P Rating	Shares O/S	Hist Close	Div	Ex Div Date	Div Date	Current Yield	Red. Worst Case Call Date	Red. Price **	Red. Yield to Worst	Current Yield Int. Equiv	Equiv. Canada	Spread vs. Current Yield
BNS.PR.O	BNS 5.00% Ser. 17 Financial (Non-Cumulative)	Pfd-1	P-1 (L)	9.2MM	\$21.04	\$1.40	1/2/2009	1/28/2009	6.86	28-Apr-17	25.00	8.27	9.44	3.71	574
GWO.PR.H	Great West 4.95% Ser. H Financial (Non-Cumulative)	Pfd-1L	P-1 (L)	12MM	\$16.71	\$1.21	12/11/2008	12/31/2008	7.26	30-Sep-14	25.00	13.39	10.30	3.71	659
PWF.PR.F	Power Finl. 5.25% Ser. E Financial (Non-Cumulative)	Pfd-1L	P-1 (H)	8MM	\$19.00	\$1.31	1/7/2009	1/31/2009	6.91	30-Nov-10	25.00	21.20	9.80	3.71	610
RY.PR.H	Royal Bank 5.85% Ser. AH Financial (Non-Cumulative)	Pfd-1	P-1 (H)	8.5MM	\$21.42	\$1.41	7/22/2008	2/24/2009	6.59	24-May-17	25.00	7.95	9.38	3.71	565
TD.PR.P ¹	TD Bank 5.25% Ser. P Financial (Non-Cumulative)	n.a.	P-1 (H)	10MM	\$19.81	\$1.31	1/6/2009	1/31/2009	6.89	1-Nov-16	25.00	9.39	9.50	3.71	579

Split

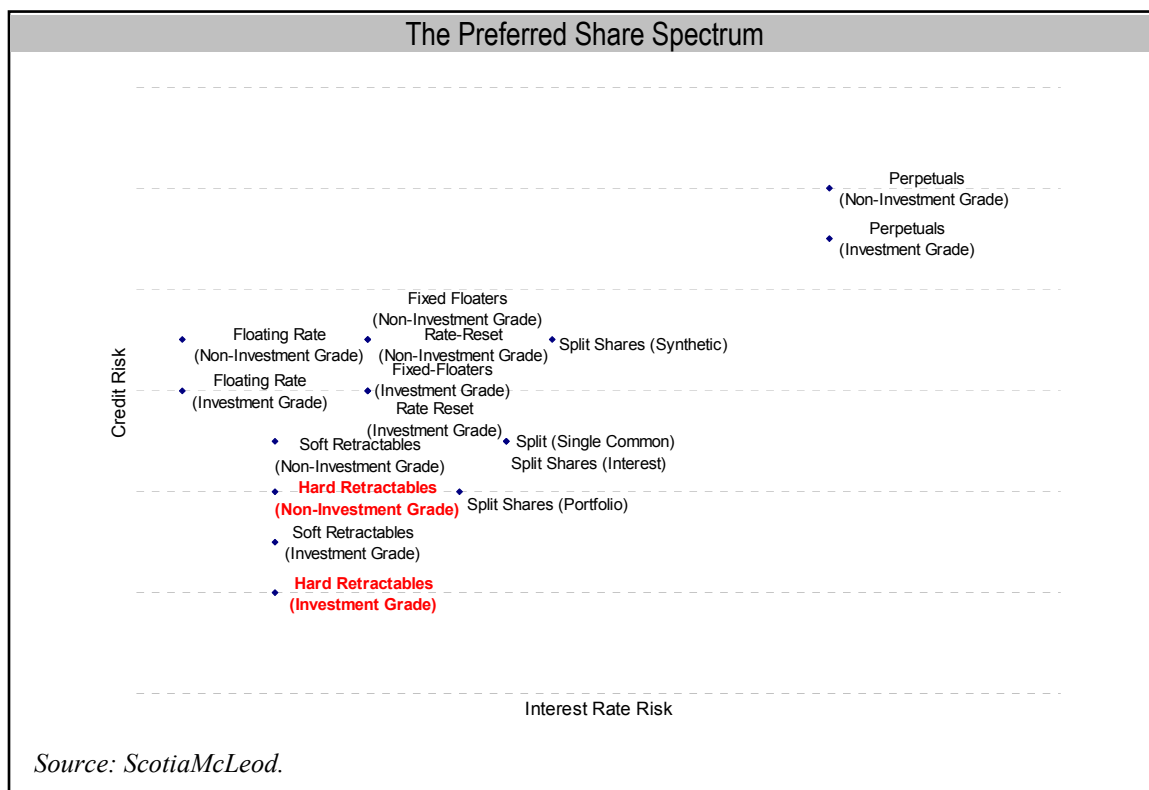
TSE Symbol	Issuer Description	DBRS Rating	S&P Rating	Shares O/S	Hist Close	Div	Ex Div Date	Div Date	Retr. Date	Retr. Price	Yield to Retr.	Red. Worst Case Call Date	Red. Price **	Red. Yield to Worst	Downside Protection *	Int. Equiv.	Equiv. Canada	Spread vs. Yield to Retr
BNA.PR.A	BAM Split Corp. 6.25% Based on 1 Common Share	Pfd-2L	N/A	5MM	\$22.42	\$1.56	2/19/2009	3/7/2009	30-Sep-10	25.00	13.69	30-Sep-10	25.00	13.69	44.68%	19.43	0.82	1981
SBN.PR.A	S Split Corp. 5.25% Based on 1 Common Share	Pfd-2L	N/A	10MM	\$9.00	\$0.53	1/13/2009	1/30/2009	1-Dec-14	10.00	7.41	1-Dec-14	10.00	7.41	39.80%	10.51	2.15	836
BE.PR.A	Bromston Equity Split Based on Portfolio	Pfd-2	N/A	9MM	\$9.75	\$0.53	11/26/2008	12/12/2008	31-May-11	10.00	6.28	31-May-11	10.00	6.28	46.38%	8.91	1.37	756
DFN.PR.A	Dividend 15 Split 5.25% Based on Portfolio	Pfd-2	N/A	10.459MM	\$9.00	\$0.53	1/29/2009	2/10/2009	1-Dec-14	10.00	7.50	1-Dec-14	10.00	7.50	39.47%	10.85	2.15	850
NEW.PR.B	Newgrowth Corp. B 4.5% Based on Portfolio	Pfd-2	N/A	3.327MM	\$18.24	\$0.82	12/11/2008	12/24/2008	26-Jun-09	18.25	5.74	26-Jun-09	18.25	5.74	46.37%	8.15	0.82	733
UST.PR.A	Utility Split Trust 6.0% Interest Distributions	Pfd-2L	N/A	12MM	\$9.92	\$0.60	12/29/2008	1/15/2009	31-Dec-11	10.00	6.49	31-Dec-11	10.00	6.49	43.25%	1.48	501	

*Updated Monthly

**Approximate redemption/retraction value

Source: ScotiaMcLeod. (01/26/09)

Hard Retractable Preferred Shares



Description: Hard retractable preferred shares are term preferred shares that have a fixed maturity date and a feature that allows the holder to force the issuer to redeem the shares at par value for cash on a specific date. These preferred shares are the type of preferred which most closely resemble bonds. There are also soft retractables - another type of term preferred share – which can either be redeemed for cash or common shares at the issuers’ discretion. The retraction feature is considered very attractive by investors as these preferred shares have a definitive maturity date and investors can therefore estimate future cash flows.

Redemption: The issuer may redeem hard retractable preferred shares for cash on the various redemption dates. The redemption date(s) may be either on or before the retraction date. Often, when there is a substantial amount of time between redemption and retraction, the early redemption is at a premium that declines each year as the retraction date approaches.

Retraction: On this date the holder can force the issuer to pay the par value of the preferred share in cash. The retraction date usually follows the redemption date by a number of days that is specific to each issue. If there is a substantial difference between the yield to redemption and yield to retraction, an investor should look as the lowest yield as it will be the most conservative return estimate.

Advantages: The advantages of holding a hard retractable preferred share pertain to the fact that these structures have a defined maturity date on which the investor is assured of a return of their principal in cash. In addition, this type of preferred share is less interest rate sensitive as it has a shorter duration than those preferred shares which lack a maturity date.

Risks: The value of any preferred share will vary with the general level of interest rates. One of the risks of hard retractables is the ability of the issuer to repay the principal amount on maturity. Some issuers may not have the financial resources on the retraction date to pay investors par value for their preferred shares, therefore, high credit quality is an important consideration.

Recommendations: We recommend investors buy both of the Canadian General Investments Ltd. preferred shares as their credit quality and term would benefit most portfolios. However, both issues are fairly illiquid and we recommend these preferred shares to patient buyers because of their high credit quality and attractive dividend (CGI.PR.B, CGI.PR.C—TSX).

What’s New: There were no new hard retractable preferred shares issued in 2008.

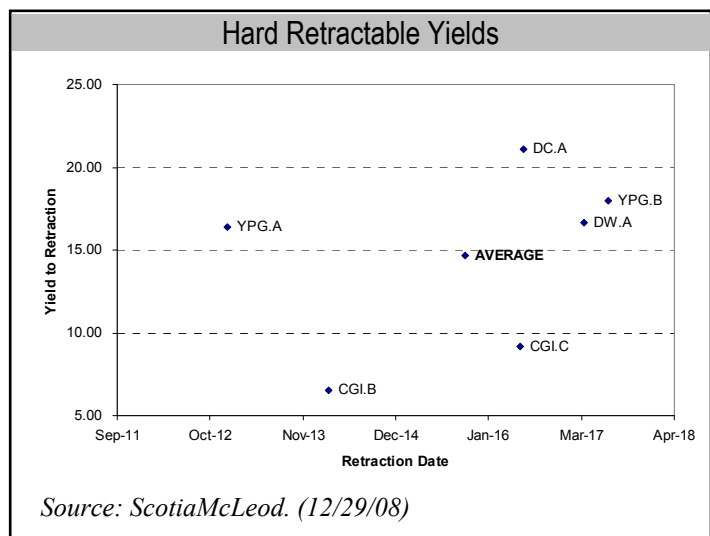
Hard Retractable Preferred Share Table										
Issuer Investment Grade (P1-P2)	TSE Symbol	RATING		Price		RETRACTION		REDEMPTION		Yield to Worst
		DBRS	S&P	Dec 29/08	Div	Date	Pre-tax YTR	Worst Case Call Date	Call Price	
Brookfield Investments 4.70%	BRN.PR.A	Pfd-2L	N/A	\$24.51	\$1.18	ANYTIME	N/A	ANYTIME	25.00	N/A
CDN Genl. Invest 4.65%	CGI.PR.B	Pfd-1	N/R	\$22.01	\$1.16	15-Mar-14	7.50	15-Mar-13	25.00	8.10
CDN Genl. Invest 3.9%	CGI.PR.C	Pfd-1	N/R	\$17.85	\$0.98	15-Jun-16	9.29	15-Jun-15	25.00	10.01
Non-Investment Grade (P3 - P4)										
Dundee Corp. Ser. 1 5.00%*	DC.PR.A	Pfd-3L	P-3	\$10.75	\$1.25	30-Jun-16	19.74	15-Sep-15	25.00	21.32
Dundee Wealth Ser. 1 4.75%*	DW.PR.A	Pfd-3	P-3	\$12.50	\$1.19	13-Mar-17	15.73	30-Mar-16	25.00	16.83
YPG Holdings Inc. 4.25%*	YPG.PR.A	Pfd-3H	P-3	\$17.53	\$1.06	31-Dec-12	14.18	31-Mar-12	25.00	16.31
YPG Holdings Inc. Ser. 2 5.00%*	YPG.PR.B	Pfd-3H	P-3	\$12.10	\$1.25	30-Jun-17	16.36	30-Jun-16	25.00	17.50

* Denotes a soft-redeemable feature for the issuer
Worst case call date is the date which generates the lowest yield if the issuer redeems the preferred share.
Retraction date is when the holder of the preferred can force the issuer to redeem the preferred for the par value.

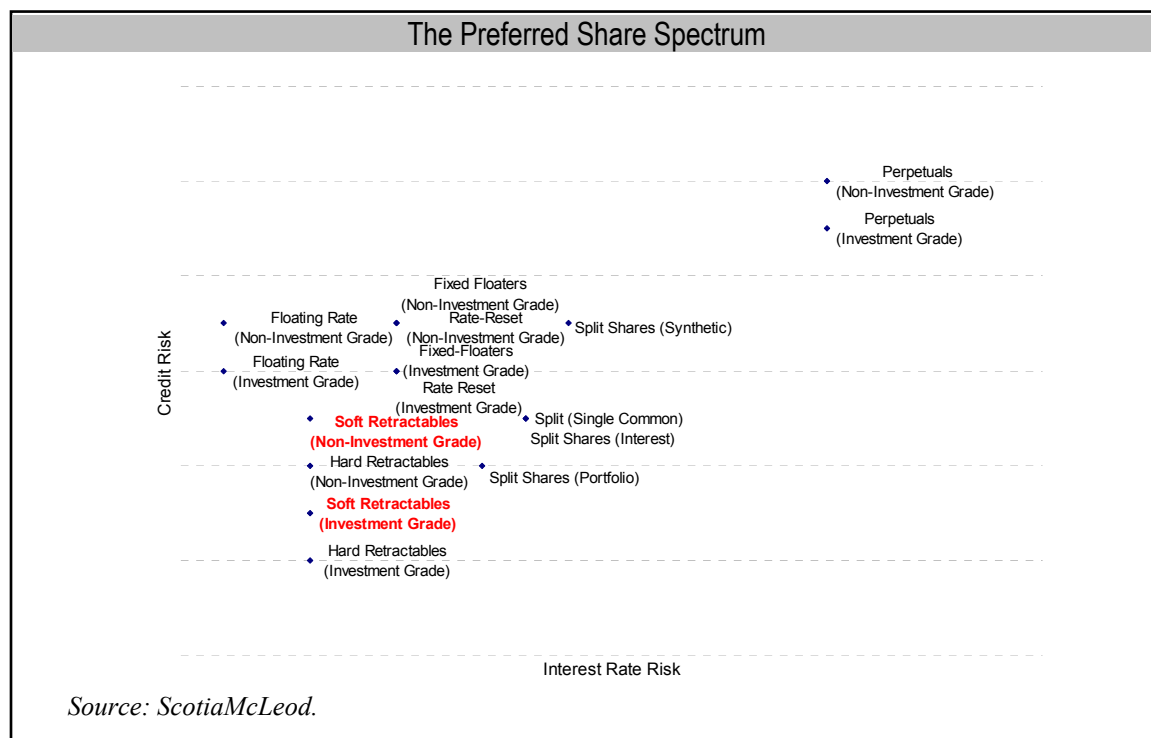
Source: ScotiaMcLeod

Hard Retractable Yield Commentary

This graph depicts where the hard retractables preferred shares that remain outstanding trade in relation to one another. It is the retractables which are not considered investment grade (P-3 and below) which offer a yield greater than the average. These investments should only be considered for investors who have a moderate to high risk tolerance and have adequate assets to widely diversify their portfolio.



Soft Retractable Preferred Shares



Description: Soft retractable preferred shares are term preferred shares that give the issuer the option of repaying the par value in cash or in common shares. Holders can force redemption by the issuer, but the issuer can vary the form of payment. As a result, the investors' retraction feature is considered “soft” (for cash or shares) as opposed to “hard” (for cash). This payment option gives the issuer greater flexibility and can result in a stronger balance sheet for the purpose of achieving a favourable rating from credit rating agencies. This is because the issuer can pay the preferred retraction in stock instead of cash if it falls into financial hardship. In the past, most issuers redeemed these preferred shares for cash rather than common stock. Investment grade issuers, such as the major chartered banks, will more often redeem their preferreds for cash rather than issue new common stock which may dilute earnings per share. Soft retractables trade like corporate bonds in that the price of high coupon issues does not fluctuate as much with changes in interest rates as compared to lower coupon issues.

Redemption: Soft retractable preferred shares are callable (redeemable) early at the issuers option. In some cases the issuer will pay a premium to the par value of the preferred to compensate the holder for the early redemption. This feature is sometimes used to entice investors when the issue comes to market.

Retraction: Soft retractables may be retracted at the option of the holder for common shares of the issuer. However, the issuer still has the option of paying back principal in cash instead of issuing common shares. In many cases the payment in common shares is typically at 95% of the weighted average trading range over the past 20 days, subject to a minimum price. For example, an investor who holds 100 shares with a \$25 par value, while the average trading price for the common stock is \$50, will receive 0.526 ($\$25/0.95 \times \50) common shares for each preferred. This discount is set out to compensate the investor for the transaction costs of selling the shares.

Advantages: This class of preferred share has a maturity, which is a benefit as it allows the investor to estimate their future cash flows. Additionally, this type of preferred share undergoes less volatility than those which lack a maturity date.

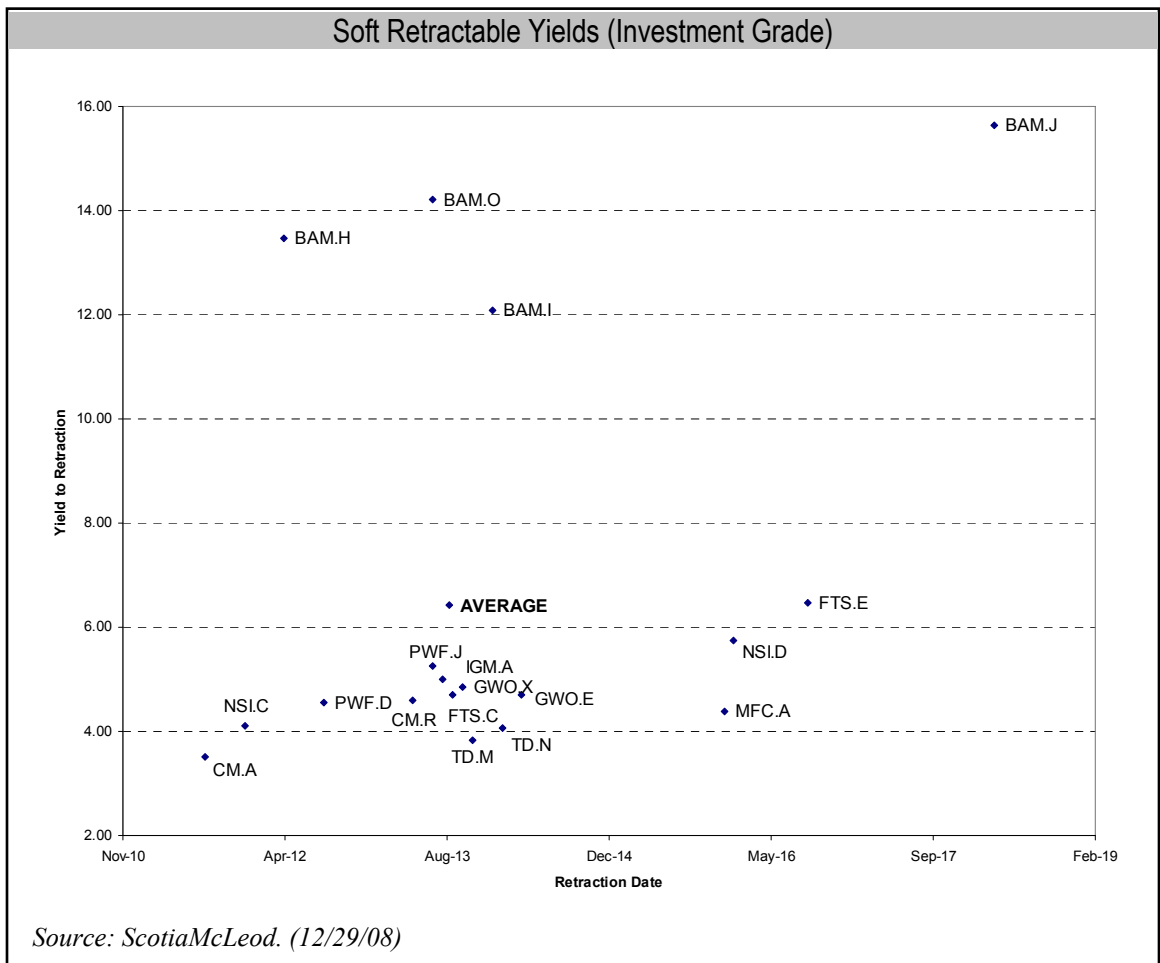
Risks: Investors in soft retractable preferred shares carry the credit risk of the issuer. Selecting investment grade credits, including issues rated Pfd-1 to Pfd-2 (low) by DBRS or S&P, can reduce the risk. Just like bonds, interest rate risk generally plays a larger role when the term of the issue is longer.

Recommendations: For core positions we recommend holding high quality bank or insurance company preferred shares such as the CIBC Series 19 and Series 23 (CM.PR.R, CM.PR.A—TSX), Great-West Lifeco Series D or Series E (GWO.PR.E, GWO.PR.X—TSX), Manulife Series 1 (MFC.PR.A—TSX) and Power Financial Corporation Series C or Series J (PWF.PR.D, PWF.PR.J—TSX). It should be noted that some of these issues are now callable and the lowest yield, either yield to retraction or yield to worst call, should be evaluated as this is the most conservative approach. Please note that these recommendations are time and price sensitive. Contact your ScotiaMcLeod advisor for a current list of recommendations.

What’s New: There were two new issues of soft retractable preferred shares in 2008. Loblaw Companies Ltd. Issued \$225 million Series A preferred on June 20, 2008 with a 5.95% coupon and a 7 year term. The second issue came on June 25, 2008 when Brookfield Asset Management issued \$150 million of Series 21 soft retractable with a 5.00% coupon and a 5 year term.

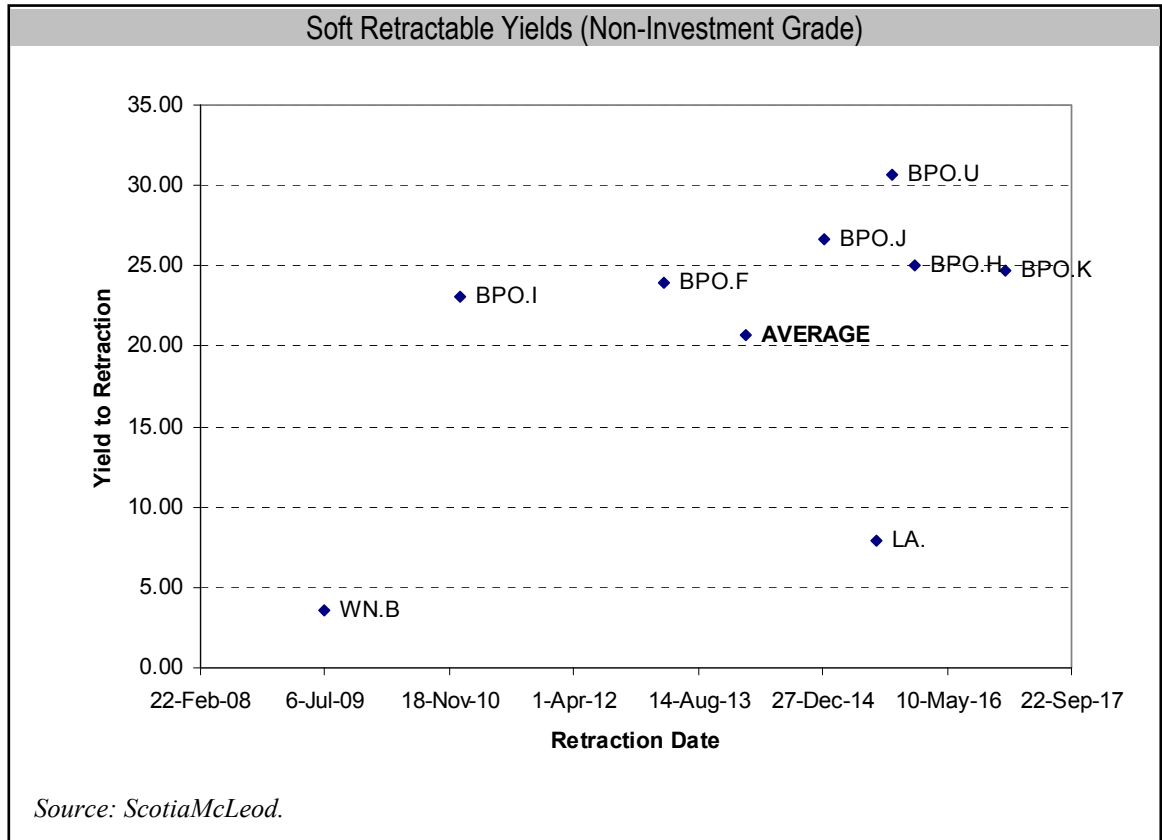
Soft Retractable Investment Grade Yield Commentary

This graph depicts where individual preferred shares trade in relation to each other. During 2008, Brookfield Asset Management underperformed within this type of preferred and therefore skewed the average higher. This underperformance can be attributed to its 40% exposure to the real estate market which has been under increasing pressure during the last year. Investors should look for issues that trade close to par and still offer a decent spread (400 basis points) over similar term Government of Canada bonds.



Soft Retractable Non-Investment Grade Yield Commentary

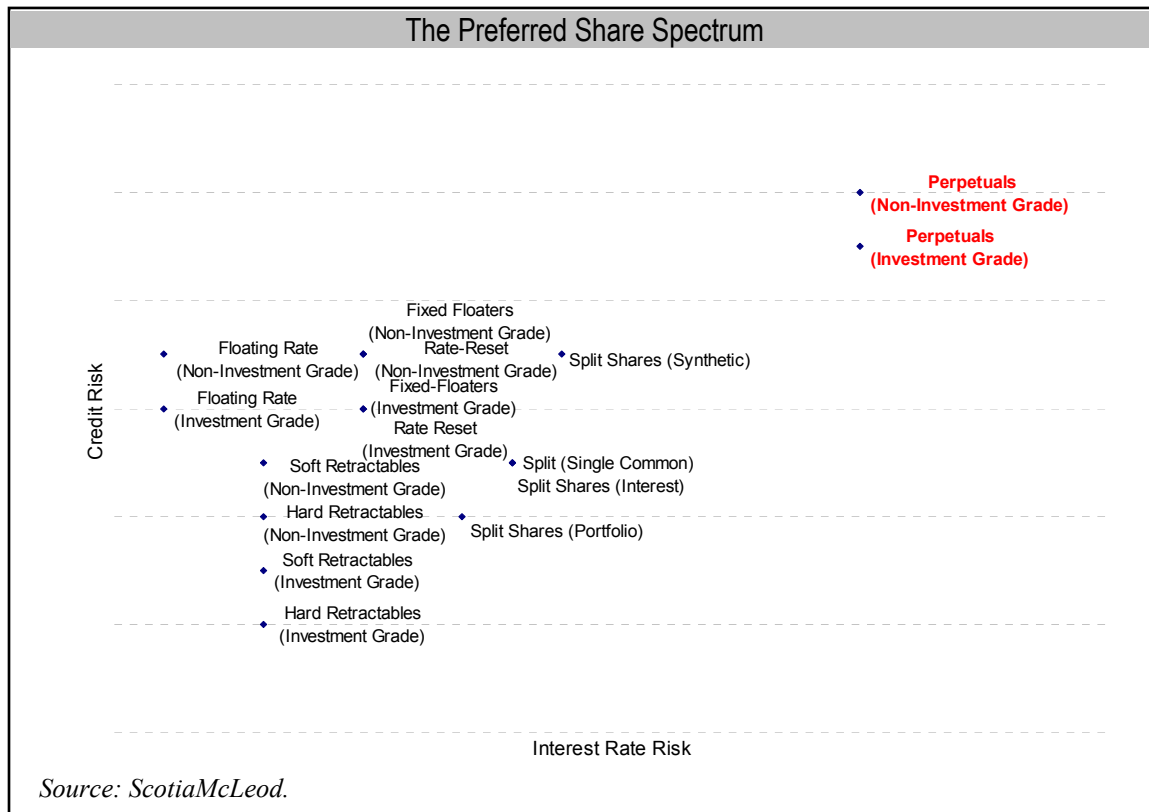
Looking at the graph which displays how the various non-investment grade soft retractables trade in relation to one another it is evident that the Brookfield Properties has underperformed in this sector. This underperformance can be attributed to its significant exposure to commercial real estate in New York where higher vacancies rates are expected.



Soft Retractable Preferred Share Table											
Issuer Investment Grade (P1-P2)	TSE Symbol	RATING			Price Dec 29/08	Div	RETRACTION		REDEMPTION		
		DBRS	S&P				Date	Pre-tax YTR	Worst Case Call Date	Call Price	Yield to Worst
CIBC 4.95% Ser. 19	CM.PR.R	Pfd-1	P-1 (L)	\$25.32	\$1.24	30-Apr-13	4.52	30-Apr-13	25.00	4.52	
CIBC 5.3% Ser. 23	CM.PR.A	Pfd-1	P-1 (L)	\$25.99	\$1.33	31-Jul-11	3.52	29-Oct-09	25.25	1.20	
TD Bank Cl. A Ser. M 4.7%	TD.PR.M	Pfd-1	P-1 (L)	\$26.24	\$1.18	31-Oct-13	3.75	30-Apr-12	25.25	3.66	
TD Bank Cl. A Ser. N 4.6%	TD.PR.N	Pfd-1	P-1 (L)	\$26.09	\$1.15	31-Jan-14	3.82	30-Apr-12	25.25	3.55	
GWL 4.7% 1st-D	GWO.PR.E	Pfd-1L	P-1 (L)	\$25.00	\$1.18	31-Mar-14	4.71	31-Mar-11	25.00	4.72	
GWL 4.8% 1st Ser. E	GWO.PR.X	Pfd-1L	P-1 (L)	\$24.90	\$1.20	30-Sep-13	4.90	30-Sep-12	25.00	4.92	
Manulife 4.10% Ser. 1	MFC.PR.A	Pfd-1L	P-1	\$24.50	\$1.03	19-Dec-15	4.46	19-Jun-15	25.00	4.49	
Power Finl. Ser. C 5.20%	PWF.PR.D	Pfd-1L	P-1 (L)	\$25.60	\$1.30	31-Jul-12	4.74	31-Jul-12	25.00	4.74	
Power Finl. 4.70% Ser. J	PWF.PR.J	Pfd-1L	P-1 (L)	\$24.81	\$1.18	31-Jul-13	5.09	30-Apr-12	25.00	5.22	
IGM Financial Inc. 5.75% A	IGM.PR.A	Pfd-2H	P-1 (H)	\$25.50	\$1.44	30-Jun-13	5.26	30-Jun-12	25.00	5.13	
Brookfield Asset 5.50% S 11	BAM.PR.I	Pfd-2L	P-2	\$18.90	\$1.38	31-Dec-13	12.08	30-Jun-12	25.00	14.55	
Brookfield Asset 5.75% S 10	BAM.PR.H	Pfd-2L	P-2	\$20.00	\$1.44	30-Mar-12	13.49	30-Sep-11	25.00	14.77	
Brookfield Asset 5.40% S 12	BAM.PR.J	Pfd-2L	P-2	\$14.00	\$1.35	31-Mar-18	13.95	31-Mar-18	25.00	13.95	
Brookfield Asset 5.00% S 21	BAM.PR.O	Pfd-2L	P-2	\$17.31	\$1.25	30-Jun-13	14.43	30-Jun-13	25.00	14.43	
Fortis Inc. 5.45% Ser. C	FTS.PR.C	Pfd-3H	P-2	\$26.00	\$1.36	1-Sep-13	4.60	1-Jun-13	25.00	4.56	
Fortis Inc. 4.90% Series E	FTS.PR.E	Pfd-3H	P-2	\$25.99	\$1.23	1-Sep-16	4.35	1-Jun-16	25.00	4.34	
Atco 5.75% Ser. 3	ACO.PR.A	Pfd-2L	P-2 (L)	\$26.25	\$1.44	1-Dec-11	4.10	01-Dec-09	25.50	2.91	
N-Scotia Pwr. 1st. 4.90% Ser. C	NSI.PR.C	Pfd-2L	P-3 (L)	\$25.57	\$1.23	1-Jul-09	0.34	1-Apr-09	25.00	-4.23	
N-Scotia Pwr. 1st. 5.90% Ser. D	NSI.PR.D	Pfd-2L	P-3 (L)	\$25.10	\$1.48	15-Jan-16	5.79	15-Oct-15	25.00	5.79	
Non-Investment Grade (P3 - P4)											
Brookfield 6% Ser. F	BPO.PR.F	Pfd-3H	P-3 (H)	\$15.74	\$1.50	31-Mar-13	18.90	30-Jun-12	25.00	21.81	
Brookfield 5.25% U.S.\$ G	BPO.PR.U	Pfd-3H	P-3 (H)	\$7.90	\$1.31	30-Sep-15	28.20	30-Jun-14	25.00	32.22	
Brookfield 5.75% Ser. H	BPO.PR.H	Pfd-3H	P-3 (H)	\$9.30	\$1.44	31-Dec-15	24.97	31-Dec-14	25.00	27.36	
Brookfield 5.20% Ser. I	BPO.PR.I	Pfd-3H	P-3 (H)	\$18.25	\$1.30	31-Dec-10	22.37	31-Dec-10	25.00	22.37	
Brookfield 5.00% Ser. J	BPO.PR.J	Pfd-3H	P-3 (H)	\$9.50	\$1.25	30-Dec-14	25.44	30-Jun-14	25.00	26.97	
Brookfield 5.20% Ser. K	BPO.PR.K	Pfd-3H	P-3 (H)	\$8.85	\$1.30	31-Dec-16	23.10	30-Dec-15	25.00	24.98	
Westons 5.15% Ser. II	WN.PR.B	Pfd-3 /*	P-3 (L)	\$25.20	\$1.29	1-Jul-09	3.58	1-Apr-09	25.00	1.98	
Loblaw 5.95% Ser. A	L.PR.A	Pfd-3	P-3 (H)	\$22.65	\$1.49	30-Jul-15	8.01	30-Jul-15	25.00	8.01	
Quebecor World 6.90% 5	IQW.PR.C	NR	N/R	\$0.12	#VALUE!	1-Mar-08	0.00	1-Dec-07	25.00	0.00	

Source: ScotiaMcLeod.

Straight Perpetual Preferred Shares



Description: Perpetual preferred shares have no maturity date. These structures pay a fixed dividend for as long as they remain outstanding. However, the issuer has the option of redeeming these while the holder has no retraction rights. If a perpetual preferred is not redeemed by the issuer, investors have the option of selling them in the secondary market or holding them indefinitely.

Redemption: Perpetuals are redeemable at the option of the issuer. Many of these were issued in a low rate environment and hence have low dividends in comparison to market yields which means rates would likely have to fall substantially before an issuer would consider calling them. That being said, there are other factors which may entice an issuer to call the preferred shares.

Advantages: Compared to all other classes of preferred shares (at a given credit rating) the perpetuals carry the greatest interest rate risk. However, despite this trait, they should not be excluded from a balanced portfolio strategy. This class of preferred share may be used to profit from anticipated interest rate or credit spread movements. Due to their long duration perpetual preferred shares will rise in value as credit spreads and interest rates decline. However, the opposite will happen when the Bank of Canada is in rate hiking mode or when credit spreads widen.

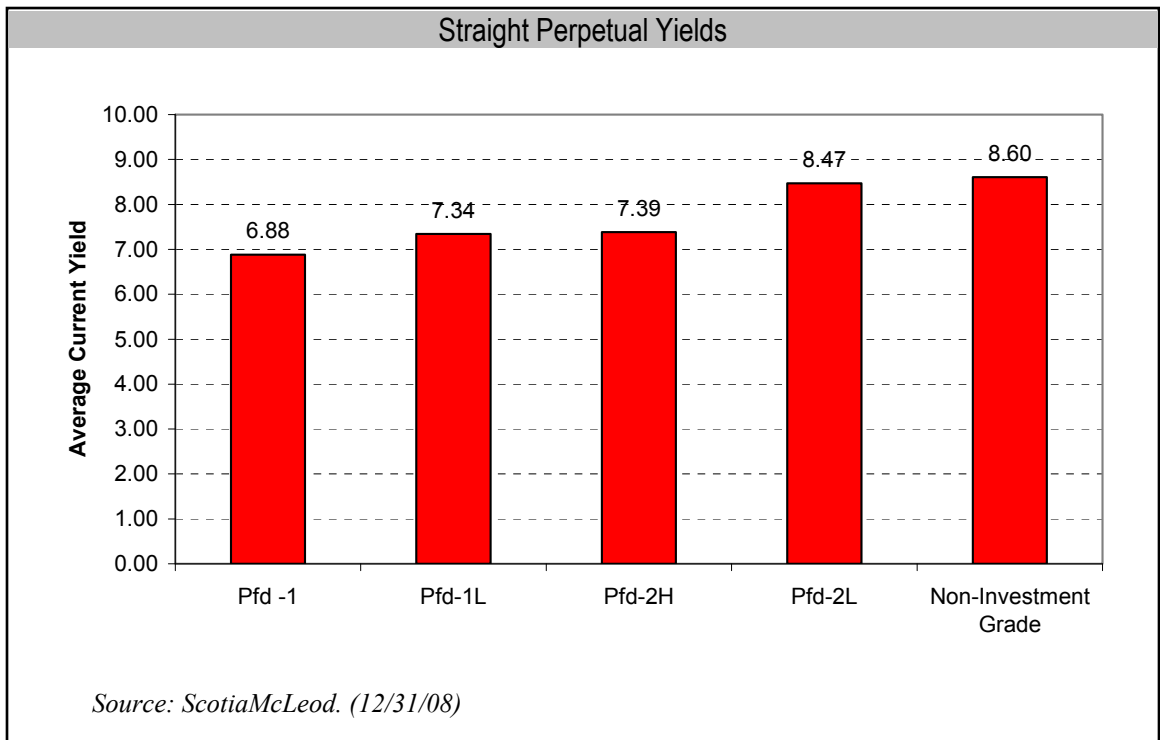
Risks: The risk in holding this class of preferred share is the price volatility as these structures are very sensitive to fluctuations in interest rates and credit spreads. This type of preferred share is most comparable to corporate long bonds (30-year). This characteristic does not rule them out as a good choice in a diversified portfolio of preferred shares as they often offer attractive returns to compensate investors for taking on the risk of holding a security in perpetuity. However, investors who are not comfortable holding 30-year corporate bonds should not invest in straight perpetual preferred shares.

Recommendations: These issues should be purchased by investors who already own a diversified portfolio of preferred shares or those searching for income from a liquid and well known issuer. This caveat is due to the higher volatility in the prices of these preferred shares (relative to fixed term preferred shares) during periods of rising interest rates or widening credit spreads.

What's New: During 2008 there were 6 new straight perpetual preferred shares issued: Bank of Nova Scotia 5.60% Series 17 (BNS.PR.O—TSX), Toronto Dominion Bank Series Q 5.60% (TD.PR.Q—TSX), Toronto Dominion Bank Series R 5.60% (TD.PR.R—TSX), Bank of Montreal Series 15 5.80% (BMO.PR.L—TSX), National Bank of Canada Series 20 6.00% (NA.PR.M—TSX), and Royal Bank of Canada Series AH 5.65% (RY.PR.H—TSX).

Straight Perpetual Yield Commentary

The chart below depicts the average current yield of various straight perpetual preferred shares with different credit ratings. Based on the following list of perpetual preferred shares the current yield will dictate whether a preferred is cheap or expensive relative to its peers with the same credit rating. If the yield is above the average current yield it is comparatively cheap. Conversely preferred shares at yields below that point are considered expensive. If a preferred is in the cheap sector, credit quality must be considered before purchase since that may be the reason why it is trading at that level.



Straight Perpetual Preferred Share Table

Issuer Investment Grade (P1-P2)	TSE Symbol	RATING		Price Dec 31/08	Div	Current Yield	REDEMPTION		Yield to Worst
		DBRS	S&P				Worst Case Call Date	Call Price	
BMO 4.50% Ser. 13	BMO.PR.J	Pfd-1	P-1 (L)	\$16.19	\$1.13	6.95	25-Feb-16	\$25.00	12.03
BMO 5.25% Ser. 14	BMO.PR.K	Pfd-1	P-1 (L)	\$18.80	\$1.31	6.98	25-Nov-16	\$25.00	9.92
BMO 5.30% Ser. 5	BMO.PR.H	Pfd-1	P-1 (L)	\$18.84	\$1.33	7.03	25-Aug-12	\$25.00	14.32
BMO 5.80% Ser. 15	BMO.PR.L	Pfd-1	P-1 (L)	\$20.25	\$1.45	7.16	25-May-17	\$25.00	9.18
BMO 5.95% Ser. 10 U.S.\$	BMO.PR.V	Pfd-1	P-1 (L)	\$18.85	\$1.49	7.89	25-Feb-12	\$25.00	16.40
BNS 4.50% Ser. 14	BNS.PR.L	Pfd-1	P-1 (L)	\$16.58	\$1.13	6.79	26-Apr-16	\$25.00	11.27
BNS 4.50% Ser. 15	BNS.PR.M	Pfd-1	P-1 (L)	\$17.25	\$1.13	6.52	2-Aug-16	\$25.00	10.40
BNS 4.80% Ser. 13	BNS.PR.K	Pfd-1	P-1 (L)	\$17.70	\$1.20	6.78	27-Apr-14	\$25.00	12.30
BNS 5.25% Ser. 12	BNS.PR.J	Pfd-1	P-1 (L)	\$19.70	\$1.31	6.66	28-Oct-13	\$25.00	10.88
BNS 5.25% Ser. 16	BNS.PR.N	Pfd-1	P-1 (L)	\$19.90	\$1.31	6.60	26-Jan-17	\$25.00	8.75
BNS 5.60% Ser. 17	BNS.PR.O	Pfd-1	P-1 (L)	\$20.80	\$1.40	6.73	28-Apr-17	\$25.00	8.36
CIBC 4.50% Ser. 32	CM.PR.J	Pfd-1	P-1 (L)	\$15.90	\$1.13	7.08	30-Apr-16	\$25.00	11.97
CIBC 4.70% Ser. 31	CM.PR.I	Pfd-1	P-1 (L)	\$16.49	\$1.18	7.13	30-Jan-16	\$25.00	11.80
CIBC 4.80% Ser. 30	CM.PR.H	Pfd-1	P-1 (L)	\$16.54	\$1.20	7.26	30-Apr-14	\$25.00	13.80
CIBC 5.40% Ser. 29	CM.PR.G	Pfd-1	P-1 (L)	\$18.39	\$1.35	7.34	30-Apr-14	\$25.00	12.13
CIBC 5.50% Ser. 18	CM.PR.P	Pfd-1	P-1 (L)	\$18.50	\$1.38	7.43	31-Oct-12	\$25.00	14.32
CIBC 5.60% Ser. 27	CM.PR.E	Pfd-1	P-1 (L)	\$19.15	\$1.40	7.31	30-Oct-11	\$25.25	19.87
CIBC 5.75% Ser. 26	CM.PR.D	Pfd-1	P-1 (L)	\$19.50	\$1.44	7.37	30-Apr-12	\$25.00	14.01
HSBC 5.0% Ser. D	HSB.PR.D	Pfd-1	P-1	\$16.56	\$1.25	7.55	31-Dec-14	\$25.00	13.28
HSBC 5.10% Ser. C	HSB.PR.C	Pfd-1	P-1	\$17.35	\$1.28	7.35	30-Jun-14	\$25.00	13.01
Royal Bank 4.45% Ser. AA	RY.PR.A	Pfd-1	P-1 (H)	\$17.25	\$1.11	6.45	24-May-15	\$25.00	11.48
Royal Bank 4.45% Ser. AF	RY.PR.F	Pfd-1	P-1 (H)	\$17.42	\$1.11	6.39	24-May-16	\$25.00	10.50
Royal Bank 4.50% Ser. AD	RY.PR.D	Pfd-1	P-1 (H)	\$17.50	\$1.13	6.43	24-Feb-16	\$25.00	10.66
Royal Bank 4.50% Ser. AE	RY.PR.E	Pfd-1	P-1 (H)	\$16.99	\$1.13	6.62	24-Feb-16	\$25.00	11.18
Royal Bank 4.50% Ser. AG	RY.PR.G	Pfd-1	P-1 (H)	\$16.90	\$1.13	6.66	24-May-16	\$25.00	11.08
Royal Bank 4.60% Ser. AC	RY.PR.C	Pfd-1	P-1 (H)	\$17.79	\$1.15	6.46	24-Nov-15	\$25.00	10.67
Royal Bank 4.70% Ser. AB	RY.PR.B	Pfd-1	P-1 (H)	\$17.92	\$1.18	6.56	24-Aug-15	\$25.00	10.86
Royal Bank 4.90% Ser. W	RY.PR.W	Pfd-1	P-1 (H)	\$19.10	\$1.23	6.41	24-Feb-14	\$25.00	11.13
Royal Bank 5.65% Ser. AH	RY.PR.H	Pfd-1	P-1 (H)	\$21.30	\$1.41	6.63	24-May-17	\$25.00	8.20
TD Bank 4.85% Ser. O	TD.PR.O	Pfd-1	P-1 (H)	\$18.17	\$1.21	6.67	31-Oct-14	\$25.00	11.57
TD Bank 5.25% Ser. P	TD.PR.P	Pfd-1	P-1 (H)	\$20.07	\$1.31	6.54	1-Nov-16	\$25.00	9.18
TD Bank 5.50% Ser. R	TD.PR.R	Pfd-1	P-1 (H)	\$20.41	\$1.38	6.74	31-Jan-17	\$25.00	9.00
TD Bank 5.60% Ser. Q	TD.PR.Q	Pfd-1	P-1 (H)	\$21.21	\$1.40	6.60	31-Jan-17	\$25.00	8.37
Canada Life 6.25% Ser. B	CL.PR.B	Pfd-1L	P-1	\$21.19	\$1.56	7.37	31-Dec-10	\$25.00	15.35
Great West 4.5% Ser. I	GWO.PR.I	Pfd-1L	P-1 (L)	\$15.25	\$1.13	7.38	30-Jun-15	\$25.00	13.68
Great West 4.85% Ser. H	GWO.PR.H	Pfd-1L	P-1 (L)	\$15.99	\$1.21	7.58	30-Sep-14	\$25.00	14.14
Great West 5.20% Ser. G	GWO.PR.G	Pfd-1L	P-1 (L)	\$18.16	\$1.30	7.16	31-Dec-13	\$25.00	12.71
Great West 5.90% Ser. F	GWO.PR.F	Pfd-1L	P-1 (L)	\$20.25	\$1.48	7.28	30-Sep-12	\$25.00	12.35
Manulife Financial 4.50% S. 3	MFC.PR.C	Pfd-1L	P-1	\$17.65	\$1.13	6.37	19-Mar-15	\$25.00	11.18
Manulife Financial 4.65% S. 2	MFC.PR.B	Pfd-1L	P-1	\$17.84	\$1.16	6.52	19-Mar-14	\$25.00	12.23
National Bank 4.85% S.16	NA.PR.L	Pfd-1L	P-2 (H)	\$15.97	\$1.21	7.59	15-May-14	\$25.00	14.95
National Bank 5.85% S.15	NA.PR.K	Pfd-1L	P-2 (H)	\$19.98	\$1.46	7.32	15-May-12	\$25.00	13.72
National Bank 6.00% S.20	NA.PR.M	Pfd-1L	P-2 (H)	\$20.27	\$1.50	7.40	15-May-17	\$25.00	8.10
Power Finl. 4.95% Ser. K	PWF.PR.K	Pfd-1L	P-1 (H)	\$16.85	\$1.24	7.34	31-Oct-14	\$25.00	13.30
Power Finl. 5.10% Ser. L	PWF.PR.L	Pfd-1L	P-1 (H)	\$16.51	\$1.28	7.72	31-Oct-15	\$25.00	12.85
Power Finl. 5.25% Ser. E	PWF.PR.F	Pfd-1L	P-1 (H)	\$17.50	\$1.31	7.50	30-Nov-10	\$25.00	26.26

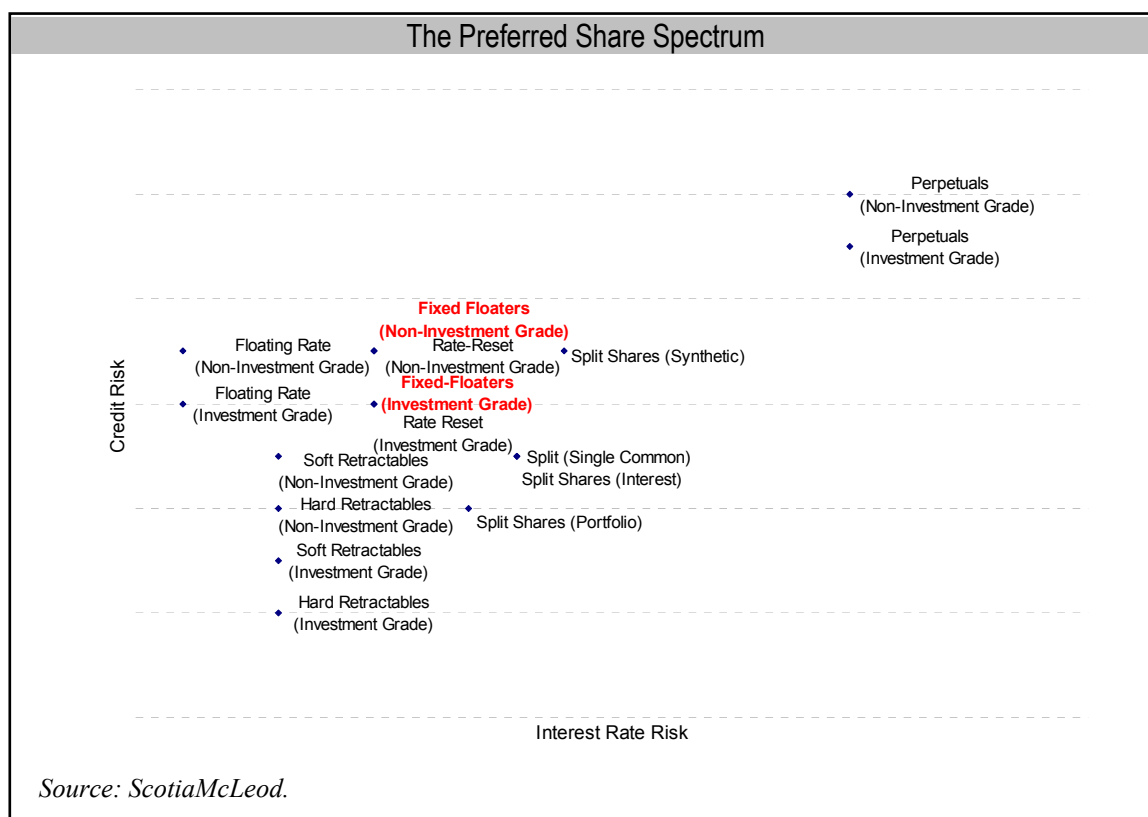
Source: ScotiaMcLeod.

Straight Perpetual Preferred Share Table

Issuer Investment Grade (P1-P2)	TSE Symbol	RATING		Price Dec 31/08	Div	Current Yield	REDEMPTION		Yield to Worst
		DBRS	S&P				Worst Case Call Date	Call Price	
Power Finl. 5.50% Ser. D	PWF.PR.E	Pfd-1L	P-1 (H)	\$17.98	\$1.38	7.65	31-Jan-13	\$25.00	15.55
Power Finl. 5.75% Ser. H	PWF.PR.H	Pfd-1L	P-1 (H)	\$18.26	\$1.44	7.87	31-Dec-11	\$25.00	17.79
Power Finl. 5.90% Ser. F	PWF.PR.G	Pfd-1L	P-1 (H)	\$19.25	\$1.48	7.66	31-Jul-11	\$25.00	17.78
Power Finl. 6.00% Ser. I	PWF.PR.I	Pfd-1L	P-1 (H)	\$19.25	\$1.50	7.79	30-Apr-12	\$25.00	15.41
Sun Life Fin. 4.45% Ser. 3	SLF.PR.C	Pfd-1L	P-1 (L)	\$15.26	\$1.11	7.29	29-Mar-15	\$25.00	13.92
Sun Life Fin. 4.45% Ser. 4	SLF.PR.D	Pfd-1L	P-1 (L)	\$15.40	\$1.11	7.22	31-Dec-15	\$25.00	12.88
Sun Life Fin. 4.50% Ser. 5	SLF.PR.E	Pfd-1L	P-1 (L)	\$16.50	\$1.13	6.82	30-Mar-16	\$25.00	11.48
Sun Life Fin. 4.75% Ser. 1	SLF.PR.A	Pfd-1L	P-1 (L)	\$16.58	\$1.19	7.16	28-Mar-14	\$25.00	13.96
Sun Life Fin. 4.80% Ser. 2	SLF.PR.B	Pfd-1L	P-1 (L)	\$16.00	\$1.20	7.50	30-Sep-14	\$25.00	14.07
CDN Util. 5.80% Ser. W	CU.PR.A	Pfd-2H	P-2 (L)	\$20.98	\$1.45	6.91	1-Mar-12	\$25.00	12.24
CDN Util. 6.00% Ser. X	CU.PR.B	Pfd-2H	P-2 (L)	\$22.00	\$1.50	6.82	1-Jun-12	\$25.00	10.43
CU Inc. 4.60% Ser. 1	CIU.PR.A	Pfd-2H	P-2 (L)	\$14.60	\$1.15	7.88	1-Jun-16	\$25.00	13.73
Industrial Alliance 4.60%	IAG.PR.A	Pfd-2H	P-1 (L)	\$15.68	\$1.15	7.33	31-Mar-15	\$25.00	13.57
Power Corp. 5.00% Ser.D	POW.PR.D	Pfd-2H	P-2 (L)	\$16.45	\$1.25	7.60	15-Oct-14	\$25.00	13.61
Power Corp. 5.35% Ser.B	POW.PR.B	Pfd-2H	P-2 (L)	\$17.30	\$1.34	7.73	28-Nov-10	\$25.00	26.10
Power Corp. 5.60% Ser.A	POW.PR.A	Pfd-2H	P-2 (L)	\$18.70	\$1.40	7.49	15-Apr-09	\$25.00	128.00
Power Corp. 5.80% Ser.C	POW.PR.C	Pfd-2H	P-2 (L)	\$19.80	\$1.45	7.32	6-Dec-11	\$25.00	14.36
Brookfield Asset A Ser. 17	BAM.PR.M	Pfd-2L	P-2	\$10.18	\$1.19	11.67	31-Dec-15	\$25.00	21.23
Brookfield Asset A Ser. 18	BAM.PR.N	Pfd-2L	P-2	\$10.41	\$1.19	11.41	30-Jun-16	\$25.00	19.94
E-L Financial 4.75% Ser. 2	ELF.PR.G	Pfd-2L	Pfd-2 (L)	\$13.38	\$1.19	8.88	17-Oct-15	\$25.00	16.10
E-L Financial Corp. 5.30%	ELF.PR.F	Pfd-2L	Pfd-2 (L)	\$14.97	\$1.33	8.85	17-Oct-13	\$25.00	17.90
Fortis Inc. 4.90% Ser. F	FTS.PR.F	Pfd-3H	Pfd-2	\$17.00	\$1.23	7.21	1-Dec-15	\$25.00	11.85
Enbridge 5.50% Ser. A	ENB.PR.A	Pfd-2L	P-2	\$24.19	\$1.38	5.68	1-Mar-09	\$25.00	32.25
TransCanada 5.6% Ser. U	TCA.PR.X	Pfd-2L	P-2	\$41.66	\$2.80	6.72	15-Oct-13	\$50.00	9.71
TransCanada 5.6% Ser. Y	TCA.PR.Y	Pfd-2L	P-2	\$41.63	\$2.80	6.73	5-Mar-14	\$50.00	9.57
Westcoast 5.50% Ser. 7	W.PR.H	Pfd-2L	P-2 (H)	\$16.85	\$1.38	8.16	15-Jan-13	\$25.00	16.73
Westcoast 5.60% Ser. 8	W.PR.J	Pfd-2L	P-2 (H)	\$17.14	\$1.40	8.17	15-Apr-09	\$25.00	171.53
EP COR Power Equity Ltd. 4.85%	EPP.PR.A	Pfd-3H	P-2 (L)	\$14.45	\$1.21	8.39	28-Jun-16	\$25.00	14.09
Non-Investment Grade (P3-P4)									
Laurentian 5.25% Ser. 10	LB.PR.E	Pfd-3H	P-3 (H)	\$16.63	\$1.31	7.89	15-Jun-13	\$25.00	16.02
Laurentian Bank 6% Ser. 9	LB.PR.D	Pfd-3H	P-3 (H)	\$19.00	\$1.50	7.89	15-Dec-10	\$25.00	21.69
FirstService Corp. US 7.00%	FSV.PR.U	Pfd-3L	N/A	\$14.00	\$1.75	12.50	1-Aug-11	\$25.00	32.95
Co-operators Cl. E Ser. C 5.00%	CCS.PR.C	Pfd-3	P-2 (H)	\$11.75	\$1.25	10.64	30-Jun-16	\$25.00	18.07
G. Weston Ltd. 4.75% Ser.V	WN.PR.E	Pfd-3 /*	P-3 (L)	\$15.25	\$1.19	7.79	1-Jul-15	\$25.00	14.01
G. Weston Ltd. 5.2% Ser.III	WN.PR.C	Pfd-3 /*	P-3 (L)	\$16.50	\$1.30	7.88	1-Jul-14	\$25.00	14.25
G. Weston Ltd. 5.2% Ser.IV	WN.PR.D	Pfd-3 /*	P-3 (L)	\$16.65	\$1.30	7.81	1-Jul-14	\$25.00	14.05
G. Weston Ltd. 5.8% Ser.I	WN.PR.A	Pfd-3 /*	P-3 (L)	\$19.83	\$1.45	7.31	15-Dec-10	\$25.00	18.98
Bombardier 6.25% Ser. 4	BBD.PR.C	Pfd-4	P-4	\$16.73	\$1.56	9.34	30-Mar-11	\$25.00	27.46

Source: ScotiaMcLeod.

Fixed Floating Rate Preferred Shares



Description: This class of preferred share pays a fixed dividend for a period of time after which the investor is given the option to either fix the dividend rate (based on a set percentage of 5-year Government of Canada bonds) or to let it float as a percentage of a benchmark (Prime). Fixed floaters may also have a “ratcheting mechanism” on the floating rate option which is designed to keep the price of the preferred close to its par value by raising the dividend when the price falls below par, or lowering the dividend when it trades above par. However, based on where new preferred shares are being issued the ratcheting mechanism has not been of sufficient size to keep the preferred shares trading close to par value. Most fixed floaters pay their dividend on a monthly basis once they start to float.

Redemption: Most fixed floaters are redeemable at the option of the issuer on the various call dates which coincide with the reset date when the investor may choose either a fixed or floating dividend (until the next call date).

Advantages: These issues are recommended for income investors who value the option of being able to re-set the dividend every five years to match their interest rate outlook. However, the new “rate reset” preferred shares now offer more attractive reset rates for investors.

Risks: The main risk of investing in fixed floaters is that they are perpetual and subject to interest rate risk. Another potential risk is that the preferred may not have a significant enough ratcheting mechanism and, once it starts to float, interest rates fall, decreasing the dividend and causing the share price to fall.

Recommendations: Our most recent recommendations for the fixed floating category are the Great West Life Series O (GWL.PR.O—TSX), and the BCE Series AI (BCE.PR.I—TSX). Please contact your ScotiaMcLeod advisor for current prices and yields.

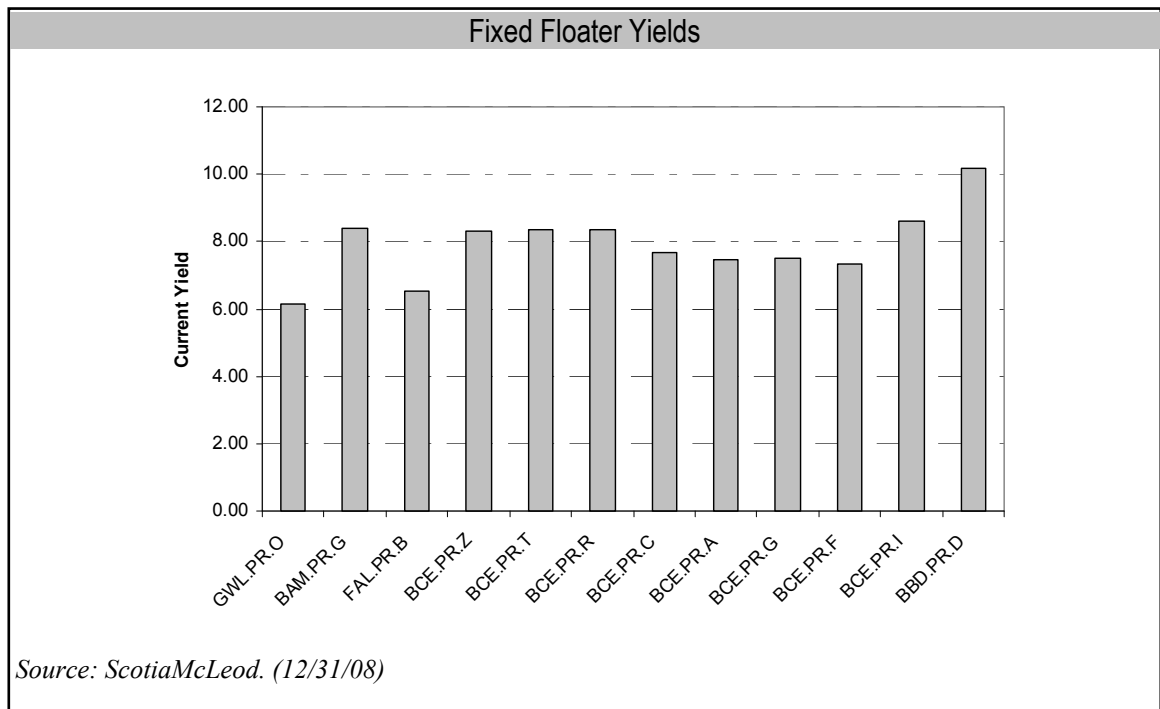
What's New: No new fixed floater preferred shares were brought to market in 2008.

Fixed Floating Rate Preferred Share Table									
Issuer Investment Grade (P1-P2)	TSE Symbol	DBRS	S&P	Price Dec 31/08	Div	Current Yield	Call/Reset Date	Call Price	Yield to Call
Great West Life 5.55% O	GWL.PR.O	Pfd-1	P-1 (L)	\$22.50	\$1.39	6.17	31-Oct-10	\$25.00	11.49
Brookfield Asset 4.35% S 9	BAM.PR.G	Pfd-2L	P-2	\$12.98	\$1.09	8.38	1-Nov-11	\$25.00	30.92
Falconbridge 4.58% Series 3	FAL.PR.B	Pfd-2L	P-2 (L)	\$17.51	\$1.15	6.54	1-Mar-09	\$25.00	335.95
BCE 4.331% Ser. Z	BCE.PR.Z	Pfd-2L /*	P-2	\$13.01	\$1.08	8.32	1-Dec-12	\$25.00	23.63
BCE 4.502% Ser. T	BCE.PR.T	Pfd-2L /*	P-2	\$13.50	\$1.13	8.34	1-Nov-11	\$25.00	28.66
BCE 4.54% Ser. R	BCE.PR.R	Pfd-2L /*	P-2	\$13.62	\$1.14	8.33	1-Dec-10	\$25.00	40.22
BCE 4.6% Ser. AC	BCE.PR.C	Pfd-2L /*	P-2	\$14.95	\$1.15	7.69	1-Mar-13	\$25.00	18.95
BCE 4.80% Ser. AA	BCE.PR.A	Pfd-2L /*	P-2	\$16.08	\$1.20	7.46	1-Sep-12	\$25.00	18.65
BCE Inc. 4.35% Ser. AG	BCE.PR.G	Pfd-2L /*	P-2	\$14.45	\$1.09	7.53	1-May-11	\$25.00	30.12
BCE Inc. 4.40% Ser. AF	BCE.PR.F	Pfd-2L /*	P-2	\$15.00	\$1.10	7.33	1-Feb-10	\$25.00	56.08
BCE Inc. 4.65% Ser. AI	BCE.PR.I	Pfd-2L /*	P-2	\$13.50	\$1.16	8.61	1-Aug-11	\$25.00	31.13
Non-Investment Grade (P3-P5)									
Bombardier 5.476% Ser.3	BBD.PR.D	Pfd-4	P-4	\$12.95	\$1.32	10.17	31-Jul-12	\$25.00	27.22
Quebecor World Ser. 3	IQW.PR.D	NR	N/R	\$0.07	#VALUE!	#VALUE!	1-Dec-12	\$25.00	184.02

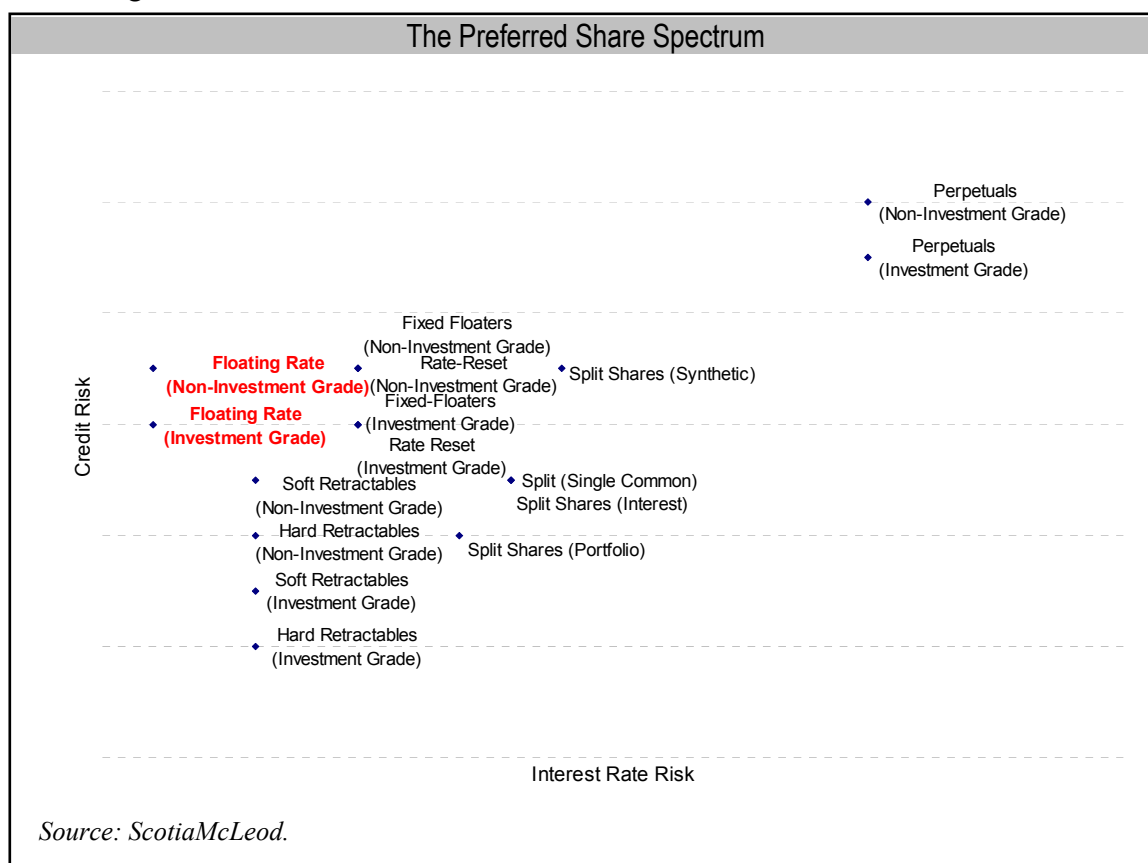
Source: ScotiaMcLeod.

Fixed Floater Yield Curve Commentary

This chart highlights the current yield as of December 31, 2008 of all the outstanding fixed floating preferred shares. Timing is an important consideration in purchasing these shares. Please contact your ScotiaMcLeod advisor for more information on these issues.



Floating Rate Preferred Shares



Description: Floating rate preferred shares pay dividends on a quarterly (and in some cases monthly) basis. The dividends float in relation to a reference rate, usually the Prime rate, although some may have a “floor” or minimum dividend. Another interesting feature many floating rate preferreds have is a ratcheting mechanism which raises or lowers the dividend on a monthly basis depending whether or not the preferred share trades within a specified price band.

Redemption: They are redeemable at the issuer’s option and do not have a retraction feature, which makes them perpetual in nature. Most of these shares are callable anytime at a set call price which is indicated in the table on the following page.

Advantages: Some of the issues trade below their par value due to low dividends or because the issuer has a poor credit rating. For the speculative preferred investor this may provide an opportunity for capital gains if the issuer’s coverage ratios improve and the rating agencies upgrade the credit rating.

Risks: The risks surrounding this class of shares include credit risk, such that if the issuer has any difficulties paying the dividend, or if the issuer is downgraded by a rating agency. In addition, if interest rates are expected to decline, the monthly/quarterly income (dividend payments) may be reduced. With respect to the ratcheting mechanism, there is a risk that it is not significant enough to keep the preferred share trading close to its par value.

Recommendations: Investors looking to buy a floating rate preferred share should look towards high credit quality issues which pay a high percentage of Prime and have a cumulative dividend. Floating rate preferred shares which match this criteria include (the multiple of the Prime rate follows the preferred share): Power Financial Series A (PWF.PR.A—TSX, 70%), Thomson Reuters Ser II (TRI.PR.B—TSX, 70%). These shares tend to be relatively illiquid yet should perform well in times of rising interest rates as the dividends will rise with interest rates.

What's New: A new floating rate issue was created—the BCE Series AD (BCE.PR.D—TSX) when enough investors selected this option over remaining in the fixed rate preferred Series AC (BCE.PR.C—TSX). There are 10.75 million shares of the BCE Series AD outstanding. These shares pay a monthly dividend where the annual dividend rate applicable in a month will in no event be less than 50% of Prime or greater than Prime. Prime is currently 3.00% as of January 31, 2009.

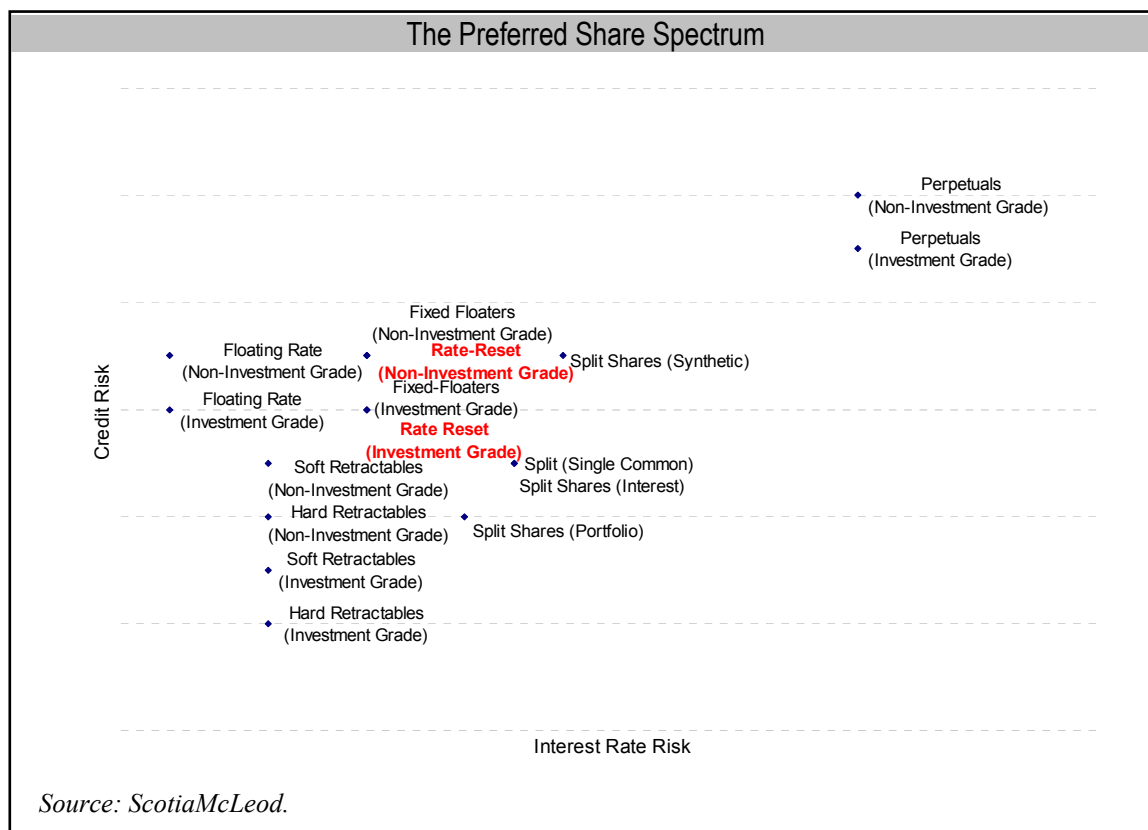
Floating Rate Preferred Share Table

Issuer Investment Grade (P1-P2)	TSE Symbol	RATING		Price Dec 31/08	12 Month Trailing Div	Current Yield	Floats @ % of Prime	Yields @ % of Prime Prime=3.50%	REDEMPTION	
		DBRS	S&P						Call Date	Call Price
Power Finl. Ser. A	PWF.PR.A	Pfd-1L	P-1 (L)	\$11.49	\$0.85	7.40	70%	211.36	ANYTIME	\$25.00
Power Corp. 1986 Series	POW.PR.F	Pfd-2H	P-2 (H)	\$31.25	\$1.77	5.66	70%	161.83	ANYTIME	\$50.00
Power Corp. Voting Pref.	POW.PR.E	Pfd-2H	P-2 (H)	\$24.64	\$1.16	4.71	Variable	134.54	n.a.	n.a.
Brookfield Asset A Ser. 4	BAM.PR.C	Pfd-2L	P-2	\$10.00	\$0.88	8.80	70%	251.43	ANYTIME	\$25.00
Brookfield Asset A Ser. 2	BAM.PR.B	Pfd-2L	P-2	\$9.99	\$0.88	8.81	70%	251.68	ANYTIME	\$25.00
Brookfield Asset A Ser. 8	BAM.PR.E	Pfd-2L	P-2	\$9.25	\$0.92	9.95	85%+4%	284.17	ANYTIME	\$25.00
Brookfield Asset A Ser. 13	BAM.PR.K	Pfd-2L	P-2	\$9.24	\$0.88	9.52	70%	272.11	ANYTIME	\$25.00
Brookfield Asset A Ser. 14	BAM.PR.L	Pfd-2L	P-2	\$84.99	\$2.56	3.01	63%	86.06	ANYTIME	\$100.00
Thomson Reuters Ser. II	TRI.PR.B	Pfd-2L	P-2	\$11.50	\$0.85	7.39	70%	211.18	ANYTIME	\$25.00
BCE Inc. Ser. AB	BCE.PR.B	Pfd-2L /*	P-2	\$13.38	\$1.18	8.82	80%+4%	251.98	ANYTIME	\$25.50
BCE Inc. Ser. AD	BCE.PR.D	Pfd-2L /*	P-2	\$16.50	\$1.09	6.61	80%+4%	188.74	ANYTIME	\$25.50
BCE Inc. Ser. S	BCE.PR.S	Pfd-2L /*	P-2	\$13.75	\$1.18	8.58	80%+4%	245.19	ANYTIME	\$25.50
BCE Inc. Ser. Y	BCE.PR.Y	Pfd-2L /*	P-2	\$13.75	\$1.18	8.58	80%+4%	245.19	ANYTIME	\$25.50
BCE Inc. Series AE	BCE.PR.E	Pfd-2L /*	P-2	\$14.25	\$1.18	8.28	80%+4%	236.59	ANYTIME	\$25.50
BCE Inc. Series AH	BCE.PR.H	Pfd-2L /*	P-2	\$14.50	\$1.18	8.14	80%+4%	232.51	ANYTIME	\$25.50
Non - Investment Grade (P3-P5)										
BPO Properties Ser. G	BPP.PR.G	Pfd-3	P-3 (H)	\$9.75	\$0.92	9.39	70%	268.38	ANYTIME	\$25.00
BPO Properties Ser. J	BPP.PR.J	Pfd-3	P-3 (H)	\$8.75	\$0.85	9.71	70%	277.55	ANYTIME	\$25.00
BPO Properties Ser. M	BPP.PR.M	Pfd-3	P-3 (H)	\$13.50	\$0.87	6.44	70%	184.13	ANYTIME	\$25.00
Empire Co. Ser. 2	EMP.PR.B	Pfd-4H	N/R	\$25.00	\$0.76	3.04	75%	86.86	ANYTIME	\$25.00
Bombardier Ser. 2	BBD.PR.B	Pfd-4	P-4	\$9.35	\$0.94	10.03	80%+4%	286.50	1-Aug-12	\$25.00

*Credit Watch

Source: ScotiaMcLeod.

Rate Reset Preferred Shares



Description: This class of preferred share pays a fixed dividend until the reset date, which is typically also the call date. On that date, and every reset date thereafter, if the preferred share is not called, the holder has two options.

1. Locking in a fixed dividend until the next reset date. This rate is at a predetermined spread over an equivalent term Government of Canada bond.
2. Exchanging to a floating rate preferred share. The floating rate is a quarterly dividend based on 3-month Government of Canada Treasury bills, plus the same spread as in option 1.

Investors have the option at each reset date, if the issue is not called, of switching back and forth between the two dividend options.

Redemption: These preferred shares are redeemable at the option of the issuer on every reset date at par value (\$25.00). Additionally, if the floating rate option is chosen, the floating rate preferred shares may also be called at the option of the issuer, usually at a premium price. Issues currently outstanding are callable at a price of \$25.50 at any time. Rate-resets are *perpetual in nature* and are not retractable by the holder.

Advantages: In exchange for having no maturity date, investors are rewarded with an attractive dividend rate which is re-set in-line with yields prevailing in the market on a periodic basis. Due to this factor, this structure has less interest rate risk than straight perpetual preferred shares.

Risks: The main risk of investing in rate reset preferred shares is that they are perpetual and the *issuer will only redeem these structures if it is in their best interest*. In the long term, investors in perpetual securities need to be very concerned about credit quality and the future prospects of the issuer, as there is *no obligation to ever redeem the issue*.

Recommendations: Our most recent recommendations for the rate reset category are the BNS 5.00% Series P (BNS.PR.P—TSX) with a reset rate of 2.05%, CIBC 5.35% Series 33 (CIBC.PR.K—TSX) with a reset rate of 2.18%, Toronto Dominion Bank 5.00% Series AA (TD.PR.A—TSX) with a reset rate of 1.96% and Royal Bank 5.60% Series AL (RY.PR.L—TSX) with a reset rate of 2.67%. Please contact your ScotiaMcLeod advisor for current prices and yields.

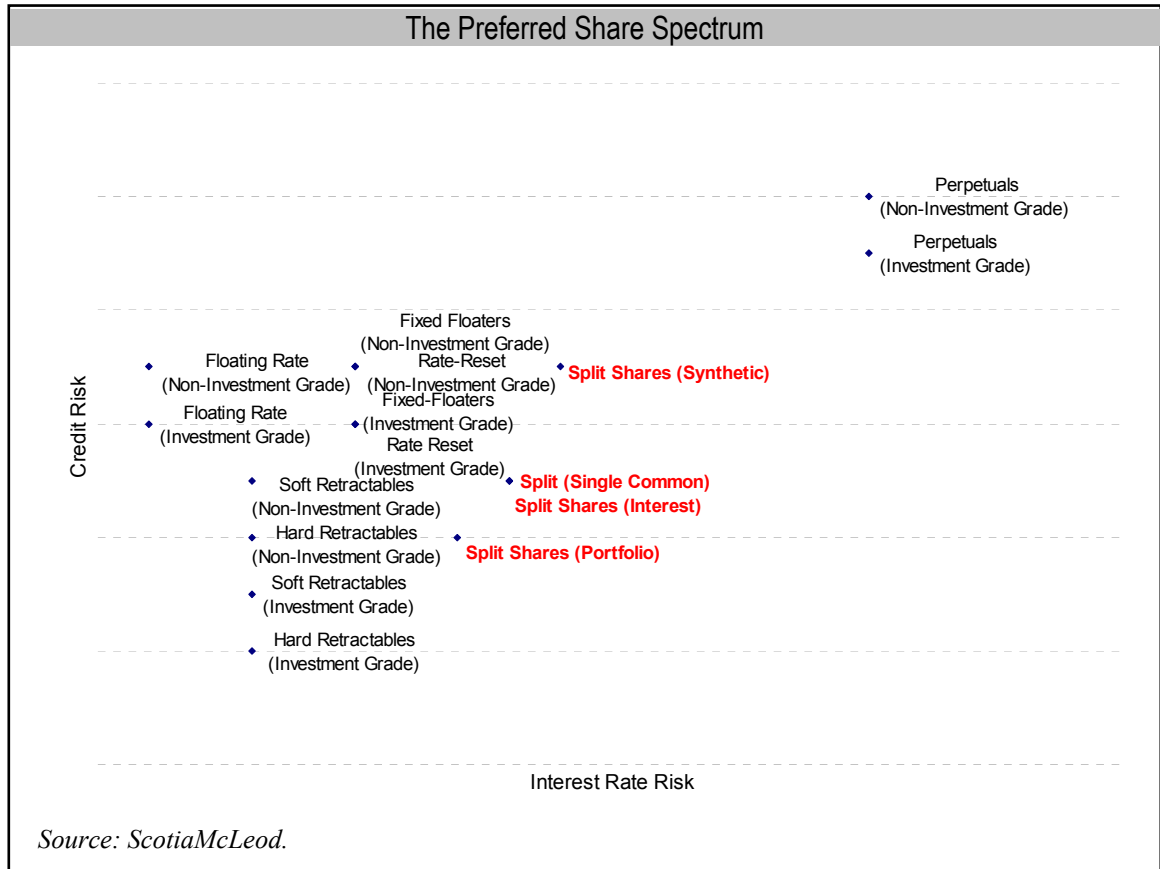
What's New: This is a new product that was introduced in March 2008 and as of year end there were 18 rate resets outstanding in the market. Bank of Nova Scotia was the first to issue this type of preferred share when it issued Bank of Nova Scotia 5.00% Series 18 with a rate reset of 2.05% (BNS.PR.R). The last reset issued in 2008 was the BMO 6.50% Series 18 with a reset rate of 3.83% (BMO.PR.N). A list of all other rate resets preferred shares issued in 2008 can be found in the table below.

Rate Reset Preferred Share Table									
Issuer Investment Grade (P1-P2)	TSE Symbol	RATING		Price Dec 31/08	Div	Current Yield	REDEMPTION		
		DBRS	S&P				Call Date	Yield to Reset	Reset Rate
Bank of Montreal 5.20% Ser 16	BMO.PR.M	Pfd-1	P-1 (L)	\$22.00	\$1.30	5.91	15-Aug-13	8.57	+165 bp
Bank of Montreal 6.50% Ser 18	BMO.PR.N	Pfd-1e	P-1 (L)	\$25.85	\$1.63	6.29	25-Feb-14	5.85	+383 bp
BNS 5.00% Ser. 18	BNS.PR.P	Pfd-1	P-1 (L)	\$22.60	\$1.25	5.53	26-Apr-13	7.61	+ 205 bp
BNS 5.00% Ser. 20	BNS.PR.Q	Pfd-1	P-1 (L)	\$22.66	\$1.25	5.52	26-Oct-13	7.29	+ 170 bp
BNS 5.00% Ser. 22	BNS.PR.R	Pfd-1	P-1 (L)	\$21.50	\$1.25	5.81	25-Jan-14	8.40	+ 188 bp
CIBC 5.35% Ser. 33	CM.PR.K	Pfd-1	P-1 (L)	\$21.50	\$1.34	6.22	31-Jul-14	8.50	+218 bp
Royal Bank 5.00% Ser. AJ	RY.PR.I	Pfd-1	P-1 (L)	\$22.50	\$1.25	5.56	24-Feb-14	7.78	+193 bp
Royal Bank 5.60% Ser. AL	RY.PR.L	Pfd-1	P-1 (L)	\$25.00	\$1.40	5.60	24-Feb-14	5.85	+267 bp
Royal Bank 6.25% Ser. AN	RY.PR.N	Pfd-1e	P-1 (L)	\$26.20	\$1.56	5.95	24-Feb-14	5.29	+350 bp
TD Bank 5.00% Ser. AA	TD.PR.A	Pfd-1	P-1 (L)	\$22.50	\$1.25	5.56	31-Jan-14	7.83	+ 196 bp
TD Bank 5.00% Ser. S	TD.PR.S	Pfd-1	P-1 (L)	\$21.90	\$1.25	5.71	31-Jul-13	8.61	+160 bp
TD Bank 5.10% Ser. Y	TD.PR.Y	Pfd-1	P-1 (L)	\$21.95	\$1.28	5.81	31-Oct-13	8.50	+168 bp
TD Bank 5.60% Ser. AC	TD.PR.C	Pfd-1	P-1 (L)	\$25.20	\$1.40	5.56	31-Jan-14	5.66	+ 274 bp
Great-West Lifeco Inc. 6.00%, Ser J	GWO.PR.J	Pfd-1L	P-1 (L)	\$25.05	\$1.50	5.99	31-Dec-13	6.13	+307 bp
National 5.375% Ser. 21	NA.PR.N	Pfd-1L	P-2 (H)	\$21.75	\$1.34	6.16	16-Aug-13	9.10	+205 bp
Power Financial Corp 6.00% Ser M	PWF.PR.M	Pfd-1L	P-1 (L)	\$25.10	\$1.50	5.98	31-Jan-14	6.08	+320 bp
Industrial Alliance 6.20%, Ser C	IAG.PR.C	Pfd-2H	P-1 (L)	\$24.50	\$1.55	6.33	31-Dec-13	6.88	+338 bp
Fortis Inc 5.25% Ser. G*	FTS.PR.G	Pfd-3H	P-2	\$19.90	\$1.31	6.60	31-Aug-13	11.12	+213 bp

* Holders do not have the option of converting to a floating rate preferred on redemption date

Source: ScotiaMcLeod.

Split and Structured Preferred Shares



Description: Split and structured preferred shares are synthetic preferred shares that are based on an underlying portfolio of common shares or on a portfolio created from more diverse or complex financial instruments, including derivatives. In the most basic split preferred shares the underlying portfolio allocates any capital appreciation to a capital share and all dividend income to a dividend (preferred) share. This class of preferred share is not without risk. The preferred payments by a split share corporation are merely a flow-through of distributions received on the portfolio of securities it holds. Therefore, if a split shares' underlying portfolio holding(s) cuts its dividend, or an event occurs which impairs the portfolio's ability to receive income, both the capital and preferred shares will likely drop in price. The preferred shares will then fall in price to a yield level where new investors feel adequately compensated for the risk of either another dividend cut, or, the possibility that they will not receive par value for the preferred at maturity. In general, splits that have a diversified portfolio are considered less risky than those based on a single common share. Split and structured preferred shares are appropriate for investors looking for a steady income stream with a fixed term maturity. In many cases they offer yields above those of soft retractable preferred shares for only a modest increase in risk.

Redemption: Split and structured preferred shares can be redeemed by the issuer when a capital share is retracted without a preferred share (generally, one preferred share and one capital share together make up a whole unit). Most split shares have a special annual retraction date when holders of capital shares can retract them for very little or no cost. When this happens, the issuer must call in or redeem enough preferred shares to match the amount of capital shares retracted. Each split preferred shareholder has a proportionate amount of preferreds redeemed at par when this happens. This is not in the best interest of the preferred shareholder as their capital gets reduced and the projected future cash flows will be altered. Please refer to page 39 of this publication for the detailed notes of the redemption terms pertaining to each issue.

Retraction: Split share preferreds are retractable on their own or in certain cases as a whole unit—a preferred share plus a capital share on a special annual retraction date. Details differ between issues and can be found on page 39 of this publication.

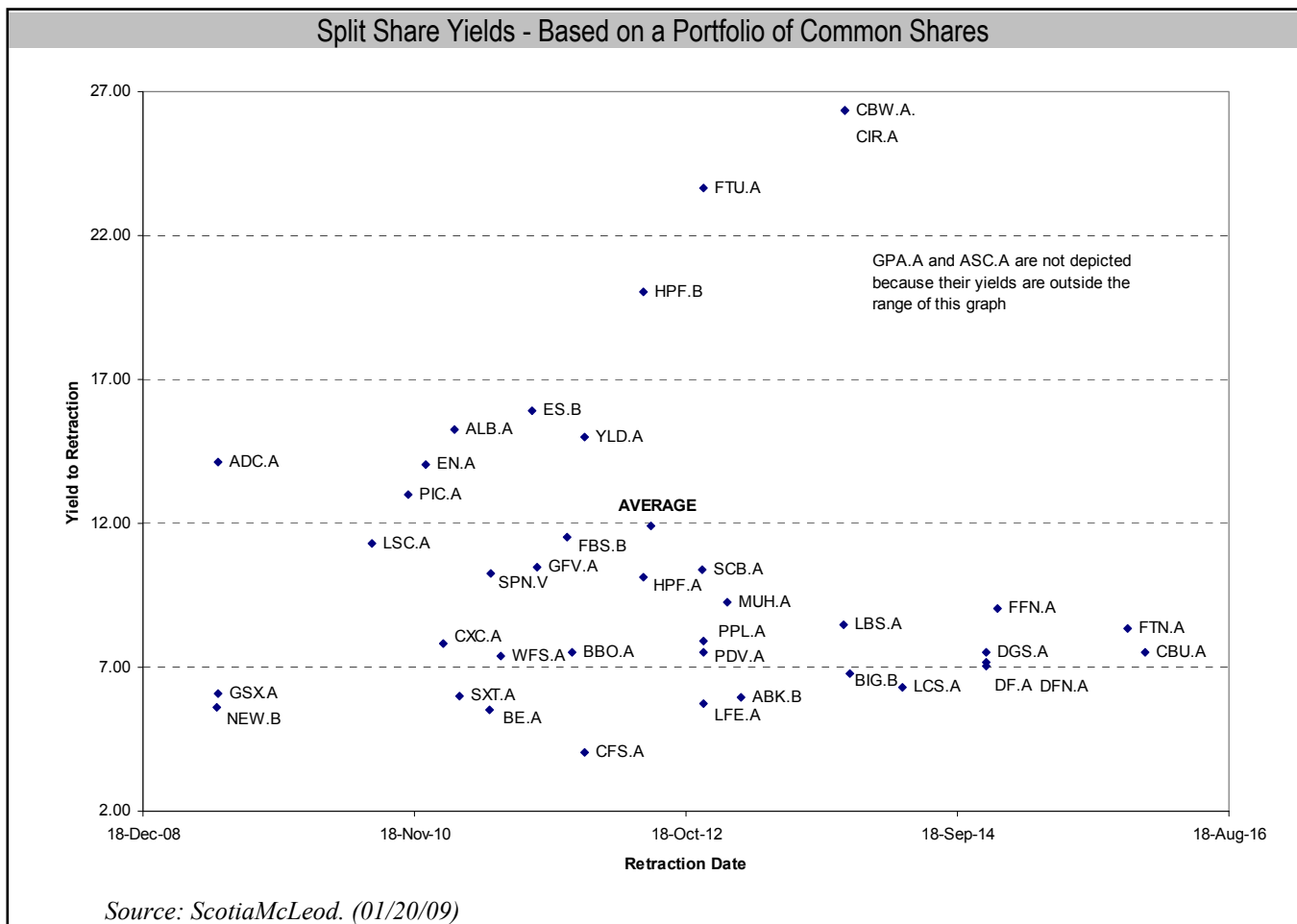
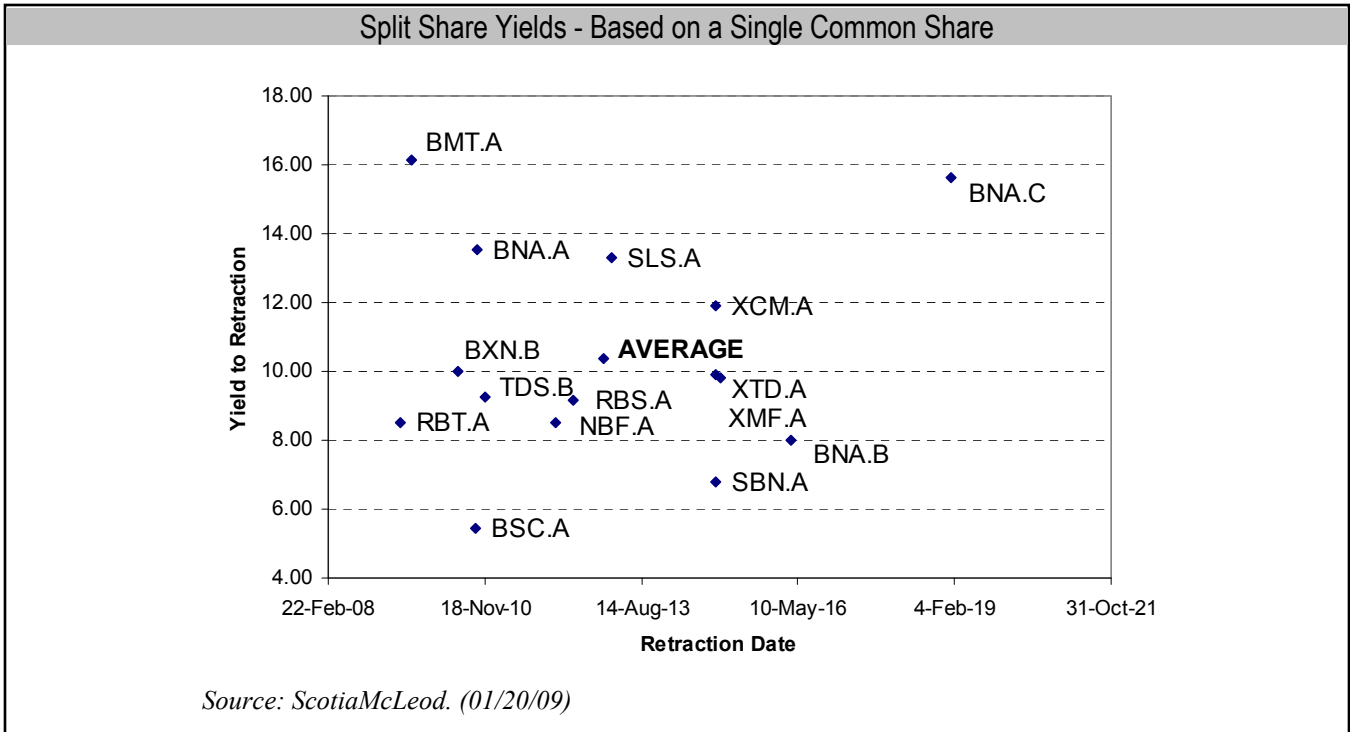
Advantages: Split and structured preferred shares offer a yield pickup over existing preferreds often without sacrificing credit quality. Additionally, split shares have a definitive maturity date and can be incorporated into a laddered portfolio.

Risks: The risks of split and structured preferred shares include events that may impact the underlying portfolio's value. If the net asset value of the underlying portfolio falls substantially and remains at those levels until maturity, the investor may not receive the par value of their investment. Reviewing a split shares' *downside protection* is one approach to assess the risk level of the investment. Downside protection is the amount by which the market value of the underlying portfolio may fall before the ability to repay the par value of the preferred share is impeded. In addition, this type of preferred share is often less liquid than other preferred shares due to the lower number of shares outstanding.

Recommendations: Although there is an abundance of split shares outstanding investors should focus on those that have high credit quality providing at least 30% downside protection for the preferred share investors. Some issues which are based on a single common share include: BAM Split Corp (BNA.PR.A) which is based on a portfolio of Brookfield Asset Management shares, and Mulvihill S Split Corp (SBN.PR.A) which is based on a portfolio of Bank of Nova Scotia common shares. Attractive splits which are based on an underlying portfolio of common shares include: Brompton Equity Split (BE.PR.A) which is based on a portfolio of blue-chip, large-capitalized Canadian equities, Dividend 15 Split (DFN.PR.A) which is based on a portfolio of 15 high dividend yielding, high quality Canadian companies, and NewGrowth Corp (NEW.PR.B) which was created to invest its funds in common shares of selected, publically listed Canadian banks and utility companies. If an investor is looking for interest income the Utility Split Trust (UST.PR.A) is a good choice as it provides exposure to a diversified investment in securities of utility issuers. Please contact your ScotiaMcLeod advisor for more current recommendations.

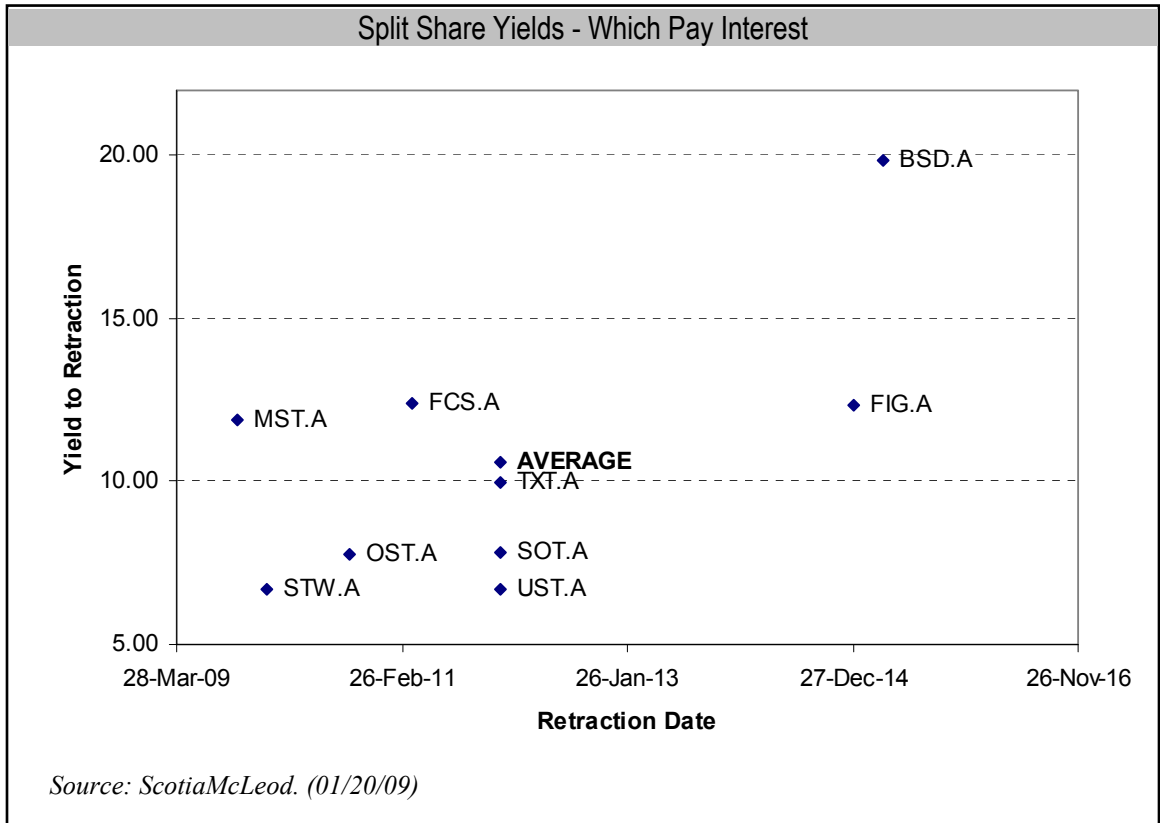
What's New: There have been 2 new split shares that have come to market over the past year. First Asset CanBanc Split Corp (CBU.PR.A-TSX) was created to provide investors with an exposure to the 6 largest Canadian banks. Investors receive a fixed cumulative 6.50% dividend with a maturity date of January 15, 2016. The other issue last year was Big 8 Split which was an existing preferred issue which was redeemed on December 15, 2008. The capital shareholders were given the option to roll over their capital shares into the same bank and insurance company based portfolio for another 5-year term. This allowed the issuance of more preferred shares with a 7.00% coupon and 5-year term (BIG.PR.B-TSX). This split invests in a portfolio of common shares including: Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, The Toronto-Dominion Bank, Great West Lifeco Inc., Manulife Financial Corporation and Sun Life Financial Inc.

Please contact your ScotiaMcLeod advisor for further information.



Split Share Yield Curve Commentary

The various split share yields depict where the various issues trade in relation to other issues of the same type of split. However, the downside protection of each preferred should also be closely evaluated. There is often a reason why certain splits are trading above the average as they may either have a lower credit rating or have less downside protection available for the preferred shareholder. Each split share is listed in the table on the following pages which details all of the important information of each product.



Split Shares Based on a Single Common Share Table

Issuer Investment Grade (P1-P2)	RATING			Shares O/S	Price		RETRACTION			Downside Protection
	TSE Symbol	DBRS	S&P		Jan 20/09	Div	Date	Price	Pre-tax YTR	
BAM Split Corp. 6.25%	BNA.PR.A	Pfd-2L	N/A	5MM	\$22.42	\$1.56	30-Sep-10	25.00	13.55	44.68%
BAM Split 4.95% Class AA	BNA.PR.B	Pfd-2L	N/A	3.2MM	\$21.25	\$1.24	25-Mar-16	25.00	7.79	44.68%
BAM Split 4.35% Class AA	BNA.PR.C	Pfd-2L	N/A	8MM	\$10.90	\$1.09	10-Jan-19	25.00	15.76	44.68%
R-Split II Corp. 4.25%	RBT.PR.A	Pfd-2L	N/A	494.733M	\$30.26	\$1.30	31-May-09	30.50	8.47	57.34%
S Split Corp. 5.25%	SBN.PR.A	Pfd-2L	N/A	10MM	\$9.25	\$0.53	1-Dec-14	10.00	6.82	41.25%
BMONT Split Corp. 4.50%	BMT.PR.A	Pfd-2L /*-	N/A	1.192MM	\$26.50	\$1.24	5-Aug-09	27.45	13.37	17.54%
R Split III Corp. 4.50%	RBS.PR.A	Pfd-2L /*-	N/A	2.271MM	\$25.75	\$1.31	31-May-12	29.22	8.87	17.69%
TD Split Inc. Ser. B 4.25%	TDS.PR.B	Pfd-2L /*-	N/A	1.564MM	\$26.05	\$1.19	15-Nov-10	28.10	9.17	40.06%
Non-Investment Grade (P3-P5)										
NB Split Corp. 4.75%	NBF.PR.A	Pfd-4L	N/A	1.522MM	\$28.00	\$1.55	15-Feb-12	32.72	10.28	8.50%
SL Split Corp.	SLS.PR.A	Pfd-4L	N/A	1.055MM	\$19.51	\$1.29	31-Jan-13	25.78	13.28	6.53%
B Split II Corp. Ser. B 4.25%	BXN.PR.B	#N/A N/A	N/A	2.153MM	\$9.13	\$0.41	1-Jun-10	9.75	9.84	41.72%
BNS Split Corp. II 4.25%	BSC.PR.A	#N/A N/A	N/A	2.964MM	\$20.51	\$0.89	22-Sep-10	20.83	5.47	34.31%
Commerce Split	XCM.PR.A	#N/A N/A	N/A	8.71MM	\$7.34	\$0.53	1-Dec-14	10.00	11.71	-6.27%
M Split Corp.	XMF.PR.A	#N/A N/A	N/A	4.82MM	\$7.51	\$0.53	31-Dec-14	10.00	11.17	-6.50%
TDb Split Inc. 5.25%	XTD.PR.A	#N/A N/A	N/A	1.75MM	\$7.90	\$0.53	1-Dec-14	10.00	10.29	9.91%

Source: ScotiaMcLeod.

Split Shares Which Pay Interest Table

Issuer Investment Grade (P1-P2)	RATING			Shares O/S	Price		RETRACTION			Downside Protection
	TSE Symbol	DBRS	S&P		Jan 20/09	Div	Date	Price	Pre-tax YTR	
Faircourt Inc. & Growth	FIG.PR.A	Pfd-2 /*-	N/A	9.964MM	\$7.26	\$0.63	31-Dec-14	10.00	13.05	15.11%
Faircourt Split Trust	FCS.PR.A	Pfd-2 /*-	N/A	2.805MM	\$8.79	\$0.58	30-Mar-11	10.00	12.39	17.70%
Oil Sands Split	OST.PR.A	Pfd-2L	N/A	2.5MM	\$17.35	\$1.45	15-Sep-10	17.00	7.76	N/A
STRATA Pref. Sec. 6.0%	STW.PR.A	Pfd-2L	N/A	3.843MM	\$9.73	\$0.60	31-Dec-09	10.00	7.89	25.93%
Utility Split Trust 6.0%	UST.PR.A	Pfd-2L	N/A	12MM	\$9.98	\$0.60	31-Dec-11	10.00	6.22	42.73%
Multi Select Inc. 6.5%	MST.PR.A	Pfd-2L /*-	N/A	2.483MM	\$9.75	\$0.65	30-Sep-09	10.00	8.63	30.80%
Split REIT Opp. Pref. Sec.	SOT.PR.A	Pfd-2L /*-	N/A	4MM	\$9.40	\$0.58	31-Dec-11	10.00	7.74	38.08%
Non-Investment Grade (P3-P5)										
Top 10 Split Trust 6.0%	TXT.PR.A	Pfd-3H /*-	N/A	5.859MM	\$11.75	\$0.78	31-Dec-11	12.50	9.55	15.60%
Brascan SoundVest	BSD.PR.A	Pfd-5	N/A	6.833MM	\$5.17	\$0.60	31-Mar-15	10.00	19.92	0.00%

Source: ScotiaMcLeod.

Synthetic Split Shares Table

Issuer Investment Grade (P1-P2)	RATING			Shares O/S	Price		RETRACTION			
	TSE Symbol	DBRS	S&P		Jan 20/09	Div	Date	Price	Pre-tax YTR	
ROC PREF Corp. 4.30%	PRF.PR.A	#N/A N/A	P-2(H)/*-	2.4MM	\$17.99	\$1.08	30-Sep-09	25.00	57.34	
Non-Investment Grade (P3-P5)										
Kingsway 5.00% LROC	KSP.UN	Field Not Appli	P-3	Field Not Appli	\$9.50	\$1.25	30-Jun-15	25.00	25.25	
ROC PREF II Corp. 4.65%	RPA.PR.A	#N/A N/A	P-3/*-	12MM	\$8.51	\$1.16	31-Dec-09	25.00	144.63	
Global Credit Prf. 5.25% ROC	GPA.PR.A	#N/A N/A	P-4	2.6MM	\$3.00	\$1.31	30-Sep-15	25.00	60.46	
Financial Pref. Sec. 5% (ROC)	FPR.PR.A	#N/A N/A	N/A	1.709MM	\$11.70	\$1.25	31-Dec-16	25.00	17.79	
ROC PREF III Corp. 4.40%	RPB.PR.A	#N/A N/A	N/A	10.6MM	\$2.25	\$1.10	31-Mar-12	25.00	97.67	
CC&L ROC Pref Corp. 4.70%	RPQ.PR.A	#N/A N/A	N/A	3.96MM	\$5.05	\$1.18	30-Jun-11	25.00	80.22	

Source: ScotiaMcLeod.

Split Shares Based on an Underlying Portfolio of Common Shares Table

Issuer Investment Grade (P1-P2)	TSE Symbol	RATING		Shares O/S	Price		Div	RETRACTION			Downside Protection
		DBRS	S&P		Jan 20/09	Date		Price	Pre-tax YTR		
Cdn. Financials & Utilities	CFS.PR.A	Pfd-1	N/A	1.61MM	\$9.43	\$0.43		31-Jan-12	10.00	6.33	29.03%
Big 8 Split Corp. Class B 7.00%	BIG.PR.B	Pfd-2	N/A	1.205MM	\$12.20	\$0.84		15-Dec-13	12.00	6.78	63.61%
Brompton Equity Split	BE.PR.A	Pfd-2	N/A	9MM	\$9.90	\$0.53		31-May-11	10.00	5.53	47.48%
Dividend 15 Split 5.25%	DFN.PR.A	Pfd-2	N/A	10.456MM	\$9.00	\$0.53		1-Dec-14	10.00	7.48	39.76%
Newgrowth Corp. B 4.5%	NEW.PR.B	Pfd-2	N/A	3.327MM	\$18.25	\$0.82		26-Jun-09	18.25	5.38	49.32%
Big Bank Big Oil Split 5.25%	BBO.PR.A	Pfd-2 /*-	N/A	2.795MM	\$9.01	\$0.53		30-Dec-11	10.00	9.27	43.08%
Brompton Split Banc 5.25%	SBC.PR.A	Pfd-2 /*-	N/A	6.135MM	\$8.15	\$0.53		30-Nov-12	10.00	11.12	33.47%
Life & Banc Split Corp. 5.25%	LBS.PR.A	Pfd-2 /*-	N/A	12MM	\$8.13	\$0.53		29-Nov-13	10.00	10.11	31.60%
Dividend 15 Split II 5.25%	DF.PR.A	Pfd-2 /*-	N/A	5.59MM	\$8.78	\$0.53		1-Dec-14	10.00	7.99	28.57%
Dividend Growth Split 5.25%	DGS.PR.A	Pfd-2 /*-	N/A	1.509MM	\$8.89	\$0.53		30-Nov-14	10.00	7.80	31.65%
Financial 15 Split 5.25%	FTN.PR.A	Pfd-2 /*-	N/A	10.9MM	\$8.20	\$0.53		1-Dec-15	10.00	8.89	30.22%
Global 45 Split Corp. 5.25%	GFV.PR.A	Pfd-2 /*-	N/A	4MM	\$8.38	\$0.53		30-Sep-11	10.00	12.62	36.47%
Lifeco Split Corp. 4.0%	LSC.PR.C	Pfd-2 /*-	N/A	608.228M	\$46.51	\$2.05		31-Jul-10	51.19	10.57	32.06%
Prime Dividend(Prime+75 Bps)	PDV.PR.A	Pfd-2 /*-	N/A	2.4MM	\$9.14	\$0.50		1-Dec-12	10.00	8.27	30.51%
Prime Rate Plus(Prime+75bps)	PPL.PR.A	Pfd-2 /*-	N/A	11.525MM	\$8.91	\$0.17		1-Dec-12	10.00	9.03	30.36%
Albanc Split Corp. II 4.25%	ALB.PR.A	Pfd-2L	N/A	4.465MM	\$20.01	\$1.06		28-Feb-11	25.00	16.02	17.11%
Cdn. Life Companies 5.25%	LFE.PR.A	Pfd-2L	N/A	9.67MM	\$9.45	\$0.53		1-Dec-12	10.00	7.02	32.07%
First Asset CanBanc Split 6.50%	CBU.PR.A	Pfd-2L	N/A	1.32MM	\$9.40	\$0.65		15-Jan-16	10.00	7.96	60.00%
HIPREFS 5.85% Ser. 1	HPF.PR.A	Pfd-2L	N/A	410.956M	\$20.30	#VALUE!		29-Jun-12	25.00	13.01	0.00%
Sixty Split Corp. Pref. 5.70%	SXT.PR.A	Pfd-2L	N/A	7.15.434M	\$25.00	\$1.38		15-Mar-11	25.00	6.02	45.08%
Albanc Split Corp. 5.0%	ABK.PR.B	Pfd-2L /*-	N/A	1.329MM	\$25.00	\$1.34		10-Mar-13	26.75	7.01	30.07%
Energy Split II 5% (ROC)	EN.PR.A	Pfd-2L /*-	N/A	2.445MM	\$11.77	\$0.69		16-Dec-10	13.74	14.09	36.03%
5Banc Split Inc. 4.75%	FBS.PR.B	Pfd-2L /*-	N/A	12.687MM	\$8.10	\$0.48		15-Dec-11	10.00	12.95	15.61%
Financial 15 Split II 5.25%	FFN.PR.A	Pfd-2L /*-	N/A	16MM	\$7.96	\$0.53		30-Dec-14	10.00	9.97	17.83%
SNP Split Corp. US 5% (ROC)	SNP.PR.V	Pfd-2L /*-	N/A	2.572MM	\$9.10	\$0.51		4-Jun-11	10.25	10.79	21.34%
World Financial Split 5.25%	WFS.PR.A	Pfd-2L /*-	N/A	30MM	\$9.00	\$0.53		30-Jun-11	10.00	10.11	19.87%
Non-Investment Grade (P3-P5)											
Energy Split Class B 4.50% (ROC)	ES.PR.B	Pfd-3H /*-	N/A	2.391MM	\$16.00	\$0.95		16-Sep-11	21.00	15.93	4.93%
Mulvihill Premium Bank 5.75%	PIC.PR.A	Pfd-3H /*-	N/A	19.073MM	\$12.70	\$0.86		1-Nov-10	15.00	15.89	11.35%
AIC Global Financial Split	ASC.PR.A	Pfd-5	N/A	4MM	\$5.51	\$0.53		31-May-11	10.00	35.43	-9.29%
Split Yield Corp. Class I	YLD.PR.A	Pfd-5	N/A	1.53MM	\$15.81	\$1.10		1-Feb-12	20.00	14.74	-15.67%
SNP Health Split Corp. US 6%	SNH.PR.U	Pfd-5H	N/A	2.297MM	\$24.27	\$1.50		11-Feb-09	25.00	64.84	12.89%
Copemican World Banks	CBW.PR.A	Pfd-5L	N/A	4.805MM	\$3.43	\$0.53		2-Dec-13	10.00	32.82	-64.20%
HIPREFS 7.25% Ser. 2	HPF.PR.B	Pfd-5L	N/A	800.792M	\$10.27	#VALUE!		29-Jun-12	14.70	20.06	-5.15%
AIC Diversified Split	ADC.PR.A	#N/A N/A	P-2 (L)	1.717MM	\$24.60	\$1.50		30-Jun-09	25.00	10.86	41.31%
Brompton Lifeco Split	LCS.PR.A	#N/A N/A	N/A	3.07MM	\$9.70	\$0.53		30-Apr-14	10.00	5.96	27.27%
CDX Split Corp.	CXC.PR.A	#N/A N/A	N/A	.00	\$8.75	\$0.50		31-Jan-11	10.00	12.07	0.00%
Copemican Intl Finl. Split	CIR.PR.A	#N/A N/A	N/A	7.92MM	\$3.51	\$0.50		2-Dec-13	10.00	31.65	-60.51%
GlobalBanc Advantaged 8 (ROC)	GBA.PR.A	#N/A N/A	N/A	2.7MM	\$2.82	\$0.28		15-Dec-12	10.00	44.07	-96.46%
Global Resource Split 5.25%	GSX.PR.A	#N/A N/A	N/A	6MM	\$10.00	\$0.53		30-Jun-09	10.00	6.12	N/A
MCM Split Share 5.50%	MUH.PR.A	#N/A N/A	N/A	2.109MM	\$13.30	\$0.83		1-Feb-13	15.00	10.62	3.78%
Split Yield Corp. Class II	YLD.PR.B	D	N/A	1.53MM	\$0.54	#VALUE!		1-Feb-12	15.00	356.89	0.00%
US Financial 15 Split 5.25%	FTU.PR.A	NR	N/A	10MM	\$4.51	\$0.53		1-Dec-12	10.00	30.17	-50.38%

Source: ScotiaMcLeod.

Split Preferred Shares Retraction Features

1. **AIC Diversified Canada Split Corp.** preferreds may be retracted on any retraction date (the last business day of any month) by surrendering the shares ten business days prior to the retraction date. Holders will receive a cash payment equal to the amount that the Share Unit Value less a 5% retraction fee exceeds the average cost to AIC Split Corp., including commissions, of the issuer purchasing a capital share in the market. If both a capital share and preferred are retracted together (concurrent retraction) the cash value received is the Share Unit Value on the retraction date less a 5% fee.
2. **AIC Global Financial Split Corp.** is retractable on a monthly basis at a value per share of 96% of the lesser of i) the NAV per unit less the cost to the company of a purchase of a Class A Share in the market, and ii) \$10.00. Under the annual concurrent retraction starting in May 2005, a holder of an equal amount of preferred shares and Class A shares can retract the two for a value equal to the NAV per unit on that date.
3. **Allbanc Split Corp.** is retractable on a monthly basis at a value per share equal to the amount, if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing a Class A Capital Share in the market; and (ii) \$1.00. The Company may also redeem Class B Preferred Shares on March 10 of any year commencing in 2009 at a price per share equal to \$26.75 and declining annually by \$0.27 to the extent that unmatched Class A Capital Shares have been tendered for retraction under a Special Annual Retraction.
4. **Allbanc Split Corp. II** can be redeemed by the company at par on the annual retraction date (February) to the extent that capital shares have been retracted without a matching amount of preferred shares. The preferred shares can be retracted on a monthly basis for the amount by which 95% of the Unit Value exceeds the aggregate of i) the average cost to the company, including commissions, of purchasing two capital shares in the market; and ii) \$1.00.
5. **B Split II Corp** is retractable at any time for a cash price equal to the amount, if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing a Capital Share in the market; and (ii) \$1.00. The Company may redeem Preferred Shares in certain limited circumstances including on any Annual Retraction Payment Date (June), the Company will redeem Preferred Shares for \$9.75 per share to the extent that unmatched Capital Shares have been tendered for retraction under the Special Annual Retraction
6. **Big Bank Big Oil Split Corp.** preferred shares can be surrendered for retraction at any time but will be retracted only on the second last business day of each month. Shareholders retracting preferred shares will receive 96% of the lesser of i) the NAV per Unit less the cost to the company to purchase a capital share for cancellation, and ii) \$10.00. A preferred shareholder may concurrently retract an equal number of preferred and capital shares on the second last business day in December of each year at a retraction price equal to the NAV per Unit on that date, less any cost associated with the retraction.
7. **Big 8 Split Corp. Inc.** preferred shares may be redeemed by the company on the special annual retraction (December) at par (\$25.00) to the extent that capital shares are retracted. Preferred shares may also be retracted at any time at a cash price per preferred equal to the amount by which 95% of the unit value exceeds the aggregate of i) the average cost to the company including commissions of buying a capital share in the market and ii) \$1.00. A holder who surrenders one Preferred Share together with one Capital Share will receive an amount equal to 95% of the Unit Value less \$1.00.
8. **BMONT Split Corp.** preferred shares may be surrendered for retraction at any time. Retraction payments for Preferred Shares will be made on the Retraction Payment Date in a month commencing September 2004 provided the Preferred Shares have been surrendered for retraction on or before the 20th day of the preceding month. A holder retracting Preferred Shares will receive a cash price per Preferred Share retracted equal to the amount, if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing two Capital Shares in the market; and (ii) \$1.00. A holder who retracts 2 capital shares and one preferred share on the annual retraction (August) will receive an amount equal to the Unit Value.
9. **BAM Split Corp.** preferred shares can be retracted at any time for an amount equal to the lesser of i) 95% of the Net Asset Value per Unit; and ii) \$25.00 less 5% of the Net Asset Value per Unit, in either case less \$1.00. Callable by the company at any time prior to redemption at a price equal to \$26.20 from September 30, 2005 less \$0.25 per year until September 30, 2010 at which time the redemption price will be \$25.00.
10. **The BAM Split Corp. Class AA 4.95% (BNA.PR.B—TSE)** preferred shares can be retracted any time for an amount equal to the lesser of i) 95% of the NAV per unit and ii) \$25.00 less 5% of the NAV per unit, in either case less \$1.00. Callable by the company at any time prior to redemption at a price equal to \$26.00 from March 25, 2009 until March 25, 2016 and then the price will decline by \$0.25 per year until March 25, 2016 at which time the redemption price will be \$25.00.
11. **The BAM Split Corp Class AA 4.35% (BNA.PR.C-TSX)** preferred shares can be retracted at any time. A holder retracting will receive a number of debentures (Series 1) as payment for the shares. The retraction price will be equal to the lesser of (i) Net Asset Value per Unit and (ii) \$25.00. The Series 1 Debentures will be issued by the Company and have a principal amount of \$25.00 and will mature on January 10, 2019. The Preferred Shares are callable by the company at any time on or after January 10, 2012 at a price of \$26.00 until January 9, 2016, and then the price will decline by \$0.25 per year.
12. **BNS Split Corp. II** preferred shares can be surrendered for retraction at any time for an amount if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing two Capital Shares in the market; and (ii) \$1.00. The company may also redeem the shares on the special annual retraction date at \$20.83 to the extent that unmatched capital shares are retracted. Preferred shares can also be redeemed by the company prior to the redemption date at a price, which until September 22, 2006 will be \$21.66 and which will decline by \$0.208 each year to equal \$20.83 after September 22, 2009.
13. **Brascan Soundvest Rising Distribution Split Trust** preferred securities can be redeemed with capital units under the annual retraction at least 15 days before the last business day in November. The redemption value will equal the Combined Value less redemption costs.

Split Preferred Shares Retraction Features (cont'd)

14. **Brompton Equity Split Corp.** preferred shares can be surrendered for retraction any time for the monthly retraction date and will receive 96% of the lesser of i) the NAV per Unit less the cost to the company to purchase a Class A share in the market, and ii) \$10.00. Under the Annual Concurrent Retraction a holder can retract an equal number of Preferred shares and Class A shares on the April Retraction Date of each year for a retraction price per Unit equal to the NAV per Unit on that date.
15. **Brompton Lifeco Split Corp** preferred shares can be surrendered at anytime for retraction and holder are entitled on a monthly basis to receive a retraction price per share equal to 96% of the lesser of (i) the NAV per Unit determined as of the relevant Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation, and (ii) \$10.00. Under the Annual Concurrent retraction a holder can retract an equal number of Preferred Shares and Class A Shares on the April Retraction Date of each year for a retraction price per Unit to the NAV per Unit on that date.
16. **Brompton Split Banc Corp.** preferred shares can be retracted concurrently with capital shares on the annual retraction date starting December 2006. A holder tendering an equal number of preferred and capital shares will receive a price equal to NAV per Unit on that date, less any costs associated with the retraction. As for the monthly retraction holder will receive a retraction price per share equal to 96% of the lesser of (i) the NAV per Unit determined as of the relevant Retraction Date less the cost to the Company of the purchase of a Class A Share for cancellation, and (ii) \$10.00.
17. **Life & Banc Split Corp.** preferred shares can be retracted at any time but will be retracted only on a monthly Retraction Date. Shareholders retracting preferred shares will receive 96% of the lesser of i) the NAV per Unit less the cost to the company to purchase a capital share for cancellation, and ii) \$10.00. A preferred shareholder may concurrently retract an equal number of preferred and capital shares tendered at least ten business days before the Annual Retraction Date in November of each year at a retraction price equal to the NAV per Unit on that date, less any cost associated with the retraction.
18. **Canadian Financials & Utilities Split** preferred shares can be retracted on a monthly basis for the amount equal to 96% of the lesser of (i) the NAV per Unit determined as of the relevant Retraction Date less the cost to the Company of the purchase of a Class A Share for cancellation, and (ii) \$10.00. A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the Annual Retraction Date of each year, commencing in January 2008, at a retraction price equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction.
19. **Canadian Life Companies Split** preferred shares can be retracted on a monthly basis for the amount per preferred share equal to the lesser of i) \$10.00; and ii) 96% of the Net Asset Value determined as of the retraction date less the cost to the company of the purchase of a Class A Share in the market for cancellation. Commencing in March, 2006, shareholders who concurrently retract a Preferred Share and a Class A Share on the Retraction Date in the month of March in each year will be entitled to receive an amount equal to the Net Asset Value per Unit calculated as of that date, less any related commissions and other costs (to a maximum of 1% of the Net Asset Value per Unit) related to liquidating the Portfolio to pay such redemption amount.
20. **CIX Split Corp** may be surrendered at anytime for retraction but will be retracted only on a monthly basis for an amount equal to the lesser of: (i) \$10.00; and (ii) 96% of the amount, if any, by which the net asset value per Unit on the relevant Monthly Retraction Date exceeds the cost to the Company of acquiring a Class A Share for cancellation. Commencing in 2008, a holder of a Preferred share may concurrently retract one preferred share and one Class A Share on the last business day in December in each year (an "Annual Retraction Date") at a retraction price equal to the net asset value per Unit on that date.
21. **Commerce Split Corp** preferred shares may be surrendered at any time for retraction and will be retracted on a monthly basis by which holders will receive an amount equal to the lesser of (i) \$10.00; and (ii) 96% of the net asset value per Unit determined as of the Retraction Date less the cost to the Company of the purchase of a Class A Share in the market for cancellation. Shareholders who concurrently retract a preferred Share and a Class A Share on the Retraction Date in the month of October in each year will be entitled to receive an amount equal to the net asset value per Unit calculated as of that date.
22. **The Copernican World Banks Split Inc.** preferred shares can be retracted monthly for the Preferred Share Net Amount Receivable on Monthly Redemption and redemptions are subject to a fee, which can be found in the prospectus. A holder of a preferred and capital share may concurrently retract both in November of each year for an amount equal to the Net Amount Receivable on Concurrent Annual Redemption and is also subject to a fee.
23. **The Copernican International Financial Split Inc.** preferred shares can be retracted monthly and holders will receive the Preferred Share Net Amount Receivable on Monthly Redemption and will be subject to a redemption fee, which is detailed in the prospectus. Holders of Preferred Shares also have an annual redemption right under which they may concurrently redeem an equal number of Preferred Shares and Class A Shares on the Redemption Date in June of each year, commencing on the Redemption Date in June, 2008. The amount received per Unit by the redeeming Shareholder for such a concurrent redemption will be equal to the Net Amount Receivable on Concurrent Annual Redemption and is also subject to a fee.
24. **Dividend 15 Split Corp.** preferred shareholders can retract their holdings on a monthly basis at the lesser of i) \$10.00; and ii) 96% of the NAV per unit less the cost to the Company of the purchase of a Class A share in the market and any related commissions and other costs. Under the Special Annual Concurrent Retraction a preferred shareholder can retract an equal amount of preferred and Class A shares in August each year for an amount equal to the NAV less any commissions and other costs related to liquidating the portfolio to pay such an amount.
25. **Dividend 15 Split Corp.II** preferred shareholders can retract their holdings on a monthly basis at the lesser of i) \$10.00; and ii) 96% of the NAV per unit less the cost to the Company of the purchase of a Class A share in the market. Commencing in 2007 holders may concurrently retract a preferred and Class A share in August for an amount equal to the NAV.

Split Preferred Shares Retraction Features (cont'd)

26. **Dividend Growth Corp.** preferred shareholders may retract their holdings on a monthly basis for an amount equal to 96% of the lesser of (i) the NAV per Unit determined as of the relevant Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation, and (ii) \$10.00. A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on a Quarterly Retraction Date, commencing in February 2008, at a retraction price equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction.
27. **Energy Split Corp.** preferred shares may be redeemed by the company at the lesser of \$21.00 and the Unit value on any Annual Retraction Payment date to the extent that unmatched capital yield shares have been retracted. Preferred shares can be retracted at any time for a cash price per share equal to the amount by which 95% of the Unit Value exceeds the aggregate of the cost to the Company of buying a capital share in the market plus commissions and \$1.00.
28. **Energy Split II Corp.** preferred shares may be redeemed by the company at the lesser of \$25.00 and the Unit Value on any Annual Retraction Payment date to the extent that unmatched capital yield shares have been retracted. Preferred shares can be retracted at any time for a cash price per share equal to the amount by which 95% of the Unit Value exceeds the aggregate of the cost to the Company of buying two capital shares in the market plus commissions and \$1.00.
29. **5Banc Split Inc.** preferred shares are retractable at any time at a cash price equal to the amount by which 95% of the Unit Value exceeds the aggregate of i) the average cost to the company of purchasing a Capital Share in the market ; and ii) \$0.40. The Company can call shares at \$10.00 per share to the extent that unmatched capital shares have been tendered for retraction on the annual retraction date of December 15 each year.
30. **Faircourt Split Trust** preferred securities surrendered together with an equal number of Units for redemption will receive payment for each Combined Security equal to the Combined Value determined as of the Redemption Date, less redemption costs.
31. **Faircourt Income & Growth Split Trust** preferred securities may be redeemed (at par) in whole or in part upon notice to holders at any time that the aggregate principal amount outstanding of preferred securities exceeds 40% of the total assets.
32. **Financial 15 Split Corp.** preferred shares can be retracted monthly for an amount per preferred share equal to the lesser of a) \$10.00 and b) 96% of the NAV per Unit less the cost to the Company to purchase Class A shares in the market. Each October shareholders can concurrently retract a preferred share with a Class A share on the Retraction Date for an amount equal to the NAV.
33. **Financial 15 Split Corp. II** preferred shares can be retracted any time for an amount per preferred share equal to the lesser of a) \$10.00 and b) 96% of the Net Asset Value per unit as of the Retraction Date less the cost to the company to purchase a Class A Share in the market for cancellation. Shareholders who concurrently retract a Preferred Share and a Class A Share on the Retraction Date in October will be entitled to receive an amount equal to the Net Asset Value per Unit on that date less any related commissions and other costs (to a maximum of 1% of the Net Asset Value per Unit).
34. **US Financial 15 Split Corp.** preferred shares can be retracted any time for an amount per preferred share equal to the lesser of a) \$10.00 and b) 96% of the Net Asset Value per unit as of the Retraction Date less the cost to the company to purchase a Class A Share in the market for cancellation. Shareholders who concurrently retract a Preferred Share and a Class A Share on the Retraction Date in February will be entitled to receive an amount equal to the Net Asset Value per Unit on that date less any related commissions and other costs (to a maximum of 1% of the Net Asset Value per Unit).
35. **Financial Preferred Securities Corp.** shareholders have the right to surrender shares for redemption commencing November 2007 on the last business day in November. Shareholders will receive a redemption price equal to Net Realized Proceeds per share calculated as of the Annual Redemption Date.
36. **First Asset CanBanc Split Corp** preferred shareholders may retract their shares on a monthly basis for an amount equal to the lesser of (i) 95% of the NAV per Unit determined as of the relevant Retraction Date less the pro rata portion of the Note then outstanding and less the cost to the Company of the purchase of a Class A Share for cancellation, and (ii) \$10.00. A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the second last Business Day of January of each year, commencing in January 2010, at a retraction price equal to the NAV per Unit on that date, less the pro rata portion of the Note then outstanding and less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction.
37. **Global 45 Split Corp.** preferred shares can be retracted on a monthly basis for an amount equal to the lesser of: i) 96% of the NAV per Unit less the cost to the company of purchasing Class A shares in the market; and ii) \$10.00. Under the Annual Concurrent Retraction each year in September a holder of both the preferred and Class A shares can retract both shares combined for the NAV per unit.
38. **GlobalBanc Advanatged 8 Split Corp** preferred shares may be retracted at any time and holders will receive the Preferred Share Redemption Price. A holder of Preferred Shares may concurrently redeem an equal number of Preferred Shares and Class A Shares on the Redemption Date in November of each year, commencing on the Redemption Date in November, 2008. The amount received per Unit by the redeeming Shareholder for such a concurrent redemption will be equal to the Net Asset Value per Unit. Preferred Shares may also be redeemed by the Company at any time prior to the Final Redemption Date at a price (the "Premium Redemption Price") which, until June 15, 2008 will be equal to \$10.40 and which will decline by \$0.10 each year to be equal to \$10.00 after June 15, 2011.
39. **Global Credit Pref. Corp.** can be retracted at anytime but only on the last day of the month for a price share equal to 95% of the NAV as of the Valuation Date, less \$0.75.

Split Preferred Shares Retraction Features (cont'd)

40. **Global Resource Split Corp.** preferred shares can be retracted on a monthly basis for a value equal to 96% of the lesser of i) the NAV per Unit less the cost to the company of purchasing a Class A share; and ii) \$10.00. Under the Annual Concurrent Retraction a holder of an equal amount of preferred and Class A shares can retract them together for the NAV per Unit starting on June 2005.
41. **HI PREFS Series 1** shares may be redeemed on a monthly basis for an amount equal to 95% of the least of a) \$25.00; b) the equivalent Canada bond value; and c) the Net Asset Value per Unit determined as of the relevant redemption date after deducting the cost to the company of the purchase for cancellation of one Series 2 Share and one Equity Share.
42. **HI PREFS Series 2** shares may be redeemed on a monthly basis for an amount equal to 95% of the least of a) \$14.70; b) the equivalent Canada bond value; and c) the Net Asset Value per Unit determined as of the relevant redemption date after deducting the cost to the company of the purchase for cancellation of one Series 1 Share and one Equity Share.
43. **Kingsway Linked Return of Capital Units** (LROC units) can be redeemed starting June 30, 2010 at \$26.25 with the call price falling by \$0.25 each year thereafter to par value. The Kingsway LROC units will only be redeemed early if Kingsway ROCGP exercises its option to redeem the Kingsway Note.
44. **Lifeco Split Corp.** preferred shares are redeemable on the annual retraction date (July 31st of each year) to the extent that capital shares are tendered without a matching amount of preferred shares (two capital shares + one preferred share = one unit) and will receive the unit value. Preferred shares may also be retracted at any time with the holder receiving a cash value equal to the amount by which 95% of the Unit Value exceeds the aggregate of a) the average cost to the Corp. to purchase two capital shares in the market and b) \$1.00. Additionally, a holder can redeem two capital shares together with one preferred share and receive 95% of the Unit Value less \$1.00.
45. **M-Split Holders** retracting a preferred share will be entitled to receive an amount equal to the lesser of (i) \$10.00; and (ii) 96% of the net asset value per Unit determined as of the Retraction Date less the cost to the Company of the purchase of a Class A Share in the market for cancellation. Shareholders who concurrently retract a Preferred Share and a Class A Share on the Retraction Date in the month of October in each year will be entitled to receive an amount equal to the net asset value per Unit calculated as of that date.
46. **Mulvihill Premium Canadian Bank** preferred shares are retractable monthly and holders will be entitled to receive a retraction price per share equal to 96% of the less of (i) the NAV per unit less the cost to the company of the purchase of a capital share in the market for cancellation and (ii) \$15.00. The cost of the purchase of a Class A Share will include the purchase price of the Class A Share, commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund such purchase. A holder of Preferred Shares may concurrently retract an equal number of Preferred Shares and Class A Shares on the October Valuation Date of each year, at a retraction price equal to the NAV per Unit on that date.
47. **Mulvihill Premium Split Share Corp.** preferreds are redeemable anytime and will receive 96% of the lesser of i) \$15 or ii) the net asset value per unit less the cost of the Company of the purchase a capital share in the market for cancellation. The Annual Concurrent Retraction takes place on January each year and the holder will receive a price equal to NAV per unit for retracting a preferred share and one capital share.
48. **Multi Select Inc. Preferred Securities** are redeemable by the company at \$11.00 until September 30, 2005 and declining by \$0.25 each year until it is callable at \$10.00 on and after September 30, 2009, together with accrued and unpaid interest, at any time that the number of Preferred Securities exceeds the number of Capital Units outstanding. This Call Right is exercisable by the Trust only to the extent that an equal number of Preferred Securities and Capital Units will be outstanding. Holders of both a Capital Unit and Preferred Security may surrender for retraction during the Concurrent Annual Redemption for an amount equal to the Redemption Proceeds Per Combined Security minus the lesser of a) \$0.25 and b) the aggregate of all brokerage fees, commissions and other costs related to the disposition of the appropriate amount of securities in the Portfolio to fund such redemption.
49. **NB Split Corp** preferred share may be retracted at any time. A holder retracting Preferred Shares will receive a cash price per Preferred Share retracted equal to the amount, if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing two Capital Shares in the market; and (ii) \$0.40. Preferred Shares may also be redeemed by the Company at any time prior to the Redemption Date at a price (the "Premium Redemption Price") which, until February 15, 2008 will be equal to \$34.03 and which will decline by \$0.33 each year to be equal to \$32.72 after February 15, 2011. A holder who surrenders two Capital Shares together with one Preferred Share under a Special Annual Retraction occurring on December each year will receive an amount equal to the Unit Value.
50. **NewGrowth Corp.** preferred shares are redeemable annually on June 26th at \$18.25 to the extent the Class A capital shares are retracted under the special annual retraction. Retractable at any time at a price equal to the amount that 95% of the NAV of the unit exceeds the sum of the average cost of buying a capital share in the market including commissions and \$1.00. Under a concurrent annual retraction of a preferred and capital share the holder will receive full value of the unit.
51. **Oil Sands Split Trust** preferred securities are redeemable on the special annual retraction date of December each year to the extent that unmatched capital shares are retracted. The preferred securities are retractable at any time together with a capital share for an amount equal to 95% of the value per Combined Security less \$0.50.
52. **Prime Dividend Corp.** preferred shares can be retracted at any time on a monthly basis and will receive an amount per preferred share equal to the lesser of i) \$10.00; and ii) 96% of the Net Asset Value determined as of the retraction date, less the cost to the company of the purchase of a Class A Share in the market for cancellation. Starting April 2006, shareholders may concurrently retract a Preferred Share and a Class A Share on the annual retraction date will receive NAV less any related commissions and other costs (to a maximum of 1% of the NAV per unit), related to liquidating the Portfolio to pay such redemption amount.

Split Preferred Shares Retraction Features (cont'd)

53. **Prime Rate Plus Corp.** preferred shares can be retracted at any time on a monthly basis. Investors retracting preferred shares will receive an amount per preferred equal to the lesser of i) \$10.00; and ii) 96% of the NAV as of the retraction date less the cost to the Company of the purchase of a Class A share in the market for cancellation. Starting July, 2006 shareholders can concurrently retract a Preferred Share and a Capital Share on the retraction date and will be entitled to receive an amount equal to the NAV per Unit less any commissions and other costs (to a maximum of 1% of the NAV per unit) related to liquidating the Portfolio to pay such redemption amount.
54. **R Split II Corp.** preferred shareholders can retract shares any time for an amount by which 95% of the Unit Value exceeds the aggregate of i) the average cost to the Company, including commissions, of purchasing two Capital shares in the market; and ii) \$1.00. Under a Concurrent Retraction a holder who surrenders two Capital shares together with one preferred share will receive an amount equal to 95% of the Unit Value less \$1.00. A holder who surrenders two Capital Shares together with one preferred share under a Special Annual Retraction will receive an amount equal to the Unit Value.
55. **R Split III Corp** preferred shareholders can retract shares any time for an amount by which 95% of the Unit Value exceeds the aggregate of i) the average cost to the Company, including commissions, of purchasing two Capital shares in the market; and ii) \$1.00. Under a Concurrent Retraction a holder who surrenders two Capital shares together with one preferred share will receive an amount equal to 95% of the Unit Value less \$1.00. A holder who surrenders two Capital Shares together with one preferred share under a Special Annual Retraction (May) will receive an amount equal to the Unit Value.
56. **ROC PREF Corp.** preferred shares can be retracted on a monthly basis for a value of 95% of the NAV per share determined as of the relevant Valuation Date less \$0.25.
57. **ROC PREF II Corp.** preferred shares can be retracted at any time for an amount equal to 95% of the net asset value per Preferred Share determined as of the relevant Valuation Date less \$0.25. The Retraction price may be less than \$25.00 and will vary depending on the net asset value at the time of retraction.
58. **ROC PREF III Corp.** preferred shares can be retracted at any time for an amount equal to 95% of the net asset value per Preferred Share determined as of the relevant Valuation Date less \$0.25. The Retraction price may be less than \$25.00 and will vary depending on the net asset value at the time of retraction.
59. **Connor, Clark & Lunn ROC Pref Corp.** preferred shares can be retracted at any time for an amount equal to 95% of the net asset value per Preferred Share determined as of the relevant Valuation Date less \$0.25. The Retraction price may be less than \$25.00 and will vary depending on the net asset value at the time of retraction.
60. **S Split Corp** shareholders have a fee associated with retracting a Preferred Share or Class A share prior to July 2014 which can be found in the prospectus. Preferred shareholder have a monthly retraction option and will be entitled to receive a price equal to 95% of the lesser of (i) the NAV per Unit determined as of the relevant Valuation Date less the cost to the Company of the purchase of a Class A Share in the market for cancellation; and (ii) \$10.00. A holder of Preferred Shares may concurrently retract an equal number of Preferred Shares and Class A Shares on the Annual Valuation Date at a retraction price equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Company's portfolio required to fund such retraction.
61. **SL Split Corp** preferred shares maybe surrendered for retraction at any time for a cash price equal to the amount, if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing two Capital Shares in the market; and (ii) 1.00. Preferred Shares may also be redeemed by the Company at any time prior to the Redemption Date at a price (the "Premium Redemption Price") which, until January 31, 2009 will be equal to \$26.82 and which will decline by \$0.26 each year to be equal to \$25.78 after January 31, 2012. The Company may also redeem Preferred Shares on any Annual Retraction Payment Date at a price per share equal to \$25.78 to the extent that unmatched Capital Shares have been tendered for retraction under the Special Annual Retraction.
62. **Sixty Split Corp.** preferreds are redeemable on the annual retraction date at \$25.00 to the extent that capital shares are tendered for retraction without a preferred share (one preferred share + two capital shares = one unit). Preferred shares are also retractable on a monthly basis. The preferred holder will receive a cash price per preferred retracted equal to the amount by which 95% of the Unit Value exceeds the aggregate of i) the average cost to the Company of purchasing two capital shares, including commissions, in the market; and ii) \$1.00.
63. **SNP Split Corp.** preferred shares can be retracted at any time. A holder retracting preferred shares will receive a cash price per preferred share equal to the amount by which 95% of the Unit Value exceeds the aggregate of i) the average cost to the Company of purchasing two capital shares in the market; and ii) U.S.\$1.00. The Company may also redeem Series 1 Preferred Shares on any Annual Retraction Payment Date occurring on June 4 in each year at a price per share equal to US\$10.25 only to the extent that Capital Shares are retracted under a Special Annual Retraction.
64. **SNP Health Split Corp** preferred shares can be retracted at anytime. A holder retracting Preferred Shares will receive a cash price per Preferred Share retracted equal to the amount, if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing two Capital Shares in the market; and (ii) US\$1.00. A holder who surrenders two Capital Shares together with one Preferred Share under a Special Annual Retraction (February) will receive a cash price equal to the Unit Value. The Company may also redeem Preferred Shares on any Annual Retraction Payment Date at a price per share equal to US\$25.00 to the extent that unmatched Capital Shares have been tendered for retraction under the Special Annual Retraction.
65. **Split REIT Opportunity Trust** preferred shareholders may surrender a Preferred Security for repayment together with a Capital Unit for redemption under the terms of the Concurrent Annual Redemption each year in October and will receive an amount equal to the redemption proceeds per combined security minus the aggregate of brokerage fees, commissions and other costs relating to the disposition.

Split Share Preferred Share Table (cont'd)

66. **Split Yield Corp. Class I** preferred shares can be retracted on a monthly basis at the lesser of 96% of i) the net asset value per unit less the cost of purchasing a Class II Preferred share and capital share in the market and ii) \$20.00. A holder of Class I preferred share may concurrently retract one Class I Preferred Share, one Class II Preferred Share and one Capital Share on the March Annual Valuation date each year and receive a price equal to the NAV per Unit on that date.
67. **Split Yield Class II** preferred shares can be retracted on a monthly basis at the lesser of 96% of i) the net asset value per unit less the cost of purchasing a Class I Preferred share and capital share in the market and ii) \$15.00. A holder of Class II preferred share may concurrently retract one Class I Preferred Share, one Class II Preferred Share and one Capital Share on the March Annual Valuation date each year and receive a price equal to the NAV per Unit on that date.
68. **STRATA Income Fund** preferred securities can be redeemed by the issuer at \$10.00, together with accrued and unpaid interest thereon, at any time that the number of Preferred Securities outstanding exceeds the number of Capital Units outstanding. Under a Concurrent Annual Redemption on November each year a holder who surrenders a Preferred Security together with a Capital Unit for redemption will receive the NAV of the Trust minus the amount which is the lesser of A) \$0.25 and B) the aggregate of all brokerage fees, commissions and other costs relating to the disposition of the appropriate number of COMPASS Units to fund such redemption.
69. **TD Split Inc.** preferred shares are redeemable at par (\$28.10) on the annual retraction date, November 15th of each year, to the extent that capital shares are tendered for retraction without a preferred share. Preferreds are also retractable at any time with the holder receiving an amount by which 95% of the Unit Value exceeds the aggregate of i) the average cost to the Company, including commissions, of purchasing a capital share in the market; and ii) \$1.00.
70. **TDb Split Inc** 5.25% have a monthly retraction feature where holders will receive an amount per Preferred Share equal to the lesser of (i) \$10.00; and (ii) 96% of the net asset value per Unit determined as of the Retraction Date less the cost to the Company of the purchase of a Class A Share in the market for cancellation. Commencing in December 2008, Shareholders who concurrently retract a Preferred Share and a Class A Share on the Retraction Date in the month of December in each year will be entitled to receive an amount equal to the net asset value per Unit calculated as of that date.
71. **Top 10 Split Trust** Preferred Securities can be concurrently retracted with Capital Units under a monthly retraction for 95% of the combined value less \$0.50. Under the Special Annual Retraction, (on the last business day of December each year), a holder which surrenders a Capital Unit and one Preferred Security will receive the Combined Value.
72. **Utility Split Trust** preferred shareholders may surrender a Preferred Security for repayment together with a Capital Unit under the Concurrent Annual Redemption terms for proceeds equal to the redemption proceeds per combined security less the aggregate of all brokerage fees, commissions and other costs relating to the disposition of securities in the portfolio to fund such redemption.
73. **World Financial Split Corp.** preferred shares can be retracted at any time on a monthly valuation date and holders will receive 96% of the lesser of i) the NAV per Unit less the cost to the company of purchasing a Class A share in the market; and ii) \$10.00. Under the Annual Concurrent Retraction a holder may retract one preferred share together with one Class A share in June of each year for a price equal to the NAV on that date.

Source: Company Prospectuses.

Appendices

Appendix I – Preferred Share Glossary

Cumulative: If a company’s Board of Directors votes not to pay a dividend on a cumulative preferred share when due, the unpaid dividends accumulate. All the accrued and unpaid dividends on the cumulative preferred share must be paid before dividends can be paid on the common. This type of preferred is considered a safer and more conservative investment than a non-cumulative share.

Current Yield: Yield calculated by dividing the annual dividend of the preferred share by its current price. This calculation is often used to compare perpetual preferred shares as they have no maturity date.

DBRS: Dominion Bond Rating Service—an agency that provides objective rating opinions on the credit worthiness of investments such as bonds, preferred shares, and royalty trusts. This firm’s rating scale for preferred shares ranges from Pfd-1—superior credit quality, to Pfd-5—speculative credit quality, and includes the rating D (defaulted) for preferred shares which have stopped paying dividends. Their website provides free rating information and commentary. (www.dbrs.com)

Dividend Gross-up: Canadian corporations pay dividends out of after-tax income. In order to integrate the taxes paid by corporations and individuals and avoid double taxation, dividends received by individuals are “grossed-up” by 25% to increase the amount on which tax is paid. The dividend tax credit is then applied to the “grossed-up” amount to refund an amount equal to the tax that is paid, in theory, by the corporation paying the dividend.

Downside Protection: The amount by which the market value of the underlying portfolio may fall before the ability to repay the par value of the preferred share is impeded. It is calculated as follows: (Net Asset Value of Capital share / Net Asset Value Per Unit).

Fixed Rate: Also known as a **straight perpetual preferred**, these shares pay a fixed dividend and their share price will move inversely to interest rates. These preferreds tend to behave like long dated bonds in a period of falling interest rates—the fixed dividend becomes more attractive as rates fall.

Non-cumulative: Dividends on this type of preferred share do not accrue if the Board of Directors chooses not to pay dividends when due. Non-cumulative preferred shares are generally less attractive than cumulative preferreds. Most financial services preferred shares are non-cumulative.

Par Value: The stated face value of a preferred share is usually \$25.00. Par value of a preferred share indicates the dollar amount of assets each share would be entitled to should the company be liquidated.

Pre-Tax Interest Equivalent Yield: Pre-tax interest equivalent yield equates the dividend yield on a preferred to a yield that is comparable to that on a bond. Since dividend income and interest income are taxed at different rates, the dividend yield should be adjusted by the differential in dividend and income tax rates (the pre-tax interest equivalent multiplier) to produce a pre-tax interest equivalent yield. This is the pre-tax yield required on a bond to provide the same yield as that on a preferred share (of similar maturity) on an after-tax basis. For example, a preferred share trading at par with a dividend yield of 5% has a pre-tax interest equivalent yield of 7.10% in Ontario ($5.00\% \times 1.42$, the pre-tax interest equivalent multiplier for Ontario). Therefore, a bond of similar credit quality would have to offer a yield of 7.10% to provide the same after tax yield as a preferred share yielding 5.00%.

Ratchet Mechanism: A ratchet mechanism is intended to keep the price of a floating rate preferred share within a certain range of its par value. This is achieved by adjusting the dividend higher if the share price falls substantially below par or reducing the dividend if the price rises above par.

Redeemable: Also known as callable, this feature allows the issuer to redeem the preferred share at a price on a specified date, occasionally at a premium to par value.

S&P: Standard and Poor's—an agency which gives objective rating opinions on bonds and preferred shares. Its rating scale on preferred shares ranges from the highest rating P-1 High (securitized preferred shares), to P-5 (speculative with poor asset coverage). Most bank preferred shares carry a P-1 Low rating which would equate to an A rating in the bond rating scale. Their website provides ratings on many Canadian issuers. (www.standardandpoors.com)

Soft Redeemable: This feature allows the issuer to redeem the preferred shares at the various call dates and pay either cash or common shares for redemption.

Yield to Retraction: Yield to retraction (or yield to maturity) describes the return that includes dividends and any capital gains or losses that may be realized by the investor if the shares are held to the retraction or maturity date.

Yield to Worst Call: Yield to worst call refers to the lowest yield an investor will earn at the given market price (before commissions) if the issuer redeems the preferred share at an early redemption date (also known as the “call” date).

Appendix II – Tax Rate Tables

Marginal Tax Rates for Interest – Year 2008							
Province	Brackets (\$)	\$9,600 to \$37,885	Brackets (\$)	\$37,885 to \$75,769	Brackets (\$)	\$757,69 to \$123,184	\$123,184 and over
Alberta	16,161	25.00%	37,885	32.00%	75,769	36.00%	39.00%
	9,600	15.00%					
British Columbia	35,016	22.98%	70,033	32.50%	97,636	40.70%	
	9,600	20.24%	37,885	29.98%	84,406	38.29%	43.70%
					75,769	36.50%	
Manitoba	30,544	27.75%	66,000	39.40%	75,769	43.40%	46.40%
	9,600	25.90%	37,885	24.75%			
New Brunswick	34,836	30.48%	69,673	38.80%	113,273	43.95%	46.95%
	9,600	25.12%	37,885	37.48%	75,769	42.80%	
Newfoundland	30,215	28.30%	60,429	38.00%	75,769	42.00%	45.00%
	9,600	23.20%	37,885	35.30%			
Nova Scotia	25,590	29.95%	59,180	38.67%	93,000	45.25%	
	9,600	23.79%	37,885	36.95%	81,105	44.34%	48.25%
					75,769	42.67%	
Ontario			74,721	39.41%			
	36,020	24.15%	72,041	35.39%	75,769	43.41%	46.41%
	9,600	21.05%	64,430	32.98%			
			37,885	31.15%			
Prince Edward Island	31,984	28.80%	63,969	38.70%	98,143	44.37%	47.37%
	9,600	24.80%	37,885	35.80%	75,769	42.70%	
Quebec	37,500	32.53%	75,000	42.37%	75,769	45.71%	48.22%
	12,769	28.53%	37,885	38.37%			
	9,600	12.53%					
Saskatchewan	9,600	26.00%	39,135	35.00%	111,814	41.00%	44.00%
			37,885	33.00%	75,769	39.00%	
Yukon	9,600	22.04%	37,885	31.68%	78,755	38.01%	42.40%
					75,769	37.44%	

Note: Rates are legislative
Source: Reprinted with permission from PricewaterhouseCoopers

Marginal Tax Rates for Dividends– Year 2008							
Province	Brackets (\$)	\$9,600 to \$37,885	Brackets (\$)	\$37,885 to \$75,769	Brackets (\$)	\$757,69 to \$123,184	\$123,184 and over
Alberta	16,161 9,600	(4.30)-1.45% (5.75) -0	37,885	5.85%	75,769	11.65%	16.00%
British Columbia	35,016 9,600	(11.58)-0 (15.55)-0	70,033 37,885	2.23-4.40% (1.43)-4.40	97,636 84,406 75,769	14.12% 10.62% 8.03-10.20%	18.47%
Manitoba	30,544 9,600	(3.21)-2.54% (5.90)-0	66,000 37,885	13.68% 6.94%	75,769	19.48%	23.83%
New Brunswick	34,836 9,600	(0.70)-5.05% (8.48)-0	69,673 37,885	11.36% 9.48%	113,273 75,769	18.83% 17.16%	23.18%
Newfoundland	30,215 9,600	3.89-9.64% (3.50)-2.25%	60,429 37,885	17.96% 14.04%	75,769	23.76%	28.11%
Nova Scotia	25,590 9,600	3.10-8.85% (5.84)-0	59,180 37,885	15.74% 13.25%	93,000 81,105 75,769	24.00% 22.67% 21.54%	23.35%
Ontario	36,020 9,600	(2.63)-0 (7.13)-0	74,721 72,041 64,430 37,885	13.81% 11.64% 8.14% 7.52%	75,769	19.61%	23.96%
Prince Edward Island	31,984 9,600	(0.97)-4.79 (6.77)-0	63,969 37,885	13.39% 9.19%	98,143 75,769	20.09% 19.19%	24.44%
Quebec	37,500 12,769 9,600	6.94-11.75% 1.14 -5.98% (4.80)-0	75,000 37,885	21.22% 15.42%	75,769	26.06%	29.69%
Saskatchewan	9,600	(5.75)-0	39,135 37,885	7.30% 4.40%	111,814 75,769	16.00% 13.10%	20.35%
Yukon	9,600	(14.49)-0	37,885	2.49-4.40%	78,755 75,769	10.87% 10.84%	17.23%

Note: Rates are legislative
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Multipliers for Highest Tax Bracket Investors			
Province	Factor	Province	Factor
Alberta	1.3770	Nova Scotia	1.4812
British Columbia	1.4481	Ontario	1.4189
Manitoba	1.4211	Prince Edward Island	1.4357
New Brunswick	1.4481	Quebec	1.3579
Newfoundland	1.3071	Saskatchewan	1.4223
		Yukon	1.4370

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