

# **THE BANK OF NOVA SCOTIA JAMAICA LIMITED**

**NOTICE OF EXTRAORDINARY GENERAL MEETING  
TO CONSIDER A SCHEME OF ARRANGEMENT**

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**EXPLANATORY CIRCULAR UNDER SECTION 207 OF THE COMPANIES ACT  
EXPLAINING THE SCHEME OF ARRANGEMENT**

**&**

**SCHEME OF ARRANGEMENT**

**&**

**FORM OF PROXY**



**NOTICE OF EXTRAORDINARY GENERAL MEETING**  
**TO CONSIDER SCHEME OF ARRANGEMENT**

**IN THE SUPREME COURT OF JUDICATURE OF JAMAICA**

CLAIM NO. H.C.V. 00429 / 2007

**IN THE MATTER** of The Bank of Nova Scotia Jamaica Limited and Scotia Group Jamaica Limited  
**AND IN THE MATTER** of the Companies Act, 2004

NOTICE IS HEREBY GIVEN that by an Order dated the 24<sup>th</sup> day of January, 2007 made in the above matter the Court has directed a Meeting to be convened of the holders of the ordinary shares of The Bank of Nova Scotia Jamaica Limited (“the Company”) for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the aforesaid shareholders and that such Meeting will be held at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, in the Parish of Saint Andrew on the **28<sup>th</sup> day of February, 2007 at 12:00 noon** at which place and time all such shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to Section 207(1) of the Companies Act, 2004 are enclosed herewith.

**The said shareholders may vote in person at such meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead.**

A form of proxy applicable for the Meeting is enclosed herewith.

In the case of joint holders of ordinary shares the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.

It is requested that forms appointing proxies be lodged with the Secretary at the registered office of the company situated at Corner Duke & Port Royal Streets, Kingston not less than 48 hours before the time appointed for the said Meeting, but if the forms are not so lodged they must be handed to the Chairman at the Meeting at which they are to be used.

A Chairman will be appointed at the meeting who will report the results of the meeting to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

DATED this 29<sup>th</sup> day of January, 2007

Signed:



David Noël  
Secretary

The Bank of Nova Scotia Jamaica Limited  
Corner of Duke & Port Royal Streets  
Kingston

**EXPLANATORY CIRCULAR UNDER SECTION 207 OF THE COMPANIES ACT, 2004**  
**EXPLAINING SCHEME OF ARRANGEMENT**

**Proposed Reconstruction of The Bank of Nova Scotia Jamaica Limited**

1. As announced in the press it is intended that, subject to the approval of its shareholders and the Supreme Court, The Bank of Nova Scotia Jamaica Limited (“BNSJ”) would undertake a scheme of reconstruction whereby it would become a wholly-owned subsidiary of a newly-formed group holding company, Scotia Group Jamaica Limited (“Scotia Group”) and that the existing shares in BNSJ would be exchanged for shares in Scotia Group which would be a public company listed on the Jamaica Stock Exchange (“JSE”).

**A. REASONS FOR THE RECONSTRUCTION**

2. BNSJ, as you know, is a commercial bank licensed under the Banking Act. Section 13 of the Banking Act imposes various operating limits on a bank such as the amount of credit which it may grant to a single customer or group of entities and more pertinent to this matter, the amount which it may invest in the share capital of any one company. In the latter case, the limit is 10% of the bank’s capital base which, as respects BNSJ, was approximately J\$1,040,000,000 at the launch of the joint bid mentioned in paragraph 3 below.

3. Shareholders will recall the recent joint bid by The Bank of Nova Scotia Canada (“BNS”) and BNSJ for shares in Dehring Bunting & Golding Limited (“DB&G”) which resulted in the acquisition of 68.54% of the issued shares of DB&G at an aggregate acquisition price of J\$4,468,010,114.12. Of the total acquisition price, BNS and BNSJ contributed the respective amounts set out under column 1 below and thereby acquired contingent interests in the shares of DB&G set out opposite their respective names under column 2, namely:

	<u>Contribution to Acquisition Price</u>	<u>Relative % in DB&amp;G</u>
BNS	J\$3,437,916,538.00	52.74%
BNSJ	<u>J\$1,030,093,576.12</u>	<u>15.80%</u>
Total	J\$4,468,010,114.12	68.54%

4. With only a 15.80% interest in DB&G, there would be a risk of potential future conflicts of interest were BNSJ to play an active role in the head office management and control of DB&G especially in a case where the activities of both institutions overlap at certain junctures. Moreover, this limited interest would frustrate the very objective of the DB&G acquisition and deprive the BNS Group of the synergies intended to be gained were BNS to establish a separate head office group structure for DB&G.

5. Accordingly, the DB&G shares tendered in response to the take-over bid were transferred to a newly-formed company, Scotia Group Jamaica Limited in anticipation of the reconstruction now being proposed and BNS and BNSJ retained only contingent interests in the DB&G shares acquired. The objective of reconstruction is to more fully align the interest of BNSJ and DB&G under a single corporate umbrella to facilitate their efficient management and direction.

## **B. THE MECHANICS OF THE RECONSTRUCTION**

6. The proposed reconstruction will involve the following transactional steps:
- (a) First, the existing 2,927,232,000 ordinary shares in BNSJ will be cancelled and simultaneously a similar number of ordinary shares will be issued directly to Scotia Group;
  - (b) Scotia Group will in turn, and in consideration for the cancellation of the existing ordinary shares in BNSJ, issue to the existing shareholders of BNSJ, 2,927,232,000 ordinary shares (credited as fully paid) to be distributed among the BNSJ shareholders at the rate of one Scotia Group share for one cancelled BNSJ share.
  - (c) BNSJ shall also make a bonus issue of 100,000,000 new variable rate redeemable cumulative preference shares to the existing holders of BNSJ ordinary shares at the rate of one preference share for every thirty (30) BNSJ ordinary shares. Fractional entitlement to such preference shares shall be disregarded so that only whole preference shares will be issued. The disregarded fractions will be aggregated and the resultant shares will be issued to the Secretary of BNSJ to be held and disposed of for the benefit of the Company as BNSJ directors may determine. The bonus issue will be made by capitalizing the sum of J\$100,000,000, being part of the amount currently standing to the credit of BNSJ's profit and loss account.
  - (d) Scotia Group, in order to repay BNS for its contribution to the acquisition costs of the DB&G shares, will issue to BNS additional ordinary shares, credited as fully paid, in discharge of the aggregate of the following sums, (namely:
    - (i) J\$3,437,916,538, being BNS's contribution to the purchase price of DB&G shares;
    - (ii) BNS's professional fees and verifiable expenses incurred in connection with the take-over bid; and
    - (iii) BNS's carrying costs of the contribution to the purchase price and the professional fees and expenses calculated at the rate of 12.5% per annum.

The number of shares to be issued will be based on a price of J\$19.76 per share which was the average market price of a BNSJ share for the six month period prior to the date when the Joint Bid Agreement between BNS and BNSJ was negotiated and agreed to.

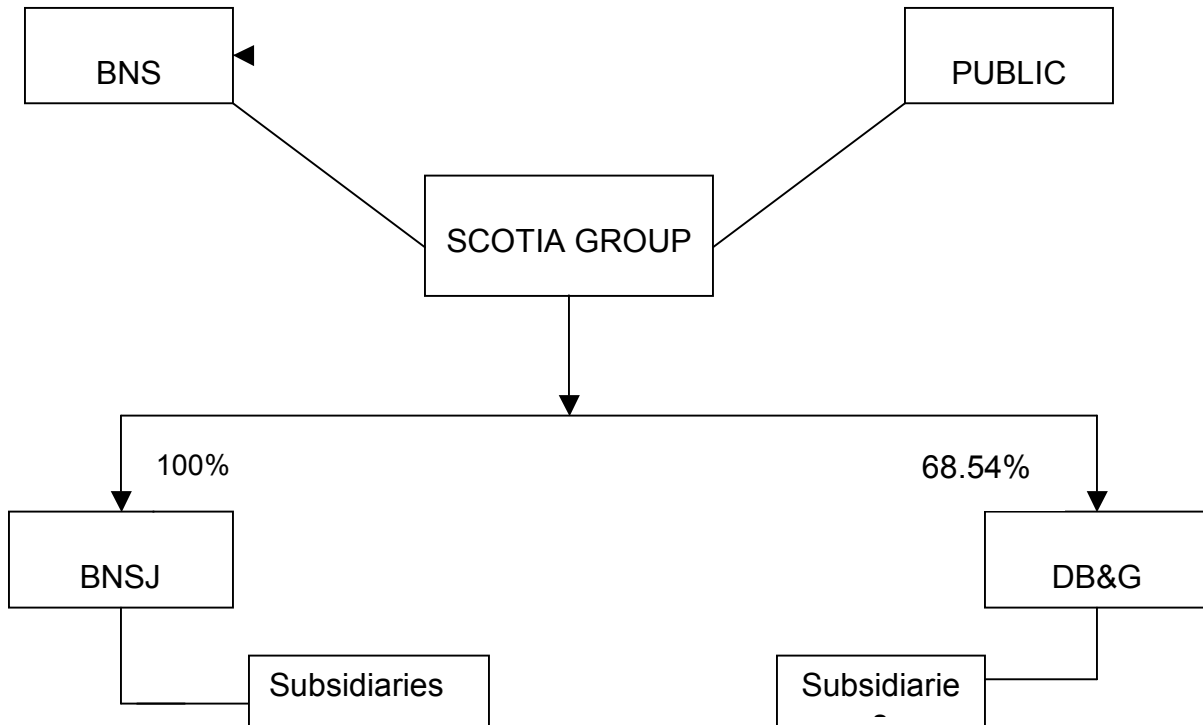
- (e) Scotia Group will also pay cash to BNSJ in reimbursement of the aggregate sum incurred by BNSJ with respect to the DB&G take-over. The aforesaid amount is comprised of the following costs:
  - (i) J\$1,030,093,576.12 (being BNSJ's contribution to the purchase price for the DB&G shares acquired pursuant to the take-over bid);
  - (ii) BNSJ's professional fees and verifiable expenses incurred in connection with the take-over bid ; and
  - (iii) BNSJ's carrying costs on the amounts above up to the date of payment at the rate of 12.5% per annum.

The take-over expenses of both BNS and BNSJ include, *inter alia*, Jamaica Stock Exchange cess for the block transfer of the DB&G Shares, broker and receiving agents' fees, accounting fees, printing and advertising expenses.

- (f) In order to facilitate the repayment of the acquisition costs and expenses to BNSJ by Scotia Group, BNSJ, as a wholly-owned subsidiary of Scotia Group, shall declare a dividend to Scotia Group sufficient to cover the amount payable.
- (g) BNSJ shall, prior to the declaration of the dividend referred to in subparagraph (f) above, apply to the Jamaica Stock Exchange for its ordinary shares to be de-listed and for the bonus preference shares referred to in subparagraph (c) above to be listed.
- (h) Scotia Group shall also apply for a listing on the JSE of its ordinary shares.

### C. THE RESULT OF THE RECONSTRUCTION

7. Upon completion of the reconstruction exercise, the group corporate structure will be as follows:



Thus:

- (i) The current shareholding of BNSJ would be replaced by the equivalent shareholding in Scotia Group with the result that the current shareholders in BNSJ would hold shares in the group holding company and be able to participate in the investment in DB&G via Scotia Group.
- (ii) Scotia Group, as the controlling group company for both the BNSJ sub-group of companies and the DB&G sub-group of companies would provide overall head office direction and control through a group board of directors.
- (iii) BNSJ, DB&G and Scotia Group, being listed companies, would enjoy all the benefits and privileges of listed companies.
- (iv) The reconstructed corporate structure will facilitate head office coordination and the streamlining of common back-office functions with significant cost reductions.

## **D. MEETINGS**

8. An agreement (“the Reconstruction Agreement”) has been entered into between BNS, BNSJ and Scotia Group under which they have agreed to join in carrying the scheme into effect. The scheme is being undertaken pursuant to section 206 of the Companies Act which involves the following procedural steps:

- (a) First, an application was made to the Supreme Court for an order directing BNSJ to convene a meeting of its ordinary shareholders to consider the proposed scheme. That application was duly made and on the 24<sup>th</sup> day of January, 2007, the Court made the requisite order for the meeting to be held.
- (b) Second, the court-ordered meeting must be held. The reconstruction resolution will be treated as passed if shareholders representing a majority in number of those voting on the resolution and holding not less than 75% of the votes cast on the resolution, vote in favour of the reconstruction.
- (c) Following the meeting, a report of the result of the meeting showing the results of the vote is prepared and a second court hearing is held. Assuming that the scheme is approved by a vote of the requisite statutory majorities as stipulated above, the Court would generally be expected to sanction the scheme as approved by the shareholders.

9. The process has now reached the second step (i.e. meeting of BNSJ shareholders) and accordingly, this Explanatory Circular accompanies a Notice convening an extraordinary general meeting together with a form of proxy for use at the meeting. As you will note, consolidated net profits for the period ending October 31, 2006 was J\$6,798,908,000. You will also note that the extraordinary general meeting is timed to commence immediately after the annual general meeting scheduled for 10:00 a.m. on February, 28 2007.

10. In case you are unable to attend the extraordinary general meeting, you are asked to complete the form of proxy (in which you can direct the proxy how you wish him to vote) and send it to:

The Secretary  
The Bank of Nova Scotia Jamaica Limited  
Corner of Duke & Port Royal Streets  
Kingston

Note that proxies will only be valid if they are received not less than 48 hours before the meeting.

11. The scheme is naturally conditional upon reconstruction and the resolution being passed and is also conditional upon:

- (a) the passing of an ordinary resolution to increase the capital of BNSJ to create sufficient bonus preference shares which BNSJ plans to issue to its existing ordinary shareholders;

- (b) the passing of a resolution to capitalise the sum of J\$100,000,000 standing to the credit of BNSJ's profit and loss account and to use the sum so capitalised to pay for 100,000,000 variable rate redeemable cumulative preference shares to be issued as a bonus to the existing ordinary shareholders of BNSJ;
- (c) the declaration of the dividend payment to Scotia Group to be paid at such time after the scheme is implemented and BNSJ has become a wholly-owned subsidiary of Scotia Group;
- (d) the JSE having confirmed that upon proper application and payment of the relevant listing fees it will admit to listing the BNSJ Preference Shares and the Scotia Group Ordinary Shares; and
- (e) the final approval of the Court .

#### **E. FINANCIAL INFORMATION**

12. Summary of financial information with respect to:

- (a) DB&G (un-audited) as at September 30, 2006 as set out in Appendix 1.
- (b) Scotia Group (un-audited) as at December 31, 2006 are set out in Appendix 2;

Shareholders of BNSJ would have received its annual report including its audited financial statements sent out with the notice summoning the annual general meeting to be held on February 28, 2007.

13. With respect to BNSJ, it will be noted that its consolidated net profits for the period ending October 31, 2006 (after taxation and extraordinary items) amounts to approximately J\$6,798,908,000 and that its consolidated unappropriated profits (excluding statutory retained reserve) is J\$14,952,595,000 (BNSJ unconsolidated J\$6,550,952,000). After declaring the proposed dividend to Scotia Group, the unappropriated profit will be reduced by approximately J\$1,030,093,576 to J\$13,922,501,424 (consolidated) (J\$5,520,858,424 unconsolidated) but as Scotia Group will use those funds to reimburse BNSJ for its contribution to the DB&G acquisition cost, there will be no change to BNSJ's overall cash flow position.

14. Scotia Group was incorporated on December 4, 2006 and has conducted no trading activities. After completion of the proposed scheme, it will hold 100% of the ordinary shares of BNSJ and 68.54 % of DB&G and its balance sheet would basically be as shown in Appendix 2 attached hereto.

15. Appendix 1 summarises DB&G's balance sheet as at September 30, 2006. Consolidated net profits for the period ending September 30, 2006 (less extraordinary items and taxation) was approximately J\$338,172,000 and its unappropriated profits stood at J\$2,754,991,000.

## **F. THE BONUS PREFERENCE SHARES**

16. As already noted, it is proposed that BNSJ shall make a bonus issue of 100,000,000 variable rate redeemable cumulative preference shares to its existing ordinary shareholders. The aforesaid preference shares shall pay a variable cumulative preferential dividend based on the 180 day weighted average Treasury bill yield and shall be paid twice per year on June 30 and December 31 of each year. The preference shares shall be redeemable on December 31, 2016 subject to a right on the part of BNSJ to redeem at such earlier date as BNSJ may deem fit upon giving not less than ninety (90) days' notice of such proposed redemption. Partial redemption (prior to the mandatory redemption date) is also permissible but must be made on a *pro rata* basis *vis-à-vis* all holders.

## **G. TRANSACTIONS PLANNED FOR 2007**

17. Plans are being considered with a view of implementing the following transactions during the course of 2007, namely:

- (a) the amalgamation of Scotia Jamaica Investment Management Limited ("SJIM") into DB&G in return for an issue of fully-paid DB&G shares;
- (b) the issue by BNSJ of a further block of variable rate redeemable cumulative preference shares to the public; such new preference shares to rank *pari passu* with the preference shares issued as a bonus to the existing ordinary shareholders of BNSJ and to constitute a single class of shares with such bonus preference shares.

The transactions above will be structured and implemented on strict arm's length basis and in the case of the transfer of SJIM, will be subject to independent fair value opinion which will form the basis for the consideration.

18. The foregoing is based on current thinking of the management of both BNSJ and DB&G and is subject to approval of the boards of directors of the relevant companies. No assurance is given that any such transaction will, in fact, be undertaken or if undertaken, will be actually implemented in the manner described or within the time frame contemplated. As the planning process progresses, structural and other changes could be made. However, the overriding principles guiding the process are:

- (a) ensuring that all transactions and dealings are conducted on a proper arm's length basis and with due regard to the minority shareholders in BNSJ and DB&G;
- (b) streamlining the business lines of BNSJ and DB&G so as to eliminate overlap, potential conflicts of interest and cost duplication.

## **H. STOCK PRICE MOVEMENTS**

19. The DB&G shares acquired pursuant to the take-over bid were transferred to Scotia Group on December 12, 2006 and since then the weekly price movement of BNSJ shares and DB&G shares on the JSE is as follows:

	Week Ending December 15, 2006	Week Ending December 22, 2006	Week Ending December 29, 2006	Week Ending January 5, 2007	Week Ending January 12, 2007
<b>BNSJ</b>	J\$26.15	J\$26.41	J\$26.06	J\$25.60	J\$25.20
<b>DB&amp;G</b>	J\$26.50	J\$28.00	J\$28.00	J\$26.60	J\$26.50

## **I. DIRECTORS AND MANAGEMENT**

20. The present directors of Scotia Group who were appointed to facilitate its incorporation are:

William E Clarke  
Stacie Ann Wright and  
Michael D. Jones

After completion of the scheme of reconstruction, the board will be strengthened by the appointment of directors who currently serve on the board of BNSJ. Since BNSJ will be a wholly-owned subsidiary of Scotia Group, it is anticipated that they are likely to have common directors. The current directors of BNSJ are:

Robert Pitfield – Chairman  
Hon. Mayer M. Matalon, O.J. – Deputy Chairman  
Anthony V. Chang  
Prof. Celia D.C. Christie  
William E. Clarke, C.D.  
Dr. Jean A. Dixon  
Muna M. Issa  
Charles H. Johnston  
Joseph M. Matalon  
Hon. William A. McConnell, O.J.  
Warren A. McDonald  
Dr. Herbert Thompson  
Prof. Stephen C. Vasciannie  
Richard E. Waugh  
Stacie Ann Wright

21. The current directors of DB&G are:

Prof. Stephen C. Vasciannie\*  
Muna M. Issa\*  
Anthony V. Chang\*  
William E. Clarke, C.D.\*  
Barbara Alexander\*  
Philip Martin  
Peter Bunting  
Mark Golding  
Garfield Sinclair

The asterisk behind the name of a director denotes a director who was appointed at the behest of BNS and BNSJ following completion of the take-over transaction.

#### **J. TAXATION**

22. The ordinary BNSJ shares held by existing members of BNSJ will be cancelled and instead such members will receive a corresponding number of ordinary shares in Scotia Group. The advice received by BNSJ from its tax advisors is that this will not result in any tax cost to those shareholders resident of Jamaica. The bonus issue of variable rate redeemable cumulative preference shares which BNSJ plans to make to its existing ordinary shareholders will be effected by capitalising revenue reserves and, according to BNSJ's tax advisors, ought to be exempt from income tax.

23. Notwithstanding the foregoing, the shareholders of BNSJ are encouraged to check with their tax advisors the tax consequences of the proposed scheme and the consequential transactions.

#### **K. DOCUMENTS FOR INSPECTION**

24. The following documents are available for inspection up to the date of the extraordinary general meeting on February 28, 2007 during the hours of 9:00 a.m. to 5:00 p.m. on any weekday (Saturday, Sunday and public holidays excepted) at the following office:

Patterson Mair Hamilton  
7<sup>th</sup> Floor Citigroup Building  
63-67 Knutsford Boulevard  
Kingston 5

- (a) The Memorandum and Articles of Association of BNSJ;
- (b) The Articles of Incorporation of Scotia Group;
- (c) A copy of the Certificate of Incorporation of Scotia Group;
- (d) The audited financial statements of BNSJ for the period ending October 31, 2006;
- (e) The un-audited balance sheet of Scotia Group for the period ending December 31, 2006;
- (f) The Reconstruction Agreement between BNS, BNSJ and Scotia Group;

- (g) The audited financial statements of DB&G for the period ending March 31, 2006; and
- (h) The unaudited financial statements of DB&G for the period ending September 30, 2006;

## **Appendix 1**

### Dehring Bunting & Golding Limited Unaudited Balance Sheet (as at September 30, 2006)

#### **ASSETS**

Cash Resources	130,908,715
Loans & other Receivables	3,992,375,072
Net Investment in Leases	29,837,683
Securities purchased under resale agreements	-
Capital Management & Government Securities Funds	9,169,277,807
Contingent Liabilities	483,185,354
Investments	18,950,328,537
Taxation recoverable	33,640,632
Deferred Tax asset	10,516,999
Due from Unit Trust Funds	48,499,088
Interest in Subsidiaries	0
Intangible Asset (Computer Software)	42,262,008
Property, plant and equipment	167,727,753
Goodwill	61,723,459
<b>TOTAL ASSETS</b>	<b><u>33,120,283,106</u></b>

#### **LIABILITIES**

Bank Overdrafts (unsecured)	0
Accounts Payables	357,375,333
Customers' Deposits	3,450,435,935
Customers' Savings accounts	47,681,040
Securities sold under resale Agreements	15,128,269,396
Promissory Notes-COP	809,550,637
Capital Management & Government Securities obligations	9,169,277,807
Debenture Liability	0
Contingent Liabilities	483,185,354
Deferred Taxation	411,763
Taxation Payable	3,638,465
Assets held in trust on behalf of Participants	67,971,213
Due to Unit Trust Funds	4,507,461
<b>TOTAL LIABILITIES</b>	<b><u>29,522,304,404</u></b>

#### **EQUITY**

Share Capital	224,457,083
Preference Share	100
Share Premium	0
Statutory Reserve Fund	27,666,393
Loan loss reserve	15,764,434
Investment Revaluation	637,585,780
Reserve for own shares	-75,562,455
Capital reserve	22,075,000
Retained Earnings - Prior Years	2,407,820,162
Current Years Earnings	338,172,205
<b>TOTAL EQUITY</b>	<b><u>3,597,978,702</u></b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>33,120,283,106</u></b>

## **Appendix 2**

**Scotia Group Jamaica Limited**  
**Unaudited Financial Information**  
(as at December 31, 2006 and after Scheme of Arrangement)

### PRO FORMA BALANCE SHEET

	<b>December 31, 2006</b>	<b>Post Scheme of Arrangement</b>
	<b>Jamaican \$</b>	<b>Jamaican \$</b>
<b>Liabilities and Equity</b>		
Share Capital		
Authorized - 10 Billion Shares		
Issued and Fully Paid	1	7,545,242,114
<b>Total</b>	<b>1</b>	<b>7,545,242,114</b>
<b>Assets</b>		
Cash	1	-
Investment in Subsidiaries		
BNSJ	-	2,927,232,000
DB&G	-	4,618,010,114
<b>Total</b>	<b>1</b>	<b>7,545,242,114</b>

## SCHEME OF ARRANGEMENT

### PRELIMINARY

In this Scheme the following expressions shall have the following meanings where the context so admits.

#### 1. Interpretation

“BNSJ” means The Bank of Nova Scotia Jamaica Limited.

“BNSJ Ordinary Shares” means the ordinary shares in the capital of BNSJ, issued as at the date hereof or contemplated to be issued pursuant to the Scheme.

“BNSJ Preference Shares” means the variable rate redeemable cumulative preference shares in the capital of BNSJ contemplated to be issued pursuant to the Scheme.

“Exchange Date” means the date as of which the existing BNSJ Ordinary Shares are cancelled and the holders thereof are issued Scotia Group Ordinary Shares.

“JCSD” means the Jamaica Central Securities Depository Limited

“JSE” means the Jamaica Stock Exchange.

“Record Date” means the record date fixed for the exchange.

“Scheme” means this Scheme in its present form or with any modification thereof or addition thereto or conditions approved or imposed by the Court.

“Scotia Group” means Scotia Group Jamaica Limited.

“Scotia Group Ordinary Shares” means ordinary shares in the capital of Scotia Group to be issued pursuant to the Scheme.

#### BNSJ

2.1 The authorized share capital of BNSJ is divided as follows:

	<u>Authorized</u>	<u>Issued and fully paid</u>
Ordinary shares /stock units	3,000,000,000	2,927,232,000

2.2 The profits of BNSJ available for dividend and determined to be distributed in respect of any year or other financial period are applicable in paying dividends for such year or period to the holders of the BNSJ Ordinary Shares.

2.3 In the event of BNSJ being wound up the surplus assets available for distribution amongst the members belong and are distributable to the holders of the BNSJ Ordinary Shares.

2.4 The BNSJ Ordinary Shares confer the following voting rights on the holders thereof; namely:

- (a) on a show of hands every holder of BNSJ Ordinary Share(s) present in person shall have one vote; and
- (b) on a poll every holder of BNSJ Ordinary Share(s) present in person or by proxy shall have one vote for each BNSJ Ordinary Shares of which he is the holder.

### 3. Scotia Group

3.1 The authorized share capital of Scotia Group is divided as follows:

	<b>Authorized</b>	<b>Issued</b>
Shares	10,000,000,000	1

3.2 The profits of Scotia Group available for dividend and determined to be distributed in respect of any year or other financial period are applicable in paying dividend for such year or period, to the holders of the ordinary shares of Scotia Group.

3.3 In the event of Scotia Group being wound up the surplus assets available for distribution amongst the members belong to, and are distributable to, the holders of Scotia Group Ordinary Shares.

3.4 The Scotia Group Ordinary Shares confer the following voting rights on the holders thereof:

- (a) on a show of hands every holder of Scotia Group Ordinary Shares present in person shall have one vote; and
- (b) on a poll every holder of Scotia Group Ordinary Share(s) present in person or by proxy shall have one vote for each Scotia Group Ordinary Share of which he is the holder.

### 4. The Scheme

4.1 BNSJ shall increase its capital so as to be able to issue (taking into account its existing authorized and un-issued shares of 72,768,000) at least 100,000,000 additional shares.

4.2 All of the existing 2,929,232,000 BNSJ Ordinary Shares shall be cancelled and forthwith upon such cancellation the share capital of BNSJ shall be restored to its former amount by the creation of 2,927,232,000 BNS Ordinary Shares which shall be issued, credited as fully paid, to Scotia Group.

4.3 In consideration for the cancellation of the existing 2,927,232,000 BNSJ Ordinary shares, Scotia Group shall forthwith allot and issue, credited as fully paid, to each holder of BNSJ Ordinary Shares as at the Exchange Date one (1) Scotia Group Ordinary Share for each cancelled BNSJ Ordinary Share held by such holder to the intent that Scotia Group shall issue 2,927,232,000 Ordinary Shares.

4.4 BNSJ shall allot and issue, credited as fully paid, to the holder of BNSJ Ordinary Shares a bonus issue of 100,000,000 BNSJ Preference Shares by capitalizing the sum of J\$100,000,000 being part of the amount currently standing to the credit of BNSJ's profit and loss account. The aforesaid bonus issue shall be made at the rate of one BNSJ Preference Share for each thirty (30) BNSJ Ordinary Share held by the aforesaid holder.

4.5 The term of the BNSJ Preference Shares are set out in the Schedule to the Reconstruction Agreement attached hereto.

4.6 No fraction of BNSJ Preference Share shall be allotted to any of the holders of BNSJ Ordinary Shares. All such fractions shall instead be aggregated and allotted to the Secretary of BNSJ who shall hold same in trust for BNSJ and shall sell or dispose of such shares in such manner as the Board of Directors of BNSJ may deem fit.

4.7 Forthwith upon the transactions referred to in paragraph 4.2 to 4.4.(inclusive)

- (a) Scotia Group shall apply to the JSE for a listing of the Scotia Group Ordinary Shares by way of introduction.
- (b) BNSJ shall apply for the existing BNSJ Ordinary Shares to be de-listed from the JSE and for the BNSJ Preference Shares to be listed in substitution therefor.

4.8 All stock certificates required to be sent by BNSJ or Scotia Group to persons entitled thereto shall be sent through the post in prepaid envelopes addressed to such persons at their respective addresses appearing in the Registrar of Members of BNSJ on the close of business on the day immediately preceding the Exchange Date (or in the case of joint-holders, to the address of that one of the joint-holder whose name stands first in the aforesaid Register of Members in respect of such joint holding.) Where existing BNSJ Ordinary shares are held on behalf of any holder in the JCSD then the resultant Scotia Group Ordinary Shares and BNSJ Preference Shares will be likewise deposited directly to such holder's account with the JCSD.

4.9 Every existing holder of BNSJ Ordinary Shares, unless and in so far as BNSJ shall waive the requirement at anytime after the Scheme shall become operational, shall surrender to BNSJ for cancellation the share certificate for his shareholding before or as a condition of the issue to him by Scotia Group of the share certificate in respect of the Scotia Group Ordinary shares to which he may be entitled under the Scheme.

4.10 The Scheme shall become effective as soon as an office copy or office copies of the order or orders sanctioning the Scheme under section 206 of the Companies Act, 2004 shall have been delivered to the Registrar of Companies for registration.

4.11 BNSJ and Scotia Group shall forthwith consent on behalf of all concerned to any modification of or addition to this Scheme or to any consideration which the Court may think fit to approve or impose and, without prejudice to the generality of the foregoing, this Scheme may be come operative in a modified form.

Dated this 18<sup>th</sup> day of January 2007

# FORM OF PROXY

*To be used for the Extraordinary General Meeting of the holders of the ordinary stock units of The Bank of Nova Scotia Jamaica Limited*

IN THE SUPREME COURT OF JUDICATURE OF JAMAICA

CLAIM NO. HCV 00429/2007
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**IN THE MATTER** of The Bank of Nova Scotia Jamaica Limited and Scotia Group Jamaica Limited

**AND IN THE MATTER** of the Companies Act, 2004

I/WE <sup>1</sup> ..... of .....

being the holder of .....ordinary stock units of **The Bank of Nova Scotia Jamaica Limited** HEREBY APPOINT the Chairman of the meeting or failing him .....

.....of .....

..... as my/our proxy to act for me/us at the meeting of the holders of the ordinary shares of the said Company to be held at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, in the Parish of Saint Andrew on the 28<sup>th</sup> day of February, 2007 at 12:00 noon for the purpose of considering and, if thought fit, approving, with or without modification, the proposed Scheme of Arrangement referred to in the Notice convening the said Meeting and at such Meeting, or at any adjournment thereof, to vote for me/us and in my/ our name for the said Scheme (either with or without modification, as my/our Proxy may approve) or against the said Scheme as hereby indicated.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2007

<p style="text-align: center;">FOR the said Scheme</p> <p style="text-align: center;">(Signature).....<sup>2</sup></p>	<p style="text-align: center;">AGAINST the said Scheme</p> <p style="text-align: center;">(Signature).....<sup>3</sup></p>
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**Notes**

- (1) You are requested to lodge this Form of Proxy with the Secretary at the Registered Office of the Company situated at the corner of Duke & Port Royal Streets, Kingston, not less than 48 hours before the said Meeting, but if not so lodged it may be handed to the Chairman of the Meeting.
- (2) Any alteration made in this Form of Proxy should be initialed by the person who signs it.
- (3) In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names appear in the Register of Members.
- (4) The person to whom this Proxy is given need not be a member of the company but must attend the Meeting in person to represent you.

<sup>1</sup> Full name and address to be inserted in Block Capitals.  
<sup>2</sup> **IMPORTANT.** If you wish to vote **for** the Scheme sign in this box  
<sup>3</sup> **IMPORTANT.** If you wish to vote **against** the Scheme sign in this box