

Prepare for the Coming IPO Wave

May 2009



Stabilization of Equity Markets

- Following substantial declines through the fall of 2008, equity markets appear to have stabilized
 - Lows established in March 2009 have yet to be retested
 - Valuations are substantially discounted; additional negative news has little downward pressure on prices
- Volatility has meaningfully declined, allowing for increased price certainty in the market
 - Institutional and retail investors have begun to buy into select names and sectors, providing further price stability

S&P 500 Index Performance
(Jan. 2008 – YTD)



CBOE Volatility Index
(Jan. 2008 - YTD)



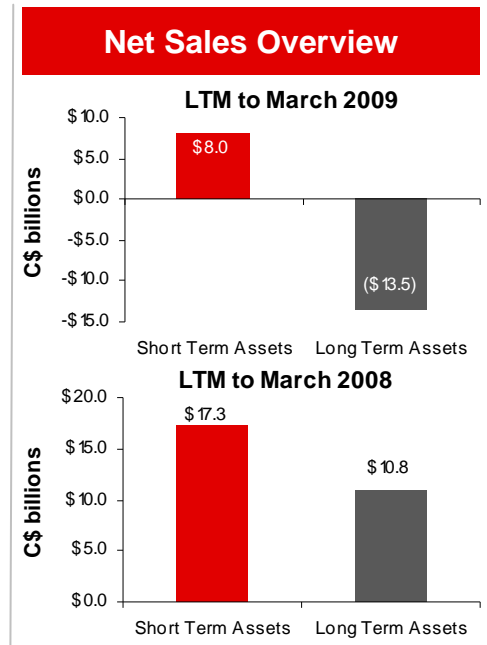
S&P/TSX Composite Index Performance
(Jan. 2008 – YTD)



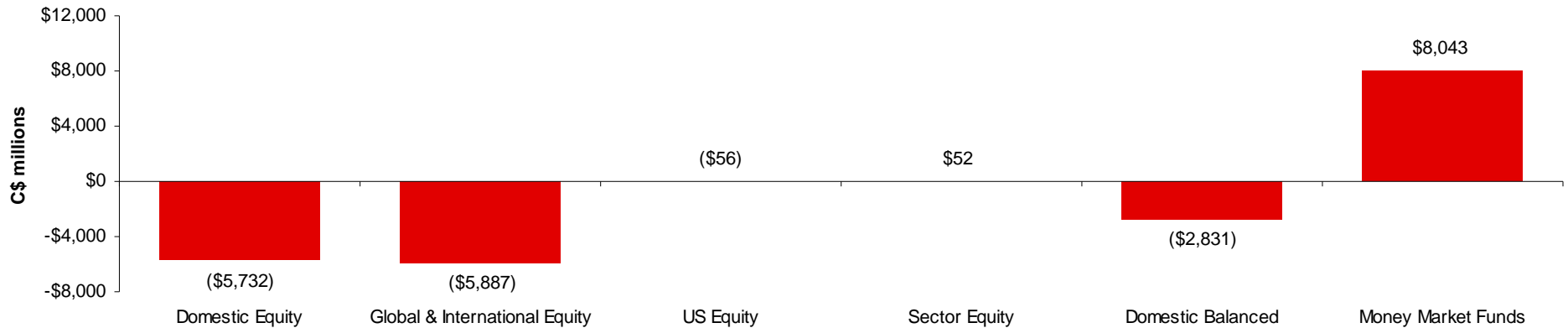
Source: Bloomberg

Record Levels of Cash Waiting to be Deployed

- Strong industry asset growth in March due to positive net sales and the performance of equity and fixed income markets
 - A \$20.5 billion increase in AUM from Feb 2009
 - Total AUM now at \$497 billion
- Substantial levels in money market funds and near cash
 - These funds once again led sales in March 2009 at \$0.9 billion, with total sales of \$3.7 billion year to date



Mutual Fund Net Sales By Asset Class (Last Twelve Months)


















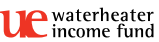






















Source: Investment Funds Institute of Canada (IFIC)

Shrinking Public Equity Universe in Canada

- A large number of Canadian companies were purchased over the last several years as a result of the bull market and strong economy
- This void has not be filled with high quality corporate investment alternatives

Major Companies Taken-Over in Canada⁽¹⁾

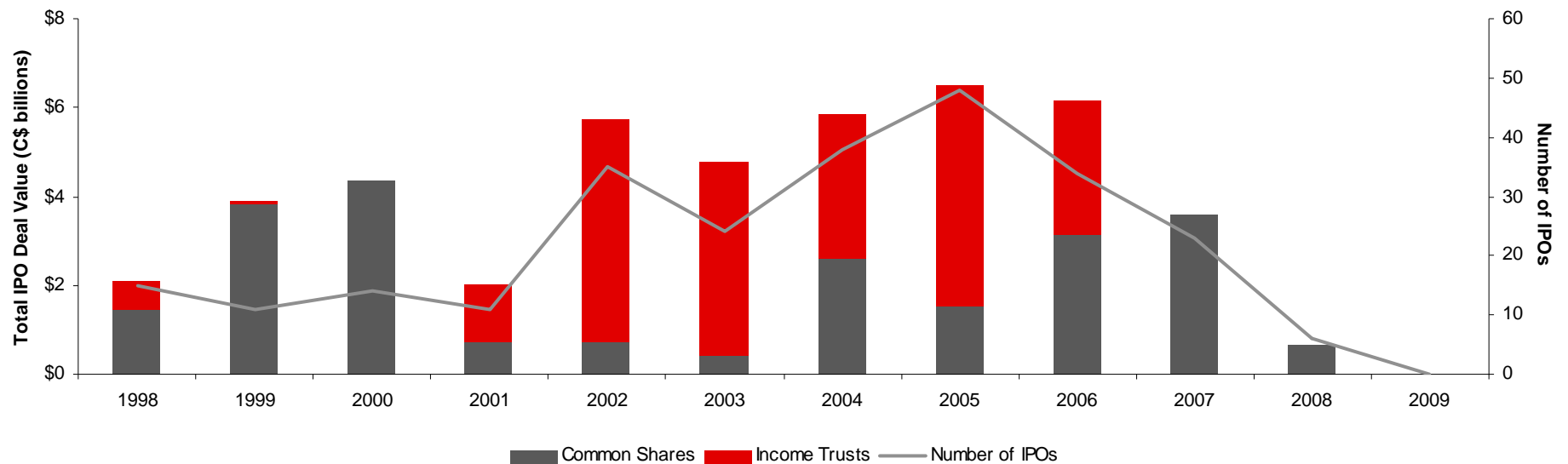
Diversified Industries			Mining			Energy	
Value (C\$ millions)	Value (C\$ millions)	Value (C\$ millions)	Value (C\$ millions)	Value (C\$ millions)	Value (C\$ millions)	Value (C\$ millions)	Value (C\$ millions)
 \$7,988	 \$2,293	 \$1,364	 \$38,007	 \$38,118			
 \$5,588	 \$1,846	 \$1,302	 \$23,980	 \$21,006			
 #NA	 \$1,580	 \$1,259	 \$19,209	 \$4,131			
 \$4,045	 \$1,570	 \$1,134	 \$15,270	 \$3,193			
 \$3,801	 \$1,411	 \$1,061	 \$3,977	 \$1,514			
Selected Small and Mid-Cap Diversified Industries							
							
							

(1) Value is equal to fully diluted equity value at takeout price (includes options and convertibles at the time of purchase)
Source: Company filings

Lack of Supply of IPOs

- IPOs between 2002 and 2006 were dominated by small to mid-market income trusts
 - Average trust IPO during the time was only around \$150 million
- Since 2008, the Canadian market has been starved of meaningful IPOs
 - Death of the income trust structure
 - Heightened market volatility
 - Investor focus on yield vs. growth
 - Lack of IPO candidates

Canadian IPOs with Deal Values > \$50 million

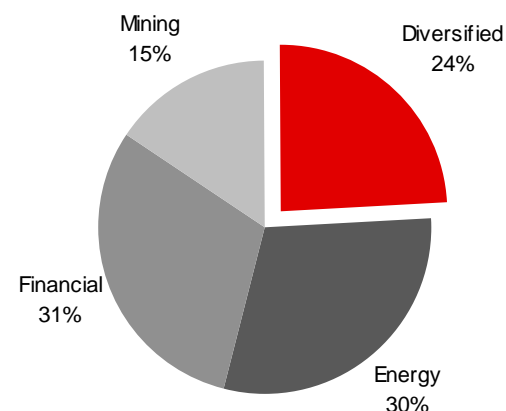


Source: Scotia Capital
Note: Excludes Structured Products

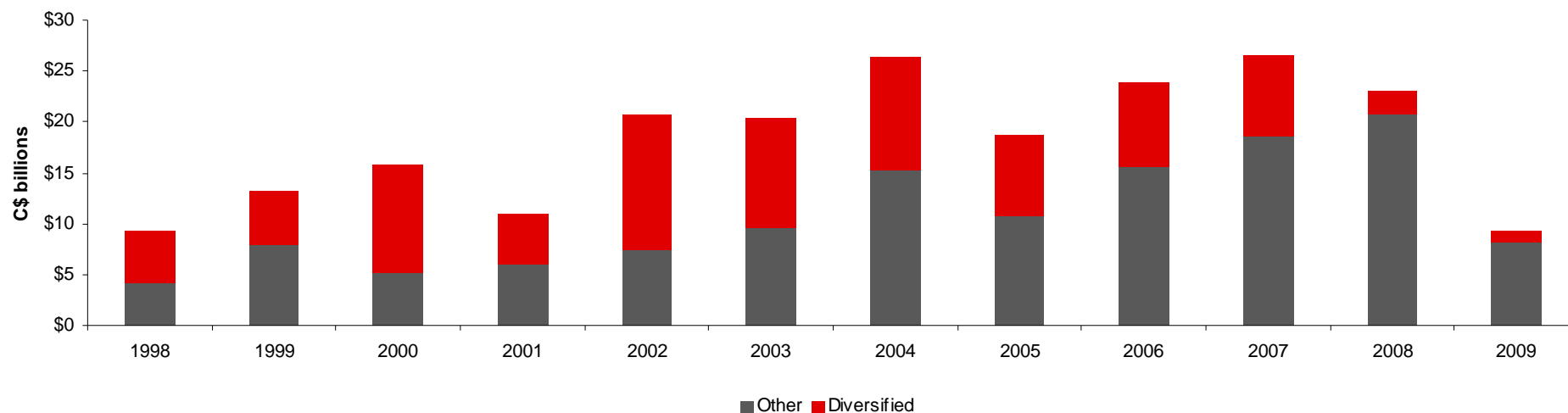
Lack of Diversification Opportunities

- The majority of the Canadian equity market is composed of resource and financial companies
- New issuance has been dominated by mining and financial companies over the last several years
- There is a dearth of sector diversification alternatives in the Canadian equity markets

TSX 60 Sub-sectors by Market Weighting



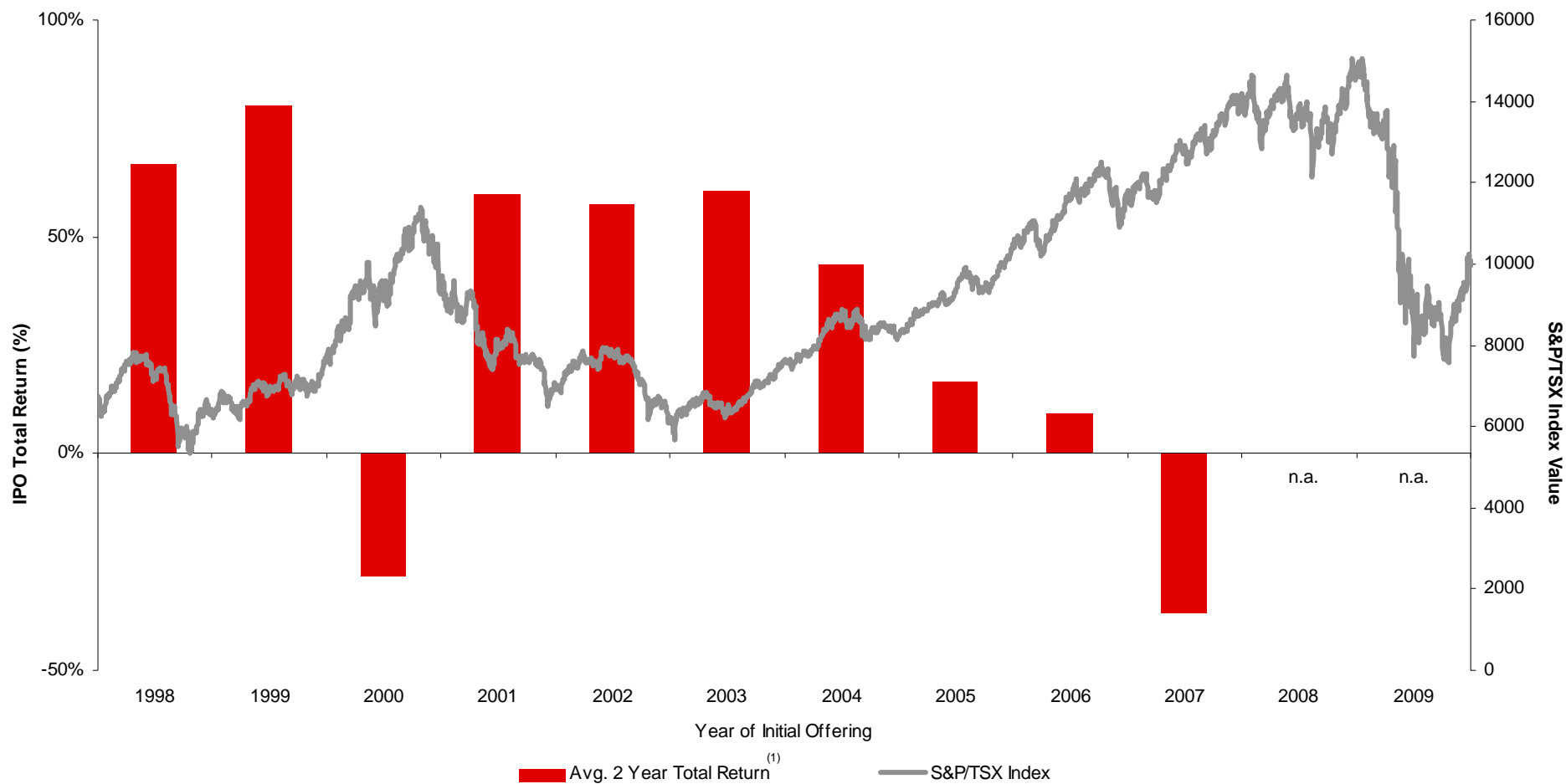
Common Share and Income Trust Equity Issuance (1998 – 2009 YTD)



Source: Scotia Capital
Note: Excludes Structured Products

Strong Expected Returns from IPOs

IPOs completed during less robust market conditions exhibit superior returns



Number of IPOs:	15	11	14	11	35	24	38	48	34	23	6	0
Value (C\$ mm):	\$2,100	\$3,902	\$4,345	\$2,034	\$5,724	\$4,783	\$5,848	\$6,501	\$6,151	\$3,603	\$638	\$0

Source: Scotia Capital, Bloomberg, company financials
 (1) Includes dividends and distributions

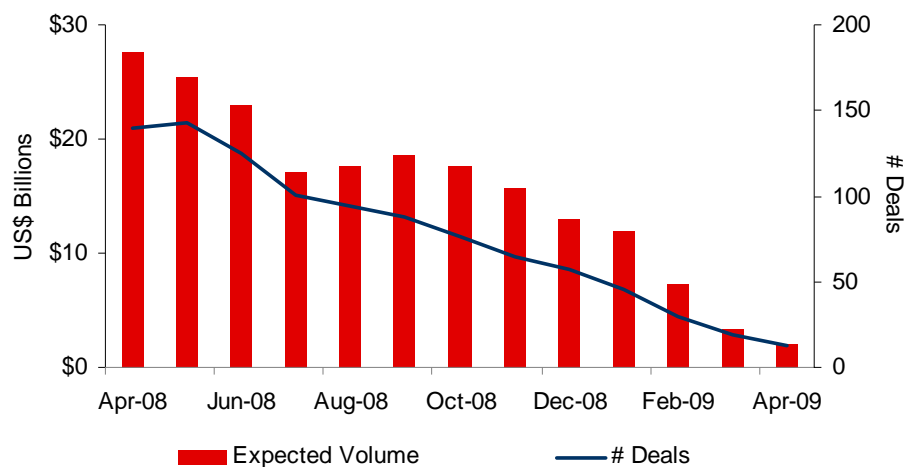
Current US IPO Market

- 5 SEC-Registered IPOs YTD 2009 have raised a total of \$1.5 billion
 - 2008 YTD, 38 IPOs had raised \$27.6 billion
- Currently 13 IPOs are in the 180-day backlog to raise \$2.1 billion
- Number of IPOs is on the rise
 - Highest level in 7 months

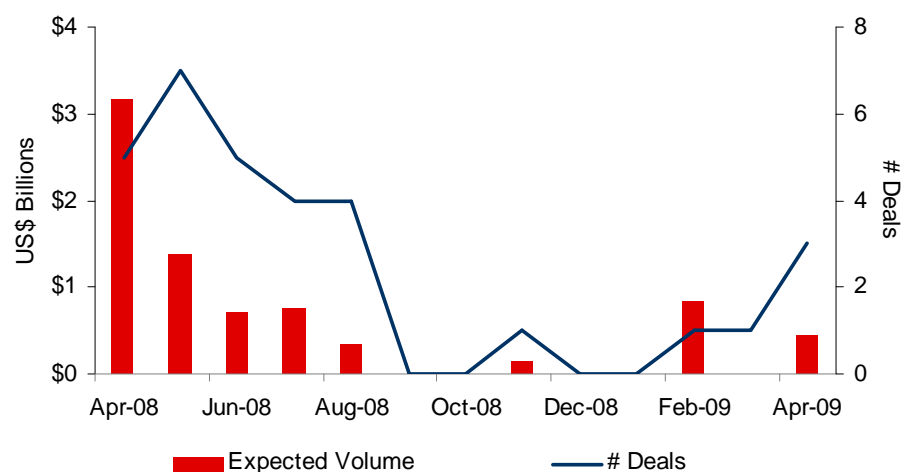
SEC-Registered IPOs > \$50 million YTD 2009

Pricing Date	Issuer Name	Total (US\$MM)	Change Price Offer /		Versus Range
			1 Day	Current	
10-Feb-09	Mead Johnson Nutrition Co	\$828.0	10.1%	14.0%	In Range
14-Apr-09	Bridgepoint Education Inc	\$163.0	5.7%	(7.8%)	Below
15-Apr-09	Rosetta Stone Inc	\$129.4	39.6%	23.5%	Above
Total/Average		\$1,120.4	18.5%	9.9%	
Closed End Funds					
26-Mar-09	Western Asset Municipal Defined Opportunity Trust	\$218.0	n.a.	n.a.	In Range
25-Feb-09	Nuveen Municipal Value Fund 2	\$172.5	n.a.	n.a.	In Range
		\$390.5			
Total		\$1,510.9			

SEC Registered IPO 180-Day Backlog



SEC Registered IPO Issuance






The Coming IPO Wave

- We believe the market is primed for a wave of IPOs over the next two years
 - Stabilization in pricing in the equity markets
 - Record levels of investor cash waiting to be deployed
 - Shrinking universe of strong Canadian stocks
 - Lack of supply of IPOs over the last several years
 - Limited opportunities for sector diversification outside of financial and resource equities
 - Strong expected returns from IPOs
 - Renewed appetite among investors for risk and return
- A main hurdle to initiate the IPO wave is to find sizable businesses ready to go public
 - Canadian sponsors hold record levels of investments in private companies with strong growth profiles
- IPOs may be the ideal method for exit for sponsors
 - Lack of leverage for corporate M&A
 - Inability for strategics to “pay-up” for growth given recent financial performance
 - Ability to retain interest for continued growth












There is substantial pent up demand to monetize the portfolio companies of Canadian sponsors; we believe IPOs will be the desired exit alternative

Precedent IPOs of Private Equity Investments

Date of IPO	Company Name	IPO Type	Amount	% Sold	Selling Sponsor	Current Status	Scotia Led
22-Nov-01	Shoppers Drug Mart	Common Equity	\$540.0	22%	KKR	Public	
11-Feb-02	Livingston International Income Fund	Unit Trusts	\$151.0	100%	CAI	Public	
15-Feb-02	A&W Revenue Royalties Income Fund	Unit Trusts	\$83.4	75%	Schroders & Associates	Public	
24-Apr-02	BFI Canada Income Fund	Unit Trusts	\$193.2	76%	Thayer Hidden Creek	Public	
2-May-02	General Donlee Income Fund	Unit Trusts	\$89.5	100%	Granite Partners	Public	
9-May-02	MEGA Brands Inc	Common Equity	\$120.9	25%	Blackstone	Public	
15-May-02	PBB Global Logistics Income Fund	Unit Trusts	\$51.8	89%	McKenna Gale	Sold to strategic - Livingston	
24-Jul-02	Swiss Water Decaffeinated Coffee Income Fund	Unit Trusts	\$54.6	100%	Tricor Pacific/Triwest	Public	
23-Aug-02	KCP Income Fund	Unit Trusts	\$225.0	70%	Centre Partners	Sold to sponsor - Caxton Iseman	
12-Nov-02	Tree Island Wire Income Fund	Unit Trusts	\$164.4	75%	Tricor Pacific	Public	
28-Nov-02	Gateway Casinos Income Fund	Unit Trusts	\$105.7	40%	Clairvest	Sold to strategic - Macquarie Group	
15-Apr-03	Sleep Country Canada Income Fund	Unit Trusts	\$135.2	92%	Bain Capital	Sold to sponsor - Birch Hill	
1-Aug-03	Yellow Pages Income Fund	Unit Trusts	\$1,000.0	31%	KKR/Teachers'	Public	
26-Nov-03	Cineplex Galaxy Income Fund	Unit Trusts	\$194.0	41%	Onex	Public	
7-Apr-04	Richards Packaging Income Fund	Unit Trusts	\$85.7	80%	Edgestone	Public	
15-Apr-04	Osprey Media Income Fund	Unit Trusts	\$204.0	57%	Teachers' Private Capital	Sold to strategic - Quebecor	
29-Apr-04	Q9 Networks	Common Equity	\$32.4	19%	Birch Hill Equity Partners	Sold to sponsor - ABRY	
18-May-04	Ag Growth Income Fund	Unit Trusts	\$74.0	77%	Tricor Pacific Capital	Public	
27-Jul-04	Armtec Infrastructure Income Fund	Unit Trusts	\$90.2	98%	ONCAP	Public	
12-Nov-04	Golf Town Income Fund	Unit Trusts	\$112.5	90%	Covington Capital Corporation	Sold to sponsor - OMERS	
16-Dec-04	Granby Industries Income Fund	Unit Trusts	\$73.8	80%	TorQuest Partners, Inc.	Sold to strategic - Clarke	
21-Dec-04	Student Transportation of America Inc.	IPS Units	\$127.6	94%	GTCR	Public	
3-Feb-05	K-Bro Linen Income Fund	Unit Trusts	\$43.4	100%	Vencap	Public	
8-Feb-05	Keystone North America Inc.	IPS Units	\$187.7	94%	GTCR	Public	
8-Feb-05	Spinrite Income Fund	Unit Trusts	\$202.9	80%	Sentinel Capital Partners	Sold to sponsor - Sentinel	
20-May-05	VOXCOM Income Fund	Unit Trusts	\$63.1	77%	Clairvest Group Inc.	Sold to strategic - UE Waterheater	
3-Jun-05	E.D. Smith Income Fund	Unit Trusts	\$127.1	89%	Imperial Capital Corporation	Sold to strategic - Treehouse Foods	
21-Jun-05	Lakeport Brewing Income Fund	Unit Trusts	\$54.6	80%	VenGrowth	Sold to strategic - Labatt Brewing	
22-Jun-05	Norcast Income Fund	Unit Trusts	\$77.0	100%	Ripplewood	Sold to sponsor - Pala Investments	
27-Jul-05	Premium Brands Income Fund	Unit Trusts	\$41.9	96%	Banyan Capital Partners	Public	
28-Jul-05	Stephenson's Rental Services Income Fund	Unit Trusts	\$70.1	76%	CCFL	Sold to sponsor - Edgestone	
19-Aug-05	New Flyer Industries Ltd.	IPS Units	\$200.0	37%	Harvest Partners/Lightyear Capital	Public	
6-Jan-06	Futuremed Healthcare Income Fund	Unit Trusts	\$126.4	94%	ONCAP	Public	
16-Mar-06	Resolve Business Outsourcing Income Fund	Unit Trusts	\$225.0	71%	ONCAP	Public	
31-Mar-06	Supremex Income Fund	Unit Trusts	\$200.0	71%	Schroders & Associates	Public	
2-Aug-07	lululemon athletica inc.	Common Equity	\$344.0	36%	Highland Capital / Advent International	Public	
Total:			\$5,871.9				

IPO Experience of Financial Sponsors: Yellow Pages Income Fund

- KKR and Ontario Teachers' purchased Yellow Pages from BCE in November 2002
 - LBO transaction with a value of approximately \$3 billion including \$2 billion of debt
- One year later, KKR and Teachers' raised capital for Yellow pages through an IPO
 - Largest income trust IPO and 5th largest in the Canadian equity markets history
 - Proceeds were used primarily for debt repayment, with the selling shareholders retaining a 70% interest valued at \$2.3 billion
- Over the following two years, KKR and Teachers' monetized their investment through a series of bought deals
 - The IPO and follow-on offerings provided the sponsors a profitable method to exit their investment

 <p>have raised capital in</p>  <p>As part of an IPO</p> <p>\$1,000,000,000</p> <p>Co-Bookrunner</p>  <p>August 2003</p>	 <p>have sold an interest in</p>  <p>As part of a treasury offering</p> <p>\$1,504,000,000</p> <p>Co-Bookrunner</p>  <p>December 2003</p>
 <p>have sold an interest in</p>  <p>As part of a secondary offering</p> <p>\$743,332,590</p> <p>Co-Bookrunner</p>  <p>June 2004</p>	 <p>has sold an interest in</p>  <p>Through a wide-area distribution</p> <p>\$158,500,000</p> <p>Co-Bookrunner</p>  <p>August 2005</p>

Scotia Capital helped KKR and Teachers' to realize significant returns on their investment

Selecting an Equity Underwriter

The book runner of your IPO is your financial partner

- Devises a successful financing plan
- Assists in preparing the prospectus
- Provides advice on the terms and conditions of the offering
- Advises and assists in the preparation of the marketing plan and materials
- Forms and manages a syndicate of other investment dealers to assist in the marketing.
- Responsible for marketing to institutional and retail investors
- Negotiates final sizing, order allocation and pricing of the offering
- Ensures an orderly after-market through market stabilization activities
- Provides research and on-going marketing support

IPO Timetable

- The IPO process typically spans 12 to 16 weeks

Preparation	Prospectus Drafting (6 to 8 weeks)	Prospectus Review and Marketing (5 to 6 weeks)	Closing (1 to 2 weeks)
<ul style="list-style-type: none"> • Corporate reorganization • Review business plan • Address any management needs • Independent board of directors • Selection of lead investment banker • Selection of other advisors (legal counsel and auditors) 	<ul style="list-style-type: none"> • Structuring transaction • Business narratives • Business due diligence • Use of proceeds • Preliminary view on issue size and pricing • Apply for listing • File preliminary prospectus 	<ul style="list-style-type: none"> • Underwriters prepare confidential marketing memorandum (“greensheet”) • Preparation of roadshow materials • Institutional one-on-ones/retail presentations or branch visits • Expressions of interest solicited • Respond to commission comments 	<ul style="list-style-type: none"> • Terms of issue finalized • Final prospectus filed • Securities delivered • Receipt of proceeds • Shares listed for trading

Major IPO Checklist

Selection of Parties	Accounting and Auditing Issues	Details of IPO / Structure
<ul style="list-style-type: none"> • Lead underwriter • Underwriter counsel • Issuer counsel • Independent engineer (if required) • Environmental consultant (if any) • Market consultant (if any) • Transfer agent • Financial printer • Auditors • Investor relations / Roadshow consultants 	<ul style="list-style-type: none"> • Audited financial statements (3 years) • Pro forma/forecast financial statements • Auditor's comfort letter 	<ul style="list-style-type: none"> • Size of issue • Secondary offering • Target investors • Marketing strategy • Pricing strategy • Share structure • Use of proceeds • Payout ratio • Leverage • Stability rating
Marketing Issues	Corporate Structure / Legal	Filing & Syndication
<ul style="list-style-type: none"> • Syndication arrangements • Target investors • Marketing strategy • Retail/Institutional distribution • Roadshow format • Selection of cities for roadshow 	<ul style="list-style-type: none"> • Corporate reorganization • Consent required • Tax planning • Employee Stock Option Plan (ESOP) • Management Long-Term Incentive Plan (LTIP) • Composition of the Board of Directors Legal considerations for selling shareholders • Governance by selling shareholders 	<ul style="list-style-type: none"> • Escrow arrangements • Underwriter agreement