



December 31, 2007

Dear Investor,

2007 was a year of new highs for Canadian equity markets. Increasing commodity prices and significant merger and acquisition activity helped propel the TSX and the Canadian dollar to record levels earlier this year. While slower North American economic growth is forecast for 2008, declining North American interest rates should provide a positive impact to overall market performance.

At ScotiaMcLeod Direct Investing we took great care this year to obtain client input to guide our ongoing service and technology enhancements. In addition to our annual client research, a series of focus groups were conducted to help develop meaningful enhancements that were introduced this year and ones planned for next year. A summary of our key enhancements over the past year appears on the back of this letter. I am very excited about our plans for the coming year and the prospect of improving your investing experience with us. I look forward to sharing our progress with you in the coming months.

The New Year is traditionally a time when many investors take stock of their holdings. During this time of year there's often a renewed focus on the markets and on individual portfolios. To help you optimize your portfolio's performance, ScotiaMcLeod Direct Investing has a powerful set of online tools and resources. The following online features may be particularly useful if you are planning to take a closer look at your portfolio.

Sounding Board[™]

Whether you are creating a portfolio or looking for input on your current one, take advantage of *Sounding Board*. After completing an online questionnaire, you'll receive a personalized report which includes a detailed breakdown of your current holdings along with a framework for constructing a portfolio that best meets your objectives. The report also includes timely market analysis and a historical perspective on market trends. You'll find *Sounding Board* in the *More Features* sub tab.

Scotia Capital Research

Scotia Capital's top-ranked research includes *Edge* company reports, fixed income research and market commentary. This research can provide you with valuable, professional insight to help you make more informed investment decisions. Select the *Quotes and Research* sub tab then click on *Market Research*.

Technical Analysis

Technical Analysis can be used to identify potential buy and sell opportunities and has historically been used only by institutional and professional money managers. Through our partnership with Recognia,* you have access to easy to use technical events research, stock screening and much more. Select the *Quotes and Research* sub tab then click on *Technical Analysis*

On behalf of the entire team at ScotiaMcLeod Direct Investing, I would like to thank you for your business and extend our best wishes to you and your family for the coming year.

Sincerely,

A handwritten signature in black ink that reads "Cathy Welling".

Cathy Welling

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The chart below highlights some of the major enhancements introduced this year:

| More Information & Functionality | |
|--|---|
| <i>Enhanced Account History</i> | <p>New data, sorting and display capabilities include:</p> <ul style="list-style-type: none"> • Recent Transactions – view and sort transactions for the last 45 days • Advanced Search – search and filter transactions for up to 30 months starting with all transactions in 2007 • Reports – view pre-defined transaction reports based on up to 30 months of data starting with all transactions in 2007 |
| <i>Expanded Online Bond Inventory</i> | Expanded inventory includes over 1,400 high quality bonds from a range of government and corporate issuers. |
| <i>U.S. Dollar Funds Transfer</i> | New functionality makes it easy to transfer U.S. funds online between your ScotiaMcLeod Direct Investing accounts and your U.S. dollar Scotiabank accounts. |
| New Tools & Resources | |
| <i>Enhanced Research</i> | <p>New charting, data and reports provide even greater depth to our extensive online research:</p> <ul style="list-style-type: none"> • Enhanced Interactive Charting – more chart options, features and settings • New Earnings Centre – view earnings forecasts, announcements, upgrades and downgrades |
| <i>Expanded Investor Education</i> | <p>New features make it easier to be a more knowledge investor:</p> <ul style="list-style-type: none"> • Investor Learning Centre – six engaging learning modules cover a range of topics including portfolio building and how to avoid common investment mistakes • Scotia Economic Reports – timely reports and webcasts from Scotiabank's expert team of economists |
| <i>Interactive Money Management</i> | MyVault, a new and innovative service makes it easy to manage your money in a customizable online environment. |
| Easier Navigation | |
| <i>Enhanced Research Navigation</i> | New screen layout and filtering options make it easier to find and view the news and research you need. |
| <i>Enhanced Automated Telephone Service</i> | New voice recognition feature provides easier access to real-time stock quotes. |