

BANK OF NOVA SCOTIA /  
Form SUPPL  
May 18, 2012

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The information in this pricing supplement is not complete and may be changed.

PRELIMINARY PRICING SUPPLEMENT

Subject to Completion:

Dated May 17, 2012

Pricing Supplement dated , 2012 to the

Short Form Prospectus dated February 13, 2012

Prospectus Supplement dated February 29, 2012 and Product Prospectus Supplement (Rate Linked Notes, Series A) dated February 29, 2012

**The Bank of Nova Scotia**

**\$**

**Callable Step-Up Rate Notes, Series A**

**Due June 1, 2027**

100% principal protection at maturity, subject to the credit risk of the Bank

Semi-annual interest payments

Interest Rate that increases over the term of the Notes

Callable by the Bank semi-annually on any interest payment date on or after the third anniversary of issuance

15-year stated term

**General**

The Callable Step-Up Rate Notes, Series A Due June 1, 2027 (the Notes) offered hereunder are not insured by the Canada Deposit Insurance Corporation pursuant to the *Canada Deposit Insurance Corporation Act*, the United States Federal Deposit Insurance Corporation, or any other governmental agency of Canada, the United States or any other jurisdiction. The Notes include investment risks including possible loss of the Principal Amount invested due to the credit risk of The Bank of Nova Scotia. As used in this pricing supplement, the Bank, we, us or our refers to The Bank of Nova Scotia.

The Notes will not be listed on any securities exchange or automated quotation system.

**NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ( SEC ), THE ONTARIO SECURITIES COMMISSION ( OSC ) NOR ANY PROVINCIAL OR STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE NOTES OR PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS DOCUMENT, THE ACCOMPANYING PROSPECTUS, PROSPECTUS SUPPLEMENT OR PRODUCT PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE NOTES ARE NOT INSURED BY THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OF CANADA, THE UNITED STATES OR ANY OTHER JURISDICTION.**

Scotia Capital (USA) Inc., our affiliate, will purchase the Notes from us for distribution to other registered broker-dealers or will offer the Notes directly to investors. Scotia Capital (USA) Inc. or any of its affiliates or agents may use the final pricing supplement to which this preliminary pricing supplement relates in market-making transactions in the Notes after their initial sale. Unless we, Scotia Capital (USA) Inc. or another of its affiliates or agents selling such Notes to you informs you otherwise in the confirmation of sale, the final pricing supplement to which this pricing supplement relates is being used in a market-making transaction. See Supplemental Plan of Distribution (Conflicts of Interest) in this pricing supplement and Supplemental Plan of Distribution on page PS-31 of the accompanying product prospectus supplement.

**Investment in the Notes involves certain risks. You should refer to Additional Risk Factors in this pricing supplement and Additional Risk Factors Specific to the Notes beginning on page PS-6 of the accompanying product prospectus supplement and Risk Factors beginning on page S-2 of the accompanying prospectus supplement.**

	Per Note	Total
Price to public	100.00%	\$
Underwriting commissions <sup>1</sup>	Variable	Variable
Proceeds to Bank of Nova Scotia <sup>2</sup>	Variable	Variable

The difference between the estimated value of your Notes and the original issue price reflects costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the Notes. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Notes. As a result, you may experience an immediate and substantial decline in the market value of your Notes on the trade date and you may lose all or a substantial portion of your initial investment. The Bank's profit in relation to the Notes will vary based on the difference between (i) the amounts received by the Bank in connection with the issuance and the reinvestment return received by the Bank in connection with those funds and (ii) the costs incurred by the Bank in connection with the issuance of the Notes and the hedging transactions. The Bank will also realize a profit that will be based on the (i) cost of creating and maintaining the hedging transactions minus (ii) the payments received on the hedging transactions.

We will deliver the Notes in book-entry form through the facilities of The Depository Trust Company ( DTC ) on or about May 31, 2012 against payment in immediately available funds.

### Scotia Capital (USA) Inc.

<sup>1</sup> Scotia Capital (USA) Inc. or one of our affiliates will purchase the Notes at the Principal Amount and as part of the distribution, if the Notes priced today, would pay varying discounts and underwriting commissions of approximately 2.25% per \$1,000 principal amount of the Notes in connection with the distribution of the Notes. The actual discounts and underwriting commissions that Scotia Capital (USA) Inc. or one of our affiliates will pay may be more or less than 2.25% and will depend on market conditions. In no event will Scotia Capital (USA) Inc. or one of our affiliates pay varying discounts and underwriting commissions in excess of 4.50% per \$1,000 principal amount of the Notes in connection with the distribution of the Notes. Scotia Capital (USA) Inc. may also receive a structuring and development fee of up to 0.25% per \$1,000 principal amount of the Notes. See Supplemental Plan of Distribution (Conflicts of Interest) in this pricing supplement.

<sup>2</sup> Excludes potential profits from hedging. For additional considerations relating to hedging activities see Additional Risk Factors The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price is Likely to Adversely Affect Secondary Market Prices in this pricing supplement.

**Summary**

The information in this Summary section is qualified by the more detailed information set forth in this pricing supplement, the prospectus, the prospectus supplement and the product prospectus supplement, each filed with the SEC. See Additional Terms of Your Notes in this pricing supplement.

<b>Issuer:</b>	The Bank of Nova Scotia (the Issuer or the Bank )		
<b>Minimum Investment:</b>	\$1,000		
<b>Denominations:</b>	\$1,000 and integral multiples of \$1,000 in excess thereof		
<b>Principal Amount:</b>	\$1,000		
<b>Currency:</b>	U.S. Dollars		
<b>Trade Date:</b>	May 25, 2012		
<b>Pricing Date:</b>	May 25, 2012		
<b>Original Issue Date:</b>	May 31, 2012		
<b>Maturity Date:</b>	June 1, 2027		
<b>Business Day:</b>	Any day which is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law, regulation or executive order to close in New York and Toronto		
<b>Interest Rate:</b>	<b>Period beginning on</b>	<b>Period ending on</b>	<b>Annual Interest Rate</b>
	May 31, 2012	June 1, 2018	3.00% per annum
	June 1, 2018	June 1, 2023	4.00% per annum
	June 1, 2023	June 1, 2027	5.00% per annum
<b>Interest Payment Dates:</b>	The 1st calendar day of each June and December commencing on December 1, 2012 and ending on the maturity date.		
	If these days are not business days, interest will actually be paid on the dates determined as described below		
<b>Day Count Fraction:</b>	30/360, unadjusted, following business day convention (all as more fully described below)		
<b>First Call Date:</b>	June 1, 2015		

<b>Call Provision:</b>	The Notes are redeemable at our option, in whole, but not in part, on each stated interest payment date, from and including the first call date, upon notice by us to DTC on or before the corresponding call notice date, at an amount that will equal the Principal Amount of your Notes plus the interest applicable to such interest payment date. If the Notes are called prior to the maturity date, you will be entitled to receive only the Principal Amount of the Notes and any interest payment in respect of interest payment dates occurring on or before the call payment date. In this case, you will lose the opportunity to continue to be paid interest in respect of interest payment dates ending after the call payment date
<b>Call Notice Date:</b>	20 business days prior to the corresponding interest payment date
<b>Call Payment Date:</b>	The interest payment date, if any, for which we have given a call notice for the Notes, on or before the corresponding call notice date
<b>CUSIP/ISIN:</b>	CUSIP 064159AU0/ISIN US064159AU09
<b>Form of Notes:</b>	Book-entry
<b>Type of Note:</b>	Callable Step-Up Notes, Series A
<b>Calculation Agent:</b>	Scotia Capital Inc., an affiliate of the Bank
<b>Status:</b>	The Notes will constitute direct, unsubordinated and unsecured obligations of the Bank ranking <i>pari passu</i> with all other direct, unsecured and unsubordinated indebtedness of the Bank from time to time outstanding (except as otherwise prescribed by law). Holders will not have the benefit of any insurance under the provisions of the <i>Canada Deposit Insurance Corporation Act</i> , the U.S. <i>Federal Deposit Insurance Act</i> or under any other deposit insurance regime
<b>Tax Redemption:</b>	The Bank (or its successor) may redeem the Notes, in whole but not in part, at a redemption price equal to the principal amount thereof together with accrued and unpaid interest to the date fixed for redemption, if it is determined that changes in tax laws or their interpretation will result in the Bank (or its successor) becoming obligated to pay, on the next interest payment date, additional amounts with respect to the Notes. See Tax Redemption in this pricing supplement.
<b>Listing:</b>	The Notes will not be listed on any securities exchange or quotation system
<b>Use of Proceeds:</b>	General corporate purposes
<b>Clearance and Settlement:</b>	Depository Trust Company
<b>Terms Incorporated:</b>	All of the terms appearing under the caption General Terms of the Notes beginning on page PS-11 in the accompanying product prospectus supplement, as modified by this pricing supplement

## ADDITIONAL TERMS OF YOUR NOTES

You should read this pricing supplement together with the prospectus dated February 13, 2012, as supplemented by the prospectus supplement dated February 29, 2012 and the product prospectus supplement (Rate Linked Notes, Series A) dated February 29, 2012, relating to our Senior Note Program, Series A, of which these Notes are a part. Capitalized terms used but not defined in this pricing supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this pricing supplement will control. *The Notes may vary from the terms described in the accompanying product prospectus supplement in several important ways. You should read this pricing supplement carefully.*

This pricing supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in Additional Risk Factors Specific to the Notes in the product prospectus supplement dated February 29, 2012, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the SEC website at [www.sec.gov](http://www.sec.gov) as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website at <http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000009631>):

Prospectus dated February 13, 2012:

<http://sec.gov/Archives/edgar/data/9631/000119312512057287/d296062df9a.htm>

Prospectus Supplement dated February 29, 2012:

<http://sec.gov/Archives/edgar/data/9631/000119312512090175/d300613dsuppl.htm>

Product Prospectus Supplement (Rate Linked Notes, Series A) dated February 29, 2012:

<http://sec.gov/Archives/edgar/data/9631/000119312512090184/d300603dsuppl.htm>

**The Bank of Nova Scotia has filed a registration statement (including a prospectus, a prospectus supplement, and a product prospectus supplement) with the SEC for the offering to which this pricing supplement relates. Before you invest, you should read those documents and the other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC Website at [www.sec.gov](http://www.sec.gov). Alternatively, The Bank of Nova Scotia, any agent or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement and the product prospectus supplement if you so request by calling 1-416-866-3672.**

## PAYMENT AT MATURITY

If the Notes have not been called by us, as described elsewhere in this pricing supplement, we will pay you the principal amount of your Notes on the maturity date, plus the final interest payment.

In the event that the stated maturity date is not a business day, then relevant repayment of principal will be made on the next business day ( following business day convention ).

## INTEREST

We describe payments as being based on a day count fraction of 30/360, unadjusted, following business day convention .

This means that the number of days in the interest period will be based on a 360-day year of twelve 30-day months ( 30/360 ) and that the number of days in the interest period will be based on the days on which interest would have been paid if each such day was a business day, not on the actual days on which payment is made ( unadjusted ).

If any interest payment date falls on a day that is not a business day (including any interest payment date that is also the maturity date), the relevant payment of interest will be made on the next business day under the following business day convention.

## EVENTS OF DEFAULT AND ACCELERATION

If the Notes have become immediately due and payable following an Event of Default (as defined in the accompanying prospectus) with respect to the Notes, the calculation agent will determine (i) your principal amount and (ii) any accrued but unpaid interest payable based upon the then applicable interest rate calculated on the basis of a 360-day year consisting of twelve 30-day months.

If the Notes have become immediately due and payable following an Event of Default, you will not be entitled to any additional payments with respect to the Notes. For more information, see Description of the Debt Securities Events of Default beginning on page I-15 of the accompanying prospectus.

## TAX REDEMPTION

The Bank (or its successor) may redeem the Notes, in whole but not in part, at a redemption price equal to the principal amount thereof together with accrued and unpaid interest to the date fixed for redemption, upon the giving of a notice as described below, if:

as a result of any change (including any announced prospective change) in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Canada (or the jurisdiction of organization of the successor to the Bank) or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the Pricing Date (or, in the case of a successor to the Bank, after the date of succession), and which in the written opinion to the Bank (or its successor) of legal counsel of recognized standing has resulted or will result (assuming, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which interest is due, additional amounts with respect to the Notes; or

on or after the Pricing Date (or, in the case of a successor to the Bank, after the date of succession), any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in Canada (or the jurisdiction of organization of the successor to the Bank) or

any political subdivision or taxing authority thereof or therein, including any of those actions specified in the paragraph immediately above, whether or not such action was taken or decision was rendered with respect to the Bank (or its successor), or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the written opinion to the Bank (or its successor) of legal counsel of recognized standing, will result (assuming, in the case of any announced prospective change, that such change, amendment, application, interpretation or action is applied to the Notes by the taxing authority and that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which interest is due, additional amounts with respect to the Notes;

and, in any such case, the Bank (or its successor), in its business judgment, determines that such obligation cannot be avoided by the use of reasonable measures available to it (or its successor).

In the event the Bank elects to redeem the Notes pursuant to the provisions set forth in the preceding paragraph, it shall deliver to the Trustees a certificate, signed by an authorized officer, stating (i) that the Bank is entitled to redeem such Notes pursuant to their terms and (ii) the principal amount of the Notes to be redeemed.

Notice of intention to redeem such Notes will be given to holders of the Notes not more than 45 nor less than 30 days prior to the date fixed for redemption and such notice will specify, among other things, the date fixed for redemption and the redemption price.

#### **ADDITIONAL RISK FACTORS**

An investment in the Notes involves significant risks. In addition to the following risks included in this pricing supplement, we urge you to read *Additional Risk Factors Specific to the Notes* beginning on page PS-6 of the accompanying product prospectus supplement and *Risk Factors* beginning on page S-2 of the accompanying prospectus supplement.

In particular, you should read the following risk factors (only headings included) in the *Additional Risk Factors Specific to the Notes* section of the accompanying product prospectus supplement: *Payments on the Notes Are Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes* , *Your Notes May Be Subject to Early Redemption* , *There May Not Be an Active Trading Market for the Notes* , *Sales in the Secondary Market May Result in Significant Losses* , *The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors* , *Trading Activities by The Bank or its Affiliates May Adversely Affect the Market Value of the Notes* , *The Business Activities of The Bank or Its Affiliates May Create Conflicts of Interest* , *There Are Potential Conflicts of Interest Between You and the Calculation Agent* , *Significant Aspects of the Tax Treatment of the Notes May Be Uncertain* , *U.S. Taxpayers Will be Required to Pay Taxes Each Year on Notes that Are Treated as Contingent Payment Debt Instruments and Notes that Are Issued with Original Issue Discount* , *Non-U.S. Investors May Be Subject to Certain Additional Risks* and *Employee Retirement Income Security Act and Considerations For Employee Benefit Plans*.

You should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with your advisers, of the suitability of the Notes in light of your particular financial circumstances and the information set forth in this pricing supplement and the accompanying prospectus, prospectus supplement and product prospectus supplement.

**Your Investment is Subject to a Reinvestment Risk in the Event We Elect to Call the Notes.**

We have the ability to call the Notes prior to the maturity date. In the event we decide to exercise the call provision, the amount of interest payable would be less than the amount of interest payable if you held the Notes until the maturity date. There is no guarantee that you would be able to reinvest the proceeds from an investment in the Notes at a comparable return for a similar level of risk following our exercise of the call provision. We may choose to call the Notes early or choose not to call the Notes early, in our sole discretion. In addition, it is more likely that we will call the Notes prior to maturity if a significant decrease in U.S. interest rates or a significant decrease in the volatility of U.S. interest rates would result in greater interest payments on the Notes than on instruments of comparable maturity, terms and credit worthiness then trading in the market.

**The Step-up Feature Presents Different Investment Considerations than Fixed Rate Notes.**

You will most likely not earn the highest scheduled interest rates on the Notes if interest rates remain the same or fall during the term of the Notes. This is due, in part, to the fact that we are likely to exercise the call provision before the realization of such highest scheduled interest rates. Therefore, when determining whether to invest in the Notes, you should not focus on the highest interest rate, which is only applicable to the last year of the stated term of your Notes, and instead focus on, among other things, the annual applicable interest rate to the first call date and the call provision.

**The Notes are Not Ordinary Debt Securities.**

The Notes have certain investment characteristics that differ from traditional fixed income securities. Specifically, the performance of the Notes will not track the same price movements as traditional interest rate products. A person should reach a decision to invest in the Notes after carefully considering, with his or her advisors, the suitability of the Notes in light of his or her investment objectives and the information set out in the above terms of the offering. The Issuer does not make any recommendation as to whether the Notes are a suitable investment for any person.

**Your Investment is Subject to the Credit Risk of The Bank of Nova Scotia.**

The Notes are senior unsecured debt obligations of The Bank of Nova Scotia and are not, either directly or indirectly, an obligation of any third party. As further described in the accompanying prospectus, prospectus supplement and product prospectus supplement, the Notes will rank on par with all of the other unsecured and unsubordinated debt obligations of The Bank of Nova Scotia, except such obligations as may be preferred by operation of law. Any payment to be made on the Notes, including the return of the principal amount at maturity or on the call payment date, as applicable, depends on the ability of The Bank of Nova Scotia to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of The Bank of Nova Scotia may affect the market value of the Notes and, in the event The Bank of Nova Scotia were to default on its obligations, you may not receive the amounts owed to you under the terms of the Notes.

**The Price at Which the Notes may be Sold prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased.**

The price at which the Notes may be sold prior to maturity will depend on a number of factors. Some of these factors include, but are not limited to: (i) volatility of the level of interest rates and the market's perception of future volatility of the level of interest rates, (ii) changes in interest rates generally, (iii) any actual or anticipated



changes in our credit ratings or credit spreads, and (iv) time remaining to maturity. In particular, because the terms of the Notes permit us to redeem the Notes prior to maturity, the price of the Notes may be impacted by the call feature of the Notes. Additionally, the interest rates of the Notes reflect not only our credit spread generally but also the call feature of the Notes and thus may not reflect the rate at which a note without a call feature and increasing interest rate might be issued and sold.

Depending on the actual or anticipated level of interest rates, the market value of the Notes may decrease and you may receive substantially less than 100% of the issue price if you sell your Notes prior to maturity.

**The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price is Likely to Adversely Affect Secondary Market Prices.**

Assuming no change in market conditions or any other relevant factors, the price, if any, at which Scotia Capital (USA) Inc. or any other party is willing to purchase the Notes at any time in secondary market transactions will likely be significantly lower than the original issue price, since secondary market prices are likely to exclude underwriting commissions paid with respect to the Notes and the cost of hedging our obligations under the Notes that are included in the original issue price. The cost of hedging includes the projected profit that we and/or our subsidiaries may realize in consideration for assuming the risks inherent in managing the hedging transactions. These secondary market prices are also likely to be reduced by the costs of unwinding the related hedging transactions. In addition, any secondary market prices may differ from values determined by pricing models used by Scotia Capital (USA) Inc. as a result of dealer discounts, mark-ups or other transaction costs.

**The Notes Lack Liquidity.**

The Notes will not be listed on any securities exchange or automated quotation system. Therefore, there may be little or no secondary market for the Notes. Scotia Capital (USA) Inc. may, but is not obligated to, make a market in the Notes. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Notes easily. Because we do not expect that other broker-dealers will participate significantly in the secondary market for the Notes, the price at which you may be able to trade your Notes is likely to depend on the price, if any, at which Scotia Capital (USA) Inc. is willing to purchase the notes from you. If at any time Scotia Capital (USA) Inc. were not to make a market in the Notes, it is likely that there would be no secondary market for the Notes. Accordingly, you should be willing to hold your Notes to maturity.

**ILLUSTRATIVE EXAMPLES**

The following table shows the semi-annual interest payment on each stated interest payment date based on a hypothetical \$1,000 investment in the Notes and assumes the call provision has not been exercised by us prior to maturity. If a stated interest payment date is not a business day, then actual payment of interest will be the next business day.

<b>Interest Payment Date (expected)</b>	<b>Interest Rate</b>	<b>Interest Payment</b>
December 1, 2012	1.50%	\$ 7.50
June 1, 2013	1.50%	\$ 7.50
December 1, 2013	1.50%	\$ 7.50
June 1, 2014	1.50%	\$ 7.50
December 1, 2014	1.50%	\$ 7.50
June 1, 2015	1.50%	\$ 7.50
December 1, 2015	1.50%	\$ 7.50
June 1, 2016	1.50%	\$ 7.50
December 1, 2016	1.50%	\$ 7.50
June 1, 2017	1.50%	\$ 7.50
December 1, 2017	1.50%	\$ 7.50
June 1, 2018	1.50%	\$ 7.50
December 1, 2018	2.00%	\$ 10.00
June 1, 2019	2.00%	\$ 10.00
December 1, 2019	2.00%	\$ 10.00
June 1, 2020	2.00%	\$ 10.00
December 1, 2020	2.00%	\$ 10.00
June 1, 2021	2.00%	\$ 10.00
December 1, 2021	2.00%	\$ 10.00
June 1, 2022	2.00%	\$ 10.00
December 1, 2022	2.00%	\$ 10.00
June 1, 2023	2.00%	\$ 10.00
December 1, 2023	2.50%	\$ 12.50
June 1, 2024	2.50%	\$ 12.50
December 1, 2024	2.50%	\$ 12.50
June 1, 2025	2.50%	\$ 12.50
December 1, 2025	2.50%	\$ 12.50
June 1, 2026	2.50%	\$ 12.50
December 1, 2026	2.50%	\$ 12.50
June 1, 2027	2.50%	\$ 12.50

**SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)**

Pursuant to the terms of a distribution agreement, Scotia Capital (USA) Inc., an affiliate of The Bank of Nova Scotia, will purchase the Notes from The Bank of Nova Scotia for distribution to other registered broker-dealers or will offer the Notes directly to investors.

Scotia Capital (USA) Inc. or one of our affiliates will purchase the Notes at the Principal Amount and as part of the distribution, if the Notes priced today, would pay varying discounts and underwriting commissions of approximately 2.25% per \$1,000 principal amount of the Notes in connection with the distribution of the Notes. The actual discounts and underwriting commissions that Scotia Capital (USA) Inc. or one of our affiliates will pay may be more or less than 2.25% and will depend on market conditions. In no event will Scotia Capital (USA) Inc. or one of our affiliates pay varying discounts and underwriting commissions in excess of 4.50% per \$1,000 principal amount of the Notes in connection with the distribution of the Notes. Scotia Capital (USA) Inc. may also receive a structuring and development fee of up to 0.25% per \$1,000 principal amount of the Notes.

In addition, Scotia Capital (USA) Inc. or another of its affiliates or agents may use the product prospectus supplement to which this pricing supplement relates in market-making transactions after the initial sale of the Notes. While Scotia Capital (USA) Inc. may make markets in the Notes, it is under no obligation to do so and may discontinue any market-making activities at any time without notice. See Supplemental Plan of Distribution on page S-31 in the accompanying prospectus supplement and Supplemental Plan of Distribution on page PS-31 in the accompanying product prospectus supplement.

The price at which you purchase the Notes includes costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the Notes, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Notes. As a result, you may experience an immediate and substantial decline in the market value of your Notes on the Issue Date.

#### **Conflicts of Interest**

Each of Scotia Capital (USA) Inc. and Scotia Capital Inc. is an affiliate of the Bank and, as such, has a conflict of interest in this offering within the meaning of FINRA Rule 5121. In addition, the Bank will receive the gross proceeds from the initial public offering of the Notes, thus creating an additional conflict of interest within the meaning of Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of Rule 5121. Neither Scotia Capital (USA) Inc. nor Scotia Capital Inc. is permitted to sell the Notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

#### **CERTAIN CANADIAN INCOME TAX CONSEQUENCES**

This pricing supplement should be treated as incorporating the discussion under Certain Canadian Income Tax Considerations on page S-20 of the accompanying prospectus supplement.

#### **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

We intend to treat all of the stated interest on the Notes as qualified stated interest for purposes of applying the original issue discount rules as a result our ability to call the Notes prior to any scheduled interest rate increases. If we do not call the Notes prior to an interest rate increase, the Notes will be considered to be reissued on the interest rate increase date at their then adjusted issue price solely for purposes of applying the original issue discount rules to the Notes.

You should carefully consider the discussion set forth in Supplemental Discussion of U.S. Federal Income Tax Consequences in the accompanying product prospectus supplement. In particular, U.S. holders (as defined in the

product prospectus supplement) should review the discussion under Fixed Rate Notes, Floating Rate Notes, Inverse Floating Rate Notes, Step Up Notes, Leveraged Notes, Range Accrual Notes, Dual Range Accrual Notes and Non-Inversion Range Accrual Notes and Sale, Redemption or Maturity of Notes that Are Not Treated as Contingent Payment Debt Instruments under Supplemental Discussion of U.S. Federal Income Tax Consequences Supplemental U.S. Tax Considerations U.S. Holders Where the term of your Notes exceeds one year in the product prospectus supplement. U.S. holders should also review the discussion under Medicare Tax , Treasury Regulations Requiring Disclosure of Reportable Transactions , Information With Respect to Foreign Financial Assets and Information Reporting and Backup Withholding under Certain Income Tax Consequences Certain United States Income Tax Considerations in the prospectus supplement. Non-U.S. holders (as defined in the product prospectus supplement) should review in particular the discussion under Supplemental Discussion of U.S. Federal Income Tax Consequences Supplemental U.S. Tax Considerations Non-U.S. Holders in the product prospectus supplement.

Prospective purchasers of the Notes should consult their tax advisors as to the federal, state, local and other tax consequences to them of acquiring, holding and disposing of the Notes and receiving payments under the Notes.