



Investor Presentation

**7% Preferred
Share Stock
Dividend**

June 26, 2007



Forward- looking statements

Certain statements included herein constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, which will, among other things, impact demand for the Company’s services, service industry conditions and capacity; the ability of the Company to implement its business strategy, including the Company’s ability to acquire suitable acquisition candidates on acceptable terms and successfully integrate newly acquired businesses with its existing businesses; changes in or the failure to comply with government regulations (especially safety and environmental laws and regulations); and other factors which are described in the Company’s filings with the U.S. Securities and Exchange Commission and the Canadian regulatory authorities.



Back-ground...

- FirstService generates strong cash flows
 - Leverage ratios at historical lows
 - Despite accelerated pace of acquisitions
- FirstService now at scale
 - To finance future growth internally
- \$110 million cash proceeds from sale of business services division in March 2006
 - Entire proceeds now reinvested
 - Generating more cash flow
 - An additional \$20 million expected upon sale of remaining 7% interest



...Back-ground

- Investigated options to enhance value
 - Regular dividends
 - Accelerated share buy-back program
 - Special cash dividend
- New innovative approach
 - Allow shareholders to decide how to participate in future growth
- Conclusion
 - Issue a stock dividend of 7% cumulative preferred shares to all shareholders
 - One preferred share for every five shares held
 - Equating to a return of capital of US\$5.00 per share



Summary terms

- Preferred shares
 - Face value of US\$25.00 per share
 - Fixed dividend of 7%
 - US\$1.75 per annum
 - Shares to be listed on TSX
- About 6 million preferred shares to be issued
 - Total issue about US\$150 million
 - Total annual cash dividend US\$10.5 million
- Annual cash dividend equivalent to
 - 1% dividend on existing shares
 - 20% of current year free cash flow
- Issue to holders of record on July 25, 2007
 - Payable August 1, 2007



**Meets
objectives...**

- Issuance of preferred shares
 - Allows SVS and MVS to maintain high-growth attributes
 - Provides attractive, after-tax yield to shareholders wishing dividends
- Preferred shares
 - Designed to compare favorably to others
 - Expected to trade at face value
 - Expected to attract “new” investors seeking yield instruments
- Shareholders can elect to
 - Retain both instruments – best of both worlds!
 - Have flexibility to sell one, or other
- Enhances shareholder value
 - No tax on issuance of preferred shares
 - Potentially positive impact on combined share value
 - Trading value of SVS may fall to compensate
 - Increases leverage for existing shareholders



**...Meets
objectives**

- Issue allows FirstService to maintain
 - Low leverage ratios
 - Ready access to debt capital (i.e. borrowing capacity)
- Balance sheet and metrics to remain strong
 - Provides flexibility for growth
- FirstService has the right to
 - Redeem shares at modest premium until 2011
 - Thereafter at face value
 - Convert into SVS at 95% of market price
 - Conduct issuer bid buyback
 - Subject to issuer bid rules



Pro forma balance sheet

(US\$ millions)

March 31, 2007

	<u>Pro forma</u>	<u>As reported</u>
Net debt	<u>\$ 136.1</u>	<u>\$ 136.1</u>
Shareholders' equity		
Preferred shares	149.3	-
Common shares	80.1	80.1
Retained earnings	<u>35.5</u>	<u>184.8</u>
Total shareholders' equity	<u>\$ 264.9</u>	<u>\$ 264.9</u>
Leverage (net debt / EBITDA¹)	1.11x	1.11x

¹ Pro forma EBITDA for acquisitions completed in the last 12 months



Pro forma net earnings and EPS

(US\$ millions, except per share amounts)

Year ended March 31, 2007

	<u>Pro forma</u>	<u>As reported</u>
Adjusted net earnings ¹	\$ 41.6	\$ 41.6
Preferred share dividends (annualized)	<u>(10.5)</u>	<u>-</u>
Adjusted net earnings available to common shares	<u>\$ 31.1</u>	<u>\$ 41.6</u>
Diluted common shares outstanding	<u>30.4</u>	<u>30.4</u>
Adjusted diluted EPS	<u>\$ 1.02</u>	<u>\$ 1.37</u>
<i>Impact of preferred dividend</i>	<i>(0.35)</i>	

¹ Net earnings from continuing operations plus the effect of (i) amortization of short-lived intangible assets acquired in connection with recent Commercial Real Estate Services acquisitions and (ii) an impairment loss on available-for-sale securities.



Updated EPS outlook

(US\$ millions, except per share amounts)

Year ending March 31, 2008	<u>Updated</u>	<u>Previous</u>	<u>Change</u>
Revenues	\$1,525 – \$1,625	\$1,525 – \$1,625	<i>None</i>
EBITDA	137 – 147	137 - 147	<i>None</i>
Diluted EPS	1.25 – 1.37	1.48 – 1.60	<i>(0.23)¹</i>

¹ Reflects eight month impact of preferred dividends on diluted EPS.



Tax implications – Canadian investors

- No tax upon issuance of preferred shares
 - Preferred shares have nominal tax basis
- Dividends taxed at dividend rate
 - Enhanced dividend tax credit applies
- Disposition of preferred shares
 - Capital gains tax on full value
 - Nominal tax basis
- Redemption of preferred shares
 - Results in deemed dividend
- *We recommend seeking professional tax advice*



Tax implications – US investors

- No tax upon issuance of preferred shares
 - Preferred shares to be allocated partial basis
- Dividends should be taxed at capital gains rates until 2010
- Disposition of preferred shares
 - Results in dividend, depending on taxpayer facts and circumstances
- Redemption of preferred shares
 - Treated as dividend income
- Canadian withholding tax applies on dividends paid to US shareholders
 - Same withholding tax as other dividend paying securities
- *We recommend seeking professional tax advice*

 **FIRSTSERVICE**

The logo features a white checkmark icon inside a square, followed by the word "FIRSTSERVICE" in a bold, white, sans-serif font. The background of the slide is a dark blue and grey architectural pattern of skyscrapers, with a large yellow rectangular overlay on the left side.

Q & A

- Question and Answer session