



ARBOR
MEMORIAL
SERVICES INC.

**ARBOR MEMORIAL SERVICES INC.
MANAGEMENT INFORMATION CIRCULAR
GENERAL VOTING INFORMATION**

Solicitation of Proxies

This management information circular (the “Management Information Circular”) is furnished in connection with the solicitation of proxies by or on behalf of the management of Arbor Memorial Services Inc. (the “Company”) for use at the annual and special meeting of the shareholders of the Company (the “Meeting”) to be held on March 1, 2007 in the Brulé Room, The Old Mill, 21 Old Mill Road, Toronto, Ontario, at 10:00 a.m. (Toronto time), and any adjournments thereof, for the purposes set forth in the accompanying notice of the Meeting. The cost of the solicitation of proxies by management will be borne by the Company. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular officers or employees of the Company and by the Company’s registrar and transfer agent. In accordance with National Instrument 54-101, arrangements may be made with brokerage houses, and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owner of shares held of record by such persons, and the Company may reimburse such persons for reasonable fees and disbursements incurred by them in doing so.

Unless otherwise noted herein, all information set forth in this Management Information Circular is as at January 19, 2007. No person is authorized to give any information or to make any representations other than those contained in this Management Information Circular and, if given or made, such information must not be relied upon as having been authorized.

Appointment and Use of Proxies

The persons named in the enclosed form of proxy, who are officers or directors of the Company, will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction, such shares shall be voted FOR the election of directors, the appointment of auditors, the amendments to By-law A and the amendments to the Company’s Amended and Restated 1994 Stock Option Plan, as stated under those headings in this Management Information Circular. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the notice of Meeting and with respect to other matters, which may properly come before the Meeting or any adjournment thereof. If matters which are not now known should properly come before the Meeting, the shares represented by the proxy will be voted for or against or withheld from voting on such matters in accordance with the best judgment of the person voting such shares. **A shareholder desiring to appoint some other person to attend, act and vote on his behalf at the Meeting may do so either by inserting the name of such person (who need not be a shareholder) in the blank space provided in the form of proxy and striking out the names of management’s nominees or by completing another form of proxy** and, in either case, delivering the completed form of proxy, not later than 10:00 a.m. (Toronto time) on the day which is two business days preceding the date of the Meeting or any adjournments thereof, to either the registered office of the Company which is 2 Jane Street, Toronto, Ontario, M6S 4W8 or to its transfer agent, Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.

Revocability of Proxy

A shareholder may revoke a proxy by: (a) depositing an instrument in writing executed by the shareholder or by an attorney authorized in writing or by electronic signature; (b) by transmitting by telephonic or electronic means, a revocation that is signed by electronic signature (i) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or (ii) with the chair of the Meeting on the day of the Meeting, or any adjournment thereof; or (c) in any other manner permitted by law.

Voting Shares

The holders of the Class A Voting Shares of the Company are entitled to vote upon all matters voted upon at the Meeting. Each Class A Voting Share is entitled to one vote per share. The Company is authorized to issue an unlimited number of Class A Voting Shares of which there are presently 2,525,497 Class A Voting Shares issued and outstanding as at January 19, 2007.

Non-Voting Shares

The articles of the Company provide that the holders of Class B Non-Voting Shares are entitled to receive notice of and to attend any meeting of shareholders of the Company, except a meeting of the holders of another class of shares. While holders of Class B Non-Voting Shares are invited to attend the Meeting, such shares are not entitled to be voted at the Meeting. Subject to the circumstances described below, in the event of an offer by the Company or a third party (an "Offer") being made to purchase, directly or indirectly, Class A Voting Shares from each holder of such shares whose last address on the records of the Company is in Ontario, then each outstanding Class B Non-Voting Share shall be convertible into one Class A Voting Share at the option of the holder.

The conversion right shall not come into effect if: (i) one or more shareholders who did not make the Offer and who, in the aggregate, beneficially own(s), directly or indirectly, or exercise(s) control or direction over, not less than 50% of the outstanding Class A Voting Shares, determine(s) not to accept the Offer or accept the Offer only to the extent that he or they continue(s) to so own or exercise control or direction over 50% or more Class A Voting Shares; (ii) contemporaneously an offer is made to the holders of the Class B Non-Voting Shares upon the same terms and conditions as those contained in the Offer; (iii) the board of directors determines that the Offer is not *bona fide* or is made primarily to cause the conversion right to come into effect and not for the purpose of acquiring Class A Voting Shares; or (iv) the Offer is not completed in accordance with its terms.

Record Date

Each holder of record of Class A Voting Shares at the close of business on January 25, 2007 (the "Record Date"), is entitled to cast one vote for each such share then held of record unless, pursuant to subsection 100(2) of the *Business Corporations Act* (Ontario), a transferee of such shares transferred after the Record Date establishes that the transferee owns shares recorded in the name of a shareholder otherwise entitled to vote and demands not later than ten days before the Meeting that the transferee's name be included in the list of shareholders of the Company (with respect only to the shares transferred), in which case the transferee is entitled to vote those shares at the Meeting.

Principal Holders of Class A Voting Shares

To the knowledge of the directors and officers of the Company, the only persons or companies beneficially owning, directly or indirectly, or exercising control or direction over voting securities carrying 10% or more of the voting rights attaching to any class of voting securities of the Company are Scanfield Holdings Limited which owns 1,341,899 Class A Voting Shares, or 53.1% of the outstanding voting shares, and J.C. Clark Limited which owns or controls 446,319 Class A Voting Shares, or 17.7% of the outstanding voting shares. Mr. Daniel J. Scanlan, the Chairman of the board of directors of the Company, controls Scanfield Holdings Limited.

Interests of Certain Persons or Companies in Matters to be Acted Upon

Under the Company's By-law A relating generally to the transaction of the business and affairs of the Company, the directors and officers are provided with certain protections and rights of indemnification. At the Meeting, shareholders will be asked to consider and, if thought appropriate, pass a resolution ratifying and confirming amendments to the Company's By-law A, including amendments which update existing protections and rights of indemnification. See "Business of the Meeting - Approval of Amendments to By-Law".

Under the Company's Amended and Restated 1994 Stock Option Plan, the directors and officers of the Company are eligible to be granted, and have been granted in the past, options. At the Meeting, shareholders will be asked to consider and, if thought appropriate, pass a resolution authorizing amendments to the Company's Amended and Restated 1994 Stock Option Plan. See "Business of the Meeting - Approval of Amendments to Option Plan".

BUSINESS OF THE MEETING

Election of Directors

The articles of the Company provide for a minimum of three (3) and maximum of fifteen (15) directors to be elected annually. The board of directors presently consists of nine (9) directors. **Proxies received in favour of management's nominees will, unless required to be withheld from voting, be voted to elect as directors of the Company the following proposed nominees (or substitute nominees in the event of contingencies not known at present).** The following proposed nominees will, subject to the by-laws of the Company and to applicable laws, serve until the next annual meeting of shareholders or until their successors are elected or appointed.

Board of Directors

<u>Name</u>	<u>Principal Occupation</u>	<u>Year Became Director</u>	<u>Class A Voting Shares Beneficially Owned, Controlled or Directed</u>	<u>Class B Non- Voting Shares Beneficially Owned, Controlled or Directed</u>
Daniel J. Scanlan (6)(7)..... Ontario, Canada	Chairman of the Company	1973	1,341,899	1,061,789
Richard D. Innes (2)..... Ontario, Canada	President and Chief Executive Officer of the Company	1997	Nil	Nil
Joseph M. Scanlan (5)..... Ontario, Canada	Vice-Chairman and Senior Vice-President, Sales of the Company	1989	5,000	261
Philip L. Wilson (1)(3)..... Ontario, Canada	Corporate Director	1973	1,000	Nil
Roger A. Hall (2)(3)(5)..... British Columbia, Canada	Corporate Director and Management Consultant	2001	Nil	Nil
Robert E. Rose (1)(3)..... Ontario, Canada	Partner, Clarke Henning LLP (Accounting Firm)	2002	Nil	Nil
Brian L. Zenkovich (1)(2)(4)..... Ontario, Canada	Chief Executive Officer and Secretary of Winzen Properties Inc. (Real Estate Development Company)	2002	Nil	Nil
Kenneth T. Rosenberg (4)(5)..... Ontario, Canada	Partner, Paliare Roland Rosenberg Rothstein LLP (Law Firm)	2003	300	Nil
Michael J. Scanlan (4)..... Ontario, Canada	Vice-President, Marketing of the Company	2006	Nil	Nil

Notes:

- (1) Member of the Audit Committee - Philip Wilson is the Chairman.
- (2) Member of the Human Resources and Compensation Committee - Roger Hall is the Chairman.
- (3) Member of the Investment Committee - Philip Wilson is the Chairman.
- (4) Member of the Environmental Committee - Brian Zenkovich is the Chairman.
- (5) Member of the Nominating and Corporate Governance Committee - Kenneth Rosenberg is the Chairman.
- (6) Mr. Scanlan beneficially owns, directly or indirectly, or controls or directs securities carrying 10 per cent or more of the voting rights attached to all voting securities of the Company and any of its subsidiaries.
- (7) In addition, Mr. Scanlan's wife, Mrs. Shirley Scanlan, is the registered holder of 10,425 Class A Voting Shares and 10,425 Class B Non-Voting Shares of the Company.

Information as to the shareholdings of each nominee has been provided by the nominee.

The Company has no Executive Committee of its board of directors. The Company is required to have an Audit Committee. The Audit Committee members are Philip L. Wilson (Chairman), Robert E. Rose, and Brian L. Zenkovich.

Appointment of Auditors

Deloitte & Touche LLP, Chartered Accountants, have been the auditors of the Company since June 15, 1988. The Company proposes to nominate Deloitte & Touche LLP as auditors of the Company until the next annual meeting of shareholders at remuneration to be fixed by the directors. **Proxies received in favour of management's nominee will, unless required to be withheld from voting, be voted to appoint as auditors of the Company Deloitte & Touche LLP.**

Approval of Amendments to By-law A

On December 19, 2006, the board of directors approved amendments to By-law A relating generally to the transaction of the business and affairs of the Company (the "By-law"). Shareholders will be asked to consider and, if thought appropriate, approve the resolution attached as Schedule A to this Management Information Circular ratifying and confirming the amendments to the By-law as approved by the board of directors.

Attached as Exhibit 1 to the resolution is a copy of the amended By-law, which has been blacklined to reflect all of the changes. The By-law, which was originally adopted in 1985, is being updated to provide for general corporate governance matters and to conform to the current *Business Corporations Act* (Ontario), including the indemnification provisions therein.

The board of directors has unanimously approved the amendments to the By-law and recommends to shareholders of the Company that they vote FOR the amendments to the By-law. In order to be effective, the resolution to ratify and confirm the amendments to the By-law must be approved by a majority of votes cast in respect thereof. If no choice is specified in the proxy, the persons named in the enclosed form of proxy intend to vote at the Meeting FOR this resolution.

Approval of Amendments to Option Plan

Effective January 1, 2005, the Toronto Stock Exchange (the "TSX") adopted a number of amendments to the TSX Company Manual (the "TSX Amendments"), including the provisions relating to security based compensation arrangements. Under the TSX Amendments, in order for an issuer to amend an option plan, such plan must specify whether shareholder approval is required for that type of amendment and such amendment procedure must be approved by shareholders. In the absence of an amendment procedure that addresses the type of amendment being requested, shareholder approval will be required by the TSX. On June 6, 2006, the TSX published a staff notice (the "TSX Staff Notice") respecting security based compensation arrangements relating further to amendment procedures and to the extension of option expiry dates which fall within or soon after a black out period. The TSX requires that the shareholders of an issuer approve amendments to an option plan and, accordingly, shareholders of the Company will be asked to consider and, if thought appropriate, approve the resolution attached as Schedule B to this Management Information Circular authorizing amendments to the Company's Amended and Restated 1994 Stock Option Plan (the "Option Plan") designed to reflect these new regulatory developments. In addition, other minor amendments to update the Option Plan are being proposed.

Attached as Exhibit 1 to the resolution is a copy of the amended Option Plan, which has been blacklined to reflect all of the proposed changes.

Amendment Procedures

The Company proposes to change the Option Plan to specify those amendments to the Option Plan and options granted thereunder that can be made by the board of directors without the approval of the Company's shareholders (other than the approval at the Meeting to incorporate these amendment

procedures into the Option Plan). Pursuant to section 16 of the amended Option Plan, the amendments that could be made to the Option Plan or an option without shareholder approval include, but are not limited to, amendments that would:

- be of a “housekeeping nature”, including any amendment to the Option Plan or an option that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange and any amendment to the Option Plan or an option to correct or rectify any ambiguity, defective provision, error or omission therein, including any amendment to any definitions therein;
- change the exercise price of an option, unless the change is a reduction in the exercise price of an option held by an insider of the Company;
- alter, extend or accelerate any vesting terms or conditions in the Option Plan or any option;
- amend or modify any mechanics for exercising any option;
- change the expiration date (including acceleration thereof) or change any termination provision in any option, provided that such change does not entail an extension beyond the original expiration date of such option (subject to such date being extended by virtue of the black out extension provisions noted below);
- introduce a cashless exercise feature, payable in securities, whether or not such feature provides for a full deduction of the number of underlying securities from the Option Plan maximum;
- change the application of the provisions relating to adjustments or mergers;
- add a form of financial assistance or amend a financial assistance provision which is adopted;
- change the “eligible persons” under the Option Plan; or
- add a deferred or restricted share unit provision or any other provision which results in eligible persons and/or optionees receiving securities while no cash consideration is received by the Company.

Pursuant to the amended Option Plan, the only amendments to be made to the Option Plan or an option that would be subject to shareholder approval, in accordance with the rules of the TSX, are amendments that would:

- reduce the exercise price of an option held by an insider of the Company;
- extend the term of an option held by an insider beyond the original expiration date (subject to such date being extended by virtue of the black out extension provisions noted below); or
- increase the fixed maximum number of shares which may be issued pursuant to the Plan.

Black Out Extensions

Pursuant to the Company’s Insider Trading Policy, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in the Company’s securities. These periods are referred to as “black out periods”. Under applicable securities laws, optionees are precluded from trading in the underlying securities of an option until all applicable black out periods end. As a result, currently, if an option expiration date falls within a black out period, an optionee must exercise the option to avoid its expiry, but cannot then trade the underlying security. This may give rise to adverse

consequences for the optionee. A possible solution would be to extend the expiry date, however, the TSX Amendments require disinterested shareholder approval for any extension of the term of an option benefiting an insider. The TSX Staff Notice indicates that the requirement for shareholder approval of an extension of the term of an option was not intended to penalize issuers and their insiders who have self imposed black out periods. Based on the TSX Staff Notice, a new provision has been introduced to the Option Plan which provides that should an option expiration date fall during a black out period or immediately following a black out period, the expiration date will be automatically extended for ten business days following the end of the black out period. The amended Option Plan introduces this provision in Section 7.

Other Changes

The amended Option Plan also reflects a few housekeeping changes, including the addition of a definition of “Market Price” for purposes of determining the “Option Price”, consistent with the current definition in the TSX Company Manual.

The board of directors considers the changes to the Option Plan to be appropriate and in the best interests of the Company as they enable the Option Plan to be reflective of the most current regulatory developments. The board of directors considers that the flexibility afforded by the proposed changes will enable the Option Plan to better achieve its purpose by enabling amendments to the Option Plan and options granted thereunder to be made on an expeditious basis. These amendments should also facilitate efficiency in addressing future regulatory and commercial requirements.

The board of directors unanimously recommends to shareholders of the Company that they vote FOR the amendments to the Option Plan. In order to be effective, the resolution to authorize the amendments to the Option Plan must be approved by a majority of votes cast in respect thereof. If no choice is specified in the proxy, the persons named in the enclosed form of proxy intend to vote at the Meeting FOR this resolution.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) believes that sound corporate governance practices are essential to the well being of the Company and its shareholders and that these practices should be reviewed regularly to ensure that they are appropriate. A description of the Company’s corporate governance practices follows.

This Statement of Corporate Governance Practices has been prepared by the Nominating and Corporate Governance Committee of the Board (the “NCGC”) and has been approved by the Board. The information set out below addresses the disclosure requirements set out in the Canadian Securities Administrators’ Form 58-101F1 and other related information.

Composition of the Board

As at October 31, 2006, the Board was composed of nine members, four of whom are considered independent. Therefore, a majority of directors are non-independent. The Board’s determination as to each director’s independence is made with reference to the definition of independence in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Details relating to individual director independence as at October 31, 2006 are as follows:

Richard D. Innes – non-independent – President & CEO of the Company.

Daniel J. Scanlan – non-independent – Chairman of the Company; interacts with management and controls Scanfield Holdings Limited.

Joseph M. Scanlan – non-independent – Vice-Chairman & Senior Vice-President of Sales for the Company.

Michael J. Scanlan – non-independent – Vice President, Marketing of the Company.

Kenneth T. Rosenberg – non-independent – Partner in the law firm of Paliare Roland Rosenberg Rothstein LLP, which provides legal services to the Company. Mr. Rosenberg also provides legal services to Scanfield Holdings Limited, which is controlled by Daniel J. Scanlan, the Chairman of the Company.

Roger A. Hall, Robert E. Rose, Philip L. Wilson and Brian L. Zenkovich – independent – None of the foregoing directors have a direct or indirect material relationship with either the Company or Scanfield Holdings Limited.

Except as set out below, none of the directors of the Company is presently a director of any other public company in Canada or in any other jurisdiction:

<u>Name</u>	<u>Company</u>
Daniel J. Scanlan	Winzen Properties Inc.
Michael J. Scanlan	Winzen Properties Inc.
Brian L. Zenkovich	Winzen Properties Inc.
Kenneth T. Rosenberg	HealthScreen Solutions Incorporated

As the Chair of the Board is not an independent director, the Board has appointed an independent director, Mr. Roger A. Hall, to serve as Lead Director. The role of the Lead Director is to ensure that the Board functions independently of the management of the Company. The Lead Director’s responsibilities include:

- ensuring that independent directors have adequate opportunities to meet to discuss issues without management present;
- chairing separate meetings of the independent directors;
- being available to directors who have concerns that cannot be addressed through the Chairman at meetings of the Board; and
- performing such other functions as may be reasonably requested by the Board or the Chairman at the meetings of the Board.

On December 20, 2005, the independent directors began holding regularly scheduled meetings, chaired by the Lead Director, at which non-independent directors and members of management are not in attendance in order to facilitate the exercise of independent judgment in carrying out the Board's responsibilities. To date, the independent directors have held six such meetings.

During the Company's most recently completed fiscal year, the Board held five meetings. All directors, except Mr. Paul F. Scanlan, attended all of such Board meetings. Mr. Paul F. Scanlan, who did not stand for re-election at the March 2, 2006 annual meeting, was absent for one meeting.

Board Mandate

The Board has adopted a written mandate, a copy of which is attached as Schedule C hereto. The Board's mandate includes the following responsibilities:

- Ensure that the Company behaves in an ethical manner and complies with all applicable laws, regulations, auditing and accounting principles.
- Enhance shareholder value in a manner that is consistent with good corporate citizenship, including fair treatment of the Company's employees, customers and suppliers.
- Approve the overall strategic direction of the Company, and the annual operating plan.
- Appoint the CEO, monitor the performance of the CEO against corporate objectives, and monitor the performance of the managers reporting to the CEO.
- Ensure that the Company communicates effectively with its shareholders, other stakeholders and the public.
- Monitor the performance of the Board against the Canadian Securities Administrators' Corporate Governance Guidelines.
- Approve major capital expenditures and debt and equity financing.
- Oversee the proper management of business risks, and approve decisions involving significant risks to the Company.
- Ensure proper financial reporting and financial control systems are operating, and approve the quality and sufficiency of information provided to the directors.

- Review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities involved in being an effective director.
- Examine the size of the Board with a view to determining the impact upon effectiveness.
- Establish appropriate structures and/or procedures to ensure that the Board can function independently of management.
- Implement a system, which enables an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances.
- Implement a succession planning process for management and the Board.

Position Descriptions

The Board has developed written position descriptions for the Chair of the Board, the Lead Director, the Chair of each Board committee and the CEO.

Orientation and Continuing Education

An orientation and education program is in place for new recruits to the Board, which includes written materials regarding the role of the Board and the nature and operation of the Company's business. Field visits are also provided to both cemetery and funeral home locations.

Continuing education is provided through relevant reading materials, Board meeting presentations and discussion to ensure the directors maintain the knowledge and skill necessary to meet their obligations as directors.

Ethical Business Conduct

To encourage and promote a culture of ethical business conduct, the Board has adopted a written Code of Business Ethics and Conduct (the "Code"). The Code is applicable to directors, officers and employees of the Company.

The Board monitors compliance with the Code by requiring management to advise it of any reports received regarding violations of the Code. Under the Code, directors, officers and employees are required to promptly report any problems or concerns and any actual or potential violation of the Code, including criminal conduct, fraud, failures to comply with legal or regulatory obligations or internal policies, and health and safety violations to their supervisor and ultimately, the Chief Executive Officer. Violations will be investigated by the Board or by persons designated by the Board, and appropriate action will be taken in the event of any violations of the Code. A waiver of the Code may be granted only in exceptional circumstances. Any waivers from the Code that are granted for the benefit of the Company's directors or executive officers shall be granted by the Board only. Any waiver for employees will be granted only upon approval by the Chief Executive Officer of the Company. To date, no waivers of the Code have been granted.

To ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest, the Code requires directors, officers and employees to take all reasonable steps to avoid situations involving a conflict or the potential for a conflict between their personal interests and the interests of the Company. The Code further provides that directors and officers of the Company have a statutory obligation to disclose all actual or

potential conflicts of interest and directors must refrain from voting on matters in which the director has a conflict of interest. When directors, officers and employees become aware of a conflict, they must notify senior management immediately, and handle in an ethical manner any direct or indirect conflict of interest.

A copy of the Code is available on SEDAR at www.sedar.com.

Audit Committee

The Board has an Audit Committee. The Audit Committee is composed of 3 directors, Messrs. Wilson, Rose and Zenkovich, all of whom are considered independent and financially literate.

The Audit Committee has a written charter, which is included in the Company's Annual Information Form. A copy of the Company's Annual Information Form, including the Audit Committee Charter, is available on SEDAR at www.sedar.com. Multilateral Instrument 52-110 – *Audit Committees* ("MI 52-110") establishes numerous responsibilities for audit committees (which are incorporated into the Audit Committee's charter), including:

- *Directly oversee the work of the external auditor including the pre-approval and oversight of all non-audit services performed by the external auditor* – The Company's external auditor reports directly to the Audit Committee. The Audit Committee approves the audit engagement, and pre-approves all non-audit services provided by the external auditor.
- *Review the issuer's financial statements, MD&A and annual and interim earnings news releases before they are publicly disclosed* – The Audit Committee reviews all of the Company's financial statements, MD&A and annual and interim earnings new releases before they are publicly disclosed.
- *Establish procedures for the receipt, retention and treatment of complaints or concerns regarding accounting, internal accounting controls and auditing matters* – The Company has a Whistleblower Policy under which accounting irregularities are reported directly to the Chair of the Audit Committee.
- *Recommend to the board of directors the external auditor to be nominated to perform audit or non-audit services and the compensation to be paid for such services* – The Audit Committee recommends to the Board the external auditor to be nominated to perform audit or non-audit services, and the compensation of the external auditor.
- *Review and approve the issuer's hiring practices with respect to the former partners and employees of the present and former external auditors* – The Audit Committee must approve any hiring of employees or former employees of the independent auditors.
- *Ensure compliance with the requirements of MI 52-110* – The Audit Committee ensures compliance with MI 52-110 by reviewing the requirements on an annual basis.

Nominating and Corporate Governance Committee

The Board has a Nominating and Corporate Governance Committee (the "NCGC"). The NCGC is composed of 3 directors, Messrs. Hall, Rosenberg and Joseph Scanlan. Messrs. Rosenberg and Joseph Scanlan are not considered independent and therefore, the NCGC is not composed entirely of independent directors. In order to encourage an objective nomination process, all Board members are requested to

identify Board candidates as discussed further below. In addition, candidate selection may be discussed at the meetings of the independent directors.

The NCGC has a written charter. In addition to responsibility for nominations of directors, the NCGC is responsible for developing the Company's approach to the corporate governance issues. Principal duties of the NCGC are to:

- Recommend to the full Board, the mandate of the Board, criteria and procedures for selecting directors and procedures for orienting new directors.
- Conduct a bi-annual process of evaluating the performance of the Board and the Board committees.
- Recommend to the full Board suitable nominees for directorship.
- Recommend to the Board the number of committees, size, structure and charter for each.
- Annually, propose to the Board, the chair and members of each committee.
- Periodically, and at least annually, review the committee structure, the committee charters and obtain Board approval when changes are appropriate.

Potential Board candidates are identified by current Board members and external advisors. The potential candidates are reviewed by the NCGC and if appropriate, recommended to the Board for approval. In developing its recommendations to the Board, the NCGC assesses what competencies and skills the Board as a whole should possess, what competencies and skills each current director possesses, the size of the Board and what competencies and skills new nominees will provide to the Board.

Human Resources and Compensation Committee

The Board has a Human Resources and Compensation Committee (the "HRCC"). The HRCC is composed of 3 directors, Messrs. Hall, Zenkovich and Innes. Mr. Innes is not considered independent and therefore, the HRCC is not composed entirely of independent directors. In order to ensure an objective process for determining compensation, the Board has final approval of the compensation for the Chairman and the President & CEO. In addition, compensation issues may be discussed at meetings of the independent directors.

The HRCC has a written charter. The primary responsibilities of the HRCC are to: establish, with Board approval, the Company's executive compensation policies; recommend to the Board a mandate for the President and CEO; oversee succession planning for senior management; oversee the administration of the stock option plan; and monitor the effectiveness of the compensation policies for all employees. Principal duties of the HRCC are to:

- Annually, review the adequacy and form of the compensation of the Chair of the Board and outside directors.
- Annually, review and recommend to the Board the Company's executive compensation policies.
- Review with the President and CEO, on at least an annual basis, the overall compensation philosophy for all employees, the effectiveness of the policies and the process used to ensure equity exists for both employees and the Company.
- Recommend to the Board a mandate and annual compensation for the CEO.

- Annually, after evaluating the performance of the CEO, recommend to the Board the total compensation to be paid for the preceding fiscal period.
- Annually, after discussions with the CEO, review performance of senior officers against plan, and corporate objectives, and approve compensation and benefits for each of the senior officers reporting to the CEO.
- Oversee the administration of the stock option plan, and recommend to the Board the granting of options when such approval is required.
- Annually, review succession planning for senior management.
- Monitor the administration and condition of the corporate pension plan and report annually to the Board in this respect.
- Review all executive compensation disclosure before public disclosure.

The HRCC has the authority to engage and compensate an outside advisor as necessary to carry out its duties. During fiscal 2006, the Company retained William M. Mercer (“Mercer”), a compensation consultant, to assist with respect to compensation matters for one of the Company’s officers. The mandate of Mercer was to examine the compensation of the officer in the context of increased responsibilities. Mercer was also retained to consult on the Company’s benefit plans, such as long-term disability, health and dental and life insurance.

Other Board Committees

In addition to the Audit Committee, the NCGC and the HRCC, descriptions of which have been noted above, the Company has an Investment Committee and an Environmental Committee.

The Investment Committee is composed of 3 directors, Messrs. Wilson, Hall and Rose, all of whom are considered independent. The Investment Committee has a written charter. The Investment Committee is responsible for overseeing the management of the Company’s trust funds and advising as to their suitability and conformity with applicable laws. This Committee also reviews the Company’s investment strategies in effect from time to time and advises as to any modifications of such strategies.

The Environmental Committee is composed of 3 directors and as at October 31, 2005 the members were Messrs. Michael Scanlan, Rosenberg and Zenkovich. Messrs. Michael Scanlan and Rosenberg are not considered independent. The Environmental Committee has a written charter. The Environmental Committee is responsible for reviewing compliance by the Company with all relevant environmental laws and regulations to which the Company and its business are subject.

Assessments

The Board and its committees are regularly assessed utilizing a written questionnaire, which is completed by all directors. The completed questionnaires are forwarded by the directors to Deloitte & Touche, the Company’s auditors. Deloitte & Touche tabulates and analyzes the results and presents the results to the Board. The Board initiates action as required to address any areas of weakness. The questionnaire does not include individual director assessments. However, the Chairman, Vice-Chairman and the Lead Director review individual director performance on an annual basis.

Decision Making

All decisions which could have a material or significant effect on the Company's activities, performance and results, whether legally requiring Board approval or not, are made by the Board. Matters which may be said to be of an operational nature are routinely developed and undertaken by Management, subject to submission to the Board for approval in due course, if they will impact materially on corporate performance.

Meetings of the Board

During fiscal 2006, the Board met in person five times. Management regularly provides the Board with full briefing papers on the status of the Company, its operations and financial results. In respect of months during which no Board meeting is scheduled, Board members are provided with internally prepared financial statements.

STATEMENT OF COMPENSATION

Executive Compensation

The following table sets forth all compensation earned during the last three fiscal years in respect of the Chief Executive Officer, the Chief Financial Officer, and the other three most highly compensated executive officers of the Company (the “Named Executive Officers” or “NEOs”). Annually, certain Named Executive Officers are provided with a leased automobile or automobile allowance and a club membership for business development purposes. Unless otherwise disclosed, the aggregate value of these items for the three most recently completed financial years is less than \$50,000 and 10% of the total of such Named Executive Officers’ annual salary and bonus. Under the heading “All Other Compensation”, the amounts include annual contributions to pension plans and premiums paid with respect to group life insurance, medical and dental benefit plans, which are available to all employees.

Summary Compensation Table

NEO Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation Awards	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options/SARs Granted (#)	
Richard D. Innes President and Chief Executive Officer	2006	348,283	197,192	-	Nil	28,720
	2005	336,811	217,197	-	Nil	26,894
	2004	327,001	205,322	-	Nil	26,521
Brian D. Snowdon Vice-President and Chief Financial Officer	2006	182,883	74,231	-	Nil	12,375
	2005	172,705	74,381	-	Nil	13,371
	2004	165,762	70,894	-	Nil	11,095
Daniel J. Scanlan Chairman	2006	313,092	197,192	-	Nil	1,564
	2005	302,778	217,197	-	Nil	1,954
	2004	293,939	205,322	-	Nil	119,064 ⁽¹⁾
Joseph M. Scanlan Vice-Chairman & Senior Vice-President, Sales	2006	284,479	142,312	-	Nil	15,710
	2005	275,109	135,562	-	Nil	17,983
	2004	267,105	123,153	-	Nil	14,934
John S. Earle Senior Vice-President, Funeral Service	2006	281,092	115,697	-	Nil	85,836 ⁽²⁾
	2005	264,661	126,688	-	Nil	15,741
	2004	256,938	124,290	-	Nil	13,653

Notes:

- (1) In 2004, the Chairman received a lump-sum retroactive pension adjustment of \$117,467.
- (2) In 2006, Mr. Earle received a lump-sum pension contribution of \$78,000. Mr. Earle’s employment terminated on October 31, 2006.

Long-Term Incentive Plans

There were no long-term incentive plan awards made to the Named Executive Officers during the fiscal year ended October 31, 2006.

Stock Options / SARs

The Company has adopted a stock option plan (the "Option Plan"). Under the Option Plan, options to purchase Class B Non-Voting Shares ("Options") may be granted at the discretion of the Board to directors, officers, full-time and part-time employees of the Company or its subsidiaries and other persons who either perform services for the Company and/or its subsidiaries in certain circumstances (an "Optionee").

The aggregate number of Class B Non-Voting Shares for which Options may be granted shall not exceed 878,789 Class B Non-Voting Shares (less any Class B Non-Voting Shares otherwise reserved for issuance in connection with stock appreciation rights, any other option plans or under options for services), which represents 8.3% of the Company's total issued and outstanding securities (i.e. all Class A Voting Shares and Class B Non-Voting Shares). The number of Class B Non-Voting Shares issued and which may be issued under grants made under the Option Plan is 510,700, which represents 4.8% of the Company's total issued and outstanding securities. The remaining number of Class B Non-Voting Shares issuable under the Option Plan is 368,089, which represents 3.5% of the Company's total issued and outstanding securities.

Under the terms of the Option Plan, the aggregate number of Class B Non-Voting Shares reserved for issuance to any one person shall not exceed 5% of the aggregate of the issued Class A Voting Shares and the issued Class B Non-Voting Shares outstanding from time to time (on a non-diluted basis). Class B Non-Voting Shares subject to and not delivered under an Option, which expires or terminates shall again be available for option under the Option Plan.

In accordance with the terms of the Option Plan, the exercise price per Class B Non-Voting Share cannot be less than the closing price of the Class B Non-Voting Shares on the Toronto Stock Exchange on the last trading day immediately preceding the granting of the Option, provided that if the Class B Non-Voting Shares did not trade on that date, the exercise price shall not be lower than the closing price per Class B Non-Voting Share on the last day such Class B Non-Voting Shares traded prior to the date on which such Option is granted. If the amendments to the Option Plan discussed under "Business of the Meeting – Approval of Amendments to Option Plan" are approved, these provisions of the Option Plan will change so that the exercise price per Class B Non-Voting Share cannot be lower than the "market price" (as that term is defined by the Toronto Stock Exchange) of the Class B Non-Voting Shares at the time of the grant.

The period during which an Option is exercisable may not, subject to the provisions of the Option Plan, extend beyond ten years. If the amendments to the Option Plan discussed under "Business of the Meeting – Approval of Amendments to Option Plan" are approved, the term of an Option may automatically extend beyond ten years in circumstances where the expiration date falls within a black-out period or immediately thereafter. Options may be exercised as determined by the Board at the time of the grant of the Option. In the event that, at the option of the holder, the Class B Non-Voting Shares are convertible into Class A Voting Shares as is provided for in the Company's articles, then all Options outstanding shall become immediately exercisable.

At the sole discretion of the Board, stock appreciation rights ("SARs") may be included in any Option, either at the time of grant or by amendment or supplemental grant. SARs entitle an Optionee to surrender to the Company all or any part of such Option which such Optionee could then exercise and receive from the Company Class B Non-Voting Shares or cash or a combination thereof as the Optionee may elect

equal in value to the excess of the “fair market value” of one Class B Non-Voting Share over the exercise price multiplied by the number of Class B Non-Voting Shares with respect to which the Option is surrendered. The “fair market value” of the Class B Non-Voting Shares at the time of surrender is the weighted average price per share at which the Class B Non-Voting Shares have traded on the Toronto Stock Exchange during the most recent five days on which the Class B Non-Voting Shares are traded before the Option is surrendered. The weighted average price is determined by dividing the aggregate sale price of all such Class B Non-Voting Shares sold on the Toronto Stock Exchange during the five trading days by the total number of such shares so sold. The Board has sole discretion to consent to or to disapprove the election of the Optionee to receive cash in full or partial settlement of the SARs.

An Option (including SARs) may not be transferred. An Option (including SARs) may only be exercised by the Optionee, provided that where the Optionee is an individual, then during the lifetime of such Optionee, the Option (including SARs) may be exercised only by him or her, his or her legal personal representative or a nominee which is a corporation wholly-owned by the Optionee.

Subject to the term of the Option and to the extent the Optionee is entitled to exercise the Option: (i) any Option held by an Optionee upon termination of employment for any reason (other than death, retirement or circumstances equating retirement as determined by the Board) is exercisable within thirty days of such termination; (ii) any Option held by an Optionee at death is exercisable by his or her executors, administrators or legal personal representatives within one year after the date of death; and (iii) any Option held by an Optionee upon retirement or termination of his or her employment or office with the consent of the Board under circumstances equating retirement is exercisable within three years after the date of such retirement.

Subject to the prior written approval of the Toronto Stock Exchange, the Board may, with the consent of the Optionee, cancel an existing Option and re-grant the Option at an exercise price determined in accordance with the Option Plan.

The Board may alter, suspend or discontinue the Option Plan, without the approval of the shareholders of the Company. If the amendments to the Option Plan discussed under “Business of the Meeting – Approval of Amendments to Option Plan” are approved, the amendment procedures in the Option Plan relating to changes to the Option Plan or any Option will be expanded to outline circumstances in which shareholder approval will not be required. Notwithstanding the foregoing, the terms of an existing Option may not be altered, suspended or discontinued without the consent in writing of the Optionee.

There were no Options or SARs granted to the Named Executive Officers during the fiscal year ended October 31, 2006.

The following table sets forth information on all exercises of Options by the Named Executive Officers during the most recently completed fiscal year end and the year end value of unexercised Options held by Named Executive Officers on an aggregated basis. No SARs are currently held by any Named Executive Officer.

**Aggregated Option Exercises During the Most Recently Completed
Financial Year and Financial Year-End Option Values**

NEO Name	Securities, Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at October 31, 2006 Exercisable/ Unexercisable (#)	Value of Unexercised in-the-money Options at October 31, 2006 Exercisable/ Unexercisable ⁽¹⁾ (\$)
Richard D. Innes	Nil	Nil	67,000 / 0	\$22,000 / Nil
Brian D. Snowdon	Nil	Nil	5,000 / 0	\$5,000 / Nil
Daniel J. Scanlan	Nil	Nil	22,000 / 0	\$22,000 / Nil
Joseph M. Scanlan	Nil	Nil	12,000 / 0	\$12,000 / Nil
John S. Earle	Nil	Nil	12,000 / 0	\$12,000 / Nil

Note:

- (1) Value of unexercised in-the-money Options calculated using the closing price of the Class B Non-Voting Shares less the exercise price of the in-the-money Options. The closing price of the Class B Non-Voting Shares on October 31, 2006 was \$24.50. An Option is in-the-money if the market value of the underlying security exceeds the exercise price.

Employment Contracts

The Company entered into an employment agreement with the President and Chief Executive Officer of the Company, Richard D. Innes, effective February 10, 1997. The agreement provided that his annual base salary would be \$270,000 (subject to applicable deductions and annual increases as approved by the Board). Pursuant to the agreement, Mr. Innes would be eligible for an annual bonus based on net earnings and on individual performance as evaluated by the Board. In addition, the agreement provided that Mr. Innes would receive certain pension, health, dental and other insurance benefits available to the Company's senior executives, in addition to an automobile allowance and financial counseling. Mr. Innes participates in a non-contributory defined benefit plan; however, the Company does not have, nor will have, an unfunded liability as its contributions are capped at a percentage of Mr. Innes' salary. With respect to Options, the agreement provided for Mr. Innes to acquire 45,000 Class B Non-Voting Shares. These Options vested in three equal portions in each of the third, fourth and fifth year from the date employment commenced and were completely vested as of February 10, 2002. In addition, Mr. Innes was granted 22,000 Options on December 17, 1997, of which 20% vested immediately, and the remainder vested 20% per annum on the anniversary date. These Options were completely vested as of December 17, 2001. The agreement terminated in May of 2004, however, Mr. Innes continues to be employed under similar terms and conditions. The agreement also contained other provisions relating to the termination of employment of Mr. Innes without cause and in the event of a change of control of the Company, which are no longer applicable. Mr. Innes expects to retire from the Company effective October 31, 2007.

Composition of the Human Resources and Compensation Committee

As at October 31, 2006, Mr. Roger A. Hall, Mr. Richard D. Innes and Mr. Brian L. Zenkovich were the members of the Human Resources and Compensation Committee ("Committee"). Messrs. Hall and Zenkovich are not now and have not been officers or employees of the Company or any of its subsidiaries. Mr. Innes is currently the President and Chief Executive Officer of the Company.

Report on Executive Compensation

It is the responsibility of the Committee to approve the compensation of the Company's senior officers reporting to the Chief Executive Officer and to make recommendations to the Board regarding the compensation of the Chief Executive Officer and the Chairman. The guiding philosophy of the Committee in making its determinations is "pay-for-performance" balanced against the need to provide a total compensation package, which will enable the Company to attract and retain qualified and experienced executives. The sources of potential compensation of the Company's senior officers consists primarily of three elements: salary, annual cash incentives (bonuses) and stock options. Each element of compensation fulfills a different role in the attraction, retention and motivation of the Company's senior officers.

Base Salary

The Committee reviews base salaries for senior executives, including the Named Executive Officers, on an annual basis. Base salaries are established with reference to the senior officer's role, responsibilities, and capabilities, as well as the market pay levels for the position. The Company targets the 50th percentile for its senior officers.

Annual Cash Incentive

Cash incentives are awarded to senior officers, including the Chief Executive Officer, through a combination of financial performance of the total company and business segment (where applicable) and personal objectives. Financial performance is measured against the operating plan as approved by the Board and refers to net earnings for the Company and earnings from operations for the business segments. The cash incentives are determined as a percent of base salary. Payouts for 100% of plan performance vary by position with a range of 20.0% to 45.0%. Payouts begin at 90% of plan (10% to 22.5% of base salary), and are capped at 110% of plan (30% to 67.5% of base salary). The portion of senior officers' cash incentives that is dependent on financial objectives ranges from 50% to 75% with personal objectives accounting for the remainder. No cash incentives for personal objectives are awarded if less than 90% of the objectives are successfully met, and maximum cash incentives are awarded at 110% of objectives.

Long-Term Incentive

In 1994 the Company introduced a stock option plan for directors, officers, full-time and part-time employees to receive options to purchase Class B Non-Voting Shares. The purpose of the plan was to increase the proprietary interest of the Company's employees in the Company, to encourage them to remain associated with the Company and to furnish them with additional incentive in their efforts on behalf of the Company in the conduct of their affairs. Options granted have a maximum term of 10 years and the Board determines the vesting requirements at the time of the grant. The aggregate number of Class B Non-Voting Shares for which options may be granted cannot exceed 878,789 Class B Non-Voting Shares and the aggregate number of shares reserved for issuance to any one person cannot exceed 5% of the aggregate of the issued Class A Voting Shares and the issued Class B Non-Voting Shares outstanding from time to time. No options were granted during the fiscal year ended October 31, 2006.

Employee Stock Ownership Plan ("ESOP")

The Company's senior officers are eligible to participate in the Company's ESOP. The plan allows members to acquire Class B Non-Voting Shares to the lesser of 10% of their base salary and \$5,000, and the Company will match any contribution at the rate of 10% to a maximum of \$500.

Chief Executive Officer Compensation

Cash incentives are awarded to the Chief Executive Officer on the same basis as senior officers (see “Annual Cash Incentive”). The annual incentive plan for the Chief Executive Officer is based 75% on the net earnings of the Company versus the annual operating plan as approved by the Board and 25% for personal objectives as approved by the Committee. The personal objectives may include both financial and non-financial components, such as strategic planning, technology and information infrastructure management, and successful execution of key action plans that will enhance the Company’s performance. The Chief Executive Officer’s compensation is competitive in the marketplace based on independent surveys done from time to time. In December of 2006, after consideration of the recommendation of the Chief Executive Officer, the Committee approved salary increases and incentive bonuses for all senior managers reporting to the Chief Executive Officer. The Committee also recommended to the Board granting bonuses to the Chairman and the Chief Executive Officer.

Presented by the Committee on December 19, 2006:

Roger A. Hall, Chairman
Richard D. Innes
Brian L. Zenkovich

Compensation of Directors

During fiscal 2006, the Company’s directors (other than Messrs. Daniel J. Scanlan, Richard D. Innes and Joseph M. Scanlan who are officers of the Company or its affiliates, and Michael J. Scanlan who is an employee of the Company) were entitled to directors’ remuneration as follows: \$18,000 per annum; \$1,250 for each Board meeting attended by the director; \$1,250 for each committee meeting attended by the committee member; \$2,000 for each committee meeting attended by the committee chair, \$750 for each meeting of the independent directors attended by the Lead Director and \$500 for each teleconference meeting attended by the director. This remuneration is in addition to out-of-pocket expenses actually incurred. The total amount paid by the Company to its directors by way of fees and out-of-pocket expenses during the most recently completed financial year was \$185,798.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information¹

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in (a))</u>
Equity Compensation Plans approved by securityholders – Option Plan	168,000	\$25.07	368,089
Equity Compensation Plans not approved by securityholders	Nil	N/A	Nil
Total	168,000	N/A	368,089

Note:

(1) As of October 31, 2006.

The material features of the Option Plan are described above under the heading “Compensation – Stock Options / SARs”.

Indebtedness of Directors and Executive Officers

The aggregate indebtedness to the Company of all current and former executive officers, directors and employees of the Company as at January 19, 2007 was \$200,257. None of such indebtedness was entered into in connection with a purchase of securities of the Company or any of its subsidiaries.

Aggregate Indebtedness

Purpose	To the Company or its Subsidiaries	To Another Entity
Share purchases	Nil	Nil
Other	\$200,257	Nil

The following table sets forth information regarding indebtedness of directors, executive officers, senior officers, proposed nominees for election as directors, and associates thereof, other than under Securities Purchase Programs.

Indebtedness of Directors and Officers Under Other Programs

Name and Principal Position	Involvement of the Company or Subsidiary	Largest Amount Outstanding During Year Ended October 31, 2006	Amount Outstanding January 19, 2007
John S. Earle ⁽¹⁾ Toronto, Ontario Senior Vice-President, Funeral Service	Lender	\$300,000	Nil
Gary R. Carmichael ⁽²⁾ Markham, Ontario Vice-President, Government and Corporate Affairs and Chief Privacy Officer	Lender	\$50,000	50,675
Michael J. Scanlan ⁽³⁾ Scarborough, Ontario Vice-President, Marketing	Lender	\$10,000	\$10,000

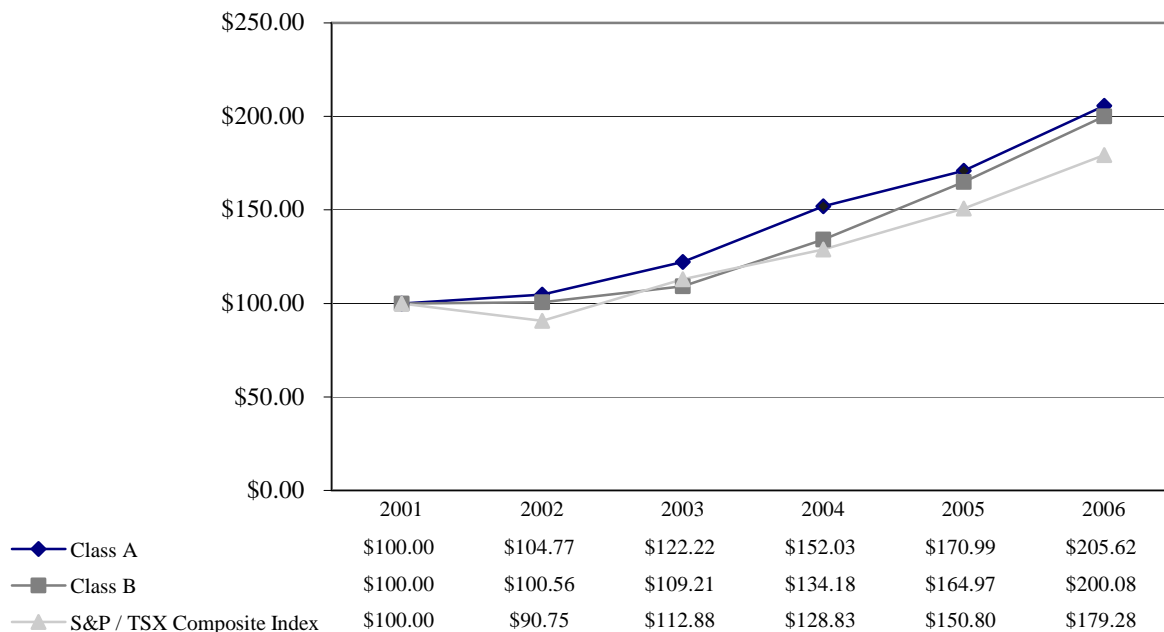
Notes:

- (1) Of the \$300,000 in indebtedness, \$250,000 was advanced to Mr. Earle to assist him in purchasing a residence upon his assumption of duties in Toronto. Mr. Earle repaid the \$250,000 housing advance on March 1, 2006. The indebtedness was non-interest bearing. Mr. Earle's employment terminated on October 31, 2006.
- (2) Mr. Carmichael was loaned \$50,000 in connection with his residence. The loan bears interest at the prescribed rate under the *Income Tax Act* (Canada) and is repayable in five annual payments, including accrued interest, starting in December 2007. The loan may be repaid earlier with no penalty. In the event that Mr. Carmichael is no longer employed by the Company, the balance owing, including accrued interest, will be due and payable within six months thereafter.
- (3) Mr. Michael J. Scanlan was loaned \$10,000 in connection with his residence. The loan bears no interest and there are no specific terms for repayment. Mr. Scanlan is standing for re-election as a director at the Meeting.

Performance Graph

The following graph compares the total cumulative shareholder return of \$100 invested in the Company's Class A Voting Shares and Class B Non-Voting Shares on October 31, 2001 with the cumulative total return of the S&P/TSX Composite Index for the 5 most recently completed financial years, assuming dividends are reinvested.

FIVE YEAR TOTAL RETURN ON \$100 INVESTMENT (ASSUMING REINVESTMENT OF DIVIDENDS)



Directors' and Officers' Liability Insurance

The Company has purchased, at its expense, directors' and officers' liability insurance in the amount of \$40 million for the protection of the directors and officers against liability incurred by them in such capacity. The insurance limit of \$40 million is for each claim and in the aggregate for the financial year ending October 31, 2007. The deductible is \$100,000 except for securities claims where it is \$250,000. The premium paid for fiscal 2007 is \$169,749.

OTHER INFORMATION

Additional Information

Additional information relating to Arbor Memorial Services Inc., including the Annual Information Form and the Annual Report, may be found on SEDAR at www.sedar.com. Financial information is provided in the Company's comparative financial statements and MD&A for the year ended October 31, 2006, both of which are included in the Annual Report.

Additional copies of this Management Information Circular and the materials listed in the preceding paragraphs of this section may be obtained, upon request, from the Assistant Secretary of Arbor Memorial Services Inc. at 2 Jane Street, Toronto, Ontario, M6S 4W8, telephone (416) 763-3230 extension 3044 and fax (416) 763-3989.

Other Business

Management of the Company knows of no amendments, variations or other matters, which are likely to be brought before the Meeting.

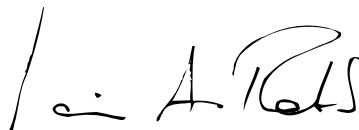
HOWEVER, IF ANY AMENDMENTS, VARIATIONS, OR OTHER MATTERS OF WHICH THE MANAGEMENT IS NOT NOW AWARE ARE PROPERLY PRESENTED TO THE MEETING FOR ACTION, IT IS THE INTENTION OF THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO VOTE SAID PROXIES IN ACCORDANCE WITH THEIR JUDGMENT ON SUCH MATTERS.

Board Approval

The undersigned hereby certifies that the contents herein, and the sending hereof, of the Management Information Circular have been approved by the Board for mailing to the shareholders entitled to receive notice of the Meeting, to each director of the Company and to the auditors of the Company.

DATED this 19th day of January, 2007.

BY ORDER OF THE BOARD OF DIRECTORS



Iain A. Robb
Secretary

Schedule A

Resolution to Amend By-law A

RESOLVED THAT the amendments to the Company's By-law A relating generally to the transaction of the business and affairs of the Company as set out in Exhibit 1 attached hereto are hereby ratified and confirmed.

EXHIBIT 1

BY-LAW A

A by-law relating generally to the transaction of the business and affairs of

ARBOR MEMORIAL SERVICES INC.

(hereinafter called the “corporation”)

PART 1

INTERPRETATION

1.01 Unless the context otherwise requires, in this by-law:

- (a) “Act” means the *Business Corporations Act, 1982* (Ontario), or its successor, as amended from time to time, and includes the regulations thereunder;
- (b) “articles” means the articles, as that term is defined in the Act, of the corporation;
- (c) “auditor” means the auditor of the corporation;
- (d) “board” means the board of directors of the corporation;
- (e) “by-laws” means any by-law or by-laws of the corporation;
- (f) “day” has the meaning given to that term in the Act;
- (g) “director” means a director of the corporation;
- (h) “officer” means an officer of the corporation and reference to any specific officer is to the person holding that office of the corporation;
- (i) “person” has the meaning given to that term in the Act;
- (j) “proxyholder” means a person holding a valid proxy for a shareholder;
- (k) “resident Canadian” has the meaning given to that term in the Act;
- (l) “shareholder” means a shareholder of the corporation;
- (m) the singular includes the plural; the plural includes the singular; and the masculine includes the feminine and, where applicable, the neuter; and
- (n) reference to any statute or statutory provision shall extend to any amendment thereof or substitution therefor.

1.02 This by-law is subordinate to, and should be read in conjunction with, the Act and the articles.

PART 2

DIRECTORS

2.01 Any two directors or the president or the chairman of the board may call, or may instruct the secretary or the assistant-secretary to call, a meeting of the board by notice given to each of the directors (except for the person or persons giving the notice, if a director or directors), such notice to be given

- (a) by sending it by mail not later than five days before the date of the meeting, or
- (b) by delivering it not later than 48 hours before the time of the meeting, or
- (c) by sending it by ~~telex, telegram or any other means of prepaid transmitted or recorded communication~~ facsimile or electronic mail not later than 48 hours before the time of the meeting.

A notice of a meeting of the board need not specify the purpose of or the business to be transacted at the meeting except where the Act requires the purpose or business or general nature thereof to be specified.

2.02 If a quorum is present, a meeting of the board may be held without notice on the same day and following a meeting of shareholders at which it is elected.

2.03 Any meeting of the board may be held without notice if a quorum thereof is present and those present consent to the transaction of business and those absent, if any, either before or after the meeting waive in writing notice of the meeting.

2.04 A meeting of the board may be held at any place within or outside Ontario, and it shall not be necessary for a majority of the meetings of the board in any financial year to be held at any place within Canada.

2.05 In the case of a director appointed to fill a vacancy on the board no notice of the meeting at which he is appointed shall be required to be given to that director.

2.06 At all meetings of the board, a quorum shall be the greatest of

- (a) two,
- (b) two-fifths of the minimum number of directors provided for in the articles, and
- (c) if the number determined in (b) above is not a whole number, the smallest whole number that exceeds such number.

2.07 The chairman of any meeting of the board shall be the chairman of the board if he is present at, and consents to preside as chairman of, the meeting, failing whom the president, if he is present and consents, shall preside as chairman failing whom, the directors present shall choose one of their number to be chairman of the meeting.

2.08 At all meetings of the board each director shall have one vote and upon an equal division the chairman of the meeting shall have a second or casting vote. Questions arising at meetings of the board shall be decided by a majority vote.

2.09 The office of a director shall be ipso facto vacated:

- (a) when so provided in the Act, or
- (b) if he ceases to be a resident Canadian, and if as a result thereof ~~the majority~~ a requisite number of directors on the board would not be resident Canadians.

2.10 Subject to the Act, the board may appoint from its number a committee of directors and delegate to such committee any of the powers of the board.

2.11 Any resolution in writing may be signed in counterparts and if signed as of any date shall be deemed to have been passed on such date.

PART 3

OFFICERS

3.01 The officers shall be a chairman of the board, a president and a secretary and such other officers, if any, as the board in its discretion shall from time to time appoint.

3.02 The chairman of the board shall be elected by the board from its members ~~and shall exercise general supervision over the financial policies of the corporation.~~

3.03 Except as may otherwise from time to time be specified by the board, the president shall be the chief executive officer and shall have general supervision of all other officers (except the chairman of the board) and their duties.

3.04 In the absence of an agreement to the contrary, all offices shall be held during at the pleasure of the board, all officers shall be subject to removal for or without cause by the board, and an officer may resign his office at any time by giving notice to the corporation. Subject thereto, an officer shall continue in office until, but shall cease to hold office when, his successor is elected or appointed.

3.05 Subject to such limitations as the board may from time to time impose and to the provisions of the Act, an officer shall have all the powers and authority, and shall perform all the duties, usually incident to the office he holds and shall perform such other duties as may from time to time be specified for the holder of such office by the board.

PART 4

MEETINGS OF SHAREHOLDERS

4.01 At any meeting of shareholders two individuals present in person each of whom is a shareholder or a proxyholder entitled to vote at such meeting shall constitute a quorum for the appointment of the chairman and the adjournment of the meeting, and for all other purposes at least two individuals present in person each of whom is a shareholder or a proxyholder entitled to vote at such meeting, and who hold or represent by proxy not less than 10% of the total number of shares carrying the right to vote at such meeting, shall constitute a quorum.

4.02 The chairman of the board shall be the chairman of any meeting of shareholders if he is present at such meeting and if he consents to preside as the chairman, failing whom the president, if he is present and consents, shall preside as chairman, failing whom the shareholders and the proxyholders entitled to vote who are present shall choose the chairman.

4.03 The chairman of any meeting of shareholders shall have a second or casting vote in case of an equal division, both on a show of hands and on a ballot. Unless the chairman shall direct a ballot, or a ballot shall be demanded by a shareholder or proxyholder entitled to vote at the meeting, any motion submitted shall be voted upon by a show of hands. The chairman may direct a ballot, or any shareholder or proxyholder may demand a ballot, either before or after any vote by show of hands. If a ballot is taken on any motion, a prior vote on such motion by show of hands shall have no effect. Save as may be from time to time otherwise provided by the Act or the articles in respect of the shares of any particular class or in respect of a vote upon a particular motion, upon a show of hands each shareholder present in person shall have one vote (a duly appointed proxyholder who is not himself a shareholder being for such purposes treated as a shareholder present in person) and upon a ballot each shareholder present in person or by proxy shall have one vote for each share held by such shareholder.

4.04 Whenever a vote by show of hands is taken upon a motion, unless a ballot thereon is directed or demanded, an entry in the minutes of a meeting of shareholders to the effect that the chairman of the meeting declared the motion carried or carried by a particular majority or not carried shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the motion.

4.05 The chairman of any meeting of shareholders shall conduct the procedure thereat in all respects and his or her decision on all matters or things, including but without in any way limiting the generality of the foregoing, any question regarding the validity or invalidity of any instruments of proxy or ballot, shall be conclusive and binding upon the shareholders. Any business may be brought before or dealt with at any adjourned meeting which may have been brought before or dealt with at the original meeting.

PART 5

SHARE CERTIFICATES

5.01 Share certificates shall be in such form as the board may approve ~~or the corporation adopt~~by resolution from time to time.

5.02 Following production to the corporation or to a transfer agent or branch transfer agent of the corporation of any share certificate which has become defaced, the president or the secretary or the board may order its cancellation and the issuance of a replacement certificate.

PART 6

DIVIDENDS

6.01 Dividends shall be payable from time to time only to the extent and as and when and in the manner the board, in its discretion, shall from time to time determine.

6.02 A dividend payable in cash shall, as regards each registered shareholder entitled thereto, be paid by cheque drawn to the order of such holder and mailed by ordinary or air mail, postage prepaid, to such holder (unless such holder otherwise directs in writing) at his address as recorded on the books of the corporation. In the case of joint holders, the cheque shall be made payable to the order of all of such joint holders and if more than one address is recorded on the books of the corporation in respect of such joint holding, the cheque shall (unless such joint holders otherwise direct in writing) be mailed to the first address so recorded. The mailing of a cheque as aforesaid shall satisfy and discharge all liability for the applicable dividend to the extent of the sum represented by such cheque plus the amount of any tax which the corporation is required to and does withhold, unless such cheque is not paid on due presentation. In

the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the corporation shall issue or cause to be issued a replacement cheque for a like amount upon such terms as to indemnity and evidence of non-receipt as the president or the board may from time to time prescribe.

6.03 For as long as the board acts in good faith the board may, in declaring and paying dividends, conclusively rely on the latest audited financial statements of the corporation as long as the balance sheet forming part thereof is as of a date not more than fifteen months prior to the declaration or payment in question.

6.04 Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the corporation.

PART 7

EXECUTION OF DOCUMENTS

7.01 All writings (except writings made in the ordinary course of the corporation's business) requiring the signature of the corporation shall be signed:

- (a) by such person or persons as shall have been appointed to sign the same by resolution of the board applying either to specific writings or to writings generally; or
- (b) by the chairman of the board, the president, an executive vice-president, a vice-president, the secretary or the assistant-secretary together with a director, the president (if he has already not signed), an executive vice-president (if he has already not signed), a vice-president (if he has already not signed), the secretary (if he has already not signed), the treasurer, the controller, an assistant-secretary or an assistant-treasurer;

and when so signed shall without more be binding upon the corporation.

PART 8

WITHHOLDING INFORMATION FROM SHAREHOLDERS

8.01 Except as may be required by the Act, no shareholder shall be entitled by virtue of being a shareholder to discovery of any information or records respecting the corporation or its business except when authorized by the board.

PART 9

PROTECTION AND INDEMNITY OF DIRECTORS, OFFICERS AND OTHERS

9.01 Subject to compliance with the Act to the extent to which the same shall apply, no director shall be disqualified by his office or by reason of holding any other office of, or place of profit under, the corporation or any body corporate in which the corporation shall be a shareholder or otherwise interested from entering into any contract, transaction or arrangement with the corporation either as vendor, purchaser or otherwise or from being concerned or interested in any manner whatsoever in any contract, transaction or arrangement made or proposed to be entered into with the corporation; nor shall any such contract, transaction or arrangement be thereby avoided; nor shall any director be liable to account to the corporation for any profit arising from any such office or place of profit or realized by any such contract, transaction or arrangement. ~~Subject to compliance with the Act to the extent to which the same shall~~

~~apply, no director shall be obligated to make any declaration or disclosure of interest or refrain from voting.~~

~~9.02 — Subject to the Act, no director or officer shall be liable for: the acts, receipts, neglects or defaults of any other person; joining in any receipt or act for conformity; any loss, damage or expense happening to the corporation through the insufficiency or deficiency of title to any property acquired by, for or on behalf of the corporation; the insufficiency or deficiency of any security in or upon which any moneys of the corporation are invested; any loss or damages arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or other properties of the corporation are lodged or deposited; or any other loss, damage or misfortune whatever which may arise out of the execution of the duties of his office or in relation thereto.~~

~~9.03 — Subject to the Act, any contract entered into or action taken or omitted by or on behalf of the corporation shall, if approved by a resolution of the shareholders, be deemed for all purposes to have had the prior authorization of all the shareholders.~~

~~9.04 The corporation shall, whenever required or permitted by the Act or otherwise by law, indemnify each director, each officer, each former director, each former officer and each person who acts or acted at the corporation's request as a director or officer of a body corporate of which the corporation is or was a shareholder or creditor, and his heirs and legal representatives against all costs, charges and expenses, including, without limitation, each amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the corporation or such body corporate.~~

~~9.05 — The foregoing provisions of this Part 9 shall be in amplification of and in addition to, and not by way of limitation of or substitution for, any rights, immunities or protection conferred upon any director, officer or other person by any statute, law, matter or thing whatsoever~~

9.02 Subject to the limitations in the Act, but without limitation of the right of the corporation to indemnify any individual under the Act or otherwise to the full extent permitted by law, the corporation:

- (a) hereby indemnifies every director and officer of the corporation, every former director and officer of the corporation and every other person who acts or acted at the corporation's request as a director or officer of a body corporate of which the corporation is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the him or her in respect of any civil, criminal, administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of the corporation or body corporate, if:
 - (i) he or she acted honestly and in good faith with a view to the best interests of the corporation, or, as the case may be, to the best interests of the body corporate for which the individual acted as director or officer at the corporation's request; and
 - (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful;
- (b) shall advance moneys to every director, officer and other person referred to in Section 9.02(a) for the costs, charges and expenses of a proceeding referred to in Section 9.02(a),

however, the person shall repay the moneys if the person does not fulfil the conditions of Sections 9.02(a)(i) and 9.02(a)(ii); and

- (c) shall, with the approval of a court, indemnify a person referred to in Section 9.02(a), or advance moneys under Section 9.02(b), in respect of an action by or on behalf of the corporation or body corporate to procure a judgment in its favour, to which the person is made a party by reason of being or having been a director or an officer of the corporation or body corporate, against all costs, charges and expenses reasonably incurred by the person in connection with such action, if he or she fulfils the conditions set out in Sections 9.02(a)(i) and 9.02(a)(ii).

From time to time the board may determine that this Section shall also apply to the employees of the corporation who are not directors or officers of the corporation or to any particular one or more or class of such employees, either generally or in respect of a particular occurrence or class of occurrences and either prospectively or retroactively. From time to time thereafter the board may also revoke, limit or vary such application of this Section.

9.03 So long as he or she acts honestly and in good faith with a view to the best interests of the corporation, no person referred to in Section 9.02 (including, to the extent it is then applicable to them, any employees referred to therein) shall be liable for any damage, loss, cost or liability sustained or incurred by the corporation, except where so required by the Act.

9.04 The foregoing provisions of this Part 9 shall be in addition to and not in substitution for or limitation of any rights, immunities and protections to which a person is otherwise entitled.

PART 10

NOTICES

10.01 Every person who by any means whatsoever becomes entitled to any share shall be bound by, and shall be deemed to have received, every notice or other communication or document in respect thereof which, at any time prior to the time when the name and address of such person was entered in the share register as the holder thereof, has been duly given or sent to, or deemed hereby to have been received by, his predecessor in title.

10.02 Any notice or other communication or document duly given or sent to any shareholder shall, notwithstanding such shareholder is then deceased and whether or not the corporation has notice thereof, be deemed to have been duly given or sent to and received by all persons, including his heirs and legal representatives, having any title to or interest in the shares registered in the name of such shareholder either as sole holder or as holder thereof jointly with others.

10.03 The signature to any notice or other communication or document to be given or sent by the corporation may be in whole or in part written, stamped, typewritten, printed or otherwise mechanically reproduced.

10.04 The accidental omission to give or send any notice or other communication or document to any shareholder, director or officer or the auditor, or the non-receipt of any notice or other communication or document by any shareholder, director or officer or the auditor or any error in any notice or other communication or document not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or other communication or document or otherwise founded thereon.

10.05 Any shareholder, director or officer or the auditor may waive any notice or other communication or document required to be given or sent by the articles or the by-laws or by the Act, and such waiver, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or sending of such notice or other communication or document.

PART 11

PERIOD OF FINANCIAL YEAR

11.01 The financial year of the corporation shall terminate on such day in each year as the board shall from time to time determine.

PART 12

COMING INTO FORCE

12.01 This by-law, and any amendments hereto, shall come into force at, and be effective from, ~~the time it is confirmed~~ confirmation by the shareholders of the corporation.

PART 13

REPEAL

13.01 The General By-law, Special By-laws I to V, inclusive, and Special By-law IX of the corporation are repealed effective when this by-law comes into force without prejudice to any action taken thereunder prior to such repeal.

MADE the 22nd day of January, 1985. AMENDED the 19th day of December, 2006.

Schedule B

Resolution to Amend Option Plan

RESOLVED THAT the amendments to the Company's Amended and Restated 1994 Stock Option Plan as set out in Exhibit 1 attached hereto are hereby authorized.

EXHIBIT 1

ARBOR MEMORIAL SERVICES INC.

AMENDED AND RESTATED 1994 STOCK OPTION PLAN

1. Purpose

~~Section 4 of the 1994 Stock Option Plan of Arbor Capital Inc. (now Arbor Memorial Services Inc. (the "Corporation")) was amended by resolution of the directors of the Corporation on January 12, 1995 to bring the 1994 Stock Option Plan into compliance with The Toronto Stock Exchange's revised policy on stock option plans. Such amendment was subsequently approved by the shareholders of the Corporation and The Toronto Stock Exchange. The 1994 Stock Option Plan, as amended, is redesignated as~~

The purpose of the Amended and Restated 1994 Stock Option Plan (the "Plan").~~The purpose of the Plan~~ is to promote the profitability and growth of Arbor Memorial Services Inc. (the "Corporation") by facilitating the efforts of the Corporation and its "subsidiary companies" (as such term is defined in the *Securities Act* (Ontario)) (the "Subsidiaries") to encourage their respective directors, officers, full-time and part-time employees and other persons who either perform services for the Corporation and/or the Subsidiaries on an ongoing basis or who have provided, or are expected to provide, a service of value to the Corporation and/or the Subsidiaries to acquire shares in the Corporation, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and the Subsidiaries and furnishing them with additional incentive in their efforts on behalf of the Corporation and the Subsidiaries in the conduct of their affairs.

2. Administration

The Plan shall be administered by the board of directors of the Corporation (the "Board").

3. Eligibility

- (a) Directors, officers, full-time and part-time employees of the Corporation or the Subsidiaries and other persons who either perform services for the Corporation and/or the Subsidiaries on an ongoing basis or who have provided, or are expected to provide, a service ~~or~~of value to the Corporation and/or the Subsidiaries (hereinafter collectively referred to as the "Eligible Persons") shall be eligible to receive options ("Option") to purchase Shares (as defined in Section ~~4,4(a)~~, below) pursuant to the Plan.
- (b) Nothing in the Plan or in any Option shall confer any right on any employee who is granted an Option to continue in the employ of the Corporation or Subsidiaries or shall interfere in any way with the right of the Corporation or Subsidiaries to terminate at any time the employment of a person who has been granted an Option ("Optionee") under the Plan.

4. Shares Subject to Option

- (a) The shares to be optioned under the Plan shall be authorized but unissued Class B Non-Voting Shares in the capital of the Corporation (the "Share(s)").
- (b) The aggregate number of Shares for which Options may be granted shall not exceed 878,789 Shares less any Shares otherwise reserved for issuance under Section 8, any other option plans or under options for services and the aggregate number of Shares so

reserved for issuance to any one person shall not exceed 5% of the aggregate of the issued Class A Voting Shares and the issued Class B Non-Voting Shares of the Corporation outstanding from time to time (on a non-diluted basis).

- (c) Shares subject to and not delivered under an Option which expires or terminates shall again be available for option under the Plan.

5. Granting of Options

- (a) The Board may from time to time at its discretion, subject to the provisions of the Plan, determine those Eligible Persons to whom Options shall be granted, the number of Shares subject to such Options and the date on which such Options are to be granted.
- (b) Each Option shall be evidenced by a written agreement between the Corporation and the Optionee containing terms and conditions established by the Board with respect to such Option and shall be consistent with the provisions of this Plan.

6. Option Price

The price per share at which Shares may be purchased upon the exercise of an Option (the "Option Price") shall be determined by the Board but shall not be lower than the ~~closing price~~Market Price (as hereinafter defined) per Share of the Shares on ~~The Toronto Stock Exchange on the last trading day immediately preceding the granting of the Option; provided that if Shares did not trade on that date the Option Price shall not be lower than the closing price per Share on the last day such Shares traded prior to the date on which such Option is granted.~~the Toronto Stock Exchange at the time the Option is granted. "Market Price" means the volume weighted average trading price of the Shares on the Toronto Stock Exchange, for the five trading days immediately preceding the relevant date, calculated in accordance with the rules of the Toronto Stock Exchange.

7. Terms of Options

- (a) The period during which an Option is exercisable may not, subject to the provisions of the Plan, extend beyond ten years ("Option Period").
- (b) Should the expiration date for an Option fall within a Black Out Period (as hereinafter defined) or within nine Business Days (as hereinafter defined) following the expiration of a Black Out Period, such expiration date shall be automatically extended without any further act or formality to that date which is the tenth Business Day after the end of the Black Out Period, such tenth Business Day to be considered the expiration date for such Option for all purposes under the Plan. Notwithstanding Section 16 below, the ten Business Day period referred to in this section may not be extended by the Board. "Black Out Period" means the period during which designated persons cannot trade securities of the Corporation pursuant to any policy of the Corporation respecting restrictions on trading which is in effect at that time (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Corporation, or in respect of an insider, that insider, is subject). "Business Day" means each day other than a Saturday, Sunday or statutory holiday in Ontario, Canada.
- (c) Options may be exercised as determined by the Board at the time of the grant of the Option.

- (d) In the event that, at the option of the holder, the Shares are convertible into Class A Voting Shares of the Corporation as is provided for in the Corporation's articles, then, notwithstanding the foregoing paragraph, all Options outstanding shall become immediately exercisable.
- (e) The exercise of any Option will be contingent upon receipt by the Corporation of cash payment of the full purchase price of the Shares which are subject to the exercised Option. No Optionee or his or her legal representatives, legatees, or distributees (as applicable) will be, or will be deemed to be, a holder of any Shares with respect to which he or she was granted an Option under the Plan, unless and until certificates for such Shares are issued to him or her, or them, under the terms of the Plan.

8. Stock Appreciation Rights

- (a) At the sole discretion of the Board, stock appreciation rights may be included in any Option, either at the time of grant or by amendment or supplemental grant. Stock appreciation rights shall entitle an Optionee to surrender to the Corporation all or any part of such Option which such Optionee could then exercise and receive from the Corporation, upon such surrender, Shares or cash (subject to approval of the Board as described below) or a combination of cash and Shares (subject to approval of the Board as described below), as an Optionee may elect, equal in value to the excess of the Fair Market Value (as hereinafter defined) of one Share at the time of surrender over the Option Price multiplied by the number of Shares with respect which the Option is surrendered. ~~The~~ For the purpose of this Section 8, the "Fair Market Value" of the Shares at the time of surrender shall be the weighted average price per Share at which the Shares have traded on ~~The~~ the Toronto Stock Exchange during the most recent five days on which the Shares are traded before the Option is surrendered. The weighted average price shall be determined by dividing the aggregate sale price of all such Shares sold on ~~The~~ the Toronto Stock Exchange during the said five trading days by the total number of such Shares so sold.
- (b) Notwithstanding the above, no Optionee may receive any cash upon surrender of an Option unless such surrender is made during the period commencing on the third business day after the Corporation has released for publication its quarterly or annual financial results and ending on the twelfth business day after such release.
- (c) In no event shall stock appreciation rights be exercised at any time earlier or later or to a greater extent than the Option to which they relate.
- (d) Stock appreciation rights under this Section may be exercised only by written notice to the Corporation, in a form satisfactory to it. The Board shall have sole discretion to consent to or to disapprove the election of the Optionee to receive cash in full or partial settlement of the stock appreciation rights.
- (e) If any Option is surrendered in part under this Section, it shall remain in effect without change as to the number of Shares with respect to which it has not been surrendered. Any surrender shall not affect the right of an employee to be granted further Options.
- (f) The Board may require as a condition of the surrender of an Option for Shares, cash or cash and Shares that the Optionee seeking to surrender the Option shall, in any jurisdiction where the Corporation is required to withhold any taxes with respect to such

surrender, pay to the Corporation in cash an amount sufficient to satisfy the Corporation's obligation.

9. Transferability of Option

An Option (including the rights granted under Section 8 above) may not be transferred. The Option (including the rights granted under Section 8 above) may only be exercised by the Optionee; provided that where the Optionee is an individual, then during the lifetime of such Optionee, the Option (including the rights granted under Section 8 above) may be exercised only by him or her, his or her legal personal representative or a nominee which is a corporation wholly-owned by the Optionee.

10. Termination of Employment

In the event that an Optionee is an employee, then, if such Optionee shall cease to be employed by the Corporation or any of the Subsidiaries for any reason (other than death, retirement or circumstances equating retirement as determined by the Board) or shall receive notice from the Corporation or any Subsidiaries of the termination of his or her employment (the "Termination") her or she may, but only within thirty days next succeeding such Termination, exercise his or her Options to the extent that he or she was entitled to exercise such Options under Section 7 at the date of such Termination, including the rights under Section 8.

11. Death

Notwithstanding any other provision of the Plan, if any Optionee shall die holding an Option which has not been fully exercised or surrendered, his or her executors, administrators or legal personal representatives may, at any time within one year after the date of such death (but in no event later than the normal expiry date of the said Option under the provisions of Section 7 above), exercise the Option, to the extent that the Optionee was entitled to exercise such Option under- Section 7 at the date of death, including the rights under Section 8.

12. Retirement

Notwithstanding any other provision of this Plan, if any Optionee (other than persons or corporations performing services for the Corporation on a consulting basis) shall retire, or terminate his or her employment or office with the consent of the Board under circumstances equating retirement, while holding an Option which has not been fully exercised or surrendered, such Optionee may exercise the Option to the extent that the Optionee was entitled to exercise such Option under Section 7 at the date of retirement, including the rights under Section 8, within three years after the date of such retirement (but in no event later than the normal expiry date of the said Option under the provisions of Section 7 above);

13. Adjustments

Adjustments in the number of Shares optioned and in the Option Price per Share may be made, in the sole discretion of the Board, to give effect to adjustments in the number of Shares which result from the divisions, consolidations or reclassifications of the Shares; the payment of Share dividends by the Corporation; the reconstruction, reorganization or recapitalization of the Corporation; or other relevant changes in the capital of the Corporation.

14. Mergers

Should the Corporation amalgamate or merge with any other body corporate or bodies corporate (the right to do so being hereby expressly reserved) whether by way of amalgamation, arrangement, sale of assets and undertakings or otherwise, then the Corporation shall, as determined by the Board, either: (i)

provide for the reservation and issuance by the continuing or resulting corporation, upon the exercise by the Optionees of outstanding Options, of that number of shares of the continuing or resulting corporation to which the outstanding Options relate at the same aggregate purchase price adjusted accordingly to reflect the increase or decrease in the number of Shares involved; or (ii) pay to the Optionees an amount equal to the difference between the ~~fair market value~~ Fair Market Value of the Shares subject to the Options, on the date that the Corporation amalgamates or merges with another body corporate or bodies corporate as contemplated herein, and the exercise price of the Options. For the purpose of this Section 14, the "~~fair market value~~ Fair Market Value" of the Shares is an amount equal to the weighted average price per Share at which the Shares have traded on ~~The~~ the Toronto Stock Exchange during the most recent five days on which the Shares are traded before the amalgamation or merger contemplated herein becomes effective. The weighted average price shall be determined by dividing the aggregate sale price of all such Shares sold on ~~The~~ the Toronto Stock Exchange during the said five trading days by the total number of such Shares so sold.

15. Cancellation and Regrant of Options

Subject to the prior written approval of ~~The~~ the Toronto Stock Exchange, the Board may, with the consent of the Optionee, cancel an existing Option and regrant the Options, at an Option Price determined in the same manner as provided in Section 6 above.

16. Amendment or Discontinuance

~~The Board may alter, suspend or discontinue this Plan, without the approval of the Shareholders of the Corporation. Notwithstanding the foregoing, the terms of an existing Option may not be altered, suspended or discontinued without the consent in writing of the Optionee, from time to time in the absolute discretion of the Board amend, modify and change the provisions of the Plan or any Options granted pursuant to the Plan, provided that any amendment, modification or change to the provisions of the Plan or any Options granted pursuant to the Plan shall:~~

- (a) not adversely alter or impair any Option previously granted except as permitted by Section 13 above;
- (b) be subject to any regulatory approvals, where required, including the approval of the Toronto Stock Exchange, where required;
- (c) be subject to shareholder approval in accordance with the rules of the Toronto Stock Exchange in circumstances where the amendment, modification or change to the Plan or Option would:
 - (i) reduce the exercise price of an Option held by an insider of the Corporation;
 - (ii) extend the term of an Option held by an insider beyond the original expiration date (subject to such date being extended by virtue of Section 7 above); or
 - (iii) increase the fixed maximum number of Shares which may be issued pursuant to the Plan;
- (d) not be subject to shareholder approval in any circumstance (other than those listed in (c) above), including, but not limited to, circumstances where the amendment, modification or change to the Plan or Option would:

- (i) be of a “housekeeping nature”, including any amendment to the Plan or an Option that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange and any amendment to the Plan or an Option to correct or rectify any ambiguity, defective provision, error or omission therein, including any amendment to any definitions therein;
- (ii) change the exercise price of an Option, unless the change is a reduction in the exercise price of an Option held by an insider of the Corporation;
- (iii) alter, extend or accelerate any vesting terms or conditions in the Plan or any Option;
- (iv) amend or modify any mechanics for exercising any Option;
- (v) change the expiration date (including acceleration thereof) or change any termination provision in any Option, provided that such change does not entail an extension beyond the original expiration date of such Option (subject to such date being extended by virtue of Section 7 above);
- (vi) introduce a cashless exercise feature, payable in securities, whether or not such feature provides for a full deduction of the number of underlying securities from the Plan maximum;
- (vii) change the application of Section 13 (Adjustments) or Section 14 (Mergers);
- (viii) add a form of financial assistance or amend a financial assistance provision which is adopted;
- (ix) change the Eligible Persons under the Plan; or
- (x) add a deferred or restricted share unit provision or any other provision which results in Eligible Persons and/or Optionees receiving securities while no cash consideration is received by the Corporation.

The Board may discontinue the Plan at any time without the consent of the Eligible Persons and/or Optionees provided that such discontinuance shall not adversely alter or impair any Option previously granted.

17. Interpretation

The Plan shall be construed according to the laws of the Province of Ontario. The Plan shall also comply with the general requirements of ~~The~~the Toronto Stock Exchange. In the event of any differences arising between the provisions of the Plan and the requirements of ~~The~~the Toronto Stock Exchange, the requirements of ~~The~~the Toronto Stock Exchange shall apply.

18. Liability

No member of the Board or any director or officer or employee of the Corporation or any Subsidiary shall be personally liable for any act taken or omitted in good faith in connection with this Plan.

Schedule C

ARBOR MEMORIAL SERVICES INC.

BOARD OF DIRECTORS

MANDATE

Purpose:

The Board of Directors is responsible for overseeing the conduct of the Company's business.

Structure:

Composed of nine directors and shall include a number of directors who do not have interests in or relationships with the Company or the significant shareholder, and which fairly reflects the investment in the Company by shareholders other than the significant shareholder.

A quorum consists of six members.

The Board will appoint a Secretary to record major decisions.

Responsibilities:

Ensure that the Company behaves in an ethical manner and complies with all applicable laws, regulations, auditing and accounting principles.

Enhance shareholder value in a manner that is consistent with good corporate citizenship, including fair treatment of the Company's employees, customers and suppliers.

Approve the overall strategic direction of the Company, and the annual operating plan.

Appoint the CEO, monitor the performance of the CEO against corporate objectives, and monitor the performance of managers reporting to the CEO.

Ensure that the Company communicates effectively with its shareholders, other stakeholders and the public.

Monitor the performance of the Board against the Canadian Securities Administrators' Corporate Governance Guidelines.

Approve major capital expenditures and debt and equity financing.

Oversee the proper management of business risks, and approve decisions involving significant risks to the Company.

Ensure proper financial reporting and financial control systems are operating, and approve the quality and sufficiency of information provided to the directors.

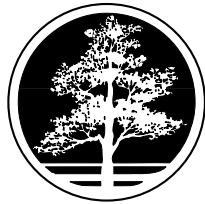
Review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities involved in being an effective director.

Examine the size of the Board with a view to determining the impact upon effectiveness.

Establish appropriate structures and/or procedures to ensure that the Board can function independently of management.

Implement a system, which enables an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances.

Implement a succession planning process for management and the Board.



ARBOR
MEMORIAL
SERVICES INC.