



ARBOR
MEMORIAL
SERVICES INC.

ARBOR MEMORIAL SERVICES INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting of shareholders (the "Meeting") of Arbor Memorial Services Inc. (the "Company") will be held in the Brulé Room, The Old Mill, 21 Old Mill Road, Toronto, Ontario, on February 28, 2008 at 10:00 a.m. (Toronto time) for the following purposes:

1. to receive the financial statements for the year ended October 31, 2007 and the auditors' report thereon, as well as the annual report;
2. to consider and, if thought appropriate, pass a special resolution to fix the number of directors to be elected at the Meeting at nine (9) and to empower the directors to determine, from time to time, the number of directors between the minimum and maximum number of directors set out in the articles of the Company;
3. to elect directors;
4. to appoint auditors and to authorize the directors to fix the auditors' remuneration;
5. to consider and, if thought appropriate, pass a resolution ratifying and confirming an amendment to the Company's By-law A relating generally to the transaction of the business and affairs of the Company; and
6. to transact such further and other business as may properly come before the Meeting or any adjournments thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Management Information Circular accompanying this notice. Also enclosed are the Company's annual report and a form of proxy.

Holders of Class A Voting Shares are entitled to vote at the Meeting, either in person or by proxy. Those shareholders who are unable to attend the Meeting in person are requested to date, sign and return the enclosed form of proxy in the envelope enclosed for that purpose. Completed proxies must be delivered 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 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.

Holders of Class B Non-Voting Shares are invited to attend the Meeting. Such shares are not entitled to be voted at the Meeting.

DATED at Toronto, this 18th day of January, 2008.

BY ORDER OF THE BOARD OF DIRECTORS

Iain A. Robb
Secretary

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 February 28, 2008 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 18, 2008. 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 determination of the number of directors, the election of directors, the appointment of auditors and the amendment to the Company’s By-law A relating generally to the transaction of the business and affairs of the Company, 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 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 18, 2008. 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.

Non-Voting Shares

The Company is authorized to issue an unlimited number of Class B Non-Voting Shares of which there are presently 8,164,246 Class B Non-Voting Shares issued and outstanding as at January 18, 2008. 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 24, 2008 (the "Record Date"), is entitled to cast one vote for each such share then held of record.

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 owned 1,341,899 Class A Voting Shares at December 31, 2007, or 53.1% of the outstanding voting shares, and J.C. Clark Limited, which owned or controlled 453,719 Class A Voting Shares at December 31, 2007, or 18.0% 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 rights of indemnification. At the Meeting, shareholders will be asked to consider and, if thought appropriate, pass a resolution ratifying and confirming an amendment to By-law A which updates the existing rights of indemnification to be consistent with amendments to the *Business Corporations Act* (Ontario) that came into force on August 1, 2007. See "Business of the Meeting – Amendment to By-law A".

BUSINESS OF THE MEETING

Determination of the Number of Directors

The articles of the Company provide that the board of directors of the Company consists of a minimum of three (3) and a maximum of fifteen (15) directors.

The board of directors requires the ability to change the size of the board of directors within the limits set out in the articles of the Company. This ability is specifically contemplated under the *Business Corporations Act* (Ontario) (the "OBCA"), provided that a special resolution has been passed by the shareholders permitting the board of directors to determine the number of directors from time to time. The OBCA further provides that where such a special resolution has been passed to empower the directors to determine the number of directors, the directors may not between meetings of shareholders appoint an additional director if, after such appointment, the total number of directors would be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders. In other words, if so empowered, the board of directors will be able to increase its size by up to a third between annual meetings of shareholders.

The shareholders of the Company will be asked to consider, and if thought appropriate, pass a special resolution (the "**Special Resolution**") (as set out below) fixing the number of directors to be elected at the Meeting at nine (9) and empowering the directors to determine from time to time the number of directors of the Company between the minimum and maximum number of directors set out in the articles of the Company.

BE IT RESOLVED as a special resolution that:

1. the number of directors of the Company and the number of directors to be elected at this annual and special meeting of shareholders shall be fixed at nine (9);
2. subject to the limitations set out in the *Business Corporations Act* (Ontario), the directors of the Company are empowered to determine from time to time the number of directors of the Company between the minimum and the maximum number of directors set out in the articles of the Company, such determination to be made by resolution of the board of directors; and
3. all past acts of the board of directors of the Company determining the number of directors of the Company between the minimum and the maximum number of directors set out in the articles of the Company are hereby ratified and confirmed.

The board of directors unanimously recommends to shareholders of the Company that they vote FOR the Special Resolution. In order to be effective, the Special Resolution must be approved by

two-thirds (2/3) of the 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 the Special Resolution.

Election of Directors

The board of directors presently consists of ten (10) directors. The number of directors being nominated is nine (9). **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 By-law A 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	674,108
Brian D. Snowdon Ontario, Canada	President and Chief Executive Officer of the Company	2007	Nil	200
David J. Scanlan (5) Ontario, Canada	Senior Vice-President, Sales of the Company	2007	Nil	Nil
Michael J. Scanlan (3)(4) Ontario, Canada	Senior Vice-President, Marketing, Operations and Construction and Development of the Company	2006	Nil	300
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)(2)(3) Ontario, Canada	Partner, Clarke Henning LLP (Accounting Firm)	2002	Nil	Nil
Brian L. Zenkovich (1)(2)(4)(8) Ontario, Canada	Chief Executive Officer and Secretary of Winzen Properties Inc. (Real Estate Development Company)	2002	1,000	1,000
Kenneth T. Rosenberg (4)(5) Ontario, Canada	Partner, Paliare Roland Rosenberg Rothstein LLP (Law Firm)	2003	300	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.
- (8) Class A Voting and Class B Non-Voting shares disclosed are those over which Mr. Zenkovich exercises control and direction on behalf of a family member.

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

The Company has no Executive Committee of its board of directors. The Company is required to have an Audit Committee.

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.**

Amendment to By-law A

On December 20, 2007, the board of directors approved an amendment to By-law A relating generally to the transaction of the business and affairs of the Company. Shareholders will be asked to consider and, if thought appropriate, pass a resolution (as set out below) ratifying and confirming the amendment to By-law A as approved by the board of directors. The amendment to By-law A arises solely from the amendments to the OBCA relating to indemnification that came into force on August 1, 2007.

BE IT RESOLVED that the amendment to the Company's By-law A relating generally to the transaction of the business and affairs of the Company which deleted section 9.02 thereof and replaced it with the following is hereby ratified and confirmed:

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 individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity, provided:
 - (i) the individual 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 other entity for which the individual acted as a director or officer or in a similar capacity 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, the individual had reasonable grounds for believing that the individual's conduct was lawful.
- (b) shall advance moneys to every director, officer and other individual for the costs, charges and expenses of a proceeding referred to in Section 9.02(a), however, the individual shall repay the moneys if the individual 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 an individual 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 other entity to procure a judgment in its favour, to which the individual is made a party because of the individual's association with the Corporation or other entity as described in Section 9.02(a) against all costs, charges and expenses reasonably incurred by the individual in connection with such action, if the individual 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 (to any date not earlier than the date of this by-law). From time to time thereafter the board may also revoke, limit or vary such application of this Section.

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 amendment to the By-law must be approved by a majority of the 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, 2007, the Board was composed of ten 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, 2007 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.

David J. Scanlan – non-independent – Senior Vice-President of Sales for the Company. Mr. Scanlan joined the Board of Directors effective May 29, 2007.

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

Michael J. Scanlan – non-independent – Senior Vice-President, Marketing, Property and Construction and Development 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.

Effective October 31, 2007, Mr. Innes retired from the position of President and CEO and from the Board and effective November 1, 2007, Mr. Brian Snowdon assumed the position of President and CEO and was appointed to the Board. Given that Mr. Snowdon is President and CEO of the Company, he is also considered non-independent. Effective January 17, 2008, Mr. Joseph M. Scanlan resigned from the Board

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;
- setting agendas for and 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.

Throughout fiscal 2007, the independent directors held regularly scheduled meetings, chaired by the Lead Director, at which non-independent directors and members of management were not in attendance in order to facilitate the exercise of independent judgment in carrying out the Board's responsibilities. During the Company's most recently completed fiscal year, the independent directors held five meetings in conjunction with the regularly scheduled meetings of the Board.

Meetings of the Board

During the Company's most recently completed fiscal year, the Board held five meetings. All directors, except Mr. Joseph M. Scanlan, attended all of such Board meetings. Mr. Joseph M. Scanlan, who resigned from the Board effective January 17, 2008, was absent for three meetings. 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.

Board Mandate

The Board has adopted a written mandate, a copy of which is attached as Schedule A hereto. The Board's mandate provides that the Board is responsible for overseeing the conduct of the Company's business, and provides for various specific responsibilities described in Schedule A.

Position Descriptions

The Board has developed written position descriptions for the Chair of the Board, the Lead Director and the Chair of each Board committee. The CEO and the Board have collectively developed a written position description for 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. To encourage reporting, an anonymous report may be mailed directly to the Chair of the Audit Committee pursuant to the Whistleblower Policy described below. 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. Consistent with recent amendments to the *Ontario Business Corporations Act* ("OCBA"), the Code has been amended to further provide that a conflicted director cannot attend the portion of the meeting discussing the substance of the conflict. 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 amended 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”). From November 1, 2006 until May 29, 2007, the NCGC was composed of 3 directors, Messrs. Hall, Rosenberg and Joseph Scanlan. Effective May 29, 2007, David Scanlan replaced Joseph Scanlan on the NCGC. Messrs. Rosenberg, Joseph Scanlan and David Scanlan are not considered independent and therefore, the NCGC was and 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”). As of October 31, 2007, the HRCC was composed of 3 directors, Messrs. Hall, Zenkovich and Innes. Mr. Innes was not considered independent and therefore, the HRCC was not composed entirely of independent directors. Effective October 31, 2007, Mr. Innes resigned from the Board. Effective December 20, 2007, Mr. Rose was appointed to the HRCC to fill the vacancy. With the addition of Mr. Rose, the HRCC is now composed entirely of independent directors. 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; after discussions with the CEO, 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 non- employee directors and the Chair of the Board.
- 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 2007, William M. Mercer (“Mercer”), a compensation consultant, provided advice in respect of the Company’s pension plan. The pension plan members include the Company’s officers. Mercer benchmarked the pension plan’s employee and employer contribution rates relative to comparable sized companies.

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 4 directors, Messrs. Wilson, Hall, Rose and Michael Scanlan, all of whom are considered independent except for Mr. Scanlan. 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 the suitability of investments and the conformity of those investments with applicable laws. This Committee also reviews the Company’s investment strategies in effect from time to time and advises the Board as to any modifications of such strategies.

The Environmental Committee is composed of 3 directors, 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 assessed on a bi-annual basis utilizing a written questionnaire, which is completed by all directors. The completed questionnaires are forwarded by the directors to Deloitte & Touche LLP, the Company’s auditors. Deloitte & Touche tabulates and analyzes the results and presents the results to the Board without attribution of responses to individual directors. The Board initiates action as required to address any areas of weakness. The questionnaire does not include individual director assessments. However, the 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.

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 ⁽¹⁾ President and Chief Executive Officer	2007	360,474	224,503	-	Nil	31,301
	2006	348,283	197,192	-	Nil	28,720
	2005	336,811	217,197	-	Nil	26,894
Brian D. Snowdon Vice-President and Chief Financial Officer ⁽²⁾	2007	193,965	80,891	-	Nil	12,980
	2006	182,883	74,231	-	Nil	12,375
	2005	172,705	74,381	-	Nil	13,371
Daniel J. Scanlan Chairman	2007	324,050	224,503	-	Nil	1,689
	2006	313,092	197,192	-	Nil	1,564
	2005	302,778	217,197	-	Nil	1,954
David J. Scanlan Vice-President, Sales ⁽³⁾	2007	252,910	72,188	-	Nil	12,827
	2006	217,344	25,000	-	Nil	12,015
	2005	205,232	35,000	-	Nil	12,505
Jeffrey S. Scott Vice-President, Funeral Service ⁽⁴⁾	2007	178,278	90,720	-	Nil	9,317
	2006	133,108	Nil	26,589 ⁽⁷⁾	Nil	9,346
	2005	128,173	60,000	20,831 ⁽⁷⁾	Nil	8,719
Joseph M. Scanlan Vice-Chairman & Senior Vice-President, Sales ⁽⁵⁾	2007	181,948	-	-	Nil	1,093,994 ⁽⁶⁾
	2006	284,479	142,312	-	Nil	15,710
	2005	275,109	135,562	-	Nil	17,983

Notes:

- (1) Mr. Innes retired from the position of President and CEO and from the Board effective October 31, 2007.
- (2) Mr. Snowdon became President and Chief Executive Officer and a member of the Board effective November 1, 2007.
- (3) Mr. David Scanlan became Vice-President, Sales on May 29, 2007. On November 1, 2007, Mr. David Scanlan became Senior Vice-President, Sales.
- (4) Mr. Scott became Vice-President, Funeral Service on November 1, 2006. On November 1, 2007, Mr. Scott became Senior Vice-President, Funeral Service.
- (5) Mr. Joseph Scanlan’s employment terminated on May 31, 2007.
- (6) In 2007, the Company accrued a termination amount of \$1,080,486 for Mr. Joseph Scanlan.
- (7) Other annual compensation that exceeded 10% of Mr. Scott’s salary and bonus in 2006 included an automobile allowance of \$10,800 and automobile expenses of \$15,789. Other annual compensation that exceeded 10% of Mr. Scott’s salary and bonus in 2005 included an automobile allowance of \$10,800 and automobile expenses of \$10,031.

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, 2007.

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 8.2% of the Company's total issued and outstanding securities (i.e. all Class A Voting Shares and Class B Non-Voting Shares) at October 31, 2007. The number of Class B Non-Voting Shares issued and which may be issued under grants made under the Option Plan is 465,700, which represents 4.4% of the Company's total issued and outstanding securities at October 31, 2007. The remaining number of Class B Non-Voting Shares issuable under the Option Plan is 413,089, which represents 3.9% of the Company's total issued and outstanding securities at October 31, 2007.

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 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. This provision in the Option Plan was amended by the shareholders of the Company at the annual and special meeting of shareholders held on March 1, 2007. Previously, the exercise price per Class B Non-Voting Share could not 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 could 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 was granted.

The period during which an Option is exercisable may not, subject to the provisions of the Option Plan, extend beyond ten years, provided that the term of an Option shall automatically extend beyond ten years, up to a maximum of ten (10) business days after a black-out period, in circumstances where the expiration date falls within a black-out period or immediately thereafter. This provision in the Option Plan was amended by the shareholders of the Company at the annual and special meeting of shareholders held on March 1, 2007 to contemplate black out period extensions. 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 Option Plan contains extensive amendment procedures. Under the Option Plan, the Board has the absolute discretion to amend, modify and change the provisions of the Option Plan or any Options granted, provided any such amendment, modification or change shall: (i) not adversely alter or impair any Option previously granted; (ii) be subject to any regulatory approvals, where required; and (iii) be subject to shareholder approval where the amendment, modification or change would reduce the exercise price of an Option held by an insider, extend the term of an Option held by an insider beyond the original expiration date (subject to certain exceptions) or increase the fixed maximum number of shares which may be issued pursuant to the Option Plan. The Option Plan also provides that the Board has the absolute discretion to amend, modify and change the provisions of the Option Plan or any Options granted in certain circumstances without shareholder approval. The Option Plan includes an extensive list of such circumstances. Shareholder approval is not required for any amendments permitted by this provision. A copy of the Option Plan was included in the Company’s Management Information Circular dated January 19, 2007, which is available on SEDAR at www.sedar.com. In addition, the Board may discontinue the Option Plan at any time without the consent of Optionees provided that such discontinuance shall not adversely alter or impair any Option previously granted. The amendment and discontinuance provisions in the Option Plan were amended by the shareholders of the Company at the annual and special meeting of shareholders held on March 1, 2007 to provide for extensive amendment procedures. Previously the Option Plan had a general amendment provision, which was no longer consistent with the requirements of the Toronto Stock Exchange.

During the fiscal year ended October 31, 2007, Options held by Joseph Scanlan were amended in accordance with the Option Plan. The Option Plan provides that if an Optionee ceases to be employed by the Corporation, he or she may, but only within thirty days next succeeding the date of termination,

exercise his or her Options to the extent that he or she was entitled to exercise such Options under the Option Plan. The Option Plan permits the Board to change the expiration date or change any termination provision in any Option, provided that such change does not entail an extension beyond the original expiration date. Mr. Scanlan held 12,000 Options with an expiry date of December 17, 2007. These Options would have expired within thirty days of May 31, 2007, however, pursuant to his termination agreement (see “Statement of Executive Compensation – Termination Agreement”), he was permitted to exercise his Options until October 31, 2007.

There were no Options or SARs granted to the Named Executive Officers during the fiscal year ended October 31, 2007.

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, 2007 Exercisable/ Unexercisable (#)	Value of Unexercised in-the-money Options at October 31, 2007 Exercisable/ Unexercisable ⁽¹⁾ (\$)
Richard D. Innes	22,000	180,000	Nil	Nil
Brian D. Snowdon	5,000	38,000	Nil	Nil
Daniel J. Scanlan	22,000	165,000	Nil	Nil
David Scanlan	2,500	17,050	Nil	Nil
Jeffrey S. Scott	Nil	Nil	2,000 / Nil	14,980 / Nil
Joseph M. Scanlan	12,000	102,000	Nil	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, 2007 was \$30.99. An Option is in-the-money if the market value of the underlying security exceeds the exercise price.

Employment Contract

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 participated 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. The last of these options

expired unexercised in 2007. 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. Mr. Innes exercised these 22,000 Options in 2007. The agreement terminated in May of 2004, however, Mr. Innes continued to be employed under similar terms and conditions until October 31, 2007 at which time Mr. Innes retired. 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 resigned from the Board of Directors effective October 31, 2007.

Termination Agreement

On May 31, 2007, the Company entered into a termination agreement with the previous Senior Vice-President, Sales, Joseph M. Scanlan. The agreement provided that Mr. Scanlan's base salary would continue for a period of 30 months (the "Notice Period") to be paid to Mr. Scanlan in bi-weekly payments of \$11,398. However, the agreement provided that if Mr. Scanlan earns any employment income from May 30, 2008 to November 30, 2009, the Company can deduct such earnings from any future payments to him. The agreement also provided for Mr. Scanlan to receive annual incentive payments during the Notice Period, to be paid out in January 2008, January 2009 and January 2010. Other terms of the agreement included:

- continuation of benefits, with the exception of short-term and long-term disability benefits during the Notice Period or until he is provided with benefit coverage in another capacity, whichever occurs first;
- out-of-country coverage only until July 25, 2007;
- pension contributions during the Notice Period;
- payment of all unused accrued vacation;
- monthly car allowance over the Notice Period;
- outplacement services of up to \$15,000; and
- extension of the exercise period for his Options to October 31, 2007 (see "Statement of Executive Compensation – Stock Options / SARs").

The Company accrued an amount of \$1,080,486 to cover the terms of this termination agreement in 2007.

Composition of the Human Resources and Compensation Committee

As at October 31, 2007, 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 was the President and Chief Executive Officer of the Company until October 31, 2007 and retired effective that date. Effective December 20, 2007, Mr. Robert E. Rose was appointed to fill the vacancy. Mr. Rose is not now and has not been an officer or employee of the Company or any of its subsidiaries.

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. For fiscal 2008, other than in respect of those individuals that received a promotion effective November 1, 2007, the Committee approved salary increases generally in the range of 4% to 5% for all senior managers reporting to the Chief Executive Officer.

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. In December of 2007, after consideration of the recommendation of the new Chief Executive Officer, the Committee approved the granting of incentive bonuses for the 2007 fiscal year for all senior managers reporting to the Chief Executive Officer.

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 generally 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, 2007.

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 during fiscal 2007

was 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 2007, the Committee recommended to the Board granting bonuses for the 2007 fiscal year to the Chairman and the former Chief Executive Officer.

Presented by the Committee on December 20, 2007:

Roger A. Hall, Chairman
 Robert E. Rose
 Brian L. Zenkovich

Compensation of Directors

During fiscal 2007, the Company's directors (other than Messrs. Daniel J. Scanlan, Richard D. Innes, David J. Scanlan, Michael J. Scanlan and Joseph M. Scanlan who are or were officers of the Company or its affiliates) 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 earned by the Company's directors by way of fees and out-of-pocket expenses during the most recently completed financial year was \$213,763.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information ⁽¹⁾

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in (a))
Equity Compensation Plans approved by securityholders – Option Plan	28,500	\$23.50	413,089
Equity Compensation Plans not approved by securityholders	Nil	N/A	Nil
Total	28,500	\$23.50	413,089

Note:

⁽¹⁾ As of October 31, 2007.

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 December 31, 2007 was \$259,051. None of such indebtedness was entered into in connection with a purchase of securities of the Company or any of its subsidiaries.

Aggregate Indebtedness at December 31, 2007

Purpose	To the Company or its Subsidiaries	To Another Entity
Share purchases	Nil	Nil
Other	\$259,051	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, 2007	Amount Outstanding December 31, 2007
Gary R. Carmichael ⁽¹⁾ Markham, Ontario Vice-President, Government and Corporate Affairs and Chief Privacy Officer	Lender	\$52,709	\$43,134
Michael J. Scanlan ⁽²⁾ Scarborough, Ontario Vice-President, Marketing	Lender	\$10,000	\$10,000
David Scanlan ⁽³⁾ Toronto, Ontario Senior Vice-President, Sales	Lender	\$136,279	\$125,857

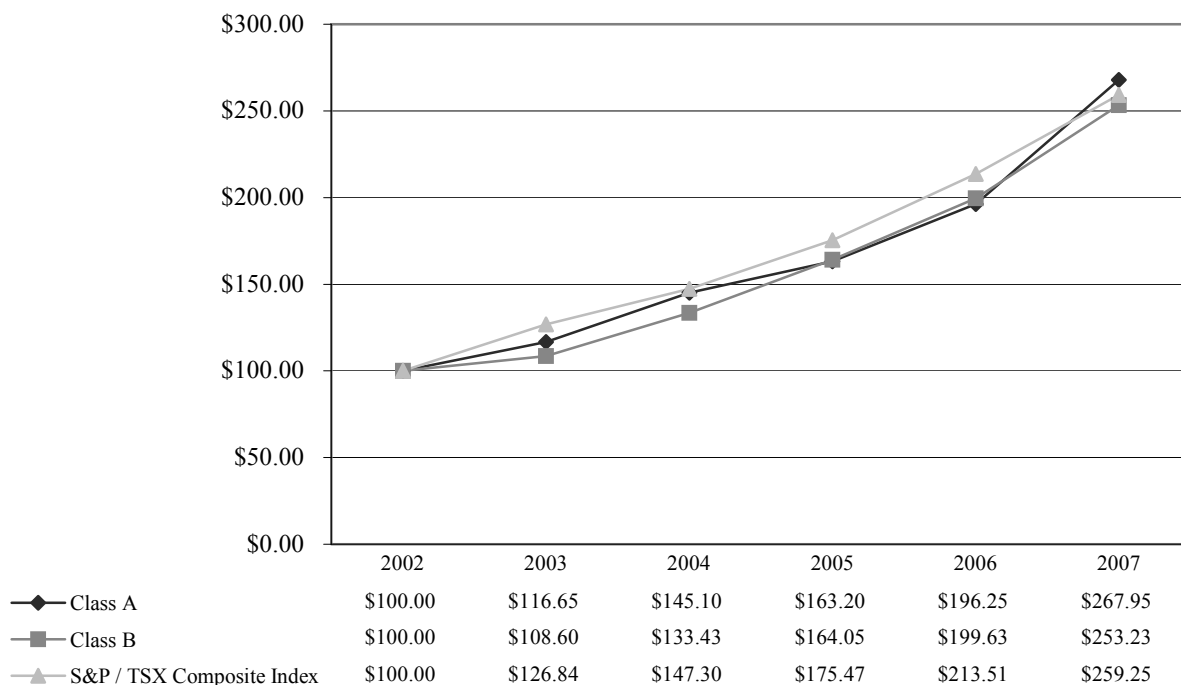
Notes:

- (1) 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.
- (2) 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.
- (3) Mr. David Scanlan was loaned \$140,000 in three separate instalments of \$35,000, \$45,000 and \$60,000 in connection with his residence and his golf club membership. The loan bears interest at the prescribed rate under the *Income Tax Act* (Canada) and is repayable in monthly payments, including accrued interest, starting in May 2001. The loan may be repaid earlier with no penalty. In the event that Mr. David Scanlan is no longer employed by the Company, the balance owing, including accrued interest, will be due and payable within six months thereafter.

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, 2002 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, 2008. The deductible is \$100,000 except for securities claims where it is \$250,000. The premium paid for fiscal 2008 is \$153,440.

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, 2007, 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.

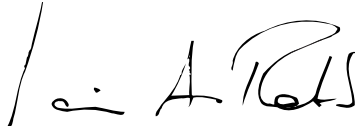
HOWEVER, IF ANY AMENDMENTS, VARIATIONS, OR OTHER MATTERS OF WHICH THE MANAGEMENT IS NOT NOW AWARE ARE PROPERLY PRESENTED TO THE MEETING FOR ACTION, IT IS THE INTENTION OF THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO VOTE SAID PROXIES IN ACCORDANCE WITH THEIR JUDGMENT ON SUCH MATTERS.

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 18th day of January, 2008.

BY ORDER OF THE BOARD OF DIRECTORS



Iain A. Robb
Secretary

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 such number of directors as are appointed and/or elected from time to time within the minimum (3) and the maximum (15) set out in the Company's articles 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.

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.

Amended by the Board of Directors: December 20, 2007



ARBOR
MEMORIAL
SERVICES INC.