



SEAMARK
Asset Management Ltd.

INVESTMENT COUNSEL

2008
Third Quarter Report
to Shareholders

October 30th, 2008

This past quarter has been one of the most difficult market periods we have ever seen. I would like to commend our investment team on a job well done in this environment. By adhering tightly to our investment discipline, we have helped clients avoid the worst of the current market declines, and delivered on our commitment to first preserve before enhancing client capital.

Each of our major equity mandates outperformed their respective benchmarks in the third quarter, and our fixed income mandates kept pace with or exceeded their comparative benchmarks. As a result, we are well on our way to delivering yet another year of above median performance for our balanced pension clients.

These are challenging business conditions under which to operate, and the market declines are reflected in our assets under management. However, SEAMARK remains debt free, enjoys a strong cash position and our capital requirements are not impacted by the challenges faced in the credit markets.

Earnings visibility is limited at this time. Accordingly the Board of Directors has chosen to suspend the dividend. Not only does this maintain our strong cash position, but it also provides continuing flexibility to consider opportunities as they arise.

We continue our commitment to delivering sustainable investment performance, quality client service, and on creating long-term shareholder value.

Yours truly,

Stuart R. Raftus
President & Chief Executive Officer

SEAMARK Asset Management Ltd.

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MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2008

Certain information regarding SEAMARK Asset Management Ltd. contained herein may constitute forward looking statements within the meaning of applicable securities laws. Forward looking statements include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. These statements reflect management's current expectations based on the business conditions under which the company is currently operating, and are believed to be reasonable, but management can give no assurance that such expectations will prove to have been correct.

By their very nature, forward looking statements involve inherent risks and uncertainties, as actual results and events will be affected by a number of factors, many of which are beyond the company's control. Actual results and events may therefore differ materially from those predicted by the forward looking statements. Readers are cautioned not to place undue reliance on any forward looking statement. Forward looking statements are expressly qualified in their entirety by this cautionary statement.

Additional information related to SEAMARK, including SEAMARK's Annual Information Form, can be found on SEDAR at: www.sedar.com

SUMMARY OF RESULTS

UNAUDITED

For the period ended September 30 (\$ in thousands, except per share)	Three months		Year to date	
	2008	2007	2008	2007
Total revenue	\$ 2,499	\$ 3,385	\$ 8,396	\$ 10,954
Earnings before income taxes	563	1,039	1,614	3,709
Net earnings	333	641	961	2,315
<i>Per Share</i>				
Basic earnings per share	\$ 0.03	\$ 0.06	\$ 0.09	\$ 0.22
Diluted earnings per share	0.03	0.06	0.09	0.21

GENERAL

This discussion and analysis has been prepared by management as of October 30, 2008 to assist shareholders in understanding SEAMARK Asset Management Ltd. ("SEAMARK")'s interim financial results for the period ended September 30, 2008. It is intended to be read in conjunction with SEAMARK's unaudited financial statements and related notes included in this Report to Shareholders as well as the management discussion and analysis and financial statements contained in SEAMARK's 2007 Annual Report. Except as updated below, the information set out in the annual management discussion and analysis is believed to be substantially unchanged.

As of the date of this interim discussion and analysis, there were 10,838,326 common shares of SEAMARK issued and outstanding and 636,000 outstanding options to purchase common shares.

LIQUIDITY & CAPITAL RESOURCES

Total available liquid assets, consisting of cash, short-term investments, and temporary investments, stood at \$11.0 million as of September 30, 2008 up from \$10.5 million as of the beginning of the quarter and down from \$12.4 million a year ago.

There are no current liquidity concerns with any financial instruments held by SEAMARK.

FINANCIAL OVERVIEW

Earnings for the quarter were \$0.03 per share compared to \$0.06 for the third quarter 2007. Year-to-date, earnings are \$0.09 in 2008 compared to \$0.21 in 2007.

The year-to-date and third quarter earnings for 2008 are impacted by the non-recurring expense recoveries of \$0.015 per share. This is principally as a result of the reversal of executive relocation costs.

Third quarter 2007 included costs incurred to launch three mutual funds, which decreased earnings per share by approximately \$0.01.

The decline in earnings per share for the third quarter and year-to-date compared to the same periods for 2007 reflects the non-recurring items noted above and a decline in revenues.

Revenues for the quarter were \$2.5 million compared to \$3.4 million for the third quarter 2007. Revenues year-to-date were \$8.4 million compared to \$11.0 million for the first nine months of 2007. The decline in revenues for the quarter and year-to-date reflects a decline in average assets under management. Year-to-date 2007 revenues included \$0.2 million in realized gains from the sale of temporary investments, which increased earnings by \$0.01.

Total expenses were \$1.9 million for the third quarter and \$6.8 million year-to-date in 2008 compared with \$2.3 million and \$7.2 million respectively in 2007. Excluding the impacts of the non-recurring items, expenses during the third quarter and year-to-date 2008 included increased equity compensation costs associated with the establishment of increased equity ownership among key employees and costs associated with new mutual fund products launched during the second half of 2007. These

new costs were offset by a reduction in costs in other areas.

Earnings before income taxes represented 23% of revenues for the quarter and 19% year-to-date in 2008 compared to 2007 margins of 31% and 34% respectively. Net earnings as a percentage of revenues were 13% for the third quarter and 11% year-to-date 2008 compared to 19% for the quarter and 21% year-to-date 2007. The decline in revenues negatively impacted these ratios compared to the same periods a year ago.

SEAMARK's effective tax rate for the third quarter was 40.9% compared to 38.3% for the third quarter 2007. The higher effective tax rate compared to third quarter 2007 is primarily the result of an increase in non-deductible expenses. The estimated statutory rate for 2008 is 35.2% compared to 37.8% for 2007.

The year-to-date effective tax rate is 40.5% compared to 37.6% for the same period in 2007. The higher tax rate in 2008 is the result of an increase in non-deductible expenses and a decrease in future tax assets recorded in the first quarter. The decrease in future tax assets and an increase in future income tax expense arises from a scheduled decline in statutory tax rates over the next three years, along with a decline in the market value of SEAMARK's common shares compared to their average price at the time of historical equity compensation grants. This has resulted in the expected value of the future income tax deductions related to the equity compensation grants being lower than if these expenses had been deductible at the time of the grant.

SUMMARY OF QUARTERLY RESULTS

\$ in thousands, except per share	2008			2007				2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	2,499	2,829	3,068	3,220	3,385	3,509	4,060	4,151
Earnings before income taxes	563	492	559	892	1,039	1,084	1,586	1,795
Net Earnings	333	312	316	516	641	664	1,010	1,269
Basic earnings per share	0.03	0.03	0.03	0.05	0.06	0.06	0.10	0.12
Diluted earnings per share	0.03	0.03	0.03	0.05	0.06	0.06	0.09	0.11

OPERATING HIGHLIGHTS

Assets under management (“AUM”) were \$3.0 billion as of September 30, 2008 compared to \$3.5 billion at the beginning of the quarter and \$4.2 billion a year ago. More than half of the decline in AUM this quarter is related to market value declines.

The following tables summarize the changes in AUM during the third quarter and year-to-date.

Quarterly Change in AUM Summary (in billions)									
	AUM End of 3 rd Quarter 2008	3 rd Quarter 2008			AUM End of 2 nd Quarter 2008	3 rd Quarter 2007			AUM End of 2 nd Quarter 2007
		Net New Assets	Market Value Change			AUM End of 3 rd Quarter 2007	Net New Assets	Market Value Change	
Total Firm	\$2.99	(0.24)	(0.27)	\$3.50	\$4.21	(0.29)	0.01	\$4.50	
Institutional clients	1.75	(0.15)	(0.16)	2.06	2.39	(0.24)	0.01	2.62	
Mutual funds	0.12	(0.01)	(0.01)	0.14	0.19	(0.01)	–	0.21	
Wrap programs	0.98	(0.07)	(0.09)	1.14	1.46	(0.04)	–	1.50	
Private clients	0.14	(0.01)	(0.01)	0.16	0.17	–	–	0.17	

Year to Date Change in AUM Summary (in billions)								
	AUM End of 3 rd Quarter 2008	First 9 Months 2008		AUM End of 4 th Quarter 2007	AUM End of 3 rd Quarter 2007	First 9 Months 2007		AUM End of 4 th Quarter 2006
		Net New Assets	Market Value Change			Net New Assets	Market Value Change	
Total Firm	\$2.99	(0.51)	(0.37)	\$3.87	\$4.21	(\$1.11)	\$0.11	\$5.21
Institutional clients	1.75	(0.24)	(0.19)	2.18	2.39	(0.90)	0.10	3.19
Mutual funds	0.12	(0.03)	(0.02)	0.17	0.19	(0.06)	(0.01)	0.26
Wrap programs	0.98	(0.23)	(0.15)	1.36	1.46	(0.14)	0.02	1.59
Private clients	0.14	(0.01)	(0.01)	0.16	0.17	(0.01)	-	0.18

OUTLOOK

During the third quarter of 2008, relative investment performance for all key mandates was strong in comparison to our peers. As a result, our competitive position in the industry and our potential ability to win future business has improved.

Despite this it will remain challenging to win new business in the near future, particularly as prospective clients take the time to deal with the fallout from dramatically changed market conditions. Continuing strong overall investment results over the remainder of the year, and in future years, will be required in order to retain existing clients and attract new clients.

SEAMARK's future revenues are expected to track its assets under management in a manner consistent with their historical relationship. Expenses will vary according to the needs of SEAMARK's business over the course of 2008. SEAMARK's effective tax rate in 2008 is expected to remain higher than in 2007.

CHANGES IN ACCOUNTING POLICIES

As of January 1, 2008 the Company adopted Section 3862 – Financial Instruments Disclosure and Section 3863 – Financial Instruments Presentation from the Canadian Institute of Chartered Accountants' ("CICA") Handbook. Sections 3862 and 3863 will replace section 3861 – Financial Instruments – Disclosure and Presentation, and increase emphasis on, and disclosure about, fair value and the credit, liquidity and market risks associated with the financial instruments. The new accounting standards cover disclosure only and will have no impact on the financial results of the Company.

Also, as of January 1, 2008 the Company adopted Section 1535 – Capital Disclosures from the CICA Handbook. It requires the Company to disclose its objectives, policies and processes for the management of its capital. The new standard covers disclosure only and will have no impact on the financial results of the Company.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

As at September 30, 2008 and December 31, 2007 (\$ in thousands)	2008	2007
ASSETS		
Current		
Cash and short-term investments	\$ 8,710	\$ 9,189
Temporary investments (note 10)	2,319	2,875
Accounts receivable and prepaid expenses (note 9)	2,662	3,686
Income tax receivable	701	78
Future income tax asset	154	178
	<u>14,546</u>	<u>16,006</u>
Capital assets (note 3)	498	574
Intangible assets (note 4)	316	346
Goodwill (note 4)	389	389
	<u>\$ 15,749</u>	<u>\$ 17,315</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,361	\$ 1,849
Future income tax	63	160
	<u>1,424</u>	<u>2,009</u>
Capital stock (note 7)	6,643	6,555
Less share purchase financing (note 6)	(3,767)	(4,179)
Contributed surplus (note 8)	1,171	580
Retained earnings	10,652	12,447
Accumulated other comprehensive income (note 10)	(374)	(97)
	<u>14,325</u>	<u>15,306</u>
	<u>\$ 15,749</u>	<u>\$ 17,315</u>

See accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

For the period ended September 30 (\$ in thousands, except per share)	Three months		Year to date	
	2008	2007	2008	2007
REVENUE				
Institutional clients	\$ 1,029	\$ 1,353	\$ 3,381	\$ 4,440
Mutual fund clients	142	135	362	447
Private clients and WRAP accounts	1,269	1,778	4,370	5,454
Investment income	59	119	283	613
	<u>2,499</u>	<u>3,385</u>	<u>8,396</u>	<u>10,954</u>
EXPENSES				
General and administrative	1,884	2,287	6,620	7,061
Amortization	52	59	162	184
	<u>1,936</u>	<u>2,346</u>	<u>6,782</u>	<u>7,245</u>
Earnings before income taxes	<u>563</u>	<u>1,039</u>	<u>1,614</u>	<u>3,709</u>
Income taxes				
Current income taxes	223	392	668	1,398
Future income taxes	7	6	(15)	(4)
	<u>230</u>	<u>398</u>	<u>653</u>	<u>1,394</u>
Net earnings	<u>\$ 333</u>	<u>\$ 641</u>	<u>\$ 961</u>	<u>\$ 2,315</u>
EARNINGS PER SHARE				
Basic	\$ 0.03	\$ 0.06	\$ 0.09	\$ 0.22
Diluted	\$ 0.03	\$ 0.06	\$ 0.09	\$ 0.21
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)				
Basic	10,408	10,466	10,416	10,460
Diluted	10,803	10,821	10,811	10,815

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

For period ended September 30 (\$ in thousands)	Three months		Year to date	
	2008	2007	2008	2007
Retained earnings - beginning of period	\$ 11,066	\$ 13,012	\$ 12,447	\$ 13,264
Net earnings	333	641	961	2,315
	11,399	13,653	13,408	15,579
Less				
Excess on acquisition of common shares (note 8)	12	120	551	568
Dividends paid	735	741	2,205	2,219
Retained earnings - end of period	\$ 10,652	\$ 12,792	\$ 10,652	12,792

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For period ended September 30 (\$ in thousands)	Three months		Year to date	
	2008	2007	2008	2007
Net income	\$ 333	\$ 641	\$ 961	\$ 2,315
Other comprehensive income:				
Unrealized losses on temporary investments, net of income taxes of \$33 thousand (2007 - \$5 thousand) and \$53 thousand (2007 - \$16 thousand) for the three month and nine month periods ended September 30, 2008, respectively.	(171)	(19)	(253)	(87)
Realized (gains) losses on temporary investments sold and included in net income, net of income taxes of \$3 thousand (2007 - \$1 thousand) and \$5 thousand (2007 - \$47 thousand) for the three month and nine month periods ended September 30, 2008, respectively.	12	-	(24)	(203)
Other comprehensive income	(159)	(19)	(277)	(290)
Comprehensive income	\$ 174	\$ 622	\$ 684	\$ 2,025

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended September 30 (\$ in thousands)	Three months		Year to date	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Net earnings for the period	\$ 333	\$ 641	\$ 961	\$ 2,315
Items not affecting cash				
Amortization	52	59	162	184
Non-cash compensation expense	247	205	762	650
Future income tax	7	6	(15)	(4)
Gain (loss) on disposal of temporary investments	15	-	(29)	(250)
Share purchase financing (note 6)	137	137	412	412
	791	1,048	2,253	3,307
Changes in non-cash working capital related to operations (note 2)	652	337	(87)	786
	1,443	1,385	2,166	4,093
FINANCING ACTIVITIES				
Dividends paid	(735)	(741)	(2,205)	(2,219)
Acquisition of common shares	(13)	(132)	(634)	(614)
	(748)	(873)	(2,839)	(2,833)
INVESTING ACTIVITIES				
Acquisition of capital assets	(2)	-	(56)	(111)
Purchase of temporary investments	(210)	(2,445)	(453)	(2,509)
Proceeds from the sale of temporary investments	175	-	703	3,248
	(37)	(2,445)	194	628
Increase (decrease) in cash and short-term investments	658	(1,933)	(479)	1,888
Cash and short-term investments, beginning of period	8,052	11,193	9,189	7,372
Cash and short-term investments, end of period	\$ 8,710	\$ 9,260	\$ 8,710	\$ 9,260
Cash is comprised of				
Cash	\$ 369	\$ 601	\$ 369	\$ 601
Short-term investments	8,341	8,659	8,341	8,659
Cash and short-term investments, end of period	\$ 8,710	\$ 9,260	\$ 8,710	\$ 9,260

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)

1. Summary of Significant Accounting Policies

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and, accordingly, do not include all disclosures required for annual financial statements.

These statements should be read in conjunction with the December 31, 2007 annual financial statements included in the 2007 Annual Report. These financial statements reflect the same significant accounting policies as those described in the notes to the audited financial statements of SEAMARK Asset Management Ltd. for the year ended December 31, 2007 except for the following:

a) Financial instruments – Disclosure and Presentation

On January 1, 2008, the Company adopted Section 3862 – Financial Instruments Disclosures and 3863 – Financial Instruments Presentation from the Canadian Institute of Chartered Accountants' ("CICA") Handbook. Sections 3862 and 3863 replace section 3861 – Financial Instruments – Disclosure and Presentation, and increase emphasis on, and disclosure about, fair value, and the credit, liquidity and market risks associated with the financial instruments.

b) Capital Disclosures

On January 1, 2008 the Company adopted Section 1535 – Capital Disclosures from the CICA Handbook. It requires the Company to disclose its objectives, policies and processes for the management of its capital.

2. Changes in Non-Cash Working Capital

(thousands of dollars)	Three Months		Year to Date	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accounts receivable	642	123	1024	622
Income tax receivable	84	(11)	(623)	(177)
Accounts payable and accrued liabilities	(74)	225	(488)	341
Changes in non-cash working capital	652	337	(87)	786

3. Capital Assets

(thousands of dollars)	As at September 30, 2008		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	587	414	173
Computer equipment	390	286	104
Software	465	244	221
Leasehold	67	67	0
Total capital assets	1,509	1,011	498

(thousands of dollars)	As at December 31, 2007		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	587	384	203
Computer equipment	382	256	126
Software	417	181	236
Leasehold	67	58	9
Total capital assets	1,453	879	574

4. Intangible Assets and Goodwill

The Company's net book value of goodwill at September 30, 2008 is \$389,000 (December 31, 2007 – \$389,000).

The Company's intangible assets are comprised of investment management contracts which are amortized over their estimated useful life of 10 years. The net book value of intangible assets is as follows:

(thousands of dollars)	September 30, 2008			December 31, 2007		
	Cost	Accumulated Amortization	NBV	Cost	Accumulated Amortization	NBV
	\$	\$	\$	\$	\$	\$
Investment management contracts	402	86	316	402	56	346

5. Employee Benefit Plan

The Company contributed \$38,000 for the quarter (2007 - \$40,000) and \$129,000 for the nine months ended September 30, 2008 (2007 - \$132,000) to its defined contribution pension plan.

6. Share Purchase Financing

The Company has advanced two equal forgivable loans totaling \$5,000,000 to the President and CEO of the Company in connection with an employment agreement. Under the terms of the agreement the President and CEO was obligated and has subsequently purchased \$7,500,000 of the Company's common shares. The employment agreement provides for forgiveness of \$250,000 of each loan annually subject to the achievement of certain performance criteria and service requirements. The loans are also forgivable in the event of termination of employment without cause. The loans are non-interest bearing, have full recourse against the President and CEO and the Company is the beneficiary of a life insurance policy on the life of the President and CEO.

The Company has advanced a forgivable \$250,000 loan to an employee in connection with an employment agreement for the purchase of shares of the Company. The employment agreement provides for the forgiveness of \$50,000 annually subject to the employee fulfilling equivalent service requirements. The loan is full recourse non-interest bearing and the escrowed shares are held by the Company as security. The shares are released annually in installments of 20%. The market value of the shares at September 30, 2008 was \$84,000.

During the quarter the loans, less earned or accrued forgiveness, outstanding of \$3,767,000 are accounted for in the accompanying balance sheet as share purchase financing and as a result are deducted from shareholder's equity. The related earned or accrued forgiveness of \$137,000 for the quarter (September 30, 2007 – \$137,000) and \$412,000 for the nine months ended September 30, 2008 (2007 – \$412,000) is accounted for as compensation expense in the accompanying statement of operations.

7. Share Capital

Authorized

Unlimited common shares without par value

Issued

	2008	
	Number of Shares	Amount
(thousands of dollars, except number of shares)	#	\$
Common Shares		
Balance, beginning of period	10,417	6,473
Shares released from escrow to employees	25	171
Acquisition of common shares for deferred stock unit plan	(2)	(1)
Balance, end of period	10,440	6,643

8. Stock-based Compensation

Deferred Stock Units

The Company operates a deferred stock unit ("DSU") plan for key employees. Each vested DSU entitles the participant to receive one common share of the Company. DSUs vest over a three year period in equal installments of one third per year. The Company uses a trust to acquire the Company's common shares on the open market to fulfill its obligations under the DSU plan. An independent party serves as the trustee of the plan. During the nine months ended September 30, 2008 the Company acquired 134,000 shares at a total cost of \$634,000 under the DSU plan and charged \$83,000 against share capital and the balance of \$551,000 to retained earnings.

No DSUs were issued for the quarter ended September 30, 2008 (2007 – nil). The total compensation cost that has been charged against income and credited to contributed surplus for the DSU plan for the quarter was \$186,000 (2007 – \$134,000) and \$557,000 (2007 – \$402,000) for the nine months ended September 30, 2008.

As part of a business acquisition 100,565 common shares are held in escrow and are released based on the continued employment of the principal shareholders of the acquired company and are automatically forfeited if employment terminates. The shares are treated as compensation expense over the four year escrow period based on the continued employment of the principal shareholders of the acquired company. During the quarter 25,000 shares (2007 – 25,000) were released from escrow. For the quarter \$38,000 (2007 – \$29,000) and \$124,000 (2007 - \$163,000) for the nine months ended September 30, 2008 has been charged to compensation expense in the accompanying statements.

Stock Options

On May 1, 2008 at the Company's annual and special meeting of the shareholders, the shareholders approved an Amended Stock Option Plan. Under the amended plan, the Company may grant stock options to purchase shares up to 10% of the issued and outstanding common shares from time to time. At September 30, 2008, 1,085,508 options were available for issuance of which 636,000 options have been issued. The exercise price of the option is determined by the Compensation Committee of the Board of Directors at the time the option is granted, but cannot be less than the average price of the shares on the last five trading dates preceding the date of the grant. The expiry date of the options is determined by the Compensation Committee of the Board of Directors at the time the option is granted, but cannot be more than ten years from the date of the grant. Options become exercisable either on the anniversary of the grant date or over time at the rate of 20% of the total options granted on each anniversary of the grant date.

The following table summarizes the status of the Company's stock options plan at September 30, 2008 and September 30, 2007 and changes during the periods then ended.

	2008		2007	
	Number	Price* \$	Number	Price* \$
Outstanding, beginning of period	666,000	13.12	649,000	13.45
Granted	-	-	-	-
Forfeited	30,000	17.63	5,000	11.00
Exercised	-	-	-	-
Outstanding, end of period	636,000	12.90	644,000	13.47
Total options exercisable	465,000	14.01	431,000	14.45

*weighted average exercise price

The following table summarizes information for stock options outstanding at September 30, 2008.

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Remaining life (years)*	Price* \$	Number	Price* \$
\$4.72 to \$4.72	25,000	9.27	4.72	-	-
\$8.69 to \$8.69	190,000	7.34	8.69	76,000	8.69
\$11.00 to \$11.00	219,000	2.74	11.00	219,000	11.00
\$16.86 to \$17.68	27,000	3.32	17.44	27,000	17.44
\$18.29 to \$18.29	80,000	6.75	18.29	48,000	18.29
\$20.19 to \$20.98	40,000	4.23	20.59	40,000	20.59
\$23.00 to \$23.29	55,000	4.08	23.11	55,000	23.11
	636,000			465,000	

*weighted average

Total compensation cost that has been charged against income and credited to contributed surplus for the stock option plan for the quarter is \$23,000 (2007 - \$28,000) and \$81,000 (2007 - \$85,000) for the nine months ended September 30, 2008.

No options were granted for the quarter ended September 30, 2008 (2007 – nil). During the nine months ended September 30, 2008, 25,000 (2007 – nil) options were granted. The fair value of options granted was estimated at the date of granting using a Black-Scholes Option Pricing Model with the following assumptions: weighted average risk-free interest rate of 3.60%; dividend yields 6.07%; weighted-average volatility factors of the expected market price of the Company's common shares 33.0% and the weighted average expected life of the options of 5 years. The weighted average fair value of options issued during the nine months ended September 30, 2008 was \$0.82.

Options granted in 2002 had an expected life of 5 years and had the fair value method been adopted for these options they would have been fully expensed in 2007. Therefore pro-forma net income, basic earnings per share and diluted earnings per share would not be impacted for the quarter (2007 – pro-forma net income reduced by \$9,000, basic earnings per share unchanged at \$0.06 and diluted earnings per share unchanged at \$0.06). For the nine months ended September 30, 2008 (2007 – pro-forma net income reduced by \$42,000, basic earnings per share unchanged at \$0.22 and diluted earnings per share reduced from \$0.21 to \$0.20).

9. Related Party Transactions

The Manufacturers Life Insurance Company, a wholly-owned subsidiary of Manulife Financial Corporation (“Manulife”), owns approximately 31% of the Company. The Company provides investment services to Manulife. A summary of the related party transactions with Manulife, are as follows;

- Included in fee revenue for the quarter is \$430,000 (2007 - \$648,000) and \$1,476,000 (2007 - \$2,198,000) for the nine months ended September 30, 2008 which was earned from Manulife.
- Included in accounts receivable are amounts due from Manulife of \$434,000 (2007 - \$654,000). These receivables are on the same commercial and credit terms as non-related parties.
- Included in temporary investments at September 30, 2008 are Manulife common shares with a cost of \$30,000 (2007 - \$40,000). These shares were purchased on the open market at fair market value.
- The Company also purchases services from Manulife and its subsidiaries on normal commercial terms. These amounts were not material.

The Company is the manager-trustee for the SEAMARK Pooled Funds and the SEAMARK Mutual Funds. A summary of the related party transactions with these funds are as follows;

- Included in fee revenue for the quarter is \$515,000 (2007 - \$634,000) and \$1,591,000 (2007 - \$2,153,000) which was earned from the funds.
- Included in general and administrative expenses for the quarter is \$51,000 (2007 - \$104,000) and \$219,000 (2007 - \$175,000) for the nine months ended September 30, 2008 of fund expenses absorbed by the Company.
- Included in temporary investments at September 30, 2008 is seed money which is invested in units of the funds with a cost of \$1,712,000 (2007 - \$1,851,000). These units were purchased at their then current net asset values, on the same terms as third party unitholders. Income earned on these units is recorded as investment income and reinvested in additional units of the fund.
- Included in cash and cash equivalents at September 30, 2008 is \$8,341,000 (2007 - \$8,659,000) in units of the money market pooled fund. These units were purchased at their current net asset values, on the same terms as third party unitholders. Income earned on these units is recorded as investment income and reinvested in additional units of the fund.

10. Accumulated Other Comprehensive Income

(thousands of dollars)	2008 \$	2007 \$
Balance, beginning of period	(97)	332
Unrealized losses on temporary investments, net of income taxes of \$53 thousand (2007 - \$21 thousand)	(253)	(87)
Realized gains on temporary investments sold and included in net income, net of income taxes of \$5 thousand (2007 - \$46 thousand)	(24)	(203)
Balance, end of period	(374)	42

11. Financial Instruments and Risk Management

The Company fair values financial instruments as follows:

- Cash and short term investments are classified as financial assets held for trading and are measured at fair value. Gains and losses related to periodic revaluation are recorded in net income.
- Temporary investments are classified as available for sale and are measured at fair value and marked-to-market through comprehensive income at each period end. The carry amount approximates fair value.
- Accounts receivable are classified as loans and receivables which are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method. The carrying amount approximates fair value.
- Bank overdraft, accounts payable and accrued liabilities are classified as other liabilities and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method. The carrying amount approximates fair value.

The Company is exposed to a number of financial risks by virtue of its activities, encompassing market risk (including currency risk), fair value interest rate risk and credit risk. The Company's risk management program is focused on the volatility of financial markets and seeks to limit any potential adverse impact on financial performance and balance sheet strength.

Risk management is carried out by the Executive Management Committee under investment policies approved by the Board of Directors. The finance department implements and maintains controls to ensure that these risks are mitigated in accordance with approved policies. Management reports to the Audit Committee and Board of Directors regularly on the results and effectiveness of these controls.

Market Risk

Temporary investments include capital which the Company invests in new products in order to ensure their successful introduction into the marketplace. Products generally consist of mutual and other funds which are comprised of a selection of equity securities, including a portion for which the underlying companies are domiciled outside Canada. Consequently, the Company is impacted by both the changing value of the securities in the market, as well as changes in the relative value of foreign currencies vis-a-vis the Canadian dollar. The Company does not hedge these two risks; rather, it minimizes risk by limiting the amount of capital allocated to new product introduction to amounts which would not materially impact the financial strength and capacity of the Company. In addition, each fund is diversified by sector and the type of businesses in which the investee companies are engaged.

The Company also invests in money market instruments which are limited to securities rated R1-Low or higher. No investments are made in structured debt instruments, including asset backed commercial paper.

The following table demonstrates the sensitivity to a reasonable possible change in the S&P market index of 5.0% with all other variables held constant on the Company's other comprehensive income. There is no impact on the Company's net income.

(thousands of dollars, except market index percentage)	2008	
	Increase/ decrease in market index	Effect on other comprehensive income
S&P TSX	±5.0%	±\$39
S&P 500	±5.0%	±\$42

The following table demonstrates the sensitivity to a reasonable possible change of 5% in foreign currency exchange rate with all other variables held constant on the Company's other comprehensive income. There is no impact on the Company's net income.

(thousands of dollars, except currency rate percentage)	2008	
	Increase/ decrease currency rate	Effect on other comprehensive income
Euro	±5.0%	± \$1
US dollar	±5.0%	±\$39

Fair Value Interest Rate Risk

The Company's money market investments are the only financial instruments bearing interest rate risk. This risk is minimized by the short term to maturity and high credit quality of the underlying borrowers.

Credit Risk

The Company's credit risk is limited to its accounts receivable which have normal thirty day terms. No allowance for bad debts exists and no credit related bad debts have been realized over the past five years.

The aging of the Company's accounts receivable at September 30, 2008 is summarized in the table below.

(thousands of dollars)	30 days or less	31 - 90 days	91 - 180 days	180 + days
Account receivables	\$2,300	\$82	\$0	\$0

Liquidity Risk

The Company has contractual obligations and financial liabilities and therefore is exposed to liquidity risk. The Company monitors its current and expected cash flow requirements to ensure it has sufficient cash and cash equivalents to meet its liquidity requirements short and longer terms.

12. Capital Management

The Company's primary objectives in managing capital are:

- to provide an optimal level of shareholder's equity and cash to cover anticipated dividend payments.
- to provide sufficient unencumbered cash to fund product initiatives in the strategic plan.
- to provide financial flexibility to respond to opportunities as they arise.

The Company has determined that no debt will be included in its capital structure at this time. Accordingly, its capital is equal to Shareholder's Equity on the balance sheet. The Company's registration as a portfolio manager with the securities regulators requires it to maintain minimum free capital of its maximum insurance deductible plus \$25,000 of working capital. The Company was in compliance with this requirement during the nine months ended September 30, 2008.