



**ARBOR**  
**MEMORIAL**  
SERVICES INC.

## **ARBOR MEMORIAL SERVICES INC.**

### **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual 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 March 10, 2005 at 10:00 a.m. (Toronto time) for the following purposes:

1. to receive the financial statements for the year ended October 31, 2004 and the auditors' report thereon as well as the annual report;
2. to elect directors;
3. to appoint auditors and to authorize the directors to fix the auditors' remuneration; and
4. 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 21st day of January, 2005.

BY ORDER OF THE BOARD OF DIRECTORS

IAIN A. ROBB  
*Secretary*



**ARBOR**  
**MEMORIAL**  
SERVICES INC.

## **ARBOR MEMORIAL SERVICES INC.**

### **MANAGEMENT INFORMATION CIRCULAR**

#### **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 meeting of the shareholders of the Company (the “Meeting”) to be held on March 10, 2005 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 21, 2005. No person is authorized to give any information or to make any representations other than those contained in this Management Information Circular and, if given or made, such information must not be relied upon as having been authorized.

#### **Appointment and Use of Proxies**

The persons named in the enclosed form of proxy, who are officers or directors of the Company, will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction, such shares shall be voted for the election of directors and the appointment of auditors 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 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 an 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 an adjournment thereof; or (c) in any other manner permitted by law.

### **Voting Shares**

The holders of the Class A Voting Shares of the Company are entitled to vote upon all matters voted upon at the meeting. Each Class A Voting Share is entitled to one vote per share. The Company is authorized to issue an unlimited number of Class A Voting Shares of which there are presently 2,525,497 Class A Voting Shares issued and outstanding as at January 21, 2005.

### **Non-Voting Shares**

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

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

### **Record Date**

Each holder of record of Class A Voting Shares at the close of business on February 2, 2005 (the "Record Date"), is entitled to cast one vote for each such share then held of record unless, pursuant to subsection 100(2) of the *Business Corporations Act* (Ontario), a transferee of such shares transferred after the Record Date establishes that the transferee owns shares recorded in the name of a shareholder otherwise entitled to vote and demands not later than ten days before the Meeting that the transferee's name be included in the list of shareholders of the Company (with respect only to the shares transferred), in which case the transferee is entitled to vote those shares at the Meeting.

### **Principal Holders of Class A Voting Shares**

To the knowledge of the directors or senior officers of the Company, the only persons or companies beneficially owning, directly or indirectly, or exercising control or direction over voting securities carrying more than 10% of the voting rights attaching to any class of voting securities of the Company are Scanfield Holdings Limited which owns 1,341,899 Class A Voting Shares, or 53.1% of the outstanding voting shares, and J.C. Clark Limited which owns or controls 557,819 Class A Voting Shares, or 22.1% of the outstanding voting shares. Mr. Daniel J. Scanlan, the Chairman of the Board of Directors of the Company, controls Scanfield Holdings Limited. John C. Clark, a director of the Company, is the Chairman, President and Chief Executive Officer of J.C. Clark Limited, an investment management company.

### **Election of Directors**

The articles of the Company provide for a minimum of three (3) and maximum of fifteen (15) directors to be elected annually. The board of directors presently consists of ten (10) directors. The board of directors has fixed the number of directors to be elected at the Meeting at nine (9) directors.

Proxies received in favour of management 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) who will, subject to the by-laws of the Company and to applicable laws, serve until the next annual meeting of shareholders or until their successors are elected or appointed.

### Board of Directors

<u>Name</u>	<u>Principal Occupation</u>	<u>Year Became Director</u>	<u>Class A Voting Shares Beneficially Owned, Controlled or Directed</u>	<u>Class B Non-Voting Shares Beneficially Owned, Controlled or Directed</u>
Daniel J. Scanlan(6) . . . . . Toronto, Ontario	Chairman of the Company	1973	1,341,899	1,061,789
Richard D. Innes(2) . . . . . Toronto, Ontario	President and Chief Executive Officer of the Company	1997	Nil	Nil
Joseph M. Scanlan(5) . . . . . Burlington, Ontario	Vice-Chairman and Senior Vice-President, Sales of the Company	1989	5,000	Nil
Paul F. Scanlan(4) . . . . . Mississauga, Ontario	Branch Sales Manager of the Company	1993	570	Nil
Philip L. Wilson(1)(3) . . . . . Toronto, Ontario	Corporate Director	1973	1,000	Nil
John C. Clark(1)* . . . . . Toronto, Ontario	Chairman, President and Chief Executive Officer of J.C. Clark Limited (Investment Management Company)	2001	557,819	275,943
Roger A. Hall(2)(3)(5) . . . . . Oliver, B.C	Management Consultant	2001	Nil	Nil
Robert E. Rose(1)(3) . . . . . Toronto, Ontario	Partner, Clarke Henning LLP (Accounting Firm)	2002	Nil	Nil
Brian L. Zenkovich(2)(4) . . . . . Toronto, Ontario	Chief Executive Officer and Secretary of Winzen Properties Inc. (Real Estate Development Company)	2002	Nil	Nil
Kenneth T. Rosenberg(4)(5) Toronto, Ontario	Partner, Paliare Roland Rosenberg Rothstein LLP (Law Firm)	2003	300	Nil

NOTES:

- (1) Member of the Audit Committee, John Clark 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, Paul Scanlan is the Chairman.
  - (5) Member of the Nominating and Corporate Governance Committee, Kenneth Rosenberg is the Chairman.
  - (6) In addition, Mr. Scanlan's wife, Mrs. Shirley Scanlan, is the registered holder of 10,425 Class A Voting Shares of the Company.
- \* Not standing for re-election.

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

The Company has no Executive Committee of its Board. The Company is required to have an Audit Committee in place. The Audit Committee members are John C. Clark (Chairman), Philip L. Wilson, and Robert E. Rose.

## 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.

On January 16, 2004, the securities regulatory authorities in Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, the Yukon Territory, the Northwest Territories and Nunavut published for comment proposed Multilateral Policy 58-201 *Effective Corporate Governance* and proposed Multilateral Instrument 58-101 *Disclosure of Corporate Governance Practices* (the January Proposal). On April 23, 2004, the securities regulatory authorities in British Columbia, Alberta and Quebec published for comment proposed Multilateral Instrument 51-104 *Disclosure of Corporate Governance Practices* (the April proposal). On October 29, 2004 a revised Proposed Policy and Proposed Instrument reflecting elements of and comments received on each of the January Proposal and the April Proposal were published for comment. Once Multilateral Policy 58-201 and Multilateral Instrument 58-101 are finalized, the Company will comply with the requirements of these instruments. Until this occurs the Toronto Stock Exchange (the “TSX”) requires that the Company disclose on an annual basis its approach to corporate governance including specific reference to each of the TSX guidelines. The table which appears below addresses all of the fourteen TSX guidelines relating to corporate governance practices and other related information.

### Corporate Governance Guideline

### Comments

- |  |  |
|--|--|
| 1. Board should explicitly assume responsibility for stewardship of the Company, and specifically for: | The Board has responsibility to oversee the management of the affairs of the Company by the senior officers of the Company.  |
| (a) adoption of a strategic planning process;  | As directed by the Board, senior management prepares annually a strategic plan (the “Plan”) encompassing business strategies and financial projections for the ensuing five-year period. The Plan is reviewed by the Board and adjusted where considered appropriate. Following adoption of the Plan, senior management prepares an operating plan for the following fiscal period. The operating plan is presented to the Board, changed as considered appropriate, then approved by the Board. |
| (b) identification of principal risks, and implementing risk management systems;                       | The duties of the Board and of the committees of the Board are to assist management in the identification of risks to the Company and to suggest measures to manage such risks.  |
| (c) succession planning and monitoring senior management;  | The mandate of the Human Resources and Compensation Committee (the “HRCC”) includes the annual review with the Chief Executive Officer (“CEO”) of management’s assessment of existing management resources and to report on this matter to the Board at least once each year. As part of its mandate, the HRCC also reviews and assesses annually in conjunction with the Board the performance of the CEO.  |
| (d) communications policy; and   | The Board reviews and approves all material communications with shareholders.  |
| (e) integrity of internal control and management information systems.                                  | The Board through its Audit Committee, and in consultation with the Company’s external auditors, considers and reviews the financial report-   |

## Corporate Governance Guideline

2. Majority of directors should be “unrelated” (independent of management and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding).
3. Disclose for each director whether he or she is related, and how that conclusion was reached. If the Company has a significant shareholder, disclose whether the Board is constituted with the appropriate number of directors which are not related to either the Company or the significant shareholder, which fairly reflects the investment in the Company by shareholders other than the significant shareholder.
4. Appoint a committee of directors responsible for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis, and is composed exclusively of outside (non-management) directors, the majority of whom are unrelated.

## Comments

ing processes, both internal and external, and the adequacy of the Company’s internal controls. The Audit Committee makes recommendations on accounting policies and financial statements to the Board.

The Board of Directors is proposed to be composed of nine members, of which five of its members are considered unrelated.

**Richard D. Innes** — related — President & CEO of the Company.

**Daniel J. Scanlan** — related — Chairman of the Company; interacts with management.

**Joseph M. Scanlan** — related — Vice-Chairman & Senior Vice President of Sales for the Company.

**Paul F. Scanlan** — related — Branch Sales Manager of the Company.

**Kenneth T. Rosenberg** — unrelated — 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. The Board believes that Mr. Rosenberg is not a material service provider and acts independently of management.

**Roger A. Hall, Robert E. Rose, Philip L. Wilson and Brian L. Zenkovich** — unrelated — the foregoing directors do not have interests in or relationships with either the Company or Scanfield Holdings Limited.

The Board is composed of five directors who are considered unrelated. The Board believes that this number fairly reflects the investment in the Company by shareholders other than the significant shareholder.

The responsibilities of the Company’s Nominating & Corporate Governance Committee (the “NCGC”) include proposing to the full Board new nominees to the Board and overseeing a process for evaluating Board performance, and developing the Company’s approach to governance issues.

The NCGC is composed of 3 members, of which 2 are considered outside and unrelated. Although the guidelines suggest that the NCGC be composed exclusively of outside directors, the Board is of the view that it is appropriate for Mr. Joseph Scanlan to be a member of the NCGC in light of the NCGC’s commonality of interest with management.

**Corporate Governance Guideline**

5. Implement a process for assessing the effectiveness of the Board, its Committees and individual directors.
6. Provide orientation and education programs for new directors.
7. Board should examine its size with a view to reducing size of Board to a number that facilitates more effective decision making.
8. Board should review compensation of directors in light of risks and responsibilities.
9. Committees of the Board should generally be composed of outside (non-management) directors, a majority of whom are unrelated directors.
10. Board should expressly assume responsibility for, or assign to a committee, the general responsibility for developing the Company's approach to governance issues.
11. (a) Develop position descriptions for the Board and for the CEO which define the limits to management's responsibilities.  
  
(b) Board should approve or develop the corporate objectives, which the CEO is responsible for meeting.
12. Establish structures and procedures to enable the Board to function independently of management.
13. The Audit Committee should be composed only of outside directors, have a defined mandate and have direct communication with the internal and external auditors.

**Comments**

The NCGC undertakes periodic surveys of all directors to allow each director to assess the effectiveness of the Board and its committees. There is no process for assessing the effectiveness of individual directors.

An orientation and education program is in place for new recruits to the Board, which includes written materials.

The Board has reviewed its size and is of the view that its size is suited to the circumstances of the Company, and allows for the efficient functioning of the Board as a decision-making body.

The HRCC conducts an annual review of the directors' remuneration for Board and Committee service in relation to current norms, and recommends any changes for Board approval. It considers that the current compensation of directors realistically reflects the responsibilities involved in being an effective director of the Board.

All members of the Audit Committee are outside and unrelated directors.

The NCGC, the HRCC, the Investment Committee, and the Environmental Committee are all composed of 2 outside and unrelated directors and 1 inside director.

The Board believes that with regard to these four committees, there is a commonality of interest with management and that it is desirable therefore to have inside directors participating on these committees.

The NCGC is responsible for developing and monitoring the Company's approach to governance issues.

The Board has established mandates for the Board and the CEO as well as all Board Committees.

The annual performance mandate of the CEO is approved by the Board at the beginning of each year.

A procedure has been established whereby the outside directors can meet without management present either before or following each Board meeting. However, no meetings have been requested by any of the outside directors.

The Audit Committee is composed of three outside directors. The Board of Directors has approved a mandate for the Audit Committee. The Audit Committee has direct communication with both the internal auditor and the external auditors to discuss and review specific issues as appropriate.

**Corporate Governance Guideline**

14. Implement a system to enable individual directors to engage outside advisors, at the Company's expense.

**Comments**

The Board has adopted a policy that enables an individual director to engage an outside advisor at the expense of the Company with the authority of any two of the Chair of the NCGC, the Chairman of the Board and the CEO.

On January 16, 2004, the Canadian Securities Administrators (CSA) released National Instrument 52-108 — *Auditor Oversight*, Multilateral Instrument 52-109 — *Certification of Disclosure in Issuer's Annual and Interim Filings* and Multilateral Instrument 52-110 — *Audit Committees*. The following is a summary of the content of each of these instruments and a statement concerning the Company's current state of compliance and, where not yet compliant, intention to comply with the instruments.

**Instrument**

**Comments**

NI 52-108: Auditor Oversight

This Instrument required, effective March 30, 2004, that every auditor's report filed with financial statements of a reporting issuer to be signed by a public accounting firm that is a participant in the oversight program of the Canadian Public Accountability Board ("CPAB") and is in compliance with any restrictions or sanctions imposed by the CPAB. The intent of NI 52-108 is to provide better quality audits of reporting issuers.

The Company's auditor, Deloitte & Touche LLP is a participant in the oversight program of CPAB.

MI 52-109: Certification of Disclosure in Issuers' Annual and Interim Filings

The Instrument required, effective for all interim and annual period beginning on or after January 1, 2004 that the chief executive officer and the chief financial officer certify the issuer's annual and interim filings. The goal of requiring certification is to improve the quality and reliability of financial disclosure of reporting issuers by ensuring that the CEO and CFO are aware of information contained in the annual and interim filings and can be held accountable for the fairness and accuracy of that information. Transitional rules were enacted to enable the CEO and CFO to execute certificates not attesting to internal controls for (a) annual certificates in respect of any financial year ending on or before March 30, 2005 and (b) interim certificates in respect of interim periods that occur prior to the end of first year in respect of which a non-transitional annual certificate is required.

The Company began causing the CEO and CFO to execute transitional interim certificates in the second quarter of fiscal 2004, which began February 1st, 2004. The first annual certificate required to be signed by the CEO and CFO, which will not be a transitional certificate, will be filed for fiscal 2005, which began November 1, 2004. The Company anticipates that it will be fully compliant with MI 52-109.

MI 52-110: Audit Committees

*Responsibilities*

- Directly oversee the work of the external auditor including the pre-approval and oversight of all non-audit services performed 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 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.

The Audit Committee reviews all of the Company's financial statements, MD&A and annual and interim earnings news releases before they are publicly disclosed.

## Instrument

- Establish procedures for the receipt, retention and treatment of complaints or concerns regarding accounting, internal accounting controls and auditing matters.
- Recommend to the Board the external auditor to be nominated to perform audit or non-audit services and the compensation to be paid for such services.
- Reviewing and approving the issuer's hiring practices with respect to the former partners and employees of the present and former external auditors.
- Ensuring compliance with the requirements of NI 52-110.

## Comments

The Company has a Whistleblower Policy under which irregularities are reported directly to the Chairman of the Audit Committee.

The Audit Committee recommends to the Board of Directors the external auditor to be nominated to perform audit or non-audit services, and the compensation of the external auditor.

The Audit Committee must approve any hiring of employees or former employees of the independent auditors.

The Audit Committee will ensure compliance with NI 52-110 by reviewing the requirements on an annual basis. An Audit Committee Charter, which has been included in the Company's Annual Information Form, will become effective at the Company's Annual General Meeting on March 10, 2005.

## *Composition*

The Audit Committee must have a minimum of three directors, all of whom must be independent and financially literate. An Audit Committee member is considered to be independent if he or she has no direct or indirect material relationship with the issuers, as determined with reference to the guidance provided in NI 52-110.

Following the Company's Annual General Meeting on March 10, 2005, the Board of Directors plans to appoint an Audit Committee whose members will all be independent and financially literate.

## **Other Committees**

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

The Investment Committee is responsible for overseeing the management of the Company's trust funds and advising as to their suitability and conformity with applicable laws. This Committee also reviews the Company's investment strategies in effect from time to time and advises as to any modifications of such strategies.

The Environmental Committee is responsible for reviewing compliance by the Company with all relevant environmental laws and regulations to which the Company and its business are subject.

## **Decision Making**

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

## **Meetings of the Board**

During 2004, the Board met in person five times. Management regularly provides the Board with full briefing papers on the status of the Company, its operations and financial results. In respect of months during which no Board meeting is scheduled, Board members are provided with internally prepared financial statements.

## Executive Compensation

The following table sets forth all compensation earned during the last three fiscal years in respect of the Chief Executive Officer and the other four most highly compensated executive officers of the Company (the “Named Executive Officers”). 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 does not exceed the lesser of \$50,000 or 10% of the total of such Named Executive Officers’ annual salary and bonus.

**Summary Compensation Table  
Annual Compensation**

Name and Principal Position	Fiscal Year	Annual Compensation			Long-term Incentive Awards	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options/SARs Granted (#)	
Daniel J. Scanlan Chairman	2004	293,959	205,322	—	Nil	119,064(1)
	2003	285,559	140,476	—	Nil	1,381
	2002	277,700	170,485	—	Nil	1,303
Richard D. Innes President and Chief Executive Officer	2004	327,001	205,322	—	Nil	26,521
	2003	317,655	140,476	—	Nil	30,160
	2002	308,914	170,485	—	Nil	28,299
Joseph M. Scanlan Vice-Chairman & Senior Vice-President, Sales	2004	267,105	123,153	—	Nil	14,934
	2003	257,801	90,758	—	Nil	14,064
	2002	242,648	108,832	—	Nil	11,488
John S. Earle Senior Vice-President, Funeral Service	2004	256,938	124,290	—	Nil	13,653
	2003	249,532	85,773	41,821(2)	Nil	12,697
	2002	242,648	102,259	125,472(3)	Nil	12,072
Brian D. Snowdon Vice-President and Chief Financial Officer	2004	165,762	70,894	—	Nil	11,095
	2003	156,797	45,799	—	Nil	10,788
	2002	144,348	49,789	—	Nil	9,775

NOTES:

- (1) In 2004, the Chairman received a lump-sum retroactive pension adjustment of \$117,467.
- (2) Mr. Earle was provided with an automobile allowance and a reimbursement of automobile expenses for a total of \$20,870.
- (3) Mr. Earle was reimbursed \$85,000 for a loss on the disposition of his personal residence. The reimbursement was part of Mr. Earle’s original agreement relating to his assumption of duties in Toronto.

### 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, 2004.

### Options/SARs

There were no options or stock appreciation rights (“SARs”) granted to the Named Executive Officers during the fiscal year ended October 31, 2004.

The following table sets forth information on all stock 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**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at October 31, 2004 Exercisable/Unexercisable (#)	Value of Unexercised in-the-money Options at October 31, 2004 Exercisable/Unexercisable(1) (\$)
Daniel J. Scanlan	Nil	Nil	22,000 / 0	Nil / Nil
Richard D. Innes	Nil	Nil	67,000 / 0	Nil / Nil
Joseph M. Scanlan	Nil	Nil	37,000 / 0	Nil / Nil
John S. Earle	Nil	Nil	37,000 / 0	Nil / Nil
Brian D. Snowdon	Nil	Nil	5,000 / 0	Nil / Nil

NOTES:

(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, 2004 was \$16.50. An option is in-the-money if the fair market value of the underlying security exceeds the exercise price.

**Employment Contracts**

The Company entered into an employment agreement with the President and Chief Executive Officer of the Company, Richard D. Innes, effective February 10, 1997. The agreement provides that his annual base salary will be \$270,000 (subject to applicable deductions and annual increases as approved by the Board). Mr. Innes is eligible for an annual bonus based on net earnings and on individual performance as evaluated by the Board. In addition, Mr. Innes' contract provides that he will 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.

With respect to options, Mr. Innes' contract provides for him 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 10th, 2002. In addition Mr. Innes was granted 22,000 options on December 17, 1998, 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, 2002. The agreement terminated in May 2004 but Mr. Innes continues to be employed under similar terms and conditions. The Agreement also contains 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.

**Composition of the Human Resources and Compensation Committee**

As at October 31, 2004, Mr. Roger A. Hall, Mr. Richard D. Innes, Mr. Brian L. Zenkovich were the members of the Human Resources and Compensation Committee ("Committee"). Messrs. Hall and Zenkovich, are not now and have not been officers or employees of the Company or any of its subsidiaries. Mr. Innes is currently the President and Chief Executive Officer of the Company.

**Report on Executive Compensation**

It is the responsibility of the Committee to approve the compensation of the Company's senior officers reporting to the Chief Executive Officer and to make recommendations to the Board regarding the compensation of the Chief Executive Officer and the Chairman. The guiding philosophy of the Committee in making its determinations is "pay-for-performance" balanced against the need to provide a total compensation package, which will enable the Company to attract and retain qualified and exper-

enced executives. The sources of potential compensation of the Company's senior officers consists primarily of three elements; salary, bonuses and stock options.

Each element of compensation — base salary, annual cash incentives (bonuses) and stock options — fulfills a different role in the attraction, retention and motivation of the Company's senior officers. The bonus plan for the CEO is based 75% on the net earnings of the Company versus the annual operating plan as approved by the Board of Directors and 25% for personal objectives as approved by the HRCC. The CEO's compensation is competitive in the marketplace based on independent surveys done from time to time.

In December of 2004, after consideration of the recommendation of the Chief Executive Officer, the Committee approved salary increases and incentive bonuses for all senior managers reporting to the Chief Executive Officer. The Committee also recommended to the Board granting bonuses to the Chairman and the Chief Executive Officer.

Presented by the Committee on December 21, 2004:

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

### Compensation of Directors

During the fiscal year 2004, the Company's directors (other than Messrs. Daniel J. Scanlan, Richard D. Innes and Joseph M. Scanlan who are officers of the Company or its affiliates, and Paul F. Scanlan who is an employee of the Company) were entitled to directors' remuneration as follows: \$15,000 per annum; \$1,000 for each board meeting attended by the director; \$1,000 for each committee meeting attended by the committee member; \$1,500 for each committee meeting attended by the committee chair and \$500 for each teleconference meeting attended by the director.

This remuneration is in addition to out-of-pocket expenses actually incurred. The total amount paid by the Company to its directors by way of fees and out-of-pocket expenses during the most recently completed financial year was \$195,988.

### Indebtedness of Directors and Officers

The aggregate indebtedness to the Company of all current and former officers, directors and employees of the Company as at January 21, 2005 was \$423,624. None of such indebtedness was entered into in connection with a purchase of securities of the Company or any of its subsidiaries and no material adjustment was made in respect of any such indebtedness during the Company's most recently completed fiscal year.

The following table sets forth information regarding indebtedness of directors, executive officers and senior officers, other than under Securities Purchase Programs.

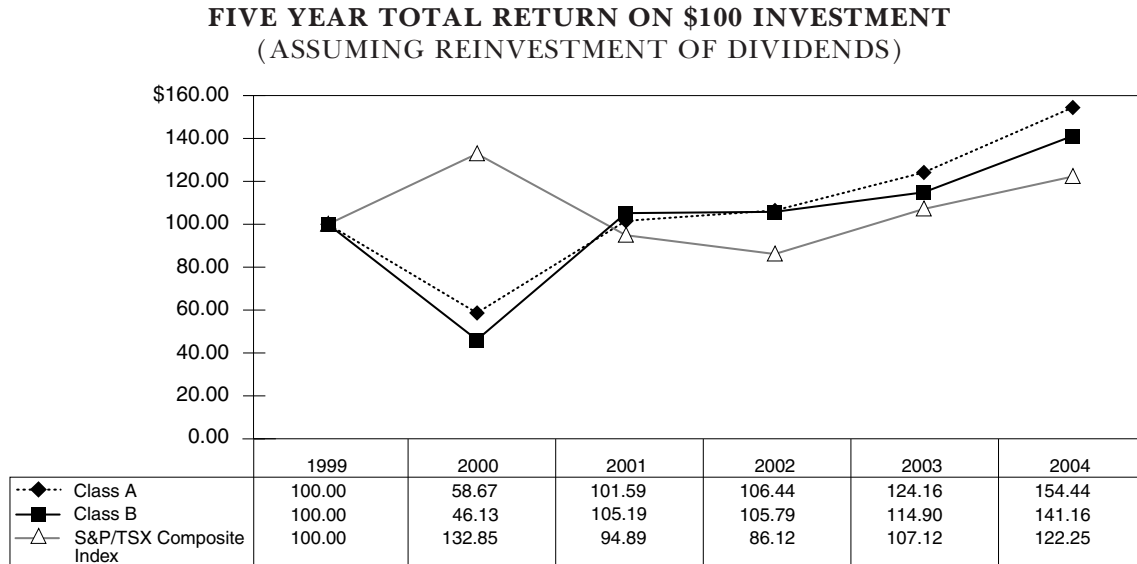
<u>Name and Principal Position</u>	<u>Involvement of the Company</u>	<u>Largest Amount Outstanding During Year Ended October 31, 2004</u>	<u>Amount Outstanding January 21, 2005</u>
John S. Earle(1) . . . . . Toronto, Ontario Senior Vice-President, Funeral Service	Lender	\$300,000	\$300,000

NOTE:

(1) Of the \$300,000, \$250,000 was advanced to Mr. Earle to assist him in purchasing a residence upon his assumption of duties in Toronto. This advance is non-interest bearing, due upon the conclusion of Mr. Earle's employment and is secured against the principal residence of Mr. Earle.

## 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, 1999 with the cumulative total return of the S&P/TSX Composite Index for the 5 most recently completed financial years, assuming dividends are reinvested.



## 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.

## 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](http://www.sedar.com). The Annual Report contains financial information of the Company's comparative financial statements and MD&A for the year ended October 31, 2004.

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.

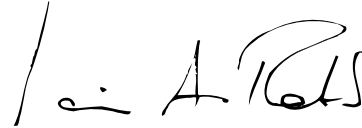
**HOWEVER, IF ANY AMENDMENTS, VARIATIONS, OR OTHER MATTERS OF WHICH THE MANAGEMENT IS NOT NOW AWARE ARE PROPERLY PRESENTED TO THE MEETING FOR ACTION, IT IS THE INTENTION OF THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO VOTE SAID PROXIES IN ACCORDANCE WITH THEIR JUDGMENT ON SUCH MATTERS.**

## 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 of directors of the Company for mailing to the shareholders entitled to receive notice of the Meeting, to each director of the Corporation and to the auditors of the Company.

**DATED** this 21st day of January, 2005.

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read "I. A. Robb". The signature is written in a cursive style with a large, sweeping initial "I" and "R".

IAIN A. ROBB  
*Secretary*