UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of	)	
	)	
Service Corporation International,	)	Docket No. C-4423
a corporation, and	)	File No. 131-0163
	)	
Stewart Enterprises, Inc.,	)	
a corporation	)	
	)	

PETITION FOR APPROVAL OF PROPOSED DIVESTITURE

Pursuant to Section 2.41(f) of the Federal Trade Commission ("Commission") Rules of Practice and Procedure, 16 C.F.R. § 2.41(f) (2012), and Paragraphs II.A. of the Decision and Order contained in the Agreement Containing Consent Orders accepted for public comment in this matter ("Decision and Order"), Respondent Service Corporation International (together with its subsidiaries, "SCI") hereby petitions the Commission to approve the divestiture to Carriage Services, Inc. (together with its subsidiaries, "Carriage") of the Divestiture Businesses that include the following facilities:

- Schoen Funeral Home, 3827 Canal Street, New Orleans, LA
- Garden of Memories Cemetery, 4900 Airline Drive, Metairie, LA
- Garden of Memories Funeral Home, 4900 Airline Drive, Metairie, LA
- Tharp-Sontheimer-Tharp Funeral Home, 1600 North Causeway Boulevard, Metairie, LA
- Greenwood Funeral Home, 5200 Canal Boulevard, New Orleans, LA
- Everly-Wheatley Funeral Home, 1500 West Braddock Road, Alexandria, VA

- Everly Community Funeral Care, 6161 Leesburg Pike, Falls Church, VA

The Commission is familiar with Carriage, and it has been approved by the Commission to acquire divestiture assets on four occasions in the past.

The Divestiture Businesses associated with these facilities (as defined in the Decision and Order, and hereinafter collectively referred to as the "Divestiture Assets") will be sold to Carriage pursuant to the Asset Sale Agreement By and Among Carriage Services of Louisiana, Inc. and Carriage Funeral Holdings, Inc. and SCI Louisiana Funeral Services, Inc., S.E. Funeral Homes of Louisiana, LLC, and S.E. Funeral Homes of Virginia, LLC dated March 3, 2014 ("ASA"). Unless otherwise defined herein, capitalized terms shall take on the same meaning as they have in the Decision and Order.

Background

On December 23, 2013, Respondent SCI and Respondent Stewart Enterprises, Inc. ("Stewart") (individually, the "Respondent," and collectively, the "Respondents") executed an Agreement Containing Consent Orders that included the Decision and Order and an Order to Hold Separate and Maintain Assets (collectively, the "Consent Agreement") to settle the Commission's charges that the proposed acquisition by SCI of Stewart would violate Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18. On December 23, 2013, the Commission accepted the Consent Agreement for public comment, and on December 23, 2013, SCI consummated its acquisition of Stewart. Stewart is now a wholly owned subsidiary of SCI. The Consent Agreement is presently before the Commission for final approval and issuance of the orders contained therein.

Because this petition and its attachments contain confidential and competitively sensitive business information relating to Carriage and the divestiture of the Divestiture

Assets—the disclosure of which may prejudice Respondents and Carriage, cause harm to the ongoing competitiveness of the Divestiture Assets, and impair Respondents' ability to comply with their obligations under the Consent Agreement—Respondents have redacted such confidential information from the public version of this petition and its attachments. Pursuant to Sections 2.41(f)(4) and 4.9(c) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(4) & 4.9(c) (2012), Respondents request that the non-public version of this petition and its attachments and the information contained herein be accorded confidential treatment. The confidential version of this petition should be accorded such confidential treatment under 5 U.S.C. § 552 and Section 4.10(a)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 4.10(a)(2) (2012). The confidential version of this petition is also exempt from disclosure under Exemptions 4, 7(A), 7(B), and 7(C) of the Freedom of Information Act, 5 U.S.C. §§ 552(b)(4), 552(b)(7)(A), 552(b)(7)(B), & 552(b)(7)(C), and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, 15 U.S.C. § 18a(h).

Respondents and Carriage desire to complete the proposed divestiture of the Divestiture Assets as soon as possible, following Commission approval thereof. Other than securing all landlord approvals to transfer title to Carriage, which is expected before closing, and securing Commission approval, there are no other unsatisfied conditions precedent in the ASA other than those customarily satisfied at closing, so that SCI and Carriage are in a position to close the transactions contemplated by the ASA within a few days after Commission approval. Prompt consummation will further the purposes of the Decision and Order, is in the interests of the public, Carriage, and Respondents because it will allow Carriage to move forward with its business plans for the competitive operation of the Divestiture Assets. Accordingly, SCI requests that the Commission promptly commence the period of public comment pursuant to Section 2.41(f)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(2) (2012), limit the public comment period to the customary 30-day period, and grant this petition by approving the divestiture of the Divestiture Assets to Carriage pursuant to the above-referenced ASA as soon as practicable after the close of the public comment period.

I. The ASA Is Final and Consistent with the Decision and Order's Terms

Paragraph II.A.1 of the Decision and Order requires Respondents to divest the Divestiture Businesses (as defined in the Decision and Order) within 180 days of the date on which the Order is issued.[1] Pursuant to this requirement, SCI has diligently sought a buyer that would be acceptable to the Commission, through an extensive auction process that produced great interest in the properties. As noted above, on March 3, 2014, affiliates of SCI and Carriage entered into the ASA, which requires affiliates of SCI to sell the Divestiture Assets to affiliates of Carriage and is submitting the petition herewith. The executed ASA is attached hereto as Confidential Exhibit A.

The ASA complies with the requirements of Paragraph II of the Decision and Order. In particular, Paragraph II.A.1 requires that Respondents to divest the Divestiture Assets, absolutely and in good faith. Pursuant to the ASA, Carriage will acquire the Divestiture Assets. See ASA § 1.1. Carriage has acknowledged that the Divestiture Assets, together with Carriage's existing resources, enable Carriage to operate the Divestiture Businesses as ongoing entities.

[1] The Commission has not yet issued the Order as final.

Paragraph II.A.2 of the Decision and Order requires Respondent to grant a License to all Retained Intellectual Property that will permit the Acquirer to operate the relevant Divestiture Business in substantially the same manner as Respondents. Carriage intends to operate the business under its own trade names using its own intellectual property. Carriage possesses all the intellectual property it needs to operate the Divesture assets in substantially the same manner as Respondents. Accordingly, SCI is not granting Carriage a License to all Retained Intellectual Property. Paragraphs II.B.9 and II.B.16 of the Decision and Order require that Respondents divest certain funeral homes and cemeteries in New Orleans, Louisiana, and Northern Virginia, respectively, to no more than one Acquirer. The ASA contemplates that subsidiaries of Carriage will acquire all of the Divestiture Assets listed in these two paragraphs, satisfying this requirement. See ASA § 1.1.

* * *

As demonstrated above and in the accompanying ASA, SCI has entered into an agreement relating to the divestiture of the Divestiture Assets that fully complies with the Commission's Decision and Order with respect to the divestiture of these assets. Accordingly, Respondents hereby seek Commission approval of the proposed divestitures pursuant to Paragraph II.A of the Decision and Order.

II. The Prospective Acquirer Will Be a Strong and Effective Competitor

A. Background

Carriage has extensive experience in acquiring and operating funeral homes and cemeteries, has the financial wherewithal to acquire the Divestiture Assets, and the acquisition of the Divestiture Assets by Carriage will ensure that those businesses remain strong and effective competitors in funeral and cemetery services in New Orleans, Louisiana, and Northern Virginia. As discussed in detail below, Carriage has been approved by the FTC as the acquirer of divestiture assets on four prior occasions.

Carriage was founded in 1991 and has been a publicly traded company since 1996.[2] Carriage has an innovative, entrepreneurial and transparent operating and reporting framework that operates through a decentralized, high-performance system with linked incentive compensation programs to attract top-quality industry talent at all levels. As of December 31, 2013, Carriage operates 161 funeral homes in 26 states, and 31 cemeteries in 10 states. Carriage mainly serves suburban and rural areas, and provides products on an "at-need" and "pre-need" basis. Carriages' operations are divided into two segments: funeral homes, which accounted for approximately 75% of revenue in 2013, and cemeteries, which accounted for approximately 25% of revenue in 2013.

Carriage's general operations are built upon the execution of the following three models, which are described on the Carriage website: (i) Standards Operating Model; (2) 4E Leadership Model; and (3) Strategic Acquisition Model. Each of these models is discussed in more detail below.

Standards Operating Model

Carriage's Standards Operating Model requires strong local leadership in each business to grow an entrepreneurial, decentralized, high-value, personal service and sales business at sustainable profitability. The Standards Operating Model allows Carriage to focus on growing each local business and improving the quality and skills of the staff. Carriage measures the success of each local business through Standards Achievement. Carriage's "Being the Best" Standards focus on growth, people, and operating and financial metrics that drive long-term, sustainable revenue growth and earning power of our portfolio of businesses. Through its Standards Operating Model, Carriage has a demonstrated ability to grow sustainable, same-store revenue over time via client family retention without the dependency on centralized price increases and acquisitions.

4E Leadership Model

Carriage's 4E Leadership Model is based upon 4E qualities essential to succeed in a high-performance culture: *energy* to get the job done; the ability to *energize* others; the *edge* necessary to make difficult decisions; and the ability to *execute* and produce results. To achieve a high level of standards in a business year after year, Carriage requires local leaders in charge of each business that have the 4E Leadership skills to grow the business by hiring, training and developing highly motivated and productive teams on the local level. In order to incentivize Carriage's teams to meet expectations under the Standards Operating Model, each and every one of Carriage's local leaders, referred to as Managing Partners, participate in an annual "Being the Best" bonus plan and a long-term (5-year) "Good to Great" variable bonus plan.

Strategic Acquisition Model

Carriage believes a driver of growth is strategic acquisitions. These acquisitions are evaluated using the Carriage Strategic Acquisition Model. The Strategic Acquisition Model incorporates a number of criteria, including but not limited to territory demographics, customer preferences, market size, market share, and volume trends, to identify profitable strategic acquisition targets. Carriage has concluded that the businesses being divested by

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[2] More information about Carriage and its affiliates can be found at http://www.carriageservices.com/ and the Carriage Annual Report filed on Form 10K can be found at the following location: http://investor.shareholder.com/csv/secfiling.cfm?filingID=1445305-13-649&CIK=1016281.

SCI in New Orleans and Northern Virginia satisfy the Strategic Acquisition Model and the pre-qualification criterion.

Carriage has a history of growing through strategic acquisitions of funeral and cemetery service providers. In addition to acquisitions from independent funeral and cemetery services providers, Carriage has experienced growth through its acquisition of select properties from SCI in required divestitures that were approved by the Commission in prior matters. In 1993, Carriage acquired from SCI eight funeral homes in Georgia and Tennessee arising from SCI's acquisition of Sentinel Group, Inc. under a Consent Order (FTC Docket No. C-3646). Then, in 1996, Carriage acquired seven properties located in Amarillo, Texas and Brevard and Lee Counties, Florida, arising from SCI's acquisition of Gibraltar Mausoleum Corporation, under a Consent Order dated March 21, 1996 (FTC Docket No. C-3646). In 1999, Carriage acquired 19 funeral home and cemetery properties in 14 markets arising from SCI's acquisition of Equity Corporation International, under a Consent Order dated May 4, 1999 (FTC Docket No. C-3869). Finally, in 2007, Carriage acquired two properties located in Camarillo, California, arising from SCI's acquisition of Alderwoods Group, Inc., under a Consent Order dated November 21, 2006 (FTC Docket No. C-4174). In each of these acquisitions from SCI, Carriage furnished the Commission with detailed information and background concerning the Carriage organization, and, in each instance, the Commission approved the divestiture. Carriage has also acquired other funeral home and cemetery properties from SCI under circumstances unrelated to Commission consent agreements.

Carriage's existing funeral and cemetery facilities do not compete in the same geographic regions as the Divestiture Assets. In Virginia, Carriage's only other facilities are located in the Roanoke area, over 200 miles from the to-be-acquired Divestiture Assets in Alexandria and Falls Church. Carriage's closest facility to the Alexandria and Falls Church facilities is Hubbard Funeral Home, Inc., located in Baltimore, Maryland, over 35 miles away from the Divestiture Assets. Moreover, Carriage does not have any funeral or cemetery facilities within 100 miles of the New Orleans, Louisiana, facilities it will acquire from SCI.

B. Financial Capability

Carriage has a history of strong financial performance and growth as a leading provider of funeral and cemetery services. For the twelve months ending on December 31, 2013, Carriage earned total revenue of $214.0 million. Carriage has a stable cash flow, earning cash flow of $39.8 million from operating activities in 2013, and strong profit margins of 30.1% for the year ended December 31, 2013.

As of December 31, 2013, Carriage has a $255 million secured bank credit facility comprised of a $125 million revolving credit facility and a $130 million term loan that it has the ability to use for the purpose of paying the purchase price under the Sale Agreement. Carriage also has cash and cash equivalents of $1.4 million, as of December 31, 2013. Carriage will fund the purchase of the Divestiture Assets with its existing credit facilities.

Carriage intends to engage in a variety of activities to upgrade, improve and maintain the Business Assets. As described in detail below, Carriage will retain certain employees whom the company believes will fit into the Carriage corporate culture. If Divestiture Business Employees do not fit this description, Carriage will pursue other suitable employees in the local area. Carriage anticipates that these individuals will be in place by closing.

Further, the landscaping and physical plant of some of the facilities are in need of significant investment to meet the Carriage standards. As such, Carriage intends to invest significantly to repair the existing facilities and improve the landscaping.

C. Operations Experience

In addition to its financial resources, Carriage has strong operational capabilities that will enhance the competitiveness of the Divestiture Assets, while facilitating the Divestiture Asset's transition into the Carriage organization. Carriage has a proven track record of competing vigorously at the local and national levels for funeral and cemetery services; as discussed above, it has been approved by the Commission as a divestiture buyer on four prior occasions.

Carriage has assembled a seasoned team of professionals to serve the funeral and cemetery services industry in the markets in which it operates. As of December 31, 2013, Carriage employed a staff of 2,072 people experienced in the death care industry. The Divestiture Assets that Carriage intends to acquire will be managed by a team of professionals with significant experience managing funeral homes and cemeteries. The management team dedicated to assimilating the Divestiture Assets into the Carriage organization will consist of the following individuals.

Melvin C. Payne, Chief Executive Officer

Mr. Payne, one of Carriage's founders, has been Chairman of the Board and Chief Executive Officer since December 1996. Prior to that date, he was the President, Chief Executive Officer and a director of Carriage since its inception in 1991. Mr. Payne resumed the additional position of President in December 2000. At this time, Mr. Payne is also the functional leader of all of Carriage's funeral and cemetery operations. Carriage's operations are divided into three geographic regions, each led by a Regional Managing Partner, and those Regional Managing Partners all currently report directly to Mr. Payne. There are approximately 100 Managing Partners, each of whom reports to one of the three Regional Managing Partners. Each Managing Partner is responsible for an individual location or in some cases a cluster of proximate locations. The Regional Managing Partners and the Managing Partners have substantial management experience in the death care industry.

L. William Heiligbrodt, Executive Vice President and Principal Financial Officer

L. William Heiligbrodt has an extensive background in funeral service operations and management. Mr. Heiligbrodt was the President and Chief Operating Officer of SCI until February 1999, and he had served in various management positions with SCI since February 1990. From February 1999 to February 2003, he served as a consultant to SCI. In February 2009, Mr. Heiligbrodt joined Carriage's Board of Directors as an independent director. On September 1, 2011, he became the Executive Vice President and Secretary of Carriage, and still maintains his seat on the Carriage Board of Directors.

Carriage has conducted a thorough evaluation process to determine the appropriate staffing for the to-be-acquired Divestiture Assets. As referenced above, Carriage has identified a number of key employees, each currently working at the Divestiture Assets, to whom it is going to offer employment. Carriage wishes to retain these employees for several reasons. First, Carriage does not operate cemeteries or funeral homes close to the Divestiture Assets. Retaining these employees will ensure continuity and a smooth transition to the business. Second, Carriage believes these employees have keen management skills and connections to the local community that will fit within the Carriage culture and ensure the successful operations of the Divestiture Assets.

Carriage intends to apply its "Being the Best" model to the Divestiture Assets to ensure that they remain a competitive force in the funeral and cemetery services industry. Carriage has a proven track record of acquiring and growing funeral and cemetery facilities from third parties and will apply the same standards of excellence to the Divestiture Assets. As part of the Carriage organization, the Divestiture Assets will thrive as competitive providers of funeral and cemetery services well into the future.

III. The Proposed Divestiture Agreement Will Achieve the Purposes of the Decision and Order and Result in No Harm to Competition

The proposed divestiture of the Divestiture Assets, as embodied in the ASA, will achieve the purposes of the Decision and Order. Carriage is an experienced operator of funeral homes and cemeteries, with a proven track record of successfully operating, competing and enhancing the funeral homes and cemeteries that it has acquired in the past. Carriage enjoys a strong financial position that will enable it to complete this acquisition, continue the operation of the Divestiture Assets and enhance their competitiveness in the market for funeral and cemetery services. Combining the Divestiture Assets with Carriage's experience and financial wherewithal will ensure that the objectives of the Commission's Decision and Order will be realized.

The proposed divestiture will result in no harm to competition. Carriage does not currently compete in any market, as defined in the Commission's Complaint, in which the Divestiture Assets operate. Consequently, there is no overlap between the operations of

Carriage and the Divestiture Assets, and the proposed divestiture does not raise any competitive issue.

In sum, the proposed divestiture will remedy any anticompetitive effects that could result from the Acquisition. The ASA will achieve the Commission's stated purposes of ensuring the continued use of the Divestiture Assets in the same business in which they were engaged at the time of the announcement of the Acquisition and remedying the lessening of competition as alleged in the Commission's Complaint.

Conclusion

For the foregoing reasons, Respondent respectfully requests that the Commission approve the proposed divestiture of the Divestiture Assets to Carriage, as embodied in the ASA, as soon as practicable after expiration of the public comment period.

Respectfully submitted,

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Dated: March 7, 2014

CERTIFICATION OF SERVICE CORPORATION INTERNATIONAL

The facts and information related in the foregoing Petition, insofar as they pertain to Service Corporation International, its subsidiaries, and its assets, are, to the best of my knowledge, true, correct, and complete.

Pursuant to 28 U.S.C. § 1746, I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

John Faulk
Vice President, Business Development
Service Corporation International

CERTIFICATION OF CARRIAGE SERVICES, INC.

The facts and information related in the foregoing Petition, insofar as they pertain to Carriage Services, Inc., their subsidiaries, and their assets, are, to the best of my knowledge, true, correct, and complete.

Pursuant to 28 U.S.C. § 1746, I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Melvin C. Payne
Chairman and Chief Executive Officer
Carriage Services, Inc.

CONFIDENTIAL

EXHIBIT A