

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

_____)	
In the Matter of)	
)	
Service Corporation International,)	
a corporation, and)	Docket No. C-4174
)	File No. 061-0156
Alderwoods Group, Inc.,)	
a corporation)	
_____)	

**PETITION FOR APPROVAL OF PROPOSED DIVESTITURE
TO NEW UNIVERSAL CHUNG WAH, LLC, AND
UNIVERSAL CHUNG WAH FUNERAL DIRECTORS, INC.**

Pursuant to Section 2.41(f) of the Federal Trade Commission (“Commission”) Rules of Practice and Procedure, 16 C.F.R. § 2.41(f) (2006), and Paragraph II.A. of the Decision and Order issued by the Commission in this matter (“Decision and Order”), Respondent Service Corporation International (“SCI”) hereby petitions the Commission to approve the divestiture of Universal Chung Wah Funeral Directors, 225 North Garfield Avenue, Alhambra, California (“Divestiture Facility”) to New Universal Chung Wah, LLC, and Universal Chung Wah Funeral Directors, Inc. (collectively “Universal”).

The Divestiture Businesses associated with the Divestiture Facility (as defined in the Decision and Order, and hereinafter collectively referred to as the “Universal Divestiture Assets”) will be sold to Universal pursuant to the Asset Sale Agreement dated February 9, 2007 (the “Sale Agreement”), by and among Universal and SCI California

Funeral Services, Inc. (“SCI California”), an affiliate that is indirectly wholly-owned by SCI. The executed Sale Agreement is attached hereto as Confidential Exhibit A.

Background

On October 13, 2006, SCI and Respondent Alderwoods Group, Inc. (“Alderwoods”) (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 Alderwoods 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 November 22, 2006, the Commission accepted the Consent Agreement for public comment, and after the close of the public comment period, the Commission gave final approval to the Consent Agreement and issued the Decision and Order. On November 28, 2006, SCI consummated its acquisition of Alderwoods. Alderwoods is now a wholly owned subsidiary of SCI.

Because this petition, including Confidential Exhibit A, contains confidential and competitively sensitive business information relating to the divestiture of the Universal Divestiture Assets — the disclosure of which may prejudice the Respondents and Universal, cause harm to the ongoing competitiveness of the Universal Divestiture Assets, and impair the Respondents’ ability to comply with their obligations under the Consent Agreement — the Respondents have redacted such confidential information from the public version of this petition. 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) (2006), the Respondents request that the confidential version of this petition and the information contained herein be accorded 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) (2006). 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).

SCI desires to complete the proposed divestiture of the Universal Divestiture Assets as soon as possible following Commission approval thereof. All pre-closing conditions other than Commission approval have already been satisfied, so that SCI California and Universal are in a position to close the divestiture within a few days of such approval.¹

Prompt consummation will further the purposes of the Decision and Order and is in the interests of the public, Universal, and the Respondents, because it will allow Universal to move forward with its business plans for the competitive operation of the Universal Divestiture Assets. SCI accordingly 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) (2006), limit the public comment period to the customary 30-day period, and grant this petition by approving the divestiture of the Universal Divestiture Assets to Universal pursuant to the Sale Agreement as soon as practicable after the close of the public comment period.

¹ In order to transfer ownership of a funeral home, a notification to the California Cemetery and Funeral Bureau ("CA Bureau") regarding change in control of the funeral home must be submitted at least 30 days prior to closing, and SCI California submitted this notice on February 13, 2007. Separately, Universal must also receive new funeral home and cemetery licenses for the location, but consistent with Bureau policy, SCI and Universal may complete the transaction prior to the receipt of these licenses. Based on discussions with the CA Bureau, and consistent with industry practice, Universal will submit its applications for funeral and cemetery licenses on or about the closing date. Once the CA Bureau considers the applications complete, the new licenses are usually processed within 90 days. Neither party is aware of any other state or local regulatory approvals that would constitute a condition to closing. Under California law, Universal will be permitted to operate the funeral home and cemetery in question while the applications are pending.

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

Paragraph II.A. of the Decision and Order requires the Respondents to divest the Divestiture Businesses (as defined in the Decision and Order) within 180 days of November 28, 2006, the date on which SCI consummated its acquisition of Alderwoods. Pursuant to this requirement, SCI has diligently sought a buyer for the Universal Divestiture Assets that would be acceptable to the Commission, through an extensive auction process that produced great interest in the properties. On February 9, 2007, SCI entered into a Sale Agreement that requires SCI to sell the Universal Divestiture Assets to Universal, the highest bidder.

The Sale Agreement with Universal complies with the requirements of Paragraph II of the Decision and Order. Paragraph II.A. requires that Respondents divest the Universal Divestiture Assets, absolutely and in good faith. Universal will acquire the Universal Divestiture Assets pursuant to Section 1.1 of the Sale Agreement. As required under the Consent Agreement, the Universal Divestiture Assets are presently among the assets being operated by SCI under the supervision of Bill Rowe, the Interim Monitor.

* * *

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

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

The owners and management of Universal include the key Divestiture Facility employees. These individuals have extensive experience in the death-care industry. In addition, Universal has funds necessary to make this acquisition. As a result, the acquisition of the

Universal Divestiture Assets by Universal will assure that the business remains a strong and effective competitor serving the Alhambra, California area.

Background

Universal's owners formed New Universal Chung Wah, LLC ("LLC"), and Universal Chung Wah Funeral Directors, Inc. ("Corporation"), in or about December 2006. The LLC will hold title to the real property, while the Corporation will own and operate the remaining assets of the Universal Divestiture Assets. Universal does not own or operate any competitive assets; its operations will consist solely of the Divestiture Facility.

The owners and management of Universal consist of a group of dedicated and seasoned death-care industry operators who have been serving the local community as employees at the Divestiture Facility for more than 10 years. They understand the inner-workings of the Divestiture Facility as they have worked in every department at the location, and this experience assures that they are very familiar with both the operation of the Divestiture Facility and the needs of the local community.

Financial Capability

Universal expects to pay for the transaction with both invested and borrowed funds. At present, Universal expects equity investments by its owners to cover 25% of the purchase price, while debt will pay the remaining 75%. Universal's owners have also contributed funds for Universal to invest in future capital improvements of the facility, so that it can maintain its competitive edge.

With respect to the debt portion of the purchase price, Universal secured a financing commitment from California Bank & Trust shortly before executing the Asset Sale Agreement. California Bank & Trust is currently processing the loan application and conducting

the necessary environmental surveys and other pre-loan diligence. Universal expects to have the funding in place on or before April 15, 2007, and thus, will be ready to close the transaction shortly after it receives Commission approval. After completing the transaction, Universal calculates that it will have a debt-to-capital ratio of 2:3.

Universal's largest shareholder is Charles Poon, the CEO of Mon Pong Construction Inc., a California-licensed general building contractor since 1988. Mr. Poon's company is fully bonded, reputable and financially sound. To the extent additional funds become necessary for the operation of the business, Mr. Poon has the financial wherewithal to provide additional equity to ensure the success of the Universal Divestiture Assets.

Operations Experience

While Mr. Poon will provide the bulk of the financial equity for Universal, his co-owners bring substantial operational experience. Melinda Ka-Pui To, who will have the second largest equity stake in Universal and will act as the Divestiture Facility's Chief Executive Officer, has worked at the Divestiture Facility for more than ten years. She began as a clerk and was quickly promoted to a supervisory position. Today, Ms. To serves as the facility's manager. The other owner of Universal is Raymond Tu. Mr. Tu has also worked at the Divestiture Facility for more than ten years, working as a clerk, assistant and finally a funeral arranger. Both Ms. To and Mr. Tu are well known and respected by the local community for their expertise and knowledge in caring for those in mourning. Since Universal's owners with operational experience are the key Divestiture Facility employees, Universal has already assured the participation of these employees in the business post-divestiture and does not feel the need for any employment contracts.

Future Plans

The Divestiture Facility is located in a community with a significant Asian population, which has its own cultural differences and religious preferences regarding death care. Universal expects that one of its competitive strengths will be that all of its key personnel are of Asian descent and well versed in Asian languages, customs and beliefs.

Universal has procured from SCI an agreement to refrain from using the term “Chung Wah” either as a business name by itself or as a part of a longer business name for the next 10 years within 20 miles of the Divestiture Facility. As a result, SCI will change the name of its Chung Wah Funeral Directors location at 2730 North Broadway, Los Angeles, California. Consistent with the Decision and Order, SCI has agreed not to solicit any employees from Universal for a period of two years unless the individual’s employment has been terminated by Universal.

With the financial backing of Mr. Poon, the significant experience of the remaining owners, and the contractual commitments of SCI, Universal expects not only to maintain its current operation, but also to enhance and expand its services, so that Universal will become a stronger competitor than the Divestiture Facility was previously.

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

The proposed divestiture of the Universal Divestiture Assets, as embodied in the Sale Agreement, will achieve the purposes of the Decision and Order. Universal’s management has significant industry experience and a proven track record of successfully operating and improving funeral homes. Universal enjoys a strong financial position that will enable it to complete this acquisition, continue the operation of the Universal Divestiture Assets, and enhance their competitiveness in the market for funeral services. Combining the Universal

Divestiture Assets with Universal management's experience and the company's financial strength will ensure that the objectives of the Commission's Decision and Order will be realized.

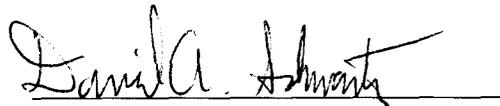
The proposed divestiture will result in no harm to competition. Because Universal has no operations other than the Universal Divestiture Assets, the proposed divestiture does not raise any competitive issue.

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

Conclusion

For the foregoing reasons, the Respondents respectfully request that the Commission approve the proposed divestiture of the Universal Divestiture Assets to Universal, as embodied in the Sale Agreement, as soon as practicable after expiration of the public comment period.

Respectfully submitted,

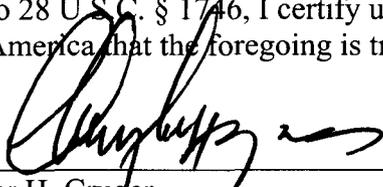


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Counsel for Respondents
Dated: March 8, 2007

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.



Christopher H. Cruger
Vice President, Business Development
Service Corporation International

CERTIFICATION OF NEW UNIVERSAL CHUNG WAH, LLC, AND
UNIVERSAL CHUNG WAH FUNERAL DIRECTORS, INC.

The facts and information related in the foregoing Petition, insofar as they pertain to New Universal Chung Wah, LLC, Universal Chung Wah Funeral Directors, Inc., and their management 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.

/s/ Melinda Ka-Pui To

Melinda Ka-Pui To

Manager, New Universal Chung Wah, LLC

President, Universal Chung Wah Funeral Directors, Inc.

EXHIBIT A

[REDACTED FROM THE PUBLIC RECORD VERSION]