

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 DIVESTITURES
TO IVERS & ALCORN ATWATER FUNERAL SERVICES, INC., AND
IVERS & ALCORN MERCED FUNERAL SERVICES, 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 to Ivers & Alcorn Atwater Funeral Services, Inc., and Ivers & Alcorn Merced Funeral Services, Inc. (collectively “IAFS”), of the following facilities:

- Ivers & Alcorn Funeral Home, 3050 Winton Way, Atwater, California 95301; and
- Ivers & Alcorn Funeral Home, 901 West Main Street, Merced, California 95340.

The Divestiture Businesses associated with these facilities (as defined in the Decision and Order, and hereinafter collectively referred to as the “IAFS Divestiture Assets”) will be sold to IAFS pursuant to the Asset Sale Agreement dated June 15, 2007

(the “Sale Agreement”), by and among IAFS and SCI California Funeral Services, Inc. (“SCI California”), an indirect wholly-owned subsidiary of SCI.¹ The executed Sale Agreement is attached hereto as Confidential Exhibit A.

Guy N. Saxton and John L. Yeatman each own 50% of the shares of IAFS, and they are also the equal owners of O’Hair & Riggs Funeral Services, Inc. (“ORFS”). Pursuant to an Asset Sale Agreement with Alderwoods (Oregon), Inc., an affiliate that is owned 100% by SCI, ORFS is acquiring O’Hair & Riggs Funeral Chapel in Klamath Falls, Oregon. That acquisition is also subject to Commission approval and a petition dated June 8, 2007, was filed with the Commission (the “ORFS Petition”).

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.

¹ The Sale Agreement also includes the sale of Mariposa Funeral Home, 9th Street and Bullion Street, Mariposa, California 95338. This business, which is not in a relevant geographic market defined by the Complaint in this matter, has been included in the divestiture because SCI’s lease of the real estate for the two Ivers & Alcorn Funeral Homes also includes this facility. The owners of IAFS do not presently own or operate a funeral home in the Merced, Atwater or Mariposa, California, areas.

Because the confidential version of this petition, including Confidential Exhibit A, contains confidential and competitively sensitive business information relating to the divestiture of the IAFS Divestiture Assets — the disclosure of which may prejudice the Respondents and IAFS, cause harm to the ongoing competitiveness of the IAFS 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 IAFS Divestiture Assets as soon as possible following Commission approval thereof. All pre-closing conditions have already been satisfied, with the exception of Commission approval and landlord consent for the assignment of a lease, so SCI and IAFS are in a position to close the divestiture within a few days of such approval and consent.²

² In order to transfer ownership of a funeral home, a notification to the California Cemetery and Funeral Bureau ("Bureau") regarding change in control of the funeral home must be submitted at least 30 days prior to closing. SCI California submitted this notice on June 6, 2007. Separately, IAFS must also receive new funeral home licenses for these locations, but consistent with Bureau policy, SCI California and IAFS may complete the transaction prior to the receipt of these licenses. Based on discussions with the California Bureau, and consistent with industry practice, IAFS will submit its applications for funeral licenses on or about the closing date. Once the California Bureau considers the applications complete, the new licenses are usually processed within 90 days. Neither party is aware

Prompt consummation will further the purposes of the Decision and Order and is in the interests of the public, IAFS, and the Respondents, because it will allow IAFS to move forward with its business plans for the competitive operation of the IAFS 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 IAFS Divestiture Assets to IAFS pursuant to the Sale Agreement as soon as practicable after the close of the public comment period.

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) to a purchaser approved by the Commission. Pursuant to this requirement, SCI has diligently sought a buyer for the IAFS Divestiture Assets that would be acceptable to the Commission, through an extensive auction process that produced great interest in the properties. On June 15, 2007, SCI caused SCI California to enter into a Sale Agreement that requires SCI California to sell the IAFS Divestiture Assets to IAFS, the highest bidder.

The Sale Agreement with IAFS complies with the requirements of Paragraph II of the Decision and Order:

A. Paragraph II.A. requires that Respondents divest the IAFS Divestiture Assets, absolutely and in good faith. IAFS will acquire the IAFS Divestiture Assets pursuant to Section 1.1 of the Sale Agreement.

of any other state or local regulatory approvals that would constitute a condition to closing. Under California law, IAFS will be permitted to operate the funeral homes in question while the applications are pending.

B. Paragraph II.B. requires that Respondents divest the Ivers & Alcorn Funeral Homes in the Merced and Atwater, California to a single buyer. The Sale Agreement contemplates that IAFS will acquire both of these facilities, satisfying this requirement.

As required under the Consent Agreement, the IAFS Divestiture Assets are operated by SCI under the supervision of Bill Rowe.

* * *

As demonstrated above and in the accompanying Sale Agreement, SCI has caused its affiliates to enter into an agreement relating to the divestiture of the IAFS 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 management of IAFS has extensive experience in the death care industry, and IAFS has the financial wherewithal to make this acquisition. The acquisition of the IAFS Divestiture Assets by IAFS will therefore assure that Ivers & Alcorn Funeral Home remains a strong and effective competitors in the Merced and Atwater, California area.

Background

Guy N. Saxton and John L. Yeatman started IAFS in June 2007 for the purpose of purchasing the assets and assuming certain liabilities of the seller. The shares of IAFS are owned equally by Mr. Saxton and Mr. Yeatman. As described in the ORFS Petition, Saxton and Yeatman and their affiliated companies own and operate 16 cemeteries, four funeral homes and one crematory, with locations in Maryland, Texas, Louisiana, Illinois and California. In addition, Messrs. Saxton and Yeatman each individually own a cemetery in Pennsylvania.

Together, these facilities provide services to approximately 4,800 families each year. For additional background on Messrs. Saxton and Yeatman, please see the ORFS Petition.

Financial Capability

Saxton and Yeatman are very experienced in obtaining funding for transactions, as is evidenced by the fact that they have acquired all of their death care facilities through acquisitions. Saxton and Yeatman will fund the purchase of the IAFS Divestiture Assets through a combination of investments by them, a mortgage on the real estate or an existing line of credit, whichever combination is most beneficial to Saxton and Yeatman at closing. Typically, 10% equity is used for these acquisitions.

Operations Experience

The ORFS Petition details the extensive experience in the death care industry of both Guy Saxton, President of IAFS, and John Yeatman. Most significantly, working with Mr. Yeatman, Mr. Saxton has been responsible for the acquisition of 16 cemeteries, four funeral homes and one crematory, and their transition away from ownership by public companies. This transition has included the integration of management and the oversight of the day-to-day operations. Prior to their purchase, few of the acquired facilities had been profitably managed by the prior ownership, and of the funeral homes, only one of the four was profitable. However, each of these acquired facilities has experienced improved performance under Mr. Saxton's management and all have been profitable under his leadership (the one already profitable funeral home has become more profitable than under prior management). Keys to this success include developing location specific incentives to assist in motivating managers and focusing them on providing enhanced services to families, growing the business and operating within cost budgets.

In order to maintain consistent personalized service at the facility, Saxton and Yeatman plan to retain the present location manager for the two Ivers & Alcorn facilities and

they expect to enter into discussions with him in the near future regarding goals and incentives.³ In the past, most employees at acquired locations have continued in their jobs, and Saxton and Yeatman expect this to be the case in this acquisition as well. In addition, Saxton and Yeatman expect to continue to implement strategies to attract families to the facility, including by marketing and improving public awareness of the facility and by providing personalized services to ensure positive recommendations from the families it serves. Saxton and Yeatman believe this will not only ensure the continued competitiveness of the divestiture facility, but it will make the funeral home more competitive.

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 IAFS Divestiture Assets, as embodied in the Sale Agreement, will achieve the purposes of the Decision and Order. IAFS's management has significant industry experience and a proven track record of successfully operating and improving funeral homes. IAFS enjoys a strong financial position that will enable it to complete this acquisition, continue the operation of the IAFS Divestiture Assets, and enhance their competitiveness in the market for funeral services. Combining the IAFS Divestiture Assets with IAFS management's experience 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. There is no overlap between the operations of IAFS (or its affiliates) and the IAFS Divestiture Assets. Consequently, 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

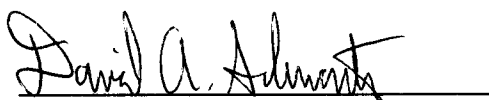
³ A single location manager is responsible for the two Ivers & Alcorn Funeral Home locations.

purposes of ensuring the continued use of the IAFS Divestiture Assets in the same business in which they were engaged at the time of the announcement of the proposed Acquisition 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 IAFS Divestiture Assets to IAFS, as embodied in the Sale Agreement, as soon as practicable after expiration of the public comment period.

Respectfully submitted,

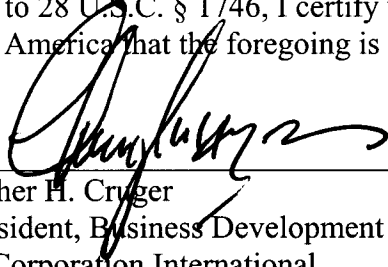


David A. Schwartz
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
(212) 403-1000
Counsel for Respondents
Dated: June 18, 2007

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.

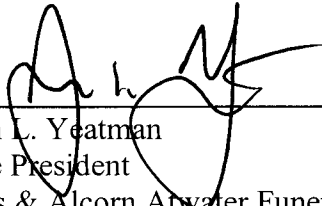


Christopher H. Cruger
Vice President, Business Development
Service Corporation International

CERTIFICATION OF IVERS & ALCORN ATWATER FUNERAL SERVICES, INC.
AND IVERS & ALCORN MERCED FUNERAL SERVICES, INC.

The facts and information related in the foregoing Petition, insofar as they pertain to Ivers & Alcorn Atwater Funeral Services, Inc., Ivers & Alcorn Merced Funeral Services, Inc., their subsidiaries and affiliates, and their respective 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 L. Yeatman
Vice President
Ivers & Alcorn Atwater Funeral Services, Inc.
Ivers & Alcorn Merced Funeral Services, Inc.

EXHIBIT A

[REDACTED FROM THE PUBLIC RECORD VERSION]