

UNITED STATES OF AMERICA  
BEFORE FEDERAL TRADE COMMISSION

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

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**PETITION FOR APPROVAL OF PROPOSED DIVESTITURE  
TO EMCR, LLC**

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 EMCR, LLC (“EMCR”) of Yuma Mortuary & Crematory, 551 West 16<sup>th</sup> Street, Yuma, Arizona (“YMC”). This petition replaces a prior petition submitted by SCI to divest this facility to C.E.J. Management, Inc., and SCI hereby withdraws that petition.

The Divestiture Businesses (as defined in the Decision and Order, and hereinafter collectively referred to as the “EMCR Divestiture Assets”) associated with YMC will be sold to EMCR pursuant to the Asset Sale Agreement dated May 10, 2007 (the “Sale Agreement”), by and among EMCR and Alderwoods (Arizona), Inc. (“AAI”), an

affiliate that is owned 100% 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 EMCR Divestiture Assets — the disclosure of which may prejudice the Respondents and EMCR, cause harm to the ongoing competitiveness of the EMCR 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 EMCR Divestiture Assets as soon as possible following Commission approval thereof. All pre-closing conditions other than Commission approval have already been satisfied, so that AAI and EMCR are in a position to close the divestiture within a few days of such approval.<sup>1</sup>

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

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<sup>1</sup> EMCR is responsible for obtaining applicable licensing as required by the State of Arizona to operate the EMCR Divestiture Assets, but there is no requirement for state approval of funeral home transfers prior to closing. The Arizona licensing is required to allow EMCR to operate the divestiture facility, rather than to allow SCI to transfer the facility to EMCR, and EMCR will be permitted to operate the facility while the licenses are pending. As a result, and consistent with industry practice, EMCR expects to submit any required applications in the near future, but it will close the transaction once Commission gives its approval irrespective of whether the licenses have been granted.

**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 that would be acceptable to the Commission through an extensive auction process that produced great interest in the properties. On May 10, 2007, SCI entered into a Sale Agreement that requires SCI to sell the EMCR Divestiture Assets to EMCR, the highest bidder.

The Sale Agreement with EMCR complies with the requirements of Paragraph II of the Decision and Order. Paragraph II.A. requires that Respondents divest the EMCR Divestiture Assets, absolutely and in good faith. EMCR will acquire the EMCR Divestiture Assets pursuant to Section 1.1 of the Sale Agreement. As required under the Consent Agreement, the EMCR Divestiture Assets are presently among the assets being operated separately from SCI's other operations under the management of Ron Collins, the independent Manager, and under the supervision of Bill Rowe, the Independent Monitor.

\* \* \*

As demonstrated above and in the accompanying Sale Agreement, SCI has entered into an agreement relating to the divestiture of the EMCR 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**

EMCR's management and the location manager at YMC have extensive experience in the funeral industry, and the location manager, who will remain with the facility at issue under a long-term employment agreement, has several years of experience operating

funeral homes. EMCR has the financial wherewithal (through both equity and a loan commitment from The Northern Trust Bank) to make this acquisition, and the Yuma location is the first of a number of funeral homes that EMCR intends to acquire over the course of the next few years. The acquisition of the EMCR Divestiture Assets by EMCR will therefore assure that the business remains a strong, viable and effective independent competitor in Yuma, Arizona.

#### Background

EMCR, LLC, which was jointly founded by Edward Jones of Cassopolis, Michigan, and Steven Saltzman, of Deerfield, Illinois, was created as a Michigan LLC as of April 2, 2007. EMCR expects to closely co-ordinate its acquisition and operating strategies with Universal Casket Company (“Universal Casket”), a Michigan firm controlled by Mr. Jones and privately owned by his family. Universal Casket has historically sold caskets to funeral homes in the Midwest and, in the past few years, has become a vendor to Costco Wholesale Corporation (for re-sale to their warehouse members). The Costco vendor relationship has permitted Universal Casket to expand to a national market for its products and EMCR is hoping to expand to become a national provider of funeral services in the future through future acquisitions. Starting with the Yuma location, EMCR is beginning its process of purchasing funeral homes to initiate and expand its geographic coverage of its funeral service offerings. EMCR intends to fund its first few acquisitions with personal funds from Mr. Jones and Mr. Saltzman as well as bank debt. With Mr. Saltzman’s extensive professional and personal corporate fund raising experience, EMCR intends to bring in outside equity investors and additional lenders as needed to fund future acquisitions.

EMCR will be headquartered in Deerfield, Illinois, and its assets will initiate with an expected joint \$250,000 equity investment by Mr. Jones and Mr. Saltzman. Mr. Saltzman

will actively manage the company day-to-day, with Mr. Jones continuing to head the Universal Casket Company, but participating on behalf of EMCR for the purposes of setting strategic guidance, negotiations and oversight. Additionally, EMCR intends to engage the long term services of Mr. Darren Mattice, the current location manager (for the past three years) of the Yuma Funeral Home and Crematory, by means of a long-term employment agreement that the parties are presently negotiating (see Confidential Exhibit B, a term-sheet agreed to with the manager on April 18, 2007).

EMCR believes this approach

will generate organic revenue growth, improved operational efficiencies, and harmonious relations between Mr. Jones, Mr. Saltzman, and future EMCR executive managers.

#### EMCR's Executive Management

EMCR's Executive Management will initially consist of Mr. Saltzman and Mr. Jones, who will be equal financial partners.

As Managing Member of EMCR, Mr. Saltzman brings a unique background and considerable experience to the company. He began his career as a stock research analyst with The Chicago Corporation (which eventually became ABN-AMRO). In the early 1990's, his research emphasis was placed on the funeral industry and in that capacity he prepared equity research reports on SCI and Alderwoods. Both companies were investment banking clients of the firm during the industry consolidation of the 1990's, requiring the services of a dedicated analyst. During Mr. Saltzman's tenure with ABN-AMRO, he was awarded a number of

significant promotions including the promotion to Managing Director and placement on the firm's Investment Policy Committee, both recognizing his accomplishments and knowledge in the funeral industry in particular.

In 1998, Mr. Saltzman left ABN-AMRO to explore the development of a number of investment opportunities in the funeral industry. He also had the opportunity to serve as a special consultant and expert witness to the United States Department of Justice with regard to a NAFTA complaint filed by the Loewen Group (now Alderwoods), providing expert industry advice and counsel to the Department of Justice with regard to the claims being then asserted.

In 2000, Mr. Saltzman became the driving force behind what is now known as Celebris Memorial Services Inc. ("Celebris"). Celebris is a Canadian company formed to acquire 72 funeral homes from Stewart Enterprises and to oversee their operations. Mr. Saltzman's investment banking experience together with his knowledge of the industry gave Celebris a unique competitive advantage in the acquisition of the properties and in securing available equity and debt funding for the acquisition and operations. In addition to being a shareholder, Mr. Saltzman served as CFO and as a member of the board of directors of Celebris until he sold his investment in late 2005. Since that time, Mr. Saltzman has continued to look at additional investment opportunities, one of which is EMCR.

Mr. Saltzman has a Bachelors of Science degree in Finance and Economics from DePaul University in Chicago, Illinois, a Masters in Management degree in Finance and Economics from Northwestern's Kellogg Graduate School of Management, and recently graduated with an Associate's degree in Funeral Directing and Embalming from Worsham College of Mortuary Science in Wheeling, Illinois, which was recently voted one of the top mortuary schools in the country. Currently, Mr. Saltzman also teaches the Business

Management course at Worsham. EMCR believes that Mr. Saltzman's business and investment experience working in the funeral industry brings a distinct competitive advantage to the company.

In addition to being a Member of EMCR, Mr. Jones serves as President of Universal Casket Company and is the third generation of family leadership and ownership in that company. Mr. Jones has more than 40 years of experience in the casket business, in functions including casket design and manufacturing, assembly, delivery and customer service to funeral homes and Costco Members who have purchased caskets. By virtue of its relationship with Costco, Universal Casket was the first casket manufacturer to offer caskets directly to the public through a major retailer, enabling consumers to purchase caskets at greatly reduced prices compared to retail prices charged by most funeral homes.

He has a Bachelors of Arts degree in Business Administration from Western Michigan University, and began his professional career in banking before returning to head the family business. EMCR believes that Mr. Jones' unique background is a competitive advantage to the company.



EMCR'S Management Strategy of the Yuma Location

EMCR will rely on Mr. Mattice to run the day-to-day operations of the Yuma location. Mr. Mattice has several years of experience serving as the manager of this facility, and a decade of experience as a licensed funeral director. Mr. Saltzman intends to spend time a few times per month at the Yuma facility and to monitor the facility's performance over the internet and via the phone at many other times of the month. Mr. Saltzman expects to work closely with Mr. Mattice to customize an existing accounting and funeral operating system to better manage, communicate with, and monitor the location's operations in real time both on-site and remotely via the internet.

As EMCR acquires additional funeral homes, Mr. Saltzman and Mr. Jones expect to build and bring into ownership a small but tightly knit full-time senior management team in addition to future location managers and permanent employees at subsequently acquired funeral homes.

EMCR's Financial Capability

EMCR will fund the purchase of the EMCR Divestiture Asset through personal equity investments by Mr. Saltzman and Mr. Jones and a loan personally guaranteed by one of the principals. EMCR expects to complete the transaction at a 3:1 debt to equity ratio.

Both Mr. Saltzman and Mr. Jones have toured the building and the grounds of YMC with Mr. Mattice and confirm that the facility and the grounds are in excellent shape. EMCR is acquiring this facility "as is" from SCI and does not believe that any meaningful capital investment is needed at this time.

### **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 EMCR Divestiture Assets, as embodied in the Sale Agreement, will achieve the purposes of the Decision and Order. EMCR and Universal Casket have neither competitive assets nor agreements with other funeral homes in the relevant geographic market. Neither Mr. Jones nor Mr. Saltzman have had previous personal involvement in a transaction with SCI, though Mr. Saltzman has had previous professional involvement as an equity research analyst and investment banker to SCI and affiliated companies during the 1990s. He is no longer acting in that same capacity and has not been so since 1998.

Through the personal financial resources of Mr. Jones and Mr. Saltzman, EMCR is starting out with a strong financial position that will enable it to complete this acquisition, continue the operation of the EMCR Divestiture Assets, and enhance their competitiveness in the market for funeral services. Combining the EMCR Divestiture Assets with EMCR management's experience, the experience of the current location manager at YMC, and the company's 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. There is no overlap between the operations of EMCR and the EMCR Divestiture Assets. Consequently, the proposed divestiture does not raise any competitive issues.

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 EMCR 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 EMCR Divestiture Assets to EMCR, as embodied in the Sale Agreement, as soon as practicable after expiration of the public comment period.

Respectfully submitted,



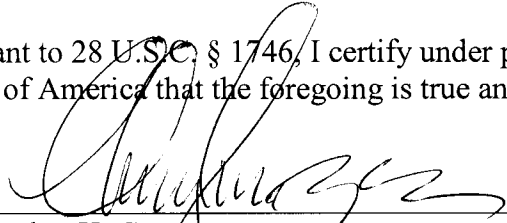
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Counsel for Respondents  
Dated: May 11, 2007

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.



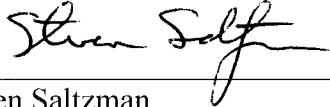
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Christopher H. Cruger  
Vice President, Business Development  
Service Corporation International

CERTIFICATION OF EMCR, LLC

The facts and information related in the foregoing Petition, insofar as they pertain to EMCR, LLC, its 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.

A handwritten signature in black ink, appearing to read "Steven Saltzman", written over a horizontal line.

Steven Saltzman  
Managing Member  
EMCR, LLC

**EXHIBIT A**

**[REDACTED FROM THE PUBLIC RECORD VERSION]**

**EXHIBIT B**

**[REDACTED FROM THE PUBLIC RECORD VERSION]**