



Everly Community Funeral Care, 161 Leesburg Pike, Falls Church, VA

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

The Divestiture Businesses associated with facilities (as defined in the Decision and Order, and hereinafter collectively referred to as Divestiture Assets ) will be sold to Carriage pursuant to the Asset Agreement By and Among Carriage Services of Louisiana, Inc. and Carriage Funeral Holdings, Inc. and 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 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 including the Decision and Order and an Order to Hold Separate and Maintain Assets (collectively, the Consent Agreement ) to settle the Commission's charge 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 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' marriage, cause harm to the ongoing competitiveness of the Divestiture, and impair Respondents' ability to comply with their obligations under the C 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(e) Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(4) & 4.9(c), 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

of the Divestiture Assets. Accordingly, we request 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 period, and grant this petition by approving the divestiture of Divestiture Assets 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.

Paragraph II.A.2 of the Decision and Order requires Respondents 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 name and its own intellectual property. Carriage possesses all the intellectual property to operate the Divestiture assets in substantially the same manner as Respondents. Accordingly, SCI is not granting Carriage a License to all Retained Intellectual Property. Paragraphs 91 and 91.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.

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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 divestiture 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 acquisition of the Divestiture Assets by Carriage will ensure that those businesses remain strong and effective competitors in the 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. 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 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 areas, and provides products on an at-need and pre-need basis. Carriage's 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; (ii) 4E Leadership Model; and (iii) 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 business through Standards Achievement. Carriage's Being the Best Standards focus on

metrics that drive long-term, sustainable growth and earning power of our portfolio of businesses. Through its Standards Operating Model, Carriage has a demonstrated ability to grow sustainable, recurring revenue over time via client family retention without the dependency on 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 help others; the edge necessary to make difficult decisions; and the ability to execute and produce results. To achieve a high level of standards in every 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 agents 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 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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<sup>2</sup> More information about Carriage and 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/csvg/sec/filingID=1445305-13-649&CIK=1016281>

SCI in New Orleans and Northern Virginia, 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 experienced growth through its acquisition of select properties from SCI. Required divestitures that were approved by the Commission in prior matters. In 1993, Carriage acquired from SCI eight 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 five properties located in Amarillo, Texas and Brevard and Lee Counties, Florida, arising from SCI's acquisition of Gibraltar Mausoleum Corporation, under Consent Order dated March 21, 1996 (FTC Docket No. C-3646). In 1999, Carriage acquired funeral home and cemetery properties in 14 markets arising from SCI's acquisition of Equity of 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 funeral home and cemetery properties from SCI under circumstances unrelated to Commission consent agreements.





suitable employees in the local area. Carriage anticipates that these individuals will be placed by closing.

Further, the landscaping and maintenance 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 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 Assets transition into the Carriage organization. Carriage has a proven track record of competing vigorously at the national levels for funeral and cemetery services; as discussed above, it has appeared 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 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 in 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. At that time, 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 geographical

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transition to the business. Second, Carriage believes its employees have keen management skills and connections to the local community that will fit within the Carriage culture and ensure the successful operation of the Divestiture Assets.

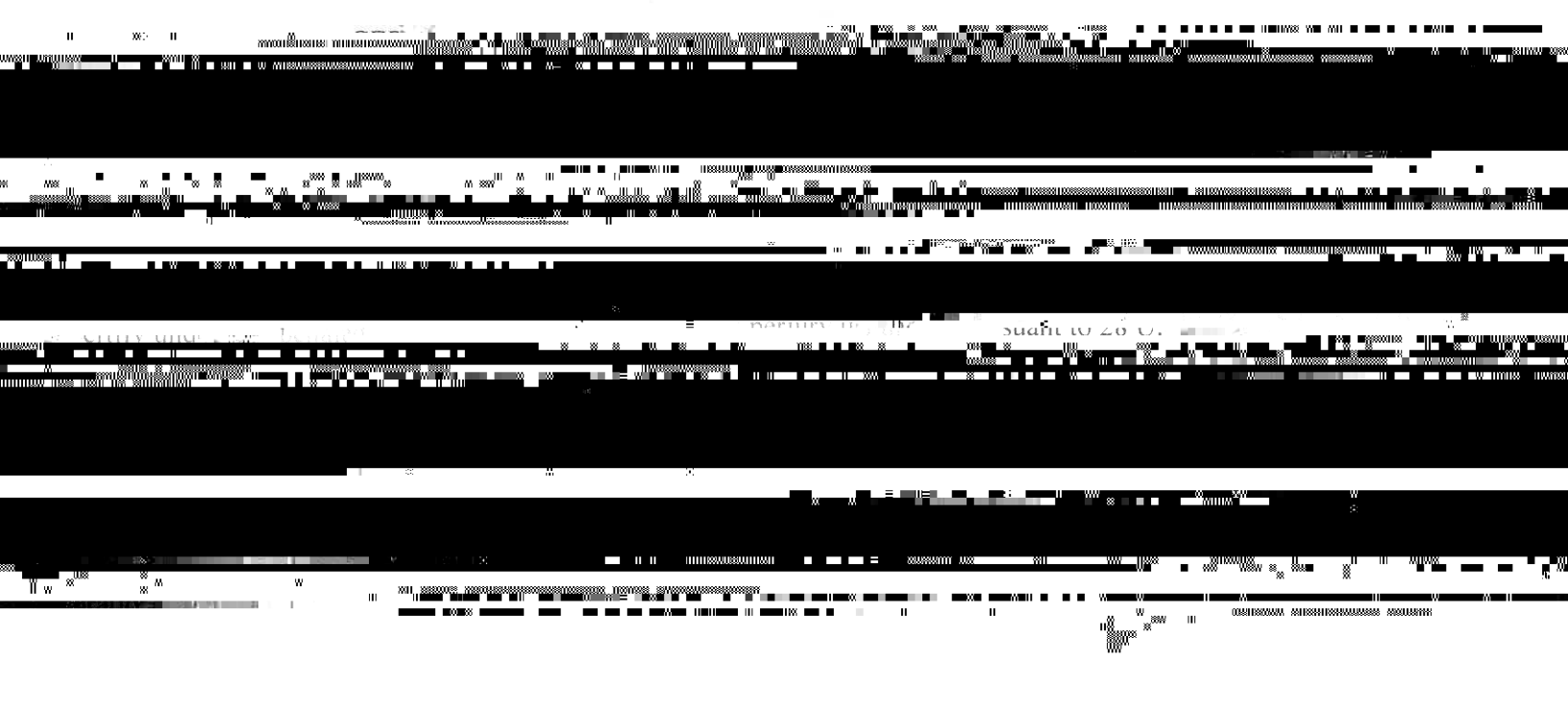
Carriage intends to apply its Being the Best model to the Divestiture Assets to ensure that they remain a competitive force in the funeral and cemetery services industry. Carriage has a proven track record of acquiring and growing funeral and cemetery facilities from third parties and will apply the 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 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 and 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  
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CERTIFICATION OF CARRIAGE SERVICES, INC.

The facts and information related in the foregoing Petition, insofar as they pertain to



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**EXHIBIT A**