SERVICE CORPORATION INTERNATIONAL
Form 424B3
October 19, 2006

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-132617

PROSPECTUS

Service Corporation International
Offer to Exchange
Registered 7.0% Senior Notes due 2017
for
All Outstanding 7.0% Senior Notes due 2017 issued on June 15, 2005
($300,000,000 in principal amount outstanding)

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, all of our outstanding 7.0% Senior Notes due 2017 issued on June 15, 2005 for our registered 7.0% Senior Notes due 2017. In this prospectus, we will call the original notes the Old Notes and the registered notes the New Notes. The Old Notes and New Notes are collectively referred to in this prospectus as the notes.

The Exchange Offer

The exchange offer expires at 5:00 p.m., New York City time, on November 20, 2006, unless extended.

The exchange offer is not conditioned upon a minimum aggregate principal amount of Old Notes being tendered.

All outstanding Old Notes validly tendered and not withdrawn will be exchanged.

The exchange offer is not subject to any condition other than that the exchange offer not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission.

We will not receive any cash proceeds from the exchange offer.

The New Notes

The terms of the New Notes to be issued in the exchange offer are substantially identical to the Old Notes, except that we have registered the New Notes with the Securities and Exchange Commission. In addition, the New Notes will not be subject to certain transfer restrictions.

Interest on the New Notes will be paid at the rate of 7.0% per annum, semi-annually in arrears on each June 15 and December 15, beginning December 15, 2006.

The New Notes will not be listed on any securities exchange or the Nasdaq Stock Market.

You should carefully consider the risk factors beginning on page 13 of this prospectus before participating in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Each broker-dealer that receives New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. See Plan of Distribution.

The date of this prospectus is October 19, 2006.

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Until November 29, 2006, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unused allotments or subscriptions.

We have filed with the SEC a registration statement on Form S-4 under the Securities Act to register the notes offered by this prospectus. This prospectus does not contain all the information included in the registration statement and the exhibits and schedules thereto. We strongly encourage you to read carefully the registration statement and the exhibits and schedules thereto. You can obtain documents included in the registration statement through our website at *www.sci-corp.com* or by requesting them in writing or by telephone from us at the following address:

Service Corporation International
1929 Allen Parkway
Houston, Texas 77019
Attention: James M. Shelger, Esq.
Telephone No: (713) 522-5141

To obtain timely delivery of any requested documents, you must request the information no later than five business days before you make your investment decision. Please make any such requests on or before November 13, 2006. See Where You Can Find More Information for more information about these matters.

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PROSPECTUS SUMMARY

The following is a summary of the material information appearing in other sections of this prospectus. It is not complete and does not contain all the information that you should consider before exchanging Old Notes for New Notes. You should carefully read this prospectus and the registration statement and the exhibits and schedules thereto to understand fully the terms of the exchange offer and the New Notes, as well as the tax and other considerations that may be important to you. You should pay special attention to the Risk Factors section beginning on page 13 of this prospectus, as well as the section entitled Cautionary Statement Regarding Forward-Looking Statements . You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

On April 2, 2006, Service Corporation International, or SCI, executed a definitive merger agreement pursuant to which, subject to the terms and conditions set forth therein, it expects to acquire all outstanding shares of Alderwoods Group, Inc., or Alderwoods (the acquisition). We refer to the acquisition and the related transactions, including the issuance of notes offered in a private placement, the issuance of additional debt securities in a private placement, the borrowings under our new senior credit facility, the repayment of certain existing indebtedness of SCI and Alderwoods, combined with certain divestitures we expect to make pursuant to a consent decree we expect to enter into with the Federal Trade Commission (the FTC) and certain other divestitures of non-strategic operations (collectively the divestitures), collectively as the transactions. The transactions are more fully described below under The Transactions. The transactions do not include the exchange offer that is the subject of this prospectus. Pro forma combined information in this prospectus gives pro forma effect to the transactions as if they had occurred on January 1, 2005, for statement of operations purposes, and June 30, 2006, for balance sheet purposes. See Unaudited Pro Forma Combined Financial Information.

For purposes of the pro forma information in this prospectus, the assets to be sold pursuant to the divestitures have been reclassified on the pro forma balance sheet as assets held for sale, and the results of operations of these assets have been eliminated from the pro forma statement of operations. No pro forma adjustments have been made to reflect any anticipated gain or loss from the divestitures and no adjustment has been made to reflect any earnings benefit from the reinvestment of any proceeds from the divestitures or any reduction of debt from the application of sales proceeds.

For purposes of this prospectus, unless the context otherwise indicates or as otherwise indicated, the term:

- *SCI refers to Service Corporation International and its subsidiaries prior to the acquisition;*
- *Alderwoods refers to the Alderwoods Group, Inc. and its subsidiaries; and*
- *the Company, us, we, our, and ours refer to SCI, together with its subsidiaries, and includes Alderwoods, immediately after giving pro forma effect to the transactions.*

Our Business

We are North America s leading provider of deathcare products and services, with a network of funeral homes and cemeteries unequalled in geographic scale and reach. We hold leading positions in each of the U.S. and Canada and, after giving pro forma effect to the transactions, we estimate that we represented approximately 14% of the funeral and cemetery services business in North America based on 2005 industry revenues, which was approximately five times the share of our next largest North American competitor. At June 30, 2006, after giving pro forma effect to the transactions, we owned and operated 1,438 funeral service locations and 235 cemeteries in North America, which are geographically diversified across 46 states, eight Canadian provinces, the District of Columbia and Puerto Rico. In addition, after giving pro forma effect to the transactions, we owned and operated an insurance company that supports our funeral operations. On a comparable store basis, SCI increased North America revenues by 3.4% in fiscal year 2005 compared to fiscal year 2004. For the six month period ended June 30, 2006, on a pro forma basis giving effect to the transactions, comparable store revenues in our North America funeral and cemetery operations increased by 2.5%, compared to the six month period ended June 30, 2005.

Our funeral service and cemetery operations consist of funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria and related businesses. We provide all professional services relating to funerals and cremations, including the use of funeral facilities and motor vehicles and preparation and embalming services. Funeral related merchandise, including caskets, burial vaults, cremation receptacles, flowers and other ancillary products and services, is sold at each of our funeral service locations. Our cemeteries provide cemetery property interment rights, including mausoleum spaces, lots and lawn crypts, and sell cemetery related merchandise and services, including stone and bronze memorials, burial vaults, casket and cremation memorialization products, merchandise installations and burial openings and closings. We also sell preneed funeral and cemetery products and services whereby a customer contractually agrees to the terms of certain products and services to be provided in the future. Finally, Alderwoods insurance subsidiary sells a variety of insurance products, primarily for the funding of preneed funerals sold by Alderwoods funeral locations.

Our funeral and cemetery operations are organized into a North America division covering the United States and Canada and an Other Foreign division. Upon completion of the acquisition, our operations in the North America division are expected to be organized into approximately 31 major regions and 42 middle regions (including four Hispana regions). Within each region, the funeral homes and cemeteries share common resources such as personnel, preparation services and vehicles. Our four regional support centers in North America are located in Houston, Miami, New York and Los Angeles and help to facilitate the execution of corporate strategies, coordinate communication between the field and corporate offices, and serve as liaisons for the implementation of policies and procedures.

Our Other Foreign division includes funeral operations in Germany and Singapore. We currently intend to sell these operations when economic values and conditions are conducive to a sale. We also have a 25% minority interest in certain funeral operations in France.

Our Competitive Strengths

Industry leader. We believe that our estimated 14% North America share, on a pro forma basis giving effect to the transactions, based on 2005 industry revenues, is approximately five times that of our next largest North American competitor and approximately two times that of the estimated 6% combined share of the remaining five publicly traded deathcare companies. We believe that our size provides us the benefits of standardized training, industry best practices and efficiencies of scale.

Geographic reach. After giving pro forma effect to the transactions, our combined network allows us to serve a broad population base with more than 1,900 funeral and cemetery locations diversified over 46 states, eight Canadian provinces, the District of Columbia and Puerto Rico. We believe our scale differentiates us from our competition by allowing us to implement a national brand strategy and to pursue strategic affinity partnerships with national groups that can influence their members choice of deathcare provider. For example, our strategic affinity partnerships today include the Veterans of Foreign Wars and Ladies Auxiliary, whose combined membership exceeds two million. We believe that our extensive national network enhances purchasing scale and provides us with an advantage in selling preneed funeral and cemetery products and services by allowing us to offer our customers the ability to transfer their preneed contracts to any of the providers in our network.

National brand. In 2000, SCI introduced the first coast-to-coast funeral service brand in North America, Dignity Memorial®. We believe that a national brand name is increasingly important as North American consumers continue to become more geographically mobile. We believe that consumers are less likely now than they have been historically to live in the same community as their parents and grandparents or to know a local funeral director. By building favorable associations with the Dignity Memorial® brand through funeral services, advertising and community outreach programs we strive to create an image of consistency, dependability and excellence that makes consumers more likely to choose our providers. We expect the acquisition of Alderwoods to provide additional opportunities for us to expand

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the Dignity Memorial® brand. In addition, we are currently developing a second brand, Funeraria del Angel™, to serve North America s growing Hispanic population. As of June 30, 2006, Funeraria del Angel™ had 23 locations in California, Texas, Illinois and Kansas.

Innovative offerings. Using our Dignity Memorial® brand, we augment our range of traditional products and services with more contemporary and comprehensive offerings. In addition to a wide range of funeral, memorial, burial and cremation options, we offer assistance with many of the legal and administrative details that burden customers at times of loss. We also offer grief counseling for survivors and a bereavement travel program, which obtains special rates on airfare, car rentals and hotel accommodations for family and friends traveling from out of town to attend services, and an internet memorialization. In addition, we offer packaged plans for funerals and cremations that are designed to simplify customer decision-making. Since our packaged plans were introduced in 2004, they have achieved consistently high customer satisfaction ratings.

Reputation and service excellence. We believe that we have established a strong reputation for consistency and service excellence, which sets us apart from many of our competitors, serves as a key advantage to attracting customers and enhances our standing as an employer of choice within the industry. Continuing our commitment to excellence, in 2004 we established Dignity University™, a virtual school for SCI employees at all levels. It offers a comprehensive curriculum of professional development and ethics training that is designed to help employees upgrade skills, advance their careers and implement ethical standards at every level of performance. We believe that the acquisition of Alderwoods will allow us to expand and build our reputation for service excellence.

Our Strategies for Growth

In recent years, we have strengthened our balance sheet, lowered our cost structure, introduced more efficient systems and processes and strengthened our management team. We believe these improvements, together with the acquisition of Alderwoods, present us with significant opportunities to achieve future growth. Our principal strategies are as follows:

Approach the business by customer preference. We believe customer attitudes and preferences are essential to our business. We are replacing the industry s traditional one-size-fits-all approach with a flexible operating and marketing strategy that categorizes customers according to personal needs and preferences. Using this new approach, we will tailor our product and service offerings based on four variables:

- convenience and location,
- religious and ethnic customs,
- quality and prestige, and
- price.

By identifying customers based on these variables, we can focus our resources on the most profitable customer categories and improve our marketing effectiveness. We will continue to refine our pricing, product and marketing strategies to support this approach.

Consistent with this strategy, we have begun to analyze existing business relationships to determine whether they are consistent with our strategic goals. As a result, SCI made certain local business decisions to exit unprofitable business relationships and activities in late 2005 and early 2006. We continue to analyze our operations and may exit certain business relationships or activities that do not fit our customer segmentation strategy.

Realign pricing to reflect current market environment. SCI, Alderwoods and other competitors in the deathcare industry have historically generated most of their profits from the sale of traditional products (including caskets, vaults and markers), while placing less emphasis on the services involved in funeral and burial preparation. However, because of increased customer preference for comprehensive and

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personalized deathcare services, as well as increased competition from retail outlets and websites for the sale of traditional products, SCI has realigned its pricing strategy from product to service offerings in order to focus on services that are most valued by customers. SCI s initial results from the realignment strategy have been favorable based on increases in the overall average revenue per funeral service performed. Upon completion of the acquisition, we expect to evaluate Alderwoods pricing, and, if necessary, make adjustments to align the pricing strategy at the Alderwoods locations to the current SCI locations.

Drive operating discipline and take advantage of our scale. Although we have already made substantial improvements in our infrastructure, we believe we can continue to achieve operating improvements through centralization and standardization of processes for staffing, central care, fleet management and cemetery maintenance. The acquisition of Alderwoods provides further opportunities for synergies and operating efficiencies, which will allow us to utilize our scale and increase profitability. We are developing clear, yet flexible, operating standards that will be used as benchmarks for productivity in these areas. In conjunction with these standards, we will develop and track shared best practices to support higher productivity. We also intend to continue to capitalize on our nationwide network of properties by pursuing strategic affinity partnerships. Over the longer term, we believe these relationships can be a key influence in the funeral home selection process.

Manage and grow the footprint. We will manage our network of business locations by positioning each business location to support the preferences of its local customer base while monitoring each region for changing demographics and competitive dynamics. Funeral home expansion efforts will primarily target businesses whose customers value quality and prestige or adhere to specific religious or ethnic customs. We will focus cemetery expansion efforts on large cemeteries that are or may be combined with funeral home operations, which allow facility, personnel and equipment costs to be shared between the funeral services location and cemetery.

Industry Overview

Demographic factors. More than 70% of all deaths in the United States occur at age 65 and older. In 2004 people aged 65 and older constituted 12% of the population, according to the U.S. Census Bureau; the U.S. Census Bureau projects that by 2020 the number of Americans aged 65 and older will exceed 16% of the population. We believe these demographic trends will produce a growing demand for our services.

Nevertheless, the number of annual deaths in North America is expected to remain relatively constant for at least another decade because of healthier lifestyles and improved medical care. In 2003 life expectancy in the United States reached 77.6 years, compared with 74.6 years in 1983, according to the National Center for Health Statistics. Therefore, our near-term strategies do not anticipate any increase in the number of deaths. Rather, they are designed to increase volume and profitability at existing businesses.

Competitive dynamics. The deathcare industry is characterized by a large number of locally-owned, independent operations. We believe there are approximately 22,000 funeral homes and 10,500 cemeteries in the United States. After the acquisition, the two largest public operators in the deathcare industry in the United States, based on total revenue and number of locations, will be us and Stewart Enterprises, Inc. After giving pro forma effect to the transactions, we believe that we and Stewart collectively represented approximately 17% of industry revenues in the United States in 2005.

The trend toward cremation. In the deathcare industry, there has been a growing trend in the number of cremations performed in North America as an alternative to traditional funeral service dispositions. We believe this presents a significant opportunity for our Company, especially since research shows that most people who choose cremation do so for reasons unrelated to cost. We have been a leading provider of cremation services in North America, with cremation representing approximately 37%, 38% and 39% of our combined funeral services in 2003, 2004 and 2005, respectively, after giving pro forma effect to the transactions. While cremation has traditionally resulted in lower gross profits because it reduces casket sales and because many customers who choose cremation may also decide against purchasing cemetery

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property, we believe we can improve revenue and profit trends associated with cremation services by realigning our pricing model and offering better and more personalized products and services.

For a further description of our business, see the information set forth under the caption Business that begins on page 110 of this prospectus.

SCI was incorporated in Texas in July of 1962. Our principal corporate offices are located at 1929 Allen Parkway, Houston, Texas 77019 and our telephone number is (713) 522-5141. Our website is *www.sci-corp.com.*

The Transactions

As used in this prospectus:

- the acquisition refers to SCI s acquisition of Alderwoods;
- the financing refers, collectively, to the issuance of notes in a private placement, the issuance of additional debt securities in a private placement, the borrowings under a new senior credit facility, the repurchase of certain outstanding notes of Alderwoods and SCI pursuant to tender offers, and the repayment of certain other existing debt of Alderwoods;
- the divestitures refers, collectively, to certain divestitures we expect to make pursuant to a consent decree we expect to enter into with the FTC and certain other divestitures of non-strategic operations; and
- the transactions refers, collectively, to the acquisition, the financing and the divestitures.

The Acquisition

On April 2, 2006, SCI entered into a definitive merger agreement pursuant to which, subject to the terms and conditions set forth therein, it expects to acquire Alderwoods for $20.00 per share in cash, resulting in a total purchase price of approximately $1.2 billion, which includes the refinancing of approximately $351.7 million and the assumption of $6.5 million of Alderwoods debt.

Acquisition rationale. The acquisition of Alderwoods will enable SCI to serve a number of new, complementary areas, while providing the opportunity for significant synergies and operating efficiencies. The significant benefits of the acquisition include:

- increased geographic scope and scale;
  - entry into attractive new geographic areas;
  - key new facilities, including Rose Hills, a premier U.S. deathcare facility;
- identified annual pre-tax cost savings of approximately $60 to $70 million expected to be achieved within eighteen months of closing the acquisition, with approximately $15 million of such savings realized within twelve months of closing, and potential additional cost-saving synergies (there can be no assurance that any such cost savings or synergies will be achieved; see Management s Discussion and Analysis of Financial Condition and Results of Operations Expected Cost Savings Resulting from the Alderwoods Acquisition);
- immediately accretive to operating cash flow, excluding implementation costs;
- strong cash flow generation and planned divestitures reduce financial risk; and
- increased preneed backlog enhances long-term revenue stability.

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The Financing

The following financing transactions will occur in connection with the closing of the acquisition:

- borrowings under a new $450 million senior credit facility, consisting of a $150 million 3-year term loan, all of which will be borrowed in connection with the transactions, and a $300 million 5-year revolving credit facility, none of which is expected to be drawn in connection with the transactions based on expected cash balances at closing;

- the issuance of $200 million of debt securities in a private placement; and

- the issuance of $500 million of notes in a private placement.

Pending the consummation of the acquisition and certain related transactions described in this prospectus, the net proceeds of each series of notes privately placed will be held in separate escrow accounts. Such notes are subject to special mandatory redemption in the event that the acquisition and related transactions described in this prospectus are not consummated on or prior to December 31, 2006. Such notes may also be redeemed at our option, in whole, but not in part, at any time prior to December 31, 2006, if, in our sole judgment, the acquisition and related transactions will not be consummated by that date. The redemption price in either case will be 100% of the issue price of each series of the notes set forth above, respectively, plus accrued and unpaid interest to the redemption date. Concurrently with the closing of the offering of such notes, we will deposit with an escrow agent into separate escrow accounts the net proceeds of each offering, together with an amount of cash or treasury securities, so that the escrowed funds are sufficient to fund the redemption of the notes, if required. There can be no assurance that the acquisition will be consummated by December 31, 2006, or at all.

In connection with the acquisition, on September 7, 2006, Alderwoods commenced a tender offer to purchase $200 million of its outstanding 7.75% Senior Notes due 2012 (the Alderwoods 7.75% Notes), and a solicitation of consents to eliminate substantially all of the restrictive covenants and certain events of default and to modify certain other provisions of the indenture relating to the Alderwoods 7.75% Notes. This tender offer was originally scheduled to expire on October 5, 2006, but has been extended to October 26, 2006, to coincide with the anticipated closing of the acquisition. The tender offer may be further extended if the closing date of the acquisition is later than October 26, 2006. The tender offer is conditioned upon, among other things, the tender of a majority of the outstanding principal amount of the Alderwoods 7.75% Notes, the consummation of the acquisition and the financing transactions described above, and other customary conditions. As of October 5, 2006, approximately $194,190,000 in aggregate principal amount of the Alderwoods 7.75% Notes, or 97.10% of the outstanding principal amount of the Alderwoods 7.75% Notes, and the consents related thereto, were validly tendered. Withdrawal rights of tendering holders of the Alderwoods 7.75% Notes that tendered prior to the expiration of the consent solicitation on September 20, 2006 (the Alderwoods Consent Date), have expired. The total consideration payable in respect of Alderwoods 7.75% Notes that were accepted for payment and validly tendered and not withdrawn prior to the Alderwoods Consent Date is $1,080.03 per $1,000 principal amount, which includes a $20.00 consent payment payable only in respect of Alderwoods 7.75% Notes that were tendered with consents on or prior to the Alderwoods Consent Date. The total consideration payable in respect of Alderwoods 7.75% Notes that are validly tendered after the Alderwoods Consent Date and on or prior to the expiration date is $1,060.03 per $1,000 principal amount. Accrued and unpaid interest to but excluding the settlement date will also be paid with respect to all existing Alderwoods 7.75% Notes purchased in the tender offer.

In addition, on September 7, 2006, SCI commenced a tender offer to purchase $144.5 million aggregate principal amount of its outstanding 7.7% Senior Notes due 2009, CUSIP Nos: 817565AXZ; 817565AV6; 817565AW4 (the SCI 7.7% Notes), and a solicitation of consents to eliminate substantially all of the restrictive covenants and certain events of default and to modify certain other provisions of the indenture relating to the SCI 7.7% Notes. This tender offer was originally scheduled to expire on October 5, 2006, but has been extended to October 26, 2006, to coincide with the anticipated closing of the acquisition. The tender offer may be further extended if the closing date of the acquisition is later than

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October 26, 2006. The tender offer is conditioned upon, among other things, the tender of a majority of the outstanding SCI 7.7% Notes, the consummation of the acquisition and the financing transactions described above, and other customary conditions. As of October 5, 2006, approximately $138,932,000 in aggregate principal amount of SCI 7.7% Notes, or 96.17% of the outstanding principal amount of the SCI 7.7% Notes, and the consents related thereto, were validly tendered. Withdrawal rights of tendering holders of the SCI 7.7% Notes that tendered prior to the expiration of the consent solicitation on September 20, 2006 (the SCI Consent Date), have expired. The total consideration payable in respect of SCI 7.7% Notes that were accepted for payment and validly tendered and not withdrawn prior to the SCI Consent Date is $1,058.11 per $1,000 principal amount, which includes a $20.00 consent payment payable only in respect of SCI 7.7% Notes that were tendered with consents on or prior to the SCI Consent Date. The total consideration payable in respect of SCI 7.7% Notes that are validly tendered after the SCI Consent Date and on or prior to the expiration date is $1,038.11 per $1,000 principal amount. Accrued and unpaid interest to but excluding the settlement date will also be paid with respect to all existing SCI 7.7% Notes purchased in the tender offer. SCI currently has outstanding a separate series of 7.7% Notes due 2009, which have different CUSIP numbers. SCI is not making a tender offer or consent solicitation for these notes.

Furthermore, upon consummation of the acquisition, SCI and Alderwoods will each terminate all commitments and Alderwoods will repay all outstanding borrowings under its existing credit facilities.

Planned Divestitures

SCI expects to execute a consent order with the staff of the FTC in connection with the acquisition, which will identify certain properties the FTC will require us to divest as a result of the acquisition. The consent order will be subject to approval by the FTC commissioners, which approval is a condition to the consummation of the acquisition. No final agreement has been reached with any third party concerning the sale of any such assets. We believe that the divestiture of the FTC mandated assets, together with the divestiture of other SCI assets that we have identified for sale, will generate proceeds of approximately $200 million in the near future, which we expect to use to repay debt. There can be no assurance that the divestitures described above will be consummated, or if consummated will generate the proceeds described above. For purposes of the pro forma information in this prospectus, the assets to be sold pursuant to the divestitures have been reclassified on the pro forma balance sheet as assets held for sale and the results of operations of these assets have been eliminated from the pro forma statement of operations. No pro forma adjustments have been made to reflect any anticipated gain or loss from the divestitures and no adjustment has been made to reflect any earnings benefit from the reinvestment of any proceeds from the divestitures or any reduction of debt from the application of sales proceeds. In addition, after completion of the acquisition, we intend to undertake a comprehensive review of our integrated operations and we believe there may be further asset sales as a result of that review within 18 months. There can be no assurance that these asset sales will occur or if they occur that they will be on terms favorable to us.

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Summary of the Terms of the Exchange Offer

The Exchange Offer	We are offering to exchange up to $300,000,000 aggregate principal amount of the New Notes for up to $300,000,000 aggregate principal amount of the Old Notes. Old Notes may be exchanged only in $1,000 increments. New Notes will be issued only in minimum denominations of $1,000 and integral multiples of $1,000. The terms of the New Notes are identical in all material respects to the Old Notes except that the New Notes will not contain terms with respect to transfer restrictions, registration rights and payments of additional interest that relate to the Old Notes. The New Notes and the Old Notes will be governed by the same indenture, dated February 1, 1993.
Registration Rights Agreement	We issued $300,000,000 of the Old Notes on June 15, 2005 to Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities, Inc., Banc of America Securities LLC, Lehman Brothers Inc. and Raymond James & Associates, Inc., the initial purchasers, under a purchase agreement dated June 10, 2005. Pursuant to the purchase agreement, we and the initial purchasers entered into a registration rights agreement relating to the Old Notes pursuant to which we agreed to file, not later than 90 days following the closing of the offering of the Old Notes, this exchange offer registration statement with the Commission with respect to a registered offer to exchange the Old Notes for the New Notes. We also agreed to use our best efforts to have this exchange offer registration statement declared effective by the Commission within 180 days of the closing of the offering of the Old Notes and to consummate the exchange offer not later than 210 days following the closing of the offering of the Old Notes. In the event we failed to fulfill our obligations under the registration rights agreement, additional interest would accrue on the Old Notes at an annual rate of 0.25% for the first 90 days, increasing by an additional 0.25% for each subsequent 90-day period up to a maximum additional annual rate of 1.00%. See Exchange Offer and Registration Rights. Because we were unable to fulfill our obligations under the registration rights agreement, we are currently paying additional interest of 1.00% on the Old Notes.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on November 20, 2006, unless we extend the exchange offer. See The Exchange Offer Expiration Date; Extensions; Termination; Amendments.
Conditions to the Exchange Offer	The exchange offer is not subject to any conditions other than that it does not violate applicable law or any applicable interpretation of the staff of the Commission.
Procedures for Tendering Old Notes	If you wish to accept the exchange offer, sign and date the letter of transmittal that was delivered with this prospectus in accordance with the instructions, and deliver the letter of transmittal, along with the Old Notes and any other required documentation, to the exchange agent. Alternatively, you can

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	tender your outstanding Old Notes by following the procedures for book-entry transfer, as described in this prospectus. By executing the letter of transmittal or by transmitting an agent s message in lieu thereof, you will represent to us that, among other things: the New Notes you receive will be acquired in the ordinary course of your business; you are not participating, and you have no arrangement with any person or entity to participate, in the distribution of the New Notes; you are not our affiliate, as defined in Rule 405 under the Securities Act, or a broker-dealer tendering Old Notes acquired directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act; and if you are not a broker-dealer, that you are not engaged in and do not intend to engage in the distribution of the New Notes.
Special Procedures for Beneficial Owners	If you are a beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and wish to tender such Old Notes in the exchange offer, please contact the registered holder as soon as possible and instruct them to tender on your behalf and comply with our instructions set forth elsewhere in this prospectus.
Guaranteed Delivery Procedures	If you wish to tender your Old Notes, you may, in certain instances, do so according to the guaranteed delivery procedures set forth elsewhere in this prospectus under The Exchange Offer Procedures for Tendering Old Notes Guaranteed Delivery.
Effect of Not Tendering	Old Notes that are not tendered or that are tendered but not accepted will, following the completion of the exchange offer, continue to be subject to the existing restrictions upon transfer thereof. Old Notes that are not tendered will bear interest at a rate of 7.0% per annum. However, because we failed to fulfill our obligations under the registration rights agreement, additional interest is currently accruing on the Old Notes as discussed under Registration Rights Agreement above.
Withdrawal Rights	You may withdraw Old Notes that you tender pursuant to the exchange offer by furnishing a written or facsimile transmission notice of withdrawal to the exchange agent containing the information set forth in The Exchange Offer Withdrawal of Tenders at any time prior to the expiration date.
Acceptance of Old Notes and Delivery of New Notes	We will accept for exchange any and all Old Notes that are properly tendered in the exchange offer prior to the expiration date. See The Exchange Offer Procedures for Tendering Old Notes. The New Notes issued pursuant to the exchange offer will be delivered promptly following the expiration date.

Resale	We believe that you will be able to freely transfer the New Notes without registration or any prospectus delivery requirement; however, certain broker-dealers and certain of our affiliates may be required to deliver copies of this prospectus if they resell any New Notes.
Taxation	The exchange of Old Notes for New Notes will not be a taxable event for United States federal income tax purposes. See United States Federal Income Tax Consequences.
Broker-Dealers	Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. See Plan of Distribution.
Exchange Agent and Information Agent	Global Bondholder Services Corporation is the exchange agent and the information agent for the exchange offer. The address and phone number of Global Bondholder Services Corporation are on the inside of the back cover of this prospectus.

Summary of Terms of New Notes

Issuer	Service Corporation International
New Notes	$300,000,000 aggregate principal amount of 7.0% Senior Notes due 2017
Maturity Date	June 15, 2017
Interest Rate	7.0% per annum, accruing from June 15, 2005 or from the date most recently paid
Interest Payment Dates	June 15 and December 15, commencing on December 15, 2006
Ranking	The New Notes will be our general unsecured obligations and will rank equal in right of payment with all of our other unsubordinated indebtedness and senior in right of payment to any of our future subordinated indebtedness. The New Notes will be effectively subordinated to all of our existing and future secured indebtedness to the extent of the collateral securing such indebtedness and to all indebtedness and other obligations of our subsidiaries, whether or not secured, including subsidiary guarantees of our new credit facility and our privately placed debt securities. As of June 30, 2006, after giving pro forma effect to the transactions: our senior indebtedness would have been approximately $2,034.0 million, including $180.1 million of indebtedness under the new senior credit facility (excluding unused availability under our new revolving credit facility and outstanding letters of credit), $1,011.2 million of currently outstanding senior notes, $500.0 million of notes offered in a private placement, $200.0 million of privately placed debt securities, $21.2 million of convertible debentures, and $121.5 million of other indebtedness; and our subsidiaries would have had approximately $1,256.0 million of total indebtedness and other liabilities outstanding, including trade payables and excluding guarantees of our new senior credit facility, our privately placed debt securities, intercompany obligations and deferred revenue.
Optional Redemption	The New Notes will be redeemable in whole or in part, at our option at any time, at redemption prices as set forth in this prospectus under Description of the Notes Optional Redemption, plus accrued and unpaid interest to the redemption date.
Restrictive Covenants	We will issue the New Notes under the same indenture under which the Old Notes were issued. The indenture contains covenants limiting the creation of liens securing indebtedness and sale-leaseback transactions. These covenants are subject to important exceptions. See Risk Factors Risks Related to Tendering Old Notes for New Notes The New Notes lack subsidiary guarantees and some covenants typically found in

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	other comparably rated debt securities, and Description of the Notes Covenants for more information.
Use of Proceeds	We will not receive any proceeds from the exchange of the New Notes for the outstanding Old Notes.
Governing Law	The New Notes will be, and the indenture is, governed by, and construed in accordance with, the laws of the State of Texas.
Trustee, Transfer Agent and Paying Agent	The Bank of New York
Book-Entry Depository	The Depository Trust Company

You should read the Risk Factors section beginning on page 13, as well as the other cautionary statements throughout this prospectus, to ensure you understand the risks involved with the exchange of the New Notes for the outstanding Old Notes.

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RISK FACTORS

Before you decide to participate in the exchange offer, you should read the risks, uncertainties and factors that may adversely affect us that are discussed under the captions Management s Discussion and Analysis of Financial Condition and Results of Operations and Cautionary Statement Regarding Forward-Looking Statements, as well as the following additional risk factors.

Risks Related to Tendering Old Notes for New Notes

You may find it difficult to sell your New Notes because there is no existing trading market for the New Notes.

You may find it difficult to sell your New Notes because an active trading market for the New Notes may not develop. There is no existing trading market for the New Notes. We do not intend to apply for listing or quotation of the New Notes on any securities exchange, and so we do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. Although the initial purchasers have informed us that they intend to make a market in the New Notes, they are not obligated to do so, and any market-making may be discontinued at any time without notice. As a result, the market price of the New Notes, as well as your ability to sell the New Notes, could be adversely affected.

Because we are a holding company, your rights under the New Notes will be effectively subordinated to the rights of holders of our subsidiaries liabilities.

Because we are a holding company, our cash flow and ability to service debt, including the New Notes, depend upon the distribution of earnings, loans or other payments made by our subsidiaries to us. Our subsidiaries are separate legal entities and have no obligation with respect to the New Notes. In addition, payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. The New Notes will be effectively subordinated to all of the existing and future obligations of our subsidiaries. Our new senior credit facility is guaranteed by all of our material domestic subsidiaries, which conduct substantially all of our operating activities. As of June 30, 2006, on a pro forma basis after giving effect to the transactions, our subsidiaries would have had approximately $1,256.0 million of total indebtedness and other liabilities outstanding, including trade payables and excluding guarantees of our new senior credit facility and our privately placed debt securities, intercompany obligations and deferred revenues.

The New Notes are unsecured and will be effectively subordinated to all of our existing and future secured obligations to the extent of the collateral securing such obligations.

The New Notes are unsecured and will be effectively subordinated to all of our existing and future secured obligations to the extent of the collateral securing such obligations. As of June 30, 2006, after giving pro forma effect to the transactions, we would have had approximately $2,034.0 million of outstanding indebtedness, including $180.1 million of indebtedness under our new senior credit facility (excluding the $269.9 million unfunded portion of our new revolving credit facility and outstanding letters of credit), $1,011.2 million of currently outstanding senior notes, $200.0 million of privately placed debt securities, $500.0 million of notes offered in a private placement, $21.2 million of convertible debentures, and $121.5 million of other indebtedness. These amounts do not reflect the application of any proceeds that may be realized from the divestitures. See Summary Planned Divestitures . As of June 30, 2006, on a pro forma basis after giving effect to the transactions, we would have had approximately $122 million of secured indebtedness, which is effectively senior to the notes. Substantially all of our secured indebtedness consists of capital leases.

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The New Notes lack subsidiary guarantees and some covenants typically found in other comparably rated public debt securities.

Although the New Notes are rated below investment grade by both Standard & Poor s and Moody s Investors Service, they lack the protection of subsidiary guarantees and several financial and other restrictive covenants typically associated with comparably rated public debt securities, including:

- incurrence of additional indebtedness;
- payment of dividends and other restricted payments;
- sale of assets and the use of proceeds therefrom;
- transactions with affiliates; and
- dividend and other payment restrictions affecting subsidiaries.

If an active trading market does not develop for the New Notes, you may be unable to sell the New Notes or to sell them at a price you deem sufficient.

The New Notes will be new securities for which there is no established trading market. We do not intend to apply for listing of the New Notes on any securities exchange or for quotation through any automated dealer quotation system. Accordingly, no assurance can be given as to the liquidity of, or adequate trading markets for, the New Notes.

If we breach any of the material financial covenants under our various indentures, revolving credit facility or guarantees, our debt service obligations could be accelerated.

If we or any of our consolidated subsidiaries breach any of the material financial covenants under our various indentures or our new senior credit facility, our substantial debt service obligations, including the New Notes, could be accelerated. Furthermore, any breach of any of the material financial covenants under our new senior credit facility could result in the acceleration of the indebtedness of all of our subsidiaries. In the event of any such simultaneous acceleration, we would not be able to repay all of our indebtedness.

The restrictions contained in our various indentures do not limit our ability to issue additional indebtedness.

We could enter into acquisitions, recapitalizations or other transactions that could increase our outstanding indebtedness. The indenture governing the notes does not limit our ability to incur additional indebtedness. Although covenants under the credit agreement governing our new senior credit facility and under the privately placed debt securities will limit our ability and the ability of our present and future subsidiaries to incur certain additional indebtedness, the terms of the credit agreement and those debt securities will permit us to incur significant additional indebtedness, including unused availability under our new senior credit facility. Additionally, under the credit agreement, we are permitted to pay dividends and repurchase stock, subject to certain conditions. Issuing additional indebtedness could materially impact our business by making it more difficult for us to satisfy our obligations with respect to the New Notes; increasing our vulnerability to general adverse economic and industry conditions; limiting our ability to obtain additional financing; requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which will reduce the amount of our cash flow available for other purposes, including capital expenditures and other general corporate purposes; limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and placing us at a possible competitive disadvantage compared to our competitors that have less debt or the ability to use their cash flows for such purposes as described above.

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Risk Related to Continuing Ownership of the Old Notes

If you fail to exchange your outstanding Old Notes for New Notes, you will continue to hold notes subject to transfer restrictions.

We will only issue New Notes in exchange for outstanding Old Notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the outstanding Old Notes and you should carefully follow the instructions on how to tender your Old Notes set forth under The Exchange Offer Procedures for Tendering Old Notes and in the letter of transmittal that accompanies this prospectus. Neither we nor the exchange agent are required to notify you of any defects or irregularities relating to your tender of outstanding Old Notes.

If you do not exchange your outstanding Old Notes for New Notes in this exchange offer, the outstanding Old Notes you hold will continue to be subject to the existing transfer restrictions. In general, you may not offer or sell the outstanding Old Notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not plan to register the outstanding Old Notes under the Securities Act. If you continue to hold any outstanding Old Notes after this exchange offer is completed, you may have trouble selling them because of these restrictions on transfer.

The trading market for unexchanged Old Notes could be limited.

The trading market for unexchanged Old Notes could become significantly more limited after the exchange offer due to the reduction in the amount of Old Notes outstanding upon consummation of the exchange offer. Therefore, if your Old Notes are not exchanged for New Notes in the exchange offer, it may become more difficult for you to sell or otherwise transfer your Old Notes. This reduction in liquidity may in turn reduce the market price, and increase the price volatility, of the Old Notes. There is a risk that an active trading market in the unexchanged Old Notes will not exist, develop or be maintained and we cannot give you any assurances regarding the prices at which the unexchanged Old Notes may trade in the future.

Risks Related to the Acquisition of Alderwoods

We may fail to realize the anticipated benefits of the acquisition of Alderwoods.

The success of the acquisition will depend, in part, on our ability to realize the anticipated cost savings from shared corporate and administrative areas and the rationalization of duplicative expenses. However, to realize the anticipated benefits from the acquisition, we must successfully combine the businesses of SCI and Alderwoods in a manner that permits those costs savings to be realized. If we are not able to successfully achieve these objectives, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer or cost more to realize than expected. SCI and Alderwoods have operated and, until the completion of the acquisition, will continue to operate, independently. It is possible that the integration process could result in the loss of valuable employees, the disruption of each company s ongoing business or inconsistencies in standards, controls, procedures, practices, and policies that could adversely impact our operations.

The acquisition of Alderwoods may prove disruptive and could result in the combined business failing to meet our expectations.

The process of integrating the operations of Alderwoods may require a disproportionate amount of resources and management attention. Our future operations and cash flows will depend largely upon our ability to operate Alderwoods efficiently, achieve the strategic operating objectives for our business and realize significant cost savings and synergies. Our management team may encounter unforeseen difficulties in managing the integration. In order to successfully combine and operate our businesses, our management team will need to focus on realizing anticipated synergies and cost savings on a timely basis while maintaining the efficiency of our operations. Any substantial diversion of management attention or difficulties in operating the combined business could affect our revenues and ability to achieve operational, financial and strategic objectives.

Our historical and pro forma combined financial information may not be representative of our results as a combined company.

The historical financial information included in this prospectus is constructed from the separate financial statements of SCI and Alderwoods for periods prior to the consummation of the acquisition. The pro forma combined financial information presented in this prospectus is based in part on certain assumptions regarding the acquisition that we believe are reasonable. We cannot assure you that our assumptions will prove to be accurate over time. Accordingly, the historical and pro forma combined financial information included in this prospectus may not reflect what our results of operations and financial condition would have been had we been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future. The challenge of integrating previously independent businesses make evaluating our business and our future financial prospects difficult. Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently organized or combined companies.

Risks Related to our Business

Our ability to execute our business plan depends on many factors, many of which are beyond our control.

Our strategic plan is focused on cost management and the development of key revenue initiatives designed to generate future internal growth in our core funeral and cemetery operations. Many of the factors necessary for the execution of our strategic plan, such as the number of deaths, are beyond our control. We cannot assure you that we will be able to execute any or all of our strategic plan. Failure to execute any or all of the strategic plan could have a material adverse effect on us, our financial condition, results of operations, or cash flows.

Our new credit agreement and privately placed debt securities contain covenants that may prevent us from engaging in certain transactions.

Our new credit agreement and privately placed debt securities contain, among other things, various affirmative and negative covenants that may prevent us from engaging in certain transactions that might otherwise be considered beneficial to us. These covenants limit, among other things, our and our subsidiaries ability to:

- incur additional indebtedness (including guarantee obligations);
- create liens on assets;
- enter into sale and leaseback transactions;
- engage in mergers, liquidations and dissolutions;
- sell assets;
- enter into leases;
- pay dividends, distributions and other payments in respect of capital stock, and purchase our capital stock in the open market;
- make investments, loans or advances;
- repay subordinated indebtedness or amend the agreements relating thereto;
- engage in certain transactions with affiliates;
- change our fiscal year;

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create restrictions on our ability to receive distributions from subsidiaries; and

change our lines of business.

Our new senior credit facility also requires us to maintain certain leverage and interest coverage ratios.

If we lost the ability to use surety bonding to support our preneed funeral and preneed cemetery activities, we could have to make material cash payments to fund certain trust funds.

We have entered into arrangements with certain surety companies whereby such companies agree to issue surety bonds on our behalf as financial assurance or as required by existing state and local regulations. The surety bonds are used for various business purposes; however, the majority of the surety bonds issued and outstanding have been issued to support our preneed funeral and cemetery activities. In the event all of the surety companies cancelled or did not renew SCI s surety bonds, which are generally renewed for twelve-month periods, SCI would be required to either obtain replacement coverage or fund approximately $285.7 million and $277.5 million as of December 31, 2005 and June 30, 2006, respectively, into state-mandated trust accounts.

The funeral home and cemetery industry continues to be increasingly competitive.

In North America and most international regions in which we operate, the funeral and cemetery industry is characterized by a large number of locally owned, independent operations. To compete successfully, our funeral service locations and cemeteries must maintain good reputations and high professional standards in the industry, as well as offer attractive products and services at competitive prices. In addition, we must market our Company in such a manner as to distinguish us from our competitors. We have historically experienced price competition from independent funeral home and cemetery operators, monument dealers, casket retailers, low-cost funeral providers and other non-traditional providers of services and merchandise. If we are unable to successfully compete, our Company, our financial condition, results of operations and cash flows could be materially adversely affected.

Our affiliated funeral and cemetery trust funds own investments in equity securities and mutual funds, which are affected by financial market conditions that are beyond our control.

In connection with our preneed funeral operations and preneed cemetery merchandise and service sales, most affiliated funeral and cemetery trust funds own investments in equity securities and mutual funds. Our earnings and investment gains and losses on these equity securities and mutual funds are affected by financial market conditions that are beyond our control.

As of December 31, 2005, net unrealized appreciation in SCI s preneed funeral and cemetery merchandise and services trust funds amounted to $13.9 million and $48.2 million, respectively. SCI s perpetual care trust funds had net unrealized appreciation of $21.4 million as of December 31, 2005. The following table summarizes SCI s investment returns excluding fees on its trust funds for the last three years.

	2003	**2004**	**2005**
Preneed funeral trust funds	17.9%	7.1%	6.6%
Cemetery merchandise services trust funds	17.1%	6.7%	6.9%
Perpetual care trust funds	12.6%	8.6%	3.9%

The following table summarizes Alderwoods investment returns excluding fees on its trust funds for the entire trust portfolio for the last three years.

	2003	**2004**	**2005**
Total trust portfolio	7.7%	5.0%	3.1%

If our earnings from our trust funds decline, we would likely experience a decline in future revenues. In addition, if the trust funds experienced significant investment losses, there would likely be insufficient

funds in the trusts to cover the costs of delivering services and merchandise or maintaining cemeteries in the future. We would have to cover any such shortfall with cash flows, which could have a material adverse effect on us, our financial condition, results of operations, or cash flows.

Increasing death benefits related to preneed funeral contracts funded through life insurance or annuity contracts may not cover future increases in the cost of providing a price guaranteed funeral service.

We sell price guaranteed preneed funeral contracts through various programs providing for future funeral services at prices prevailing when the agreements are signed. For preneed funeral contracts funded through life insurance or annuity contracts, SCI and Alderwoods receive in cash a general agency commission that typically averages 14% and 9%, respectively, of the total sale from the third party insurance company. Additionally, there is an increasing death benefit associated with the contract of between 1% (for SCI) and 3% (for Alderwoods) per year to be received in cash by us at the time the funeral is performed. There is no guarantee that the increasing death benefit will cover future increases in the cost of providing a price guaranteed funeral service, which could materially adversely affect our future cash flows, revenues and operating margins.

If our insurance subsidiary s actual claims experience differs from its underwriting and reserving assumptions, or if it suffers investment losses, our operating results and financial position could be adversely affected.

We set prices for our preneed insurance products and establish reserves to pay future policy benefits under such products based upon actuarial or statistical estimates, using many assumptions and projections, which involve the exercise of significant judgment, including as to the levels and timing of the receipt or payment of premiums, benefits, claims, expenses, investment results, mortality, morbidity and persistency. If our actual claims experience differs from our underwriting and reserving assumptions, or if we otherwise determine that our reserves are inadequate to pay future policy benefits, it could adversely impact our operating results and financial position. Our insurance subsidiary invests in fixed maturity investments, cash and short-term investments, which are affected by financial market conditions that are beyond our control. If earnings from these investments decline, we would likely have insufficient funds to pay future benefits under our preneed products. We would have to cover any such shortfall with operating cash flows, which could have a material adverse effect on our operating results and financial condition.

Unfavorable results of litigation could have a material adverse impact on our financial statements.

As discussed in note thirteen to SCI s annual financial statements and note ten to its interim financial statements and note 9 to Alderwoods annual financial statements and note 4 to its interim financial statements, each included elsewhere in this prospectus, SCI, Alderwoods and their respective subsidiaries are subject to a variety of claims and lawsuits. Adverse outcomes in some or all of the pending cases may result in significant monetary damages or injunctive relief. SCI, Alderwoods and their respective subsidiaries are also subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. While management currently believes that resolving all of these matters, individually or in the aggregate, will not have a material adverse impact on our financial position or results of operations, litigation and other claims are subject to inherent uncertainties and management s view of these matters may change in the future. There exists the possibility of a material adverse impact on our financial position and the results of operations for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

If the number of deaths in our regions declines, our cash flows and revenues may decrease.

The U.S. Census Bureau estimates that the number of deaths in the United States will increase up to one percent per year until 2010. However, longer life spans could reduce the number of deaths during this period. If the number of deaths declines, the number of funeral services and interments performed by us could decrease and our financial condition, results of operations and cash flows could be materially adversely affected.

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The continuing upward trend in the number of cremations performed in North America could result in lower revenue and gross profit dollars.

There is a continuing upward trend in the number of cremations performed in North America as an alternative to traditional funeral service dispositions. In North America for the six months ended June 30, 2006, 41% of the comparable funeral services performed by SCI were cremation cases compared to 40% and 39% performed in years 2005 and 2004, respectively. In North America for the twenty-four weeks ended June 17, 2006, 38% of the comparable funeral services performed by Alderwoods were cremation cases compared to 36% and 35% performed during the fifty-two weeks ended December 31, 2005 and January 1, 2005, respectively. We continue to expand our cremation memorialization products and services, which has resulted in higher average sales for cremation services. If we are unable to successfully expand our cremation memorialization products and services to meet the continuing trends, our financial condition, results of operations, and cash flows could be materially adversely affected.

The funeral home and cemetery businesses are high fixed-cost businesses.

The majority of our operations are managed in groups called regions . Regions are geographical groups of funeral service locations and cemeteries that share common resources such as operating personnel, preparation services, clerical staff, motor vehicles and preneed sales personnel. Personnel costs, the largest of our operating expenses, are the cost components most beneficially affected by this grouping. We must incur many of these costs regardless of the number of funeral services or interments performed. Because we cannot necessarily decrease these costs when we experience lower sales volumes, a sales decline may cause margin percentages to decline at a greater rate than the decline in revenues.

Fluctuations in the value of the Canadian dollar could result in currency exchange losses.

A portion of our corporate and administrative expenses are payable in Canadian dollars, while most of our revenue is generated in United States dollars and we report our financial statements in United States dollars. Therefore, a strengthening of the Canadian dollar relative to the United States dollar will adversely affect our results of operations. Expenses for Alderwoods corporate and administrative functions are paid principally in Canadian dollars and have predictable future cash outflows (Foreign Currency Expenditure). We have a program to hedge the variability in the United States dollar equivalent of a portion of the Foreign Currency Expenditure due to the fluctuation in the exchange rate between the United States dollar and the Canadian dollar (Foreign Currency Hedge Program). We use forward foreign exchange contracts and foreign exchange option contracts to partially mitigate foreign exchange variability. Under the Foreign Currency Hedge Program, losses or gains in our underlying foreign exchange exposure are partially offset by gains or losses on the forward foreign exchange contracts and foreign exchange option contracts, so as to reduce the magnitude of foreign exchange transaction gains or losses. Any hedging activities we undertake may not be successful in mitigating all of this risk.

Regulation and compliance could have a material adverse impact on our financial results.

Our operations are subject to regulation, supervision, and licensing under numerous foreign, federal, state and local laws, ordinances and regulations, including extensive regulations concerning trust funds, preneed sales of funeral and cemetery products and services, and various other aspects of our business. The impact of such regulations varies depending on the location of our funeral and cemetery operations. Violations of applicable laws could result in fines or sanctions to us.

In addition, from time to time, governments and agencies propose to amend or add regulations, which would increase costs and decrease cash flows. For example, foreign, federal, state, local and other regulatory agencies have considered and may enact additional legislation or regulations that could affect the deathcare industry, such as regulations that require more liberal refund and cancellation policies for preneed sales of products and services, limit or eliminate our ability to use surety bonding, increase trust requirements and prohibit the common ownership of funeral homes and cemeteries in the same region. If adopted by the regulatory authorities of the jurisdictions in which we operate, these and other possible

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proposals could have a material adverse effect on us, our financial condition, results of operations and cash flows.

Compliance with laws, regulations, industry standards and customs concerning burial procedures and the handling and care of human remains is critical to our continued success. Litigation and regulatory proceedings regarding these issues could have a material adverse effect on us, our financial condition, results of operations and cash flows. We are continually monitoring and reviewing our operations in an effort to insure that we are in compliance with these laws, regulations and standards and, where appropriate, taking appropriate corrective action.

Our foreign operations and investments involve special risks.

Our activities in areas outside the United States are subject to risks inherent in foreign operations, including the following:

- loss of revenue, property and equipment as a result of hazards such as expropriation, nationalization, wars, insurrection and other political risks;

- the effects of currency fluctuations and exchange controls, such as devaluation of foreign currencies and other economic problems; and

- changes in laws, regulations, and policies of foreign governments, including those associated with changes in the governing parties.

A number of years may elapse before particular tax matters, for which we have established accruals, are audited and finally resolved.

The number of tax years with open tax audits varies depending on the tax jurisdiction. In the United States, the Internal Revenue Service is currently examining SCI s tax returns for 1999 through 2002 and various state jurisdictions are auditing years through 2004. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our accruals reflect the probable outcome of known tax contingencies. Unfavorable settlement of any particular issue would reduce a deferred tax asset or require the use of cash. Favorable resolution could result in reduced income tax expense reported in the financial statements in the future. The tax accruals are presented in SCI s balance sheet within *Other liabilities.*

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 in this prospectus. These statements may be accompanied by words such as believe, estimate, project, expect, anticipate or predict that convey the uncertainty of future events or outcomes. These statements are based on assumptions that we believe are reasonable; however, many important factors could cause our actual results in the future to differ materially from the forward-looking statements made in this prospectus and in any other documents or oral presentations made by us or on our behalf. Important factors that could cause our actual results to differ materially from those in forward-looking statements include, among others, the factors described in this prospectus under Risk Factors .

You should not place undue reliance on forward-looking statements, which speak only as of the date of this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

Each of SCI and Alderwoods file annual, quarterly and special reports, proxy statements and other information with the Commission under the Securities Exchange Act of 1934. You may read and copy this information at the Commission s public reference room, 100 F Street, N.E., Washington, D.C. 20549.

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You may also obtain copies of this information by mail from the public reference section of the Commission, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. The Commission also maintains an Internet world wide web site that contains reports, proxy statements and other information about issuers, including SCI and Alderwoods, who file electronically with the Commission. The address of that site is *www.sec.gov*. You can also inspect reports, proxy statements and other information about SCI at the offices of the New York Stock Exchange, Inc., located at 20 Broad Street, New York, New York 10005. You can also inspect reports, proxy statements and other information about Alderwoods at the offices of the NASDAQ National Market at 1735 K Street, N.W., Washington, D.C. 20006. In addition, you can obtain certain documents, including those filed with the Commission, through SCI s website at *www.sci-corp.com* and Alderwoods website at *www.alderwoods.com*.

This prospectus is part of a registration statement on Form S-4 that we have filed with the SEC. As allowed by SEC rules, this prospectus does not contain all the documents and other information you can find in the registration statement or the exhibits filed with the registration statement. Whenever a reference is made in this prospectus to an agreement or other document of Service Corporation International be aware that such reference is not necessarily complete and that you should refer to the exhibits that are filed with the registration statement for a copy of the agreement or other document. You may review a copy of the registration statement at the SEC s public reference room in Washington, D.C., as well as through the SEC s website as described above. You may also obtain any of the documents referenced in this prospectus from us free of charge by requesting them in writing or by telephone from us at the following address:

Service Corporation International
1929 Allen Parkway
Houston, Texas 77019
Attention: James M. Shelger, Esq.
Telephone No.: (713) 522-5141

To obtain timely delivery of any requested documents, you must request the information no later than five business days before you make your investment decision. Please make any such requests on or before November 13, 2006.

We have not authorized anyone to give any information or make any representation that differs from, or adds to, the information in this document or in our documents that are publicly filed with the Commission. Therefore, if anyone does give you different or additional information, you should not rely on it.

If you are in a jurisdiction where it is unlawful to offer to exchange or sell, or to ask for offers to exchange or buy, the securities offered by this document, or if you are a person to whom it is unlawful to direct these activities, then the offer presented by this document does not extend to you.

The information contained in this document speaks only as of its date unless the information specifically indicates that another date applies.

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USE OF PROCEEDS

This exchange offer is intended to satisfy our obligations under the registration rights agreement entered into in connection with our issuance of the Old Notes. We received net proceeds of approximately $291 million from the issuance of the Old Notes after deducting initial purchasers discounts and offering expenses. We used the net proceeds of the Old Notes, together with available cash, to pay for the $282.3 million aggregate principal amount, premium and accrued interest of our 7.2% Notes due 2006 and 6.875% Notes due 2007 tendered pursuant to our tender offers for those notes.

We will not receive any cash proceeds from the issuance of the New Notes. We will exchange outstanding Old Notes for New Notes in like principal amount as contemplated in this prospectus. The terms of the New Notes are identical in all material respects to the existing Old Notes except as otherwise described herein under Description of the Notes. The Old Notes surrendered in exchange for the New Notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the New Notes will not result in a change in our total debt and other financing obligations.

CAPITALIZATION

The following table shows SCI s cash and cash equivalents and capitalization as of June 30, 2006, on an as reported basis, and our cash and cash equivalents and capitalization on a pro forma basis to reflect the transactions. The exchange of the Old Notes for the New Notes will not impact our overall total capitalization. This table is unaudited and should be read in conjunction with Unaudited Pro Forma Combined Financial Information, Selected Historical Financial Information of SCI, Selected Historical Financial Information of Alderwoods, Management s Discussion and Analysis of Financial Condition and Results of Operations, and SCI s and Alderwoods interim financial statements and related notes, which are included elsewhere in this prospectus.

	As of June 30, 2006	
	Actual	**Pro forma**
	(Dollars in millions)	
Cash and cash equivalents(1)	$ 529.2	$
Debt:		
New senior credit facility		
Revolving credit facility(1)(2)	$	$ 30.1
Term loan(2)		150.0
Privately placed debt securities		200.0
Privately placed notes		500.0
Existing senior notes due 2007	13.5	13.5
Existing senior notes due 2008	195.0	195.0
Existing senior notes due 2009(3)	341.6	197.1
Existing senior debentures due 2013	55.6	55.6
Existing senior notes due 2016	250.0	250.0
New Notes	300.0	300.0
Existing convertible debentures, maturities through 2013	21.2	21.2
Other debt(4)	118.8	121.5
Total debt	1,295.7	2,034.0
Total stockholders equity(5)	1,608.9	1,578.8
Total capitalization	$ 2,904.6	$ 3,612.8

(1) At June 30, 2006, SCI and Alderwoods had $537.6 million of combined cash on hand. At September 13, 2006, SCI and Alderwoods had approximately $631 million of combined cash on hand. We intend to keep approximately $50 million in cash on hand after the closing of the acquisition. Therefore, to the extent cash on hand at closing exceeds approximately $590 million, revolver borrowings under the new senior credit facility reflected above will be reduced.

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(2) Based on expected cash balances at closing, we do not expect to have drawings under our revolving credit facility. In connection with the closing of the acquisition, SCI will replace its existing $200 million senior credit facility with a new $450 million senior credit facility, consisting of a $150 million 3-year term loan, all of which will be borrowed in connection with the transactions, and a $300 million 5-year revolving credit facility. Based on cash balances at June 30, 2006, we would have borrowed $30.1 million under the new revolving credit facility in connection with the transactions. See footnote (1) above. Availability under the new revolving credit facility will be further reduced by outstanding letters of credit. At June 30, 2006, our pro forma outstanding letters of credit were approximately $70.1 million.

(3) SCI commenced a tender offer on September 7, 2006 to purchase $144.5 million aggregate principal amount of the SCI 7.7% Notes. This tender offer was originally scheduled to expire on October 5, 2006, but has been extended to October 26, 2006, to coincide with the anticipated closing of the acquisition. The tender offer may be further extended if the closing date of the acquisition is later than October 26, 2006.

(4) Primarily includes capital leases, mortgage notes, and unamortized discounts. Pro forma other debt excludes $13.5 million of capital leases and other debt related to assets held for sale. Pro forma other debt includes the elimination of unamortized discount of $9.7 million relating to the SCI 7.7% Notes with respect to which SCI has commenced a tender offer. See footnote (3) above.

(5) Adjustments to equity include $25.0 million of estimated tender premiums, $4.3 million of transaction fees and $18.3 million to write-off unamortized discounts and deferred financing costs related to the extinguished debt, net of a $17.6 million tax benefit.

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SELECTED HISTORICAL FINANCIAL INFORMATION OF SCI

The selected historical financial data set forth below as of December 31, 2004 and 2005 and for the fiscal years ended December 31, 2003, 2004 and 2005 have been derived from SCI s annual financial statements included elsewhere in this prospectus. The selected historical financial data set forth below as of December 31, 2001, 2002 and 2003 and for the fiscal years ended December 31, 2001 and 2002 have been derived from annual financial statements that are not included in this prospectus. The selected historical financial data for the six months ended June 30, 2005 and 2006 have been derived from SCI s interim financial statements included elsewhere in this prospectus which, in the opinion of management, include all adjustments necessary for a fair presentation of that information for such periods. The selected historical financial data presented for the interim periods has been prepared in a manner consistent with the accounting policies of SCI described elsewhere in this prospectus and should be read in conjunction therewith. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year period.

SCI has restated its previously reported selected financial data for each of the five fiscal years in the period ended December 31, 2005, as well as its unaudited quarterly financial data for the six months ended June 30, 2005. The restatement corrected errors related to (1) the miscalculation of SCI s actuarially determined pension benefit obligation, (2) the accounting for certain leases related to funeral home properties which were previously accounted for as operating leases but should have been accounted for as capital leases, and (3) other out-of-period adjustments previously identified by SCI but deemed to be not material either individually or in the aggregate. For additional information regarding the restatement, see note two to SCI s annual financial statements and note two to SCI s interim financial statements included elsewhere in this prospectus.

During 2005, SCI sold its funeral and cemetery operations in Argentina and Uruguay and its cemetery operations in Chile. These operations are classified as discontinued operations for all periods presented.

In 2005, SCI changed its method of accounting for direct selling costs related to the acquisition of preneed funeral and cemetery contracts. Prior to this change, SCI capitalized such direct selling costs and amortized these costs in proportion to the revenue recognized. Under its new method of accounting, SCI expenses these direct selling costs as incurred. As a result of this accounting change, SCI recorded a cumulative effect charge of $187.5 million, net of tax, in 2005. For more information regarding this accounting change, see note four to SCI s annual financial statements included elsewhere in this prospectus.

On March 31, 2004, SCI implemented revised Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46R). Under the provisions of FIN 46R, SCI is required to consolidate preneed funeral and cemetery merchandise and service trust assets, cemetery perpetual care trusts, and certain cemeteries. As a result of this accounting change, SCI recognized a cumulative effect charge of $14.0 million, net of tax, in 2004.

In 2004, SCI also changed its method of accounting for gains and losses on its pension plan assets and obligations to recognize such gains and losses as they are incurred. Prior to the adoption of this change, SCI amortized the difference between actual and expected investment returns and actuarial gains and losses over seven years. As a result of this accounting change, SCI recognized a charge for the cumulative effect of $36.6 million, net of tax, in 2004.

In 2002, SCI adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). SFAS 142 addresses accounting for goodwill and other intangible assets and redefines useful lives, amortization periods and impairment of goodwill. Under the pronouncement, goodwill is no longer amortized, but is tested for impairment annually by assessing the fair value of reporting units, generally one level below reportable segments. As a result of the adoption of SFAS 142, SCI recognized a non-cash charge in 2002 reflected as a cumulative effect of accounting change of $135.6 million, net of applicable taxes, related to the impairment of goodwill in its

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North America cemetery reporting unit. For more information regarding goodwill, see note nine to SCI s annual financial statements included in this prospectus.

The selected historical financial data below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and with SCI s annual financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	
	(Dollars in millions, except per share data)						
Statement of operations data:							
Revenues	$ 2,463.9	$ 2,293.4	$ 2,313.2	$ 1,831.2	$ 1,715.7	$ 879.3	$ 873.1
Gross profit	313.4	356.8	356.2	330.0	298.1	170.8	170.7
Gains and impairment (losses) on dispositions net	(480.2)	(163.1)	50.7	25.8	(26.1)	(1.2)	(7.4)
Operating (loss) income	(198.2)	9.0	219.8	224.9	187.2	127.4	120.4
(Loss) income from continuing operations before income taxes	(391.5)	(129.4)	95.7	112.0	88.7	69.3	83.9
(Loss) income from continuing operations before cumulative effect of accounting changes	(433.9)	(90.1)	69.3	119.7	55.5	42.2	52.6
Basic (loss) income per share from continuing operations	(1.52)	(0.31)	0.23	0.38	0.19	0.14	0.18
Diluted (loss) income per share from continuing operations	(1.52)	(0.31)	0.23	0.37	0.18	0.14	0.18
Cash dividends paid per share					0.075	0.025	0.050

	As of December 31,					As of June 30,
	2001	2002	2003	2004	2005	2006
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	
	(Dollars in millions)					
Balance sheet data (at period end):						
Total assets	$ 9,029.3	$ 7,801.8	$ 7,571.2	$ 8,227.2	$ 7,544.8	$ 7,670.7

Total long-term debt less current maturities	2,312.4	1,885.2	1,530.1	1,200.4	1,186.5	1,265.3
Stockholders equity	1,451.7	1,318.9	1,516.3	1,843.0	1,581.6	1,608.9

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See note two to SCI s annual financial statements and note two to SCI s interim financial statements included elsewhere in this prospectus for details related to the restatement impacts on the financial statements as of December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005 and the six months ended June 30, 2005. The impacts on the selected financial data as of December 31, 2003, 2002 and 2001, and for each of the two years in the period ended December 31, 2002 are as follows (in millions, except per share data):

	2002		2001	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Loss from continuing operations before cumulative effect of accounting changes	$ (89.3)	$ (90.1)	$ (433.3)	$ (433.9)
Net loss	$ (234.6)	$ (235.4)	$ (622.2)	$ (622.7)
Loss per share:				
Loss from continuing operations before cumulative effect of accounting changes				
Basic	$ (0.30)	$ (0.31)	$ (1.52)	$ (1.52)
Diluted	$ (0.30)	$ (0.31)	$ (1.52)	$ (1.52)
Total assets	$ 7,793.1	$ 7,801.8	$ 9,020.5	$ 9,029.3
Long-term debt, less current maturities	$ 1,874.1	$ 1,885.2	$ 2,301.4	$ 2,312.4
Stockholders equity	$ 1,321.3	$ 1,318.9	$ 1,453.2	$ 1,451.7

	2003	
	As Previously Reported	As Restated
Total assets	$ 7,562.9	$ 7,571.2
Long-term debt, less current maturities	$ 1,519.2	$ 1,530.1
Stockholders equity	$ 1,521.6	$ 1,516.3

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SELECTED HISTORICAL FINANCIAL INFORMATION OF ALDERWOODS

As described in Business History , on January 2, 2002, Alderwoods succeeded to substantially all of the assets and operations of Loewen Group pursuant to its bankruptcy reorganization plan. The consolidated financial and other information of Alderwoods issued subsequent to the reorganization are not comparable with the consolidated financial information and other information issued by Loewen Group prior to the reorganization due to, among other things, the significant changes in the financial and legal structure of Alderwoods and the application of fresh start reporting in connection with the reorganization. Accordingly, the accompanying consolidated financial information should be reviewed with caution, and Loewen Group s consolidated financial information should not be relied upon as being indicative of future results of Alderwoods or providing an accurate comparison of financial performance. A black line has been drawn to separate and distinguish between the consolidated financial information that relates to Alderwoods and the consolidated financial information that relates to Loewen Group, the predecessor company for accounting purposes.

The selected historical financial data set forth below as of January 1 and December 31, 2005 and for the fifty-three weeks ended January 3, 2004, the fifty-two weeks ended January 1, 2005, and the fifty-two weeks ended December 31, 2005, have been derived from Alderwoods annual financial statements included elsewhere in this prospectus. The selected historical financial data set forth below as of December 31, 2001 and for the fiscal year ended December 31, 2001 for Loewen Group has been derived from annual financial statements that are not included in this prospectus. Also, the selected historical financial data as of December 28, 2002 and January 3, 2004, the fifty-two weeks ended December 28, 2002 and the fifty-three weeks ended January 3, 2004 for Alderwoods has been derived from annual financial statements that are not included in this prospectus.

The historical information for the twenty-four weeks ended June 17, 2006 and June 18, 2005 has been derived from Alderwoods interim financial statements, included elsewhere in this prospectus which, in the opinion of management, include all adjustments necessary for a fair presentation of that information for such periods. The financial information presented for the interim periods has been prepared on a basis consistent with the accounting policies of Alderwoods described elsewhere in this prospectus and should be read in conjunction therewith. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full fiscal year or for any other interim period.

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The selected historical financial data below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and with Alderwoods consolidated financial statements and related notes included elsewhere in this prospectus.

		Alderwoods Group					
	Predecessor(g)	52 Weeks Ended	53 Weeks Ended	52 Weeks Ended	52 Weeks Ended	24 Weeks Ended	
	December 31, 2001	December 28, 2002	January 3, 2004	January 1, 2005	December 31, 2005	June 18, 2005	June 17, 2006
	(Dollars in millions, except per share data)						
Statement of operations data:							
Revenues	$ 836.4	$ 692.4	$ 720.8	$ 717.1	$ 748.9	$ 360.7	$ 354.3
Gross profit(a)	181.2	126.2	143.9	124.9	114.5	64.5	58.9
Provision for goodwill impairment		(228.3)					
(Provision) benefit for asset impairment(b)	(180.7)	(0.6)	(5.2)	(1.8)	1.4	1.6	
Operating (loss) income	(132.2)	(145.8)	82.4	71.9	73.1	53.8	26.3
(Loss) income from continuing operations(c)	(87.2)	(223.6)	8.4	(3.6)	42.9	26.9	5.9
Net (loss) income	(643.7)	(233.7)	10.8	9.3	41.2	25.2	4.7
Basic (loss) income per share from continuing operations(d)	(1.29)	(5.60)	0.21	(0.09)	1.06	0.67	0.15
Diluted (loss) income per share from continuing operations	(1.29)	(5.60)	0.21	(0.09)	1.03	0.65	0.14
Balance sheet data:							
Total assets(e)(f)	$ 2,874.1	$ 2,553.7	$ 2,453.0	$ 2,372.4	$ 2,274.3		2,280.8
Total long-term debt including current maturities	831.2	756.1	630.9	463.6	373.5		358.2
Shareholders equity	739.4	523.4	544.9	555.9	597.8		598.2

(a) For the 52 weeks ended December 31, 2005, the 52 weeks ended January 1, 2005, the 53 weeks ended January 3, 2004, and the 52 weeks ended December 28, 2002, gross profit includes depreciation expense not included in the year ended December 31, 2001.

(b) Predecessor provision for asset impairment includes goodwill impairment as determined under the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.*

(c) For the Predecessor, represents loss before extraordinary gain, fresh start valuation adjustments and cumulative effect of accounting change.

(d) For the Predecessor, represents basic loss per share before extraordinary gain, fresh start valuation adjustments and cumulative effect of accounting change. Predecessor loss per share amounts are included herein, as required by U.S. GAAP. However, the common stockholders of the Predecessor received no equity in Alderwoods upon reorganization.

(e) Alderwoods elected to adopt FIN No. 46R at the beginning of the 2004 fiscal year on January 4, 2004. The adoption of FIN No. 46R resulted in the consolidation in Alderwoods balance sheet of the funeral, cemetery merchandise and service, and perpetual care trusts, and several pooled investment funds created for such trusts, but did not change the legal relationships among these trusts, pooled investment funds, Alderwoods, and its holders of preneed contracts. Alderwoods does not consolidate certain funeral trusts for which it does not absorb a majority of their expected losses and therefore, is not considered a primary beneficiary of these funeral trusts under FIN No. 46R. The adoption of FIN No. 46R has not materially impacted Alderwoods stockholders equity, net income or its consolidated statement of cash flows. Amounts and balances prior to January 4, 2004 have not been restated to reflect the adoption of FIN No. 46R.

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(f) Alderwoods changed its accounting policy on accounting for insurance funded preneed funeral contracts as of January 4, 2004, as Alderwoods concluded that its insurance funded preneed funeral contracts are not assets and liabilities as defined by Statement of Financial Accounting Concepts No. 6 *Elements in Financial Statements.* Accordingly, Alderwoods retroactively removed from its consolidated balance sheet amounts relating to insurance funded preneed funeral contracts previously included in preneed funeral contracts with an equal and offsetting amount in deferred preneed funeral contract revenue. The removal of insurance funded preneed funeral contracts did not have any impact on Alderwoods results of operations, consolidated stockholders equity, or cash flows.

(g) The financial results of the Loewen Group, the Predecessor, for the year ended December 31, 2001, include $87 million of pretax charges representing reorganization costs. The 2001 results exclude $133 million of contractual interest expense applicable to certain pre-Petition Date debt obligations, which were subject to compromise as a result of the Chapter 11 and Creditors Arrangement Act filings.

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UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

On April 2, 2006, SCI entered into a definitive merger agreement pursuant to which, subject to the terms and conditions set forth therein, it will acquire Alderwoods for $20.00 per share in cash, resulting in a total purchase price of approximately $1.2 billion, which includes the refinancing of approximately $351.7 million and the assumption of $6.5 million of Alderwoods debt.

The following financing transactions will occur in connection with the closing of the acquisition:

- borrowings under a new $450 million senior credit facility, consisting of a $150 million 3-year term loan, all of which will be borrowed in connection with the transactions, and a $300 million 5-year revolving credit facility, none of which is expected to be drawn in connection with the acquisition based on expected cash balances at closing;

- the issuance of $200 million of debt securities in a private placement; and

- the issuance of $500 million of notes offered in a private placement.

In connection with the acquisition, Alderwoods and SCI have each commenced tender offers to purchase outstanding notes. The tender offers were originally scheduled to expire on October 5, 2006, but have been extended to October 26, 2006, to coincide with the anticipated closing of the acquisition. The tender offers may be further extended if the closing date of the acquisition is later than October 26, 2006.

SCI expects to execute a consent order with the staff of the FTC in connection with the acquisition, which will identify certain properties the FTC will require us to divest as a result of the acquisition. The consent order will be subject to approval by the FTC commissioners, which approval is a condition to the consummation of the acquisition. No final agreement has been reached with any third party concerning the sale of any such assets. We believe that divestiture of the assets, together with the divestiture of other SCI assets that we have identified for sale, will generate proceeds of approximately $200 million in the near future, which we expect to use to repay debt. There can be no assurance that the divestitures described above will be consummated, or if consummated will generate the proceeds described above.

The following unaudited pro forma combined financial information is based on SCI s and Alderwoods annual and interim financial statements included elsewhere in this prospectus adjusted to illustrate the pro forma effect of the transactions.

The unaudited pro forma combined balance sheet gives effect to the transactions as if they had occurred on June 30, 2006. The unaudited pro forma combined statements of operations for the year ended December 31, 2005, and for the six months ended June 30, 2006 and 2005 give effect to the transactions as if they had occurred on January 1, 2005.

For purposes of the pro forma information in this prospectus, the assets to be sold pursuant to the divestitures have been reclassified on the pro forma balance sheet as assets held for sales and the results of operations of these assets have been eliminated from the pro forma statement of operations. No pro forma adjustments have been made to reflect any anticipated gain or loss from the divestitures and no adjustment has been made to reflect any earnings benefit from the reinvestment of any proceeds from the divestiture or any reduction of debt from the application of sale proceeds.

The unaudited pro forma adjustments are based upon currently available information and certain assumptions that we believe to be reasonable under the circumstances. The acquisition will be accounted for, and the pro forma combined financial information has been prepared, using the purchase method of accounting. The pro forma adjustments reflect our preliminary estimates of the purchase price allocation, which are subject to revision as more detailed analysis is completed and additional information on the fair value of Alderwoods assets and liabilities becomes available. The final allocation will be based on the actual assets and liabilities that exist as of the date of the consummation of the transactions.

The unaudited pro forma combined financial information does not give effect to certain additional cost savings initiatives that we intend to pursue. See Summary Planned Divestitures and Management s Discussion and Analysis of Financial Condition and Results of Operations Expected Cost Savings Resulting from the Alderwoods Acquisition.

The unaudited pro forma combined financial information is for informational purposes only and is not intended to represent the consolidated results of operations or financial position that we would have reported had the transactions been completed as of the dates presented, and should not be taken as representative of our future consolidated results of operations or financial position.

The unaudited pro forma combined financial information should be read in conjunction with the information contained in Selected Historical Financial Information of SCI, Selected Historical Financial Information of Alderwoods, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements of SCI and Alderwoods and related notes included elsewhere in this prospectus.

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of June 30, 2006

	SCI Historical	Alderwoods Historical(a)	Adjustments for the Acquisition	Adjustments for the Divestitures(l)	Adjustments for the Financing	Pro Forma
			(Dollars in thousands)			
ASSETS						
Current assets:						
Cash and cash equivalents	$ 529,171	$ 8,400	$ (876,650)(b)	$ 9	$ 339,070(m)	$
Receivables, net	62,439	51,244		(4,023)		109,660
Inventories	64,938	15,282		(25,223)		54,997
Current assets held for sale				29,298		29,298
Other	30,847	8,325		(61)		39,111
Total current assets	687,395	83,251	(876,650)		339,070	233,066
Preneed funeral receivables and trust investments	1,227,144	338,052		(62,466)		1,502,730
Preneed cemetery receivables and trust investments	1,285,832	301,621		(143,584)		1,443,869
Cemetery property, at cost	1,365,712	116,096	108,904(c)	(94,981)		1,495,731
Property and equipment, at cost, net	1,038,990	540,954	78,095(d)	(73,709)		1,584,330
Insurance invested assets		298,392				298,392
Assets held for sale				496,559		496,559
Deferred charges and other assets	253,727	42,600	5,630(e)	(16,747)	7,016(n)	292,226
Identifiable intangible assets		19,930	167,795(f)	(9,421)		178,304
Goodwill	1,118,119	295,913	(50,494)(g)	(22,691)		1,340,847
Cemetery perpetual care trust investments	693,781	243,980		(72,960)		864,801
Total	$ 7,670,700	$ 2,280,789	$ (566,720)	$	$ 346,086	$ 9,730,855
LIABILITIES & STOCKHOLDERS EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities	$ 196,977	$ 113,984	$ 19,560(g)(1)	$ (2,177)	$	$ 328,344
Current maturities of long-term debt	30,414	2,271		(8)		32,677

Current liabilities held for sale				2,185		2,185
Income taxes	21,014					21,014
Total current liabilities	248,405	116,255	19,560			384,220
Long-term debt	1,265,263	355,958		(13,528)	393,678(o)	2,001,371
Deferred preneed funeral revenues	539,178	44,517	(28,422)(g)(1)	(14,802)		540,471
Deferred preneed cemetery revenues	777,717	31,313	73,390(h)	(58,449)		823,971
Insurance policy liabilities		285,701				285,701
Deferred income taxes	168,925	10,744	(29,348)(i)		(17,526)(p)	132,795
Liabilities held for sale				347,481		347,481
Other liabilities	315,403	28,471	(3,738)(j)	(766)		339,370
Non-controlling interest in funeral and cemetery trusts	2,055,566	564,447		(186,807)		2,433,206
Non-controlling interest in cemetery perpetual care trust investments	691,385	245,221		(73,129)		863,477
Total stockholders equity	1,608,858	598,162	(598,162)(k)		(30,066)(q)	1,578,792
Total	$ 7,670,700	$ 2,280,789	$ (566,720)	$	$ 346,086	$ 9,730,855

See notes to unaudited pro forma condensed combined balance sheet.

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NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

(a) Reflects the unaudited consolidated balance sheet of Alderwoods as of June 17, 2006. Certain line items have been reclassified to conform to SCI s presentation.

(b) Represents the cash purchase price plus SCI acquisition costs.

(c) Represents an adjustment to report Alderwoods cemetery property at fair value as part of purchase accounting. The estimated fair value of Alderwoods cemetery property was $225,000 at June 17, 2006, calculated using discounted future cash flows. The carrying value of Alderwoods cemetery property was $116,096 at June 17, 2006, resulting in a total increase to cemetery property of $108,904.

(d) Represents an adjustment to report Alderwoods property and equipment at fair value as part of purchase accounting. The estimated fair value of Alderwoods property and equipment was $619,049 at June 17, 2006, calculated using discounted future cash flows. The carrying value of Alderwoods property and equipment was $540,954 at June 17, 2006, resulting in a total increase to property and equipment of $78,095.

(e) Represents an adjustment to conform Alderwoods accounting for the recognition of sales of undeveloped cemetery property with SCI s historical accounting policy. Deferred cemetery revenue was increased by $6,951 and deferred charges and other assets was increased by $5,630. See note (g)(2) and (h).

(f) Represents the additional intangible assets or adjustments to intangible assets to be recorded as a result of the acquisition, consisting of the following:

Trademarks and tradenames(1)	$	39,500
Cemetery customer relationships(2)		16,400
Funeral trust preneed deferred revenue and insurance funded preneed revenue(3)		61,213
Cemetery preneed deferred revenue(4)		46,033
Water rights		5,500
Adjustment to fair value of insurance subsidiary s in force insurance policies		(851)
	$	167,795

(1) Represents the estimated value of various local trademarks and tradenames associated with funeral and cemetery locations.

(2) Represents the estimated value of future funeral services and cemetery services derived from existing cemetery customers.

(3) Represents the amount necessary to adjust preneed funeral trust deferred revenue for certain existing preneed funeral contracts, and insurance funded contracts to their estimated fair value.

(4) Represents the amount necessary to adjust preneed cemetery deferred revenue for certain existing preneed cemetery contracts to their estimated fair value.

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(g) Represents the elimination of previously recorded goodwill and the addition of goodwill arising from the transaction. Goodwill was determined as follows:

Equity purchase price	$	856,300
Estimated SCI acquisition costs		20,350
Aggregate purchase price		876,650
Fair value of liabilities assumed(1)		1,714,069
Fair value of assets acquired(2)		(2,345,300)
Goodwill arising from the transaction		245,419
Alderwoods historical goodwill		(295,913)
Adjustment to goodwill	$	(50,494)

(1) Represents the estimated fair value of liabilities assumed as follows:

Historical total liabilities	$	1,682,627
Adjustment to fair value preneed funeral deferred revenue		(28,422)
Adjustment to fair value preneed cemetery deferred revenue (See note (h))		73,390
Adjustment to deferred income taxes (See note (i))		(29,348)
Adjustment to record certain severance obligations triggered by change of control provisions		19,560
Adjustment to other liabilities (See note (j))		(3,738)
Fair value of liabilities assumed	$	1,714,069

(2) Represents the fair value of assets acquired as follows:

Historical total assets	$	2,280,789
Eliminate historical goodwill		(295,913)
Adjustment to conform recognition of sales of undeveloped cemetery property (See note (e))		5,630
Adjustment to fair value cemetery property (See note (c))		108,904
Adjustment to fair value property and equipment (See note (d))		78,095
Adjustment to fair value identifiable intangible assets (See note (f))		167,795
Fair value of assets assumed	$	2,345,300

(h) The following represents adjustments to preneed cemetery deferred revenue arising as part of purchase accounting:

Adjustment to fair value preneed cemetery deferred revenue	$	66,439
Adjustment to conform recognition of sales of undeveloped cemetery property (See note (e))		6,951
Adjustment to preneed cemetery deferred revenue	$	73,390

(i) Represents an adjustment to deferred income tax liabilities as part of purchase accounting as follows:

Deferred taxes related to adjustments to the fair market value of assets acquired and liabilities assumed (See notes (c), (d), (e), (f), (g), (h) and (j))	$	122,190
Elimination of valuation allowances on certain federal and state tax deferred tax assets based on the expected combined operations of Alderwoods and SCI		(125,767)
Elimination of deferred taxes related to previously recorded goodwill (See note (g))		(25,771)
	$	(29,348)

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(j) The following represents adjustments to other liabilities arising as part of purchase accounting:

Adjustment to reclassify certain severance obligations previously accrued	$	(5,643)
Adjustment to fair value pension liability		1,905
Adjustment to other liabilities	$	(3,738)

(k) Represents the elimination of Alderwoods historical equity balances.

(l) For purposes of the pro forma information in this prospectus, the assets to be sold pursuant to the divestitures have been reclassified on the pro forma balance sheet as assets held for sale and the results of operations of these assets have been eliminated from the pro forma statement of operations. No pro forma adjustments have been made to reflect any anticipated gain or loss from the divestitures and no adjustment has been made to reflect any earnings benefit from the reinvestment of any proceeds from the divestitures or any reduction of debt from the application of sale proceeds.

(m) Represents net cash provided as a result of the financing transactions, offset by the use of cash to extinguish debt and pay financing costs.

Amounts to be extinguished:		
Repayment of existing Alderwoods indebtedness(1)	$	351,683
Repayment of SCI Senior Notes due 2009		144,500
Total amounts to be extinguished		496,183
Financing costs and transaction fees		19,875
Estimated tender premiums		25,000
Total amounts to be paid	$	541,058
Debt issuance:		
Notes offered in a private placement	$	500,000
Credit facility		180,128
Privately placed debt securities		200,000
Total sources of cash		880,128
Total cash provided	$	339,070

(1) Excludes $6,546 of existing Alderwoods debt expected to be assumed by SCI.

(n) Represents the adjustment to deferred charges and other assets as set forth in the table below:

Write-off of Alderwoods deferred financing costs for extinguished debt	$	(7,125)
Write-off of SCI s deferred financing costs for extinguished debt		(1,459)
Financing costs		15,600
Total adjustment to deferred charges and other assets	$	7,016

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(o) Represents the increase in long-term debt as set forth in the table below:

Amounts to be extinguished:		
Existing Alderwoods debt	$	351,683
Existing SCI debt		134,767
Total amounts to be extinguished		486,450
Debt issuance:		
Notes offered in a private placement		500,000
Credit facility		180,128
Privately placed notes		200,000
Total debt issuance		880,128
Total adjustment to long-term debt	$	393,678

(p) Represents the tax benefit related to the adjustments to stockholders equity for non-recurring charges directly attributable to the financing transactions (see note (q)).

(q) The following are the adjustments to stockholders equity related to non-recurring charges directly attributable to the financing transactions that will occur in connection with the closing of the acquisition:

Estimated tender premiums	$	25,000
Transaction fees		4,275
Write-off of SCI s original issuance discount for extinguished debt		9,733
Write-off of Alderwoods deferred financing fees for extinguished debt		7,125
Write-off of SCI s deferred financing fees for extinguished debt		1,459
Tax benefit		(17,526)
	$	30,066

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2005

	SCI Historical	Alderwoods Historical(a)	Adjustments for the Acquisition	Adjustments for the Divestitures(g)	Adjustments for the Financing	Pro Forma
	(Dollars in thousands, except per share data)					
Revenues	$ 1,715,737	$ 748,914	$ (5,025)(b)	$ (94,251)	$	$ 2,365,375
Costs and expenses	(1,417,592)	(634,395)	(7,649)(c)	81,285		(1,978,351)
Gross profit	298,145	114,519	(12,674)	(12,966)		387,024
General and administrative expenses	(84,834)	(42,815)	7,751(d)			(119,898)
Gains (loss) on dispositions and impairment charges, net	(26,093)	1,379	4,964(e)	401		(19,349)
Operating income	187,218	73,083	41	(12,565)		247,777
Interest expense	(103,733)	(30,069)		695	(25,248)(i)	(158,355)
Loss on early extinguishment of debt	(14,258)					(14,258)
Interest income	16,706					16,706
Other income (expense), net	2,774	4,662	(4,964)(e)			2,472
Income from continuing operations before income taxes	88,707	47,676	(4,923)	(11,870)	(25,248)	94,342
Provision for income taxes	(33,233)	(4,815)	(12,256)(f)	4,638(h)	9,250(j)	(36,416)
Income from continuing operations	$ 55,474	$ 42,861	$ (17,179)	$ (7,232)	$ 15,998	$ 57,926
Income from continuing operations per share:						
Basic	$ 0.19					$ 0.19
Diluted	$ 0.18					$ 0.19
Average common shares outstanding:						

Basic	302,213	302,213
Diluted	306,745	306,745

See notes to unaudited pro forma condensed combined statement of operations.

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2005

	SCI Historical	Alderwoods Historical(a)	Adjustments for the Acquisition	Adjustments for the Divestitures(g)	Adjustments for the Financing	Pro forma
	(Dollars in thousands, except per share data)					
Revenues	$ 879,284	$ 360,663	$ (3,776)(b)	$ (45,961)	$	$ 1,190,210
Costs and expenses	(708,440)	(296,171)	(3,484)(c)	39,106		(968,989)
Gross profit	170,844	64,492	(7,260)	(6,855)		221,221
General and administrative expenses	(42,192)	(12,346)	3,866(d)			(50,672)
Gain (loss) on dispositions and impairment charges, net	(1,213)	1,627	5,447(e)	(450)		5,411
Operating income	127,439	53,773	2,053	(7,305)		175,960
Interest expense	(51,229)	(14,528)		363	(13,391)(i)	(78,785)
Loss on early extinguishment of debt	(14,258)					(14,258)
Interest income	7,950					7,950
Other (expense) income, net	(637)	5,843	(5,447)(e)			(241)
Income from continuing operations before income taxes	69,265	45,088	(3,394)	(6,942)	(13,391)	90,626
Provision for income taxes	(27,073)	(18,193)	1,592(f)	2,716(h)	4,907(j)	(36,051)
Income from continuing operations	$ 42,192	$ 26,895	$ (1,802)	$ (4,226)	$ (8,484)	$ 54,575
Income from continuing operations per share:						
Basic	$ 0.14					$ 0.18
Diluted	$ 0.14					$ 0.17
Average common shares outstanding:						
Basic	307,896					307,896
Diluted	311,986					311,986

See notes to unaudited pro forma condensed combined statement of operations.

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2006

	SCI Historical	Alderwoods Historical(a)	Adjustments for the Acquisition	Adjustments for the Divestitures(g)	Adjustments for the Financing	Pro Forma
	(Dollars in thousands, except per share data)					
Revenues	$ 873,143	$ 354,261	$ (531)(b)	$ (46,028)	$	$ 1,180,845
Costs and expenses	(702,399)	(295,410)	(2,495)(c)	38,961		(961,343)
Gross profit	170,744	58,851	(3,026)	(7,067)		219,502
General and administrative expenses	(42,929)	(32,557)	5,118(d)			(70,368)
Gain (loss) on dispositions and impairment charges, net	(7,391)		(80)(e)	(99)		(7,570)
Operating income	120,424	26,294	2,012	(7,166)		141,564
Interest expense	(53,337)	(12,949)		378	(14,337)(i)	(80,245)
Interest income	12,763					12,763
Other income (expense), net	4,046	(129)	80(e)			3,997
Income from continuing operations before income taxes	83,896	13,216	2,092	(6,788)	(14,337)	78,079
Provision for income taxes	(31,282)	(7,318)	285(f)	2,685(h)	5,253(j)	(30,377)
Income from continuing operations	$ 52,614	$ 5,898	$ 2,377	$ (4,103)	$ (9,084)	$ 47,702
Income from continuing operations per share:						
Basic	$ 0.18					$ 0.16
Diluted	$ 0.18					$ 0.16
Average Common Shares outstanding:						
Basic	293,580					293,580
Diluted	297,784					297,784

See notes to unaudited pro forma condensed combined statement of operations.

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

(a) Alderwoods historical information is derived from: (1) the audited consolidated statement of operations for the fifty-two weeks ended December 31, 2005; (2) the unaudited consolidated statement of operations for the twenty-four weeks ended June 18, 2005; and (3) the unaudited consolidated statement of operations for the twenty-four weeks ended June 17, 2006. Certain of Alderwoods line items have been reclassified to conform to SCI s presentation.

(b) The table below sets forth adjustments to revenue arising from the acquisition:

	Year Ended December 31, 2005	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
		(Dollars in thousands)	
Preneed funeral contracts(1)	(5,754)	(2,766)	(3,188)
Preneed cemetery contracts(2)	1,521	664	752
Cemetery revenue from the sale of unconstructed property(3)	(792)	(1,674)	1,905
Adjustment to revenue	$ (5,025)	$ (3,776)	$ (531)

(1) Represents a net adjustment for the amortization of (i) the associated intangible asset, and (ii) the fair value adjustment to funeral trust funded preneed deferred revenue.

(2) Represents a net adjustment for the amortization of (i) the associated intangible asset, and (ii) the fair value adjustment to cemetery preneed deferred revenue.

(3) Represents an adjustment to conform Alderwoods accounting for the recognition of sales of undeveloped cemetery property with SCI s historical accounting policy.

(c) The table below sets forth adjustments to costs and expenses arising from the acquisition:

	Year Ended December 31, 2005	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
		(Dollars in thousands)	
Depreciation expense(1)	$ 6,684	$ 3,271	$ 3,726
Intangible amortization expense(2)	(3,910)	(1,955)	(1,955)
Pension expense(3)	(415)	(208)	47
Cemetery costs from the sale of unconstructed property(4)	(67)	434	(600)
Cemetery property cost of sales(5)	(9,941)	(5,026)	(3,713)
Adjustment to costs and expenses	$ (7,649)	$ (3,484)	$ (2,495)

(1)

Represents a net adjustment to record depreciation expense over a weighted average estimated remaining useful life of 30 years, reflecting the adjusted fair value of Alderwoods property and equipment.

(2) Represents an adjustment to record the amortization of intangible assets recorded as a result of the acquisition. The cemetery customer relationships and the funeral insurance funded preneed revenue are being amortized over an estimated useful life of ten years. The trademark, tradename, water rights and insurance in force intangibles are considered to have an indefinite life and are not subject to amortization; rather, such assets would be subject to annual tests for impairment. The intangible assets associated with funeral trust funded preneed deferred revenue and cemetery preneed deferred revenue are amortized relative to the recognition of preneed revenue and included in note (b(1)) and (b(2)).

(3) Represents a net adjustment to conform Alderwoods accounting policy for gains and losses on its pension plan assets and obligations to SCI s historical accounting policy.

(4) Represents an adjustment to conform Alderwoods accounting for the recognition of sales of undeveloped cemetery property with SCI s historical accounting policy.

(5) Represents a net adjustment to record cemetery property cost of sales at the adjusted fair value of Alderwoods cemetery property.

(d) Represents an adjustment to eliminate compensation expense for certain officers for whom severance costs have been recorded on the pro forma balance sheet.

(e) Represents the reclassification of gains and losses from dispositions to conform to SCI s historical presentation.

(f) The pro forma adjustments to income tax reflect the statutory federal, state and foreign income tax impact of the pro forma adjustments related to the Alderwoods acquisition (see notes (b), (c), (d) and (e)) and the effects of purchase accounting.

(g) For purposes of the pro forma information in this prospectus, the assets to be sold pursuant to the divestitures have been reclassified on the pro forma balance sheet as assets held for sale and the results of operations of these assets have been eliminated from the pro forma statement of operations. No pro forma adjustments have been made to reflect any anticipated gain or loss from the divestitures and no adjustment has been made to reflect any earnings benefit from the reinvestment of any proceeds from the divestitures or any reduction of debt from the application of sale proceeds.

(h) Represents the statutory federal, and state income tax impact attributable to the operations to be divested.

(i) The table below sets forth adjustments to interest expense resulting from the extinguishment of debt and issuance of new debt:

	Year Ended December 31, 2005	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
Interest expense on new borrowings:			
Senior notes due 2014 offered hereby(1)	$ 18,438	$ 9,219	$ 9,219
Senior notes due 2018 offered hereby(2)	19,063	9,531	9,531
New senior credit facility			
Term loan(3)	11,100	5,550	5,550
Revolving credit facility(4)	2,227	1,114	1,114
Private placement debt securities(5)	14,800	7,400	7,400
Amortization of deferred financing costs(6)	$ 1,843	$ 902	$ 975
Total interest expense on new borrowings	$ 67,471	$ 33,716	$ 33,789
Less: historical interest expense and related amortization of deferred financing costs on extinguished borrowings:			
Alderwoods	$ 29,221	$ 13,824	$ 12,951
SCI	13,002	6,501	6,501
Total historical interest expense and related amortization of deferred financing costs on extinguished borrowings	$ 42,223	$ 20,325	$ 19,452

Adjustment to interest expense	$ 25,248	$ 13,391	$ 14,337

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(1) Represents interest on our new senior notes due 2014, which is calculated as follows:

	Year Ended December 31, 2005	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
Outstanding balance	$ 250,000	$ 250,000	$ 250,000
Interest rate	7.375%	7.375%	7.375%
Portion of year outstanding	100%	50%	50%
Calculated interest	$ 18,438	$ 9,219	$ 9,219

(2) Represents interest on our new senior notes due 2018, which is calculated as follows:

	Year Ended December 31, 2005	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
Outstanding balance	$ 250,000	$ 250,000	$ 250,000
Interest rate	7.625%	7.625%	7.625%
Portion of year outstanding	100%	50%	50%
Calculated interest	$ 19,063	$ 9,531	$ 9,531

(3) Represents interest on our new term loan, which is calculated as follows:

	Year Ended December 31, 2005	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
Estimated outstanding balance	$ 150,000	$ 150,000	$ 150,000
Assumed interest rate-3 month LIBOR (5.4% on September 13, 2006) plus 2.00%	7.40%	7.40%	7.40%
Portion of year outstanding	100%	50%	50%
Calculated interest	$ 11,100	$ 5,550	$ 5,550
An increase or decrease of 25 basis points in interest rate would result in an interest expense increase or decrease of	$ 375	$ 188	$ 188

(4) Represents interest on our new revolving facility, which is calculated as follows:

	Year Ended	Six Months Ended	Six Months Ended

	December 31, 2005	June 30, 2005	June 30, 2006
Estimated outstanding balance	$ 30,100	$ 30,100	$ 30,100
Assumed interest rate-3 month LIBOR (5.4% on September 13, 2006) plus 2.00%	7.40%	7.40%	7.40%
Portion of year outstanding	100%	50%	50%
Calculated interest	$ 2,227	$ 1,114	$ 1,114
An increase or decrease of 25 basis points in interest rate would result in an interest expense increase or decrease of	$ 75	$ 38	$ 38

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(5) Represents interest on our private placement debt securities, which is calculated as follows:

	Year Ended December 31, 2005	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
Estimated outstanding balance	$ 200,000	$ 200,000	$ 200,000
Assumed interest rate-3 month LIBOR (5.4% on September 13, 2006) plus 2.00%	7.40%	7.40%	7.40%
Portion of year outstanding	100%	50%	50%
Calculated interest	$ 14,800	$ 7,400	$ 7,400
An increase or decrease of 25 basis points in interest rate would result in an interest expense increase or decrease of	$ 500	$ 250	$ 250

(6) Represents amortization of deferred financing costs over the term of the new financing arrangements.

(j) Represents the statutory federal, and state income tax impact of the adjustment to interest expense (see note (h)).

SUPPLEMENTARY FINANCIAL INFORMATION

The supplementary data specified by Item 302 of Regulation S-K as it relates to SCI s quarterly data is included in Note 22 to the consolidated financial statements of SCI included in this prospectus. The supplementary data specified by Item 302 of Regulation S-K as it relates to Alderwoods quarterly data is included in Note 23 to the consolidated financial statements of Alderwoods included in this prospectus.

RATIO OF EARNINGS TO FIXED CHARGES OF SCI

(In thousands, except ratio amounts)

	Six Months Ended June 30,		Years Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
Ratio (earnings divided by fixed charges)	2.47	2.16	1.73	1.81	1.60	A	A

A. During the years ended December 31, 2002 and 2001, the ratio coverage was less than 1:1. In order to achieve a coverage of 1:1, the Company would have had to generate additional income from continuing operations before income taxes and cumulative effect of accounting changes of $128,922 and $393,356 for the years ended December 31, 2002 and 2001, respectively.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with and is qualified in its entirety by reference to the consolidated financial statements and related notes of SCI and Alderwoods included elsewhere in this prospectus. Except for historical information, the discussion in this section contains forward-looking statements that involve risks and uncertainties, including, but not limited to, those described in the Risk factors section of this prospectus. Future results could differ materially from those discussed below. See the discussion under the caption Cautionary Statements Regarding Forward-Looking Statements .

On April 2, 2006, SCI executed a definitive merger agreement pursuant to which, subject to the terms and conditions set forth therein, it expects to acquire all outstanding shares of Alderwoods Group, Inc., or Alderwoods. We refer to the acquisition and the related transactions, including the issuance of notes offered in a private placement, the issuance of debt securities in a private placement, the borrowings under our new senior credit facility, the repayment of certain existing indebtedness of SCI and Alderwoods and the divestitures, collectively as the transactions. The transactions do not include the exchange offer that is the subject of this prospectus. The following discussion and analysis of our financial condition and results of operations covers periods prior to the consummation of the acquisition. Accordingly, the discussion and analysis of historical periods does not reflect the significant impact that the acquisition will have on us, including significantly increased leverage.

For purposes of this prospectus, unless the context otherwise indicates or as otherwise indicated, the term:

SCI refers to Service Corporation International and its subsidiaries prior to the acquisition;

Alderwoods refers to the Alderwoods Group, Inc. and its subsidiaries; and

the Company, us, we, our, or ours refer to SCI, together with its subsidiaries, including Alderwoods, immediately after giving effect to the transactions.

Overview

We are North America s leading provider of deathcare products and services, with a network of funeral homes and cemeteries unequalled in geographic scale and reach. We hold leading positions in each of the U.S. and Canada and, giving pro forma effect to the acquisition, we estimate that we represented approximately 14% of the funeral and cemetery services business in North America based on 2005 industry revenues, which was approximately five times the share of our next largest North American competitor.

On April 2, 2006, SCI entered into a definitive merger agreement pursuant to which it expects to acquire Alderwoods for $20.00 per share in cash, resulting in a total purchase price of approximately $1.2 billion, which includes the refinancing of approximately $351.7 million and the assumption of $6.5 million of Alderwoods debt. Upon completion of the acquisition, we intend to focus on the near-term reduction of our outstanding indebtedness to our long-term target levels. Through the application of operating cash flow and proceeds from asset sales to retire pre-payable debt, we expect to reduce our outstanding debt to approximately $1.7 billion within the next several years.

Our strategy to deliver profitable growth is supported by three structural components, and the acquisition of Alderwoods is consistent with each of those components:

Approach business by customer category the acquisition provides increased exposure to key demographic and customer segments.

Utilize scale and drive operating discipline the acquisition provides additional economies of scale.

Manage the footprint the acquisition provides an increased presence across North America.

We derive a majority of our revenues from the sale of funeral related merchandise and services. Funeral merchandise includes caskets, burial vaults, cremation receptacles, flowers, and other ancillary products. Funeral services include preparation and embalming, cremation, and the use of funeral facilities and vehicles, as well as assisting customers with many of the legal and administrative details related to funerals. Funeral revenues also include revenues generated by our wholly owned subsidiary, Kenyon International Emergency Services (Kenyon), which provides disaster management services in mass fatality incidents. Revenues and gross profits associated with Kenyon are subject to significant variation due to the nature of its operations. On a pro forma basis giving effect to the transactions, revenues generated from the sale of funeral related merchandise and services were $1.6 billion or 66.6% of total net revenues for the fiscal year ended December 31, 2005 and $781.6 million or 66.2% of total net revenues for the six months ended June 30, 2006. We sell a significant portion of our funeral services on a preneed basis, whereby a customer contractually agrees to the terms of a funeral to be performed in the future. On a pro forma basis giving effect to the transactions, approximately $463.3 million or 29.4% of our total funeral revenues in the fiscal year ended December 31, 2005 and approximately $231.7 million or 29.6% of our total funeral revenues in the six months ended June 30, 2006 were made on a preneed basis in prior periods.

We also generate revenue from the sale of cemetery related property, merchandise and services. Our cemeteries sell cemetery property interment rights including lots, mausoleum spaces, lawn crypts, and spaces in cremation gardens. Our cemeteries also perform interment services (primarily merchandise installation and burial openings and closings) and provide management and maintenance of cemetery grounds. Cemetery merchandise includes items such as stone and bronze memorials, burial vaults, and casket and cremation memorialization products. On a pro forma basis giving effect to the transactions, revenues generated from the sale of cemetery related property, merchandise, and services were $695.2 million or 29.4% of total net revenues for the fiscal year ended December 31, 2005 and $353.0 million or 29.9% of total net revenues for the six months ended June 30, 2006. Cemetery sales are also often made on a preneed basis. On a pro forma basis giving effect to the transactions, approximately $360.4 million or 51.9% of our total cemetery revenues in the fiscal year ended December 31, 2005 and approximately $176.9 million or 50.1% of our total cemetery revenues in the six months ended June 30, 2006 were made on a preneed basis in prior periods.

Alderwoods insurance company sells a variety of insurance products, primarily for the funding of preneed funerals. On a pro forma basis giving effect to the transactions, revenues generated from the sale of insurance products were $95.0 million or 4.0% of total net revenues for the fiscal year ended December 31, 2005 and $46.3 million or 3.9% of total net revenues for the six months ended June 30, 2006.

At June 30, 2006, on a pro forma basis giving effect to the transactions, we owned and operated 1,438 funeral homes and 235 cemeteries in 46 states, eight Canadian provinces, the District of Columbia, and Puerto Rico. In 2005, on a pro forma basis giving effect to the transactions, $2.3 billion or 99.5% of our net sales were generated in North America. With the acquisition of Alderwoods, we gain entry into five new states in the U.S. and assume the leading position in Canada. We plan to continue to focus our growth in the future on building an increased presence across North America.

At June 30, 2006, on a pro forma basis giving effect to the transactions, we owned 243 funeral home/cemetery locations in which a funeral home is physically located within or adjoining a cemetery operation. Combination operations allow certain facility, personnel and equipment costs to be shared between the funeral home and cemetery. Combination locations also create synergies between funeral and cemetery sales personnel and give families added convenience to purchase both funeral and cemetery products and services at a single location. With the acquisition of Alderwoods, we will acquire Rose Hills, which is the largest combination operation in the U.S., performing approximately 5,000 funerals and 9,000 interments per year.

We recognize sales of merchandise and services when the merchandise is delivered or the service is performed. Sales of cemetery interment rights are recognized when a minimum of 10% of the sales price has been collected and the property has been constructed or is available for interment.

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Primary costs associated with our funeral service locations include labor costs, facility costs, vehicle costs, and cost of merchandise. Primary costs associated with our cemeteries include labor costs, selling costs, cost of merchandise (including cemetery property), and maintenance costs.

Expected Cost Savings Resulting from the Alderwoods Acquisition

Based on current estimates and assumptions, we expect to achieve significant cost savings and other synergies as a result of the Alderwoods acquisition, principally through the elimination of duplicate information technology systems and infrastructure, duplicate accounting, finance, legal and other systems, overlapping management, and duplicate executive and public company costs, as well as through increased purchasing scale. We expect that these cost savings will have significant effects on our results of operations that are not reflected in the unaudited pro forma combined financial information included in this prospectus.

We have developed a detailed integration plan and established integration teams of employees at both SCI and Alderwoods to implement this plan after closing. These teams will work under the direct supervision of integration leaders, which includes several senior executives that have been designated with the responsibility for developing and supervising the implementation of the integration plan. We believe that the compatibility of SCI s and Alderwoods systems and infrastructure will help to minimize integration risk. For example, both companies use the same point-of-sale software.

Based on current estimates and assumptions, and excluding one-time cash integration costs of approximately $60 million (which does not include financing fees and other related transaction costs), of which we expect to incur approximately $30 to $35 million during 2006 and the remainder during 2007, we expect to achieve annual pretax cost savings of approximately $60 to $70 million within eighteen months of closing the acquisition, with approximately $15 million of such savings realized within twelve months of closing. The amounts are measured relative to actual costs incurred by Alderwoods in 2005. These estimated cost savings are comprised of the following:

	Estimated Annual Cost Savings	
	(Dollars in millions)	
Duplicate systems and infrastructure(a)	$	35
Management structure duplication(b)	$	15
Public company and redundant corporate costs(c)	$	15

(a) Duplicate IT systems and administrative overhead.

(b) Overlapping management and other management restructuring initiatives.

(c) Redundant director fees and expenses, auditor fees, finance, accounting, human resources, and legal costs.

In addition to the $60 to $70 million of cost savings already identified, we believe there is potential for additional cost saving synergies primarily in the areas of purchasing (primarily caskets) and in the combined company s management and sale structure approach.

The foregoing cost savings and synergies are based on estimates and assumptions made by us that are inherently uncertain, though considered reasonable by us. Our expected cost savings and synergies are subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. As a result, there can be no assurance that any such cost-savings or synergies will be achieved. See Risk factors Risks Related to the Acquisition of Alderwoods.

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Factors Affecting Our Results of Operations

Acquisition of Alderwoods

The acquisition of Alderwoods will have a significant impact on our operations. In addition to the effect of including Alderwoods business in our results after the acquisition is completed, we expect to achieve significant cost-savings and other synergies as a result of the Alderwoods acquisition. Based on current estimates and assumptions, we expect to achieve annual pretax cost savings of approximately $60 to $70 million within eighteen months of closing. We will incur one-time integration and other related costs of approximately $60 million (which does not include financing fees and other related transaction costs) of which we expect to incur $30 to $35 million during 2006 and the remainder during 2007. In connection with the acquisition and related financings, we will incur estimated transaction costs of $40.2 million. We will be more highly leveraged and after giving effect to the transactions, our interest expense will increase by approximately $30.4 million per year. See the discussion above for further information regarding synergies and costs associated with our acquisition of Alderwoods.

Demographic Factors

More than 70% of all deaths in the United States occur at age 65 and older. In 2004 people aged 65 and older constituted 12% of the population, according to the U.S. Census Bureau; the U.S. Census Bureau projects that by 2020 the number of Americans aged 65 and older will exceed 16% of the population. We believe these demographic trends will produce a growing demand for our services.

Nevertheless, the number of annual deaths in North America is expected to remain relatively constant for at least another decade because of healthier lifestyles and improved medical care.

In 2003 life expectancy in the United States reached 77.6 years, compared with 74.6 years in 1983, according to the National Center for Health Statistics. Therefore, our near-term strategies do not anticipate any increase in the number of deaths. Rather, they are designed to increase volume and profitability at existing businesses.

Average Revenue per Funeral Service

Average revenue per funeral service is a primary driver of our funeral revenues. We calculate average revenue per funeral service by dividing funeral revenue (excluding general agency (GA) revenue, which are commissions we receive from third-party insurance companies when our customers purchase insurance contracts from them, and Kenyon revenue) by the number of funeral services performed during the period. SCI s comparable average revenue per funeral service totaled $4,316 in fiscal 2004, $4,410 in fiscal 2005, and $4,669 during the six months ended June 30, 2006. The improvement in SCI s average revenue per funeral service is due, in part, to strategic plans initiated in 2005 and 2006 related to pricing and customer segmentation. Over the last twelve months, SCI has realigned its pricing away from its product offerings to its service offerings, concentrating on those areas where its customers believe the most value is added. In early 2006, as a result of its customer segmentation strategy, SCI exited certain activities that generated very low margins. These initiatives, while reducing funeral case volume, have generated significant improvements in both average revenue per funeral service and gross margin. We expect these improvements to continue in the future as we continue to exit other markets and redeploy our resources to more profitable areas. Alderwoods comparable average revenue per funeral service totaled $4,036 in fiscal 2004, $4,160 in fiscal 2005 and $4,294 during the twenty four weeks ended June 17, 2006.

Divestitures

SCI has received over $1.9 billion in asset sale proceeds since 2000, divesting over 2,700 funeral homes and cemeteries. These divestitures included SCI s operations in Europe and South America as well as underperforming businesses in North America. The majority of these transactions were sales of companies with multiple operating locations. Alderwoods has received over $228 million in asset sale

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proceeds since 2002, divesting over 250 funeral homes and cemeteries and its non-strategic home service insurance company.

SCI expects to execute a consent order with the staff of the FTC in connection with the acquisition, which will identify certain properties the FTC will require us to divest as a result of the acquisition. The consent order will be subject to approval by the FTC commissioners, which approval is a condition to the consummation of the acquisition. No final agreement has been reached with any third party concerning the sale of any such assets. We believe the divestiture of these assets, together with the divestiture of other SCI assets that we have identified for sale, will generate proceeds of approximately $200 million in the near future, which we expect to use to repay debt. There can be no assurance that the divestitures described above will be consummated, or if consummated will generate the proceeds described above. For purposes of the pro forma information in this prospectus the assets to be sold pursuant to the divestitures have been reclassified on the pro forma balance sheet as assets held for sale and the results of operations of these assets have been eliminated from the pro forma statement of operations. No pro forma adjustments have been made to reflect any anticipated gain or loss from the divestitures and no adjustment has been made to reflect any earnings benefit from the reinvestment of any proceeds from the divestitures or any reduction of debt from the application of sales proceeds. In addition, after completion of the acquisition, we intend to undertake a comprehensive review of all our integrated operations and we believe there may be further asset sales in the next six to 18 months.

Preneed Production and Maturities

In addition to selling our products and services to client families at the time of need, we sell price guaranteed preneed funeral and cemetery trust contracts which provide for future funeral or cemetery services and merchandise. Since preneed funeral and cemetery services or merchandise will not be provided until some time in the future, most states and provinces require that all or a portion of the funds collected from customers on preneed funeral and cemetery contracts be paid into trusts until the merchandise is delivered or the service is performed. In certain situations, where permitted by state or provincial laws, we post a surety bond as financial assurance for a certain amount of the preneed funeral or cemetery contract in lieu of placing funds into trust accounts.

The following table reflects our North America backlog of trust funded deferred preneed funeral and cemetery contract revenues including amounts related to *Non-controlling interest in funeral and cemetery trusts* at December 31, 2005 on a combined historical basis. Additionally, we have reflected our North America backlog of unfulfilled insurance-funded contracts (not included in our consolidated balance sheet) and total North America backlog of preneed funeral contract revenues at December 31, 2005. The backlog amounts presented are reduced by an amount that we believe will cancel before maturity based on our historical experience.

The table also reflects our North America trust funded preneed funeral and cemetery receivables and trust investments associated with our backlog of trust funded deferred preneed funeral and cemetery contract revenues, net of an estimated cancellation allowance, on a combined historical basis

We believe that the table below is meaningful because it sets forth the aggregate amount of future revenues we expect to recognize as a result of preneed sales, on a combined historical basis, as well as the amount of assets associated with those revenues. Because the future revenues exceed the asset amounts, our future revenues will exceed the amount of cash actually received when the revenues are generated.

As of December 31, 2005	SCI	Alderwoods	Total
		(Dollars in millions)	
Backlog of trust funded deferred preneed funeral revenues	$ 1,495.5	$ 355.2	$ 1,850.7
Backlog of third-party insurance funded preneed funeral revenues	2,092.1	657.0	2,749.1
Backlog of subsidiary insurance funded preneed funeral revenues		331.6	331.6
Total backlog of preneed funeral revenues	$ 3,587.6	$ 1,343.8	$ 4,931.4
Assets associated with backlog of trust funded deferred preneed funeral revenues, net of estimated allowance for cancellation	$ 1,158.7	$ 341.4	$ 1,500.1
Insurance policies associated with insurance funded deferred preneed funeral revenues, net of estimated allowance for cancellation	2,092.1	988.6	3,080.7
Total assets associated with backlog of preneed funeral revenues	$ 3,250.8	$ 1,330.0	$ 4,580.8
Backlog of deferred cemetery revenues	$ 1,644.5	$ 282.8	$ 1,927.3
Assets associated with backlog of deferred cemetery revenues, net of estimated allowance for cancellation	$ 1,157.4	$ 314.7	$ 1,472.1

The market value of funeral and cemetery trust investments was based primarily on quoted market prices at December 31, 2005. The difference between the backlog and asset amounts represents the contracts for which we have posted surety bonds as financial assurance in lieu of trusting, the amounts collected from customers that were not required to be deposited to trust or bonded and allowable cash distributions from trust assets. The table also reflects the amounts expected to be received from insurance companies through the assignment of policy proceeds related to insurance funded funeral contracts. For additional information regarding preneed production and maturities, see Critical Accounting Policies below.

The Trend Toward Cremation

In the deathcare industry, there has been a growing trend in the number of cremations performed in North America as an alternative to traditional funeral service dispositions. We believe this presents a significant opportunity for our company, especially since research shows that most people who choose cremation do so for reasons unrelated to cost. We have been a leading provider of cremation services in North America, with cremation representing approximately 37%, 38% and 39% of our funeral services in 2003, 2004 and 2005, respectively, after giving pro forma effect to the transactions. While cremation has traditionally resulted in lower gross profits because it reduces casket sales and because many customers who choose cremation may also decide against purchasing cemetery property, we believe we can improve revenue and profit trends associated with cremation services by realigning our pricing model and offering better and more personalized products and services.

Other Matters

SEC Comment Letters

The Staff of the Securities and Exchange Commission (Staff) issued a letter (Comment Letter) to SCI dated April 19, 2006, commenting on certain aspects of its initial Annual Report on Form 10-K for the year ended December 31, 2005. The Staff requested and SCI provided information regarding the treatment of certain accounting issues. SCI believes that all of the issues raised in the Comment Letter were appropriately addressed, including one deathcare industry-wide issue related to the reporting of trust-related cash flow activities that is still under review by the Staff, as discussed below, and SCI has included required disclosures in this prospectus or will include in future filings to the extent necessary as a result of the SEC s comments.

SCI received follow-up letters from the Staff dated May 19, 2006 and August 8, 2006 requesting additional information on one matter related to its reporting of trust-related activities in its consolidated statement of cash flows.

The Staff requested additional information regarding the treatment of preneed

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funeral and cemetery merchandise and services trust and cemetery perpetual care trust activity in SCI s consolidated statement of cash flows. SCI has responded to the Staff s request for additional information. To the best of SCI s knowledge, this issue remains unresolved with the Staff. Although SCI believes that its consolidated statement of cash flows is properly presented, there can be no assurance that the Staff will agree with SCI s current presentation.

The Staff issued a Comment Letter to Alderwoods dated May 16, 2006, commenting on certain aspects of its Annual Report on Form 10-K for the fifty-two weeks ended December 31, 2005 and its Form 10-Q for the fiscal quarter ended March 25, 2006. The Staff requested and Alderwoods provided, in response letters dated June 16, 2006 and June 23, 2006, information regarding the treatment of certain accounting issues. Alderwoods believes that all of the issues raised in the Comment Letter were appropriately addressed, including the industry-wide issue related to the reporting of trust-related cash flow activities discussed above. Although Alderwoods believes that its consolidated statement of cash flows is properly presented, there can be no assurance that the Staff will agree with Alderwoods current presentation.

SCI Restatement

In August 2006, SCI restated its previously issued consolidated financial statements as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005, as well as its unaudited quarterly financial data for each of the interim periods of 2005 and 2004. The restatement corrected errors related to (1) the miscalculation of SCI s actuarially determined pension benefit obligation, (2) the accounting for certain leases related to funeral home properties which were previously accounted for as operating leases but should have been accounted for as capital leases, and (3) other out-of-period adjustments previously identified by SCI but deemed to be not material either individually or in the aggregate. For additional information regarding the restatement, see note two to SCI s annual financial statements included elsewhere in this prospectus.

Results of Operations

SCI

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Management Summary

Key highlights for the six months ended June 30, 2006 included:

SCI s announcement, on April 3, 2006, of the execution of the acquisition agreement;

a 3.1% increase in 2006 comparable funeral and cemetery revenue over the same period in 2005;

an 8.0% increase in comparable average revenue per funeral service compared to the first half of 2005, which helped to offset a 5.5% decline in comparable funeral services performed;

SCI s receipt and recognition of \$7.9 million, or \$4.8 million after tax (\$0.02 per diluted share), in cemetery endowment care trust fund income as a result of the resolution of disputes over ownership rights to the funds;

the April 2006 and August 2006 approval by SCI s Board of Directors of a regular quarterly dividend; and

the repurchase of 3.4 million shares of SCI common stock in the second quarter of 2006.

Results of Operations

In the first half of 2006, SCI reported net income of \$52.4 million or \$0.18 per diluted share. These results were impacted by net losses on dispositions and impairment charges of \$6.7 million after tax (\$0.02 per diluted share).

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In the first half of 2005, SCI reported a net loss of $141.1 million or $0.45 per diluted share. These results were impacted by accounting changes of $187.5 million after tax, losses on the early extinguishment of debt of $9.3 million after tax, and after tax net losses on dispositions and impairment charges of $3.7 million. During the first half of 2005, discontinued operations produced $4.3 million of earnings.

Actual Versus Comparable Results

Six Months Ended June 30, 2006 and 2005

The table below reconciles SCI s GAAP results to its comparable, or same store, results for the six months ended June 30, 2006 and 2005. For purposes of the table below, SCI defines comparable operations (or same store operations) as those involving locations which were owned for the entire period beginning January 1, 2005 and ending June 30, 2006. The following tables present operating results for SCI funeral and cemetery locations that were owned by SCI throughout this period.

Six Months Ended June 30, 2006	Actual	Less: Activity Associated with Acquisition/ New Construction	Less: Activity Associated with Dispositions	Comparable
		(Dollars in millions)		
North America				
Funeral revenue	$ 576.7	$ 0.8	$ 4.2	$ 571.7
Cemetery revenue	290.5	0.7	0.9	288.9
	867.2	1.5	5.1	860.6
Other foreign				
Funeral revenue	5.9		(0.1)	6.0
Total revenues	$ 873.1	$ 1.5	$ 5.0	$ 866.6
North America				
Funeral gross profits	$ 116.6	$ 0.3	$ (1.1)	$ 117.4
Cemetery gross profits	52.9		(0.7)	53.6
	169.5	0.3	(1.8)	171.0
Other foreign				
Funeral gross profits	1.2		(0.1)	1.3
Total gross profit	$ 170.7	$ 0.3	$ (1.9)	$ 172.3

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Six Months Ended June 30, 2005	Actual	Less: Activity Associated with Dispositions	Comparable
	(Restated)		(Restated)
		(Dollars in millions)	
North America			
Funeral revenue	$ 598.1	$ 28.8	$ 569.3
Cemetery revenue	275.2	10.2	265.0
	873.3	39.0	834.3
Other foreign			
Funeral revenue	6.0		6.0
Total revenues	$ 879.3	$ 39.0	$ 840.3
North America			
Funeral gross profits	$ 130.1	$ 3.3	$ 126.8
Cemetery gross profits	40.0	(0.1)	40.1
	170.1	3.2	166.9
Other foreign			
Funeral gross profits	0.7		0.7
Total gross profit	$ 170.8	$ 3.2	$ 167.6

The following table provides the data necessary to calculate SCI s comparable average revenue per funeral service in North America for the six months ended June 30, 2006 and 2005. SCI calculates average revenue per funeral service by dividing adjusted comparable North America funeral revenue by the comparable number of funeral services performed in North America during the period. In calculating average revenue per funeral service, SCI excludes GA revenues and revenues from its Kenyon subsidiary in order to avoid distorting its funeral case volume averages.

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
		(Restated)
	(Dollars in millions, except average revenue per funeral service)	
Comparable North America funeral revenue	$ 571.7	$ 569.3
Less: GA revenues(1)	16.7	13.8
Kenyon revenues(2)	1.9	13.4
Adjusted Comparable North America funeral revenue	$ 553.1	$ 542.1

Comparable North America funeral services performed:		
Preneed	40,073	41,341
Atneed	78,384	84,026
Total	118,457	125,367
Comparable North America average revenue per funeral service:		
Preneed	$ 4,516	$ 4,244
Atneed	4,748	4,363
Total	4,669	4,324

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(1) GA revenues are commissions we receive from third-party insurance companies when customers purchase insurance contracts from such third-party insurance companies to fund funeral services and merchandise at a future date.

(2) Kenyon is SCI s disaster response subsidiary that engages in mass fatality and emergency response services. Revenues and gross profits associated with Kenyon are subject to significant variation due to the nature of its operations.

Preneed average revenues in the above table represent average comparable revenues recognized for funeral services performed during the six months ended June 30, 2006 pursuant to preneed contractual arrangements made prior to the time of death and, therefore, previously reflected as *Deferred preneed funeral revenues.*

Funeral results

Consolidated Funeral Revenue

Consolidated revenues from funeral operations were $582.6 million in the first half of 2006 compared to $604.1 million in the first half of 2005. Higher average revenue per funeral service and an increase of floral revenues of approximately $6.2 million were more than offset by a decline in funeral services performed. This decline was primarily attributable to a decrease in funeral properties as a result of SCI s efforts to dispose of non-strategic locations. SCI also believes the decline reflects a decrease in the number of deaths. Additionally, Kenyon s revenue fell $11.5 million from $13.4 million to $1.9 million, as Kenyon was not involved in any mass fatality incidents in the first half of 2006.

Comparable Funeral Revenue

North America comparable funeral revenue increased $2.4 million in the first half of 2006 compared to the first half of 2005 reflecting higher average revenue per funeral service and an increase of floral revenues. GA revenue increased $2.9 million, or 21.0%, in the first half of 2006 as a result of a shift in the types of insurance contracts sold. These improvements were partially offset by a decline in comparable funeral volume coupled with the $11.5 million decrease in Kenyon s revenue, as Kenyon was not involved in any mass fatality incidents in the first half of 2006.

Funeral Case Volume

The overall success of SCI s strategic pricing initiative was partially offset by a 5.5% decrease in comparable funeral volume in the first half of 2006 compared to the first half of 2005. SCI believes this decline reflects a decrease in the number of deaths within the markets where it competes due, in part, to an unusually warm winter season in the first quarter of 2006. The decline in deaths was particularly pronounced in the Northeast United States where SCI has a high concentration of operations. Also impacting the decline in volume were certain local business decisions to exit unprofitable business relationships and activities. SCI will continue to evaluate existing relationships and may ultimately choose to exit certain relationships as it maintains focus on its strategy. The cremation rate was 41.3% in the first half of 2006 compared to 40.7% in the same period of 2005.

Average Revenue per Funeral

Despite a 60 basis point increase in cremation rates, SCI s focus on strategic pricing and aligning its resources with its customer segmentation strategy over the preceding twelve months resulted in an increase in comparable average revenue per funeral service of 8.0%, or $345 per funeral service (approximately 6.6% or $283 per service excluding a floral revenue increase) over the prior year. Over the past year, SCI has realigned its pricing away from product offerings to its service offerings, reflecting its competitive advantage and concentrating on those areas where SCI s customers believe SCI adds the most value. As a result of the communication of SCI s future customer segmentation strategy in the fall of 2005, SCI also made local strategic business decisions to exit certain relationships that generated very low gross margin

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percentages. These initiatives, while reducing SCI s funeral cash volumes, have generated significant improvements in average revenue per funeral service. SCI expects these improvements to continue in the future as it redeploys its resources to more profitable areas.

Consolidated Funeral Gross Profit

Consolidated funeral gross profits decreased $13.0 million in the first half of 2006 compared to the same period of 2005 as the funeral revenue increases described above were more than offset by increases in merchandise and floral costs. Kenyon s operations negatively impacted gross profit by $3.5 million compared to the prior year.

Comparable Funeral Gross Profit

Comparable North America funeral gross profit decreased $9.4 million or 8.0% in the first half of 2006 versus the same period of 2005. The comparable funeral gross margin percentage decreased to 20.6% compared to 22.3% in 2005. The revenue increases described above were more than offset by increases in floral and merchandise costs. In addition, Kenyon s operations decreased $3.5 million compared to the prior period.

Cemetery Results

Consolidated Cemetery Revenue

Consolidated revenues from SCI s cemetery operations increased $15.3 million, or 5.6%, in the first half of 2006 compared to the same period of 2005. The increase primarily resulted from higher atneed revenues and increased recognition of preneed merchandise and service sales in the first half of 2006 compared to the prior year period. Also contributing to the increase was a $7.9 million increase in trust fund income.

Comparable Cemetery Revenue

North America comparable cemetery revenue increased $23.9 million or 9.0% compared to the first half of 2005. The increase primarily resulted from higher atneed revenues and increased recognition of preneed merchandise and service sales in the first half of 2006 compared to the prior year period. Also contributing to the increase was the receipt and recognition of $7.9 million of trust fund income coupled with increased recognition of merchandise and services.

Consolidated Cemetery Gross Profits

Consolidated cemetery gross profits increased $12.9 million, or 32.3%, in the first half of 2006 compared to the first half of 2005. Cemetery gross margins, which included $13.2 million in trust fund proceeds received in the second quarter of 2006, increased 25.5% to 18.2%. These improvements were also a result of increases in trust fund income and lower sales and commission expense partially offset by higher maintenance and administrative costs within SCI s cemetery operations.

Comparable Cemetery Gross Profits

North America comparable cemetery gross profits increased $13.5 million in the first half of 2006 compared to the same period of 2005. The comparable cemetery gross profit percentage increased to 18.6% in the first half of 2006 from 15.1% in the first half of 2005. These improvements were a result of increases in trust fund income and lower sales and commission expense partially offset by higher maintenance and administrative costs within SCI s cemetery operations.

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Other Financial Statement Items

General and Administrative Expenses

General and administrative expenses were $42.9 million in the first half of 2006 compared to $42.2 million in the first half of 2005. Increased costs associated with the expensing of stock options, which totaled $2.5 million (pretax), were essentially offset by a decrease in salaries and bonuses. SCI expects stock option expense in the remaining half of 2006 to be approximately $1.6 million in the aggregate.

Interest Expense

Interest expense increased 4.1% to $53.3 million in the first half of 2006, compared to $51.2 million in the first half of 2005. The increase of $2.1 million reflects the modification of the contractual terms of certain transportation leases in January 2006, which resulted in additional interest expense related to these newly reclassified capital leases. Also included in interest expense in the first half of 2006 is $1.4 million of additional interest related to SCI s senior unsecured 7.00% notes due June 15, 2017. Cash interest paid during the first half of 2006 was $48.1 million compared to $49.9 million in the first half of 2005. For additional information, see notes six and ten to SCI s interim financial statements included elsewhere in this prospectus.

Interest Income

Interest income of $12.8 million in the first half of 2006 increased $4.8 million compared to the same period of 2005, reflecting the increase in SCI s cash balances invested in commercial paper and higher interest returns.

Other Income (Expense), Net

Other income (expense), net was a $4.0 million gain in the first half of 2006, compared to an expense of $0.6 million in the first half of 2005. The components of other income (expense) for the periods presented are as follows:

Cash overrides received from a third party insurance provider related to the sale of insurance funded preneed funeral contracts were $3.1 million in the first half of 2006 and $3.1 million in the same period of 2005.

Surety bond premium costs were $2.0 million in the first half of 2006 and 2005.

Favorable adjustments to SCI s allowance on notes receivable were $1.9 million in the first half of 2006.

The remaining income of $1.0 million in the first half of 2006 and expense of $1.7 million in the same period of 2005 are primarily attributable to net gains and losses related to foreign currency transactions.

(Provision) Benefit for Income Taxes

The consolidated effective tax rate in the first half of 2006 resulted in a provision of 37.3%, compared to 39.1% in the same period of 2005. The 2006 and 2005 tax rates were negatively impacted by permanent differences between the book and tax bases of North America asset dispositions.

Weighted Average Shares

The diluted weighted average number of shares outstanding was 297.8 million in the first half of 2006, compared to 312.0 million in the same period of 2005. The decrease in 2006 versus 2005 reflects SCI s share repurchase program initiated during 2005.