

SERVICE CORPORATION INTERNATIONAL

Form 424B3

September 20, 2004

PROSPECTUS

# Service Corporation International

## Offer to Exchange

**Registered 6.75% Senior Notes due 2016  
for  
All Outstanding 6.75% Senior Notes due 2016 issued on April 14, 2004  
(\$250,000,000 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 6.75% Senior Notes due 2016 issued on April 14, 2004 for our registered 6.75% Senior Notes due 2016. 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, Thursday, October 21, 2004, 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All outstanding Old Notes validly tendered and not withdrawn will be exchanged.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 6.75% per annum, semi-annually in arrears on each April 1 and October 1, beginning October 1, 2004.

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

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**You should carefully consider the risk factors beginning on page 7 of this prospectus before participating in the exchange offer.**

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**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.**

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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 September 20, 2004.

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Until November 1, 2004, 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.

This prospectus incorporates important business and financial information about Service Corporation International that is not included in or delivered with this prospectus. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this document. You can obtain documents incorporated by reference in this prospectus through our website at [www.sci-corp.com](http://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 October 14, 2004. See **Where You Can Find More Information** for more information about these matters.

## 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 documents incorporated by reference 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 7 of this prospectus, as well as the section entitled Cautionary Statement on Forward-Looking Statements included in our Annual Report on Form 10-K for the year ended December 31, 2003, and the other documents incorporated by reference in this prospectus. You should rely only on the information contained in this document or to which we have referred you. 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. For purposes of this prospectus, unless the context otherwise indicates, when we refer to SCI, us, we, our, or ours, we are describing Service Corporation International, together with its subsidiaries.*

### Our Business

We are the world's largest provider of funeral and cemetery services. At June 30, 2004, we operated 1,238 funeral service locations, 412 cemeteries and 143 crematoria located in seven countries. Included in these locations, five funeral homes, seven cemeteries and two crematoria are classified as discontinued operations. We also had a minority interest equity investment in funeral operations in France.

Our funeral service and cemetery operations consist of funeral service locations, cemeteries, crematoria and related businesses. Personnel at the funeral service locations provide all professional services relating to funerals, including the use of funeral facilities and motor vehicles, and preparation and embalming services. Funeral related merchandise (including caskets, coffins, burial vaults, cremation receptacles, flowers and other ancillary products and services) is sold at funeral service locations. Certain funeral service locations contain crematoria. We sell preneed funeral services whereby a customer contractually agrees to the terms of a funeral to be performed in the future. Our cemeteries provide cemetery property interment rights (including mausoleum spaces, lots and lawn crypts) and sell cemetery related merchandise (including stone and bronze memorials, burial vaults, casket and cremation memorialization products) and services (primarily merchandise installation fees and burial opening and closing fees). Cemetery items are sold on an atneed or preneed basis. Personnel at cemeteries perform interment services and provide management and maintenance of cemetery grounds. Certain cemeteries operate crematoria, and certain cemeteries contain gardens specifically for the purpose of cremation memorialization. At June 30, 2004, there were 183 combination locations that contain a funeral service location within an SCI owned cemetery.

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](http://www.sci-corp.com).

**Summary of the Terms of the Exchange Offer**

The Exchange Offer	<p>We are offering to exchange up to \$250,000,000 aggregate principal amount of the New Notes for up to \$250,000,000 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.</p> <p>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.</p>
Registration Rights Agreement	<p>We issued \$250,000,000 of the Old Notes on April 14, 2004 to Merrill Lynch &amp; Co., Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, Banc of America Securities LLC, J.P. Morgan Securities Inc., Credit Lyonnais Securities (USA) Inc., Lehman Brothers Inc. and Raymond James &amp; Associates, Inc., the initial purchasers, under a purchase agreement dated March 30, 2004. 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. If we fail to fulfill our obligations under the registration rights agreement, additional interest will 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.</p> <p>Because we did not file the registration statement of which this prospectus forms a part on or before July 13, 2004, the notes began accruing additional interest at a rate of 0.25% per annum on July 14, 2004. The notes ceased accruing this additional interest on September 2, 2004, the day we filed the registration statement of which this prospectus forms a part.</p>
Resale	<p>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.</p>
Expiration Date	<p>The exchange offer will expire at 5:00 p.m., New York City time, on Thursday, October 21, 2004, unless we extend the</p>

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 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.

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 6.75% per annum. However, if we fail to fulfill our obligations under the registration rights agreement, additional interest will accrue on the Old Notes as discussed under Registration Rights Agreement above.

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.

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.

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.

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	\$250,000,000 aggregate principal amount of 6.75% Senior Notes due 2016
Maturity Date	April 1, 2016
Interest Rate	6.75% per annum, accruing from April 14, 2004 or from the date most recently paid
Interest Payment Dates	April 1 and October 1, commencing on October 1, 2004
Ranking	The New Notes will be 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 existing and 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. As of June 30, 2004, we and our subsidiaries had approximately \$1 billion of indebtedness (excluding the \$250 million notes referenced in this document and letter of credit obligations), of which approximately \$11 million represents our senior secured indebtedness and the remainder represents our senior unsecured indebtedness. As of June 30, 2004, our subsidiaries had approximately \$40 million of indebtedness (excluding guarantees of our indebtedness and intercompany receivables), which is included in the \$1 billion of consolidated indebtedness and consists of approximately \$29 million of senior unsecured debt and approximately \$11 million of senior secured debt.
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 <b>Description of the Notes</b> <b>Optional Redemption</b> , 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 <b>Risk Factors</b> <b>Risks Related to Tendering Old Notes for New Notes</b> . The New Notes lack some covenants typically found in other comparably rated debt securities and <b>Description of the Notes</b> <b>Covenants</b> 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 7, 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.**

## 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" in our Current Reports on Form 8-K filed September 2, 2004 and "Cautionary Statement on Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2003, each of which is incorporated by reference in this prospectus, 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 \$200 million revolving credit facility, which we entered into on August 11, 2004, is secured by the stock of, and guaranteed by, all of our domestic subsidiaries and our material foreign subsidiaries (of which there are none at this time), which conduct substantially all of our operating activities. As of June 30, 2004, our subsidiaries had approximately \$40 million of indebtedness, excluding guarantees of our indebtedness and intercompany receivables.

***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. Our \$200 million revolving credit facility is guaranteed by, and secured by a pledge of, the stock of all of our domestic subsidiaries and our material foreign subsidiaries (of which there are none at this time) and, at August 11, 2004, we had no borrowings outstanding thereunder. As of June 30, 2004, we had approximately \$11 million of secured indebtedness, which is effectively senior to the New Notes.

***The New Notes lack 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 several financial and other restrictive covenants typically associated with comparably rated public debt securities.

***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, revolving credit facility or guarantees, our substantial debt service obligations, including the New Notes, could be accelerated. Furthermore, any breach of any of the material financial covenants under our revolving 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 restrictions contained in our various indentures do not limit our ability to incur such additional indebtedness. However, our bank credit agreement contains covenants that restrict our ability to incur additional indebtedness. The credit agreement does not absolutely restrict our ability to incur unsecured debt at the parent level. Additionally, under this 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.

#### **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 Our Business**

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

Our strategic plan is focused on reducing overhead costs, increasing cash flow, developing our national brand, Dignity Memorial®, and other 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 are beyond our control. We cannot give assurance 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 indebtedness limits funds available for our operations.***

As of June 30, 2004, we had approximately \$1.3 billion in indebtedness. Our indebtedness may limit our ability to obtain additional financing and require the dedication of more cash flow to service our debt than we desire. Furthermore, it may require sales of assets or limit our flexibility in planning for, or reacting to, changes in our markets. Our ability to satisfy our indebtedness in a timely manner is, in part, dependent on the successful execution of our long-term strategic plan and the resulting improvements in our operating performance.

***Our existing credit agreement and indentures contain covenants that may prevent us from engaging in certain transactions.***

Our existing credit agreement and indentures 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:

borrow money;

make investments;

engage in transactions with affiliates;

engage in sale-leaseback transactions; and

consummate certain liens on assets.

Our existing credit agreement also requires us to maintain certain financial ratios and satisfy other financial condition tests. Although the maturity of our bank credit agreement brings an end to the restrictions created by it, any future credit agreements or indentures may contain terms and conditions that are more or less restrictive than those of the existing bank credit agreement and indentures.

***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 and/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 preneed cemetery activities. The applicable Florida law that allows posting of surety bonds for preneed contracts will expire December 31, 2004. Thus, we are required to change from bonding to either trust or insurance funding for new prearranged funeral and cemetery contracts in Florida by December 31, 2004. Of the total bonding contract proceeds we received from customers for 2003 and 2002, approximately \$67.1 million and \$70.3 million, respectively, were attributable to Florida contracts. Of the total bonding proceeds we received for the six months ended June 30, 2004 and 2003, approximately \$13.6 million and \$22.9 million, respectively, were attributable to the state of Florida. On February 1, 2004, we elected to begin trusting as a financial assurance mechanism in Florida, rather than surety bonding, on new Florida business. Our net trust deposits attributable to the five months ended June 30, 2004 of new Florida business were \$6.5 million. At June 30, 2004, we had \$349.4 million of total surety bonds outstanding. No trust deposits were made in 2003 in Florida as we used surety bonding as our financial assurance mechanism on new business in that year. Furthermore, our future cash flows could be materially affected if we lost access to using surety bonds for financial assurance in our normal course of business. We are currently evaluating our surety bonding program and may elect to discontinue the use of bonding in other states or cancel certain outstanding bonds and replace with funds in trusts in accordance with state regulations.

***The funeral home and cemetery industry is becoming increasingly competitive.***

In North America and most international markets 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. If we are unable to compete effectively, 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, 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. If our earnings from our trust funds decline, we would likely experience a decline in future revenues or income. 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.

As of June 30, 2004, net unrealized appreciation in the preneed funeral and cemetery merchandise and services trust funds amounted to \$15.7 million and \$59.4 million, respectively. The perpetual care trust funds had net unrealized appreciation of \$20.0 million as of June 30, 2004. The following table summarizes the investment returns excluding fees on our trust funds.

	December 31,		
	2001	2002	2003
Preneed funeral trust investments	1.7%	(7.6)%	17.9%
Cemetery merchandise services trust investments	1.0%	(5.5)%	17.1%
Perpetual care trust investments	4.3%	5.3%	12.6%

***Increasing insurance 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, we receive in cash a general agency commission of approximately 14% of the total sale from the third party insurance company. There is no guarantee that the increasing insurance 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 profit margins.

***We may not be able to sell or joint venture our international operations on acceptable terms or at all.***

Our long-term strategic plan includes the sale or joint venture of our remaining international operations outside of North America. In June 2004, management committed to a plan to divest the existing cemetery and funeral operations in Argentina and Uruguay. We are actively marketing these operations and plan to have no continuing interest in these operations subsequent to the disposal of the Argentine and Uruguay businesses. However, if we are unable to sell or joint venture our South America operations on acceptable terms or otherwise, it could adversely affect our ability to achieve our strategic plan.

***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.

***We are the subject of lawsuits in Florida that, if not settled in accordance with the agreement in principle with respect thereto, could have a negative effect on our financial condition, results of operations and cash flows and we may be subject to additional class action or other significant lawsuits in the future.***

In December 2003, we entered into an agreement in principle to settle the class action lawsuit and all individual related lawsuits pending against us involving our Menorah Gardens and Funeral Chapels in Florida (the Consumer Lawsuit), with the exception of two lawsuits pending in Palm Beach County, Florida. A settlement agreement pertaining specifically to the Consumer Lawsuit was filed with the court on March 2, 2004 and the court preliminarily approved the settlement agreement in March 2004. A fairness hearing is scheduled in September 2004 at which time the court will hear any objections to the settlement and determine whether final approval will be granted. All claims under the Consumer Lawsuit will be dismissed if final court approval of the settlement is obtained and other conditions are met. The terms of the proposed settlement call for us to make payments totaling approximately \$100 million in settlement of these claims. As of December 31, 2003, we had recorded reserves of \$100 million relating to this matter. In the fourth quarter of 2003, we recognized a receivable of \$25 million for expected recoveries under one primary layer of our insurance coverage related to the litigation. During the first quarter of 2004, we deposited \$100 million into escrow for this proposed settlement.

We have a substantial face amount of insurance coverage remaining, although there are various unresolved insurance coverage disputes in litigation.



If the settlement is not approved by the court, the proceedings and litigation will continue. We cannot assure you that the results of any such continued proceedings and litigation would be on terms as favorable as those of the current settlement agreement.

In addition, we are involved in other litigation proceedings in the ordinary course of business. There is a risk that one of the lawsuits that we do not view as significant at the moment, or an additional lawsuit brought in the future, could have a material adverse effect on us, our financial condition, results of operations, or cash flows.

***We are the subject of securities fraud class action lawsuits that, if not settled in accordance with a memorandum of understanding with respect thereto, could have a negative effect on our financial condition, results of operations and cash flows.***

In January 1999, numerous putative class-action lawsuits were filed in the United States District Courts for the Southern and Eastern Districts of Texas, on behalf of persons and entities who (1) acquired shares of our common stock in the merger with Equity Corporation International (ECI); (2) purchased shares of our common stock in the open market during the period from July 17, 1998 through January 26, 1999 (referred herein as the class period); (3) purchased call options in the open market during the class period; (4) sold put options in the open market during the class period; (5) held employee stock options in ECI that became options to acquire our stock pursuant to the ECI merger; and (6) held employee stock options to purchase our common stock under a plan during the class period. These actions have been consolidated into one lawsuit in the federal court in Houston, Texas. The consolidated complaint alleges that we and three of our current or former executive officers and directors (the Individual Defendants) violated federal securities laws by making false and misleading statements and failing to disclose material information concerning our prearranged funeral business and other financial matters, including in connection with the ECI merger. Plaintiffs allege damages based on the market loss, during the class period, of the outstanding shares, including those exchanged in the ECI merger. In October 1999, we filed a motion to dismiss the consolidated complaint that has not been ruled on by the court.

On April 20, 2004, we announced that we had entered into a memorandum of understanding to settle the stockholder class-action for \$65 million. We and our insurance carriers have also entered into an agreement providing for the payment by our insurance carriers of \$30 million towards this settlement. As a result, we paid approximately \$35 million into escrow for that proposed settlement in the second quarter of 2004. As of June 30, 2004, we had a related \$35 million reserve accrued as the settlement has not been finalized.

The proposed settlement is subject to court approval following notice to members of the class, an opportunity for class members to object or opt out of the proposed settlement and other conditions. We are not obligated to proceed with the proposed settlement if more than a specified percent of the class members opt out and elect to bring separate legal actions. Accordingly, if less than such specified percent of the class members opt out, we could have additional potential liability for such opt out claims and still be obligated to carry out the proposed settlement. At this time, we are not able to determine the quantification of this additional potential liability.

In addition, several other related lawsuits have been filed against us and the Individual Defendants in Texas state courts by former SCI and ECI shareholders. In one of these lawsuits, *T. Rowe Price Balanced Fund, Inc., et al*, the plaintiff seeks recovery of at least \$32 million in actual damages plus unspecified exemplary damages.

***We are subject to environmental regulations.***

Our operations are also subject to increasingly stringent laws and regulations related to environmental protection, including laws and regulations governing air emissions, waste water discharge, waste management and disposal, materials storage and handling, and workplace safety. Failure to comply with such laws and regulations could result in the assessment of substantial administrative, civil, and criminal penalties, the imposition of investigatory and remedial obligations, and the issuance of injunctions restricting or prohibiting our activities. Moreover, it is possible that implementation of stricter

environmental laws and regulations, or regulatory interpretations of these laws and regulations, could result in additional, currently unidentifiable costs or liabilities to us, such as requirements to purchase pollution control equipment or implement operational changes or improvements. While we believe we are in substantial compliance with existing environmental laws and regulations, we cannot assure you that we will not incur substantial costs in the future.

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

The United States Bureau of the Census projects that the number of deaths in the United States will grow between 0.7% and 0.8% annually through 2010. However, modern advances in medicine and healthier lifestyles could reduce the number of deaths during this time. If the number of deaths declines, the number of funeral services and interments performed by us will decrease and our financial condition, results of operations and cash flows may be materially adversely affected.

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

In North America, social trends, religious changes, environmental issues and cultural preferences are driving an increasing preference for cremation. Approximately 40% of the total funeral services we perform are cremation services, as compared to a national average of approximately 30%. The rate of cremation in North America has been increasing approximately 100 to 150 basis points each year and we expect this trend to continue in the near term. A cremation service historically has generated less revenues and gross profit dollars than a traditional funeral service. Additionally, the cremation consumer may choose not to purchase cemetery property or merchandise. In recent years we have continued 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, 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 throughout the world are managed in groups called markets. Markets are geographical groups of funeral service locations and cemeteries that share common resources such as operating personnel, preparation services, motor vehicles and preneed sales personnel. Personnel costs, the largest of the operating expenses for the company, 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, the sales decline may cause margins, profits and cash flows to decline at a greater rate than the decline in revenues.

***The funeral home and cemetery industry is highly regulated.***

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 other 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 death care industry. Some states and regulatory agencies have considered or are considering regulations that could 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 market. If adopted by the regulatory authorities of the jurisdictions in which we operate, these and other possible proposals could have a material adverse effect on us, our financial condition, results of operations and cash flows.

**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 and in the documents incorporated by reference 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. In addition to the factors described in this prospectus under Risk Factors Risks Related to Our Business and those set forth from time to time in our filings with the Commission, important factors that could cause our actual results to differ materially from those in forward-looking statements include, among others, the following:

Changes in general economic conditions, both domestically and internationally, impacting financial markets (e.g., marketable security values, as well as currency and interest rate fluctuations) that could negatively affect us, particularly, but not limited to, levels of trust fund income, interest expense, pension expense and negative currency translation effects.

The outcomes of pending lawsuits and proceedings against us involving alleged violations of securities laws and the possibility that insurance coverage is deemed not to apply to these matters or that an insurance carrier is unable to pay any covered amounts to us.

Our ability to consummate the previously disclosed proposed settlement of the stockholder class-action involving allegations of violations of federal securities laws, which is subject to court approval following notice to members of the class, an opportunity for class members to object or opt out, and other conditions.

Our ability to consummate the settlement of lawsuits in Florida as described in the agreement in principle with respect thereto, and the possibility that insurance coverage is deemed not to apply to these matters or that an insurance carrier is unable to pay any covered amounts to us.

Amounts payable by us with respect to our outstanding legal matters exceeding reserves established by us.

Our ability to successfully implement our strategic plan related to producing operating improvements, strong cash flows and further deleveraging.

Our ability to successfully implement our plan to reduce costs and increase cash flows associated with significant changes being made to our organization structure, process and quality of our sales efforts.

Changes to net income and our financial condition as a result of our ongoing reconciliation processes regarding our trust assets and preneed backlogs.

Changes in consumer demand and/or pricing for our products and services due to several factors, such as change in local number of deaths, cremation rates, competitive pressures and local economic conditions.

Changes in domestic and international political and/or regulatory environments in which we operate, including potential changes in tax, accounting and trusting policies.

Changes in credit relationships impacting the availability of credit and the general availability of credit in the marketplace.

Our ability to successfully complete our ongoing process improvement and system implementation projects, including our replacement of our North America point-of-sale information technology systems.

Our ability to successfully access surety and insurance markets at a reasonable cost.

Our ability to successfully exploit our substantial purchasing power with certain of our vendors.

The outcome of a pending Internal Revenue Service audit and future tax deductions resulting from potential asset sales. 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

We have filed a registration statement with the Commission under the Securities Act of 1933 that registers the securities offered by this prospectus. The registration statement, including the attached exhibits, contains additional relevant information about us. The rules and regulations of the Commission allow us to omit some information included in the registration statement from this prospectus.

In addition, we 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, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549.

You may also obtain copies of this information by mail from the public reference section of the Commission, 450 Fifth Street, N.W., Room 1024, 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, 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 us at the offices of the New York Stock Exchange, Inc., located at 20 Broad Street, New York, New York 10005. In addition, you can obtain certain documents, including those filed with the Commission, through our website at *www.sci-corp.com*.

We incorporate by reference information in this prospectus, which means that we disclose important information to you by referring you to another document filed separately with the Commission. This important information is not included in or delivered with this prospectus. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained directly in this prospectus. The documents listed below and incorporated by reference in this prospectus contain important information about SCI and its financial condition.

Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (except Items 6, 7 and 8 which are superseded by our Current Report on Form 8-K filed on September 2, 2004, which is incorporated herein by reference);

Quarterly Report on Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004; and

Current Reports on Form 8-K, dated March 24, 2004, March 30, 2004, April 14, 2004, April 22, 2004, May 13, 2004 July 26, 2004, August 16, 2004 (Item 5 only) and September 2, 2004.

All documents filed by us with the Commission from the date of this prospectus to the end of the offering of the notes under this prospectus shall also be deemed to be incorporated by reference in this prospectus.

We also disclose information about us through current reports on Form 8-K that are furnished to the Commission pursuant to Item 2.02 (Results of Operations and Financial Condition) and Item 7.01 (Regulation FD Disclosure) of Form 8-K (formerly Item 12 and Item 9, respectively). This information disclosed in these reports is not considered to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, is not subject to the liabilities of that section and is not incorporated by reference in this prospectus.

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You can obtain any of the documents listed above or any additional documents that we file with the Commission, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, through us at the address below or through our web site at [www.sci-corp.com](http://www.sci-corp.com) or from the Commission through the Commission's web site at the address provided above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this document. You can obtain documents incorporated by reference in this prospectus 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 October 14, 2004.**

**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.**

## SELECTED HISTORICAL AND PROFORMA FINANCIAL INFORMATION

The following tables set forth historical and pro forma data as of the dates and for the periods indicated as described below.

### Historical

The following selected consolidated financial data for the years ended December 31, 1999 through December 31, 2003 is derived from our audited consolidated financial statements, as restated for the years ended December 31, 2000 through December 31, 2003. The selected consolidated financial data for the six months ended June 30, 2003 and June 30, 2004 is derived from our unaudited interim consolidated financial statements as restated for the six months ended June 30, 2003. The operating data includes reclassifications to conform to current period presentations with no impact on net income. The data set forth should be read in conjunction with our consolidated financial statements and accompanying notes to the consolidated financial statements included in our 2003 Form 10-K, June 30, 2004 Form 10-Q and Current Reports on Form 8-K dated September 2, 2004. The historical information is not necessarily indicative of the results to be expected in the future.

The financial statements for the fiscal years ended December 31, 2000, 2001 and 2002, and the interim six months ended 2003 have been restated. All applicable amounts relating to these restatements have been reflected in the following selected financial data.

In March 2004, we completed a joint venture transaction of our funeral operations in France. The 2004 Statement of Operations Data and Balance Sheet Data reflect a pretax gain of \$6.4 million and a tax benefit of \$27.2 million on this transaction. The financial position and results of operations of our France operations are reflected in the Balance Sheet Data and Statement of Operations Data, respectively, for all periods presented through March 11, 2004, the date the joint venture transaction was consummated. As a result of the transaction, our investment in France was reduced to 25% and is accounted for using the equity method of accounting subsequent to March 11, 2004.

### Proforma

Adjustments to the historical data to present proforma data in the tables below include:

(i) *Pensions*. Effective January 1, 2004, we changed our accounting for gains and losses on our pension plan assets and liabilities. We now recognize such gains and losses in our consolidated statement of operations as such gains and losses are incurred. Prior to 2004, we amortized the difference between actual and expected investment returns and actuarial gains and losses over seven years (except to the extent that settlements with employees required earlier recognition). We believe the change is preferable as the new method of accounting better reflects the economic nature of our pension plans and recognizes gains and losses on the pension plan assets and liabilities in the year the gains or losses occur. As a result of this accounting change, we recognized a charge for the cumulative effect of an accounting change of \$33.6 million, net of applicable taxes, as of January 1, 2004, which represents accumulated unrecognized net losses related to the pension plan assets and liabilities. In addition, for interim periods, we record net pension expense reflecting estimated returns on plan assets and obligations. Upon completion of the annual remeasurement during the fourth quarter, we recognize actual gains and losses on plan assets and obligations. The proforma selected consolidated statement of operations data presented below reflects the application of this accounting change to the financial data for the five years ended December 31, 2003 and for the interim period ended June 30, 2003.

(ii) *Goodwill*. In 2002, we 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, we 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 our North America cemetery reporting unit. The proforma selected consolidated statement of operations data presented below reflects the application of SFAS 142 to the financial data for the three years ended December 31, 2001.

(iii) *Revenue Recognition*. In 2000, we implemented Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101). As a result of this implementation, we changed certain of our accounting policies regarding preneed sales activities. We recorded a non-cash charge reflected as a cumulative effect of accounting change of \$866.1 million (as restated), net of applicable taxes, as of January 1, 2000. The proforma selected consolidated statement of operations data presented below reflects the application of SAB 101 for the year ended December 31, 1999.

The following tables should be read together with our Annual Report on Form 10-K for the year ended December 31, 2003, our Current Reports on Form 8-K filed March 24, 2004 and September 2, 2004, and our Quarterly Report on Form 10-Q for the six months ended June 30, 2004, each of which is incorporated by reference in this registration statement.

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The information in the following table is reported on a historical basis (in thousands, except per share data).

	Historical						
	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(Restated)	(Restated)	(Restated)		(Restated)		
<b>Selected Consolidated Statement of Operations Data:</b>							
Revenue	\$2,979.0	\$ 2,569.5	\$2,489.0	\$2,312.4	\$2,328.4	\$1,162.9	\$1,018.2
Income (loss) from continuing operations before cumulative effects of accounting changes	\$ (55.8)	\$ (388.4)	\$ (463.9)	\$ (82.2)	\$ 82.6	\$ 58.0	\$ 87.8
Net income (loss)	\$ (32.4)	\$ (1,294.1)	\$ (623.4)	\$ (232.5)	\$ 85.1	\$ 59.4	\$ 74.9
Earnings per share:							
Income (loss) from continuing operations before cumulative effects of accounting changes							
Basic	\$ (0.21)	\$ (1.43)	\$ (1.63)	\$ (0.28)	\$ 0.28	\$ 0.19	\$ 0.29
Diluted	\$ (0.21)	\$ (1.43)	\$ (1.63)	\$ (0.28)	\$ 0.27	\$ 0.19	\$ 0.27
Net income (loss)							
Basic	\$ (0.12)	\$ (4.75)	\$ (2.19)	\$ (0.79)	\$ 0.28		