

SERVICE CORPORATION INTERNATIONAL

Form 10-Q

April 26, 2012

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 2012

or

O TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-6402-1

SERVICE CORPORATION INTERNATIONAL

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or
organization)

74-1488375

(I. R. S. employer identification number)

1929 Allen Parkway, Houston, Texas

(Address of principal executive offices)

77019

(Zip code)

713-522-5141

(Registrant's telephone number, including area code)

None

(Former name, former address, or former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting
company

(Do not check if smaller reporting
company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

YES NO

The number of shares outstanding of the registrant's common stock as of April 24, 2012 was 217,098,386 (net of treasury shares).

Table of Contents

SERVICE CORPORATION INTERNATIONAL
INDEX

	Page
<u>Glossary</u>	<u>3</u>
<u>Part I. Financial Information</u>	<u>4</u>
<u>Item 1. Financial Statements</u>	<u>4</u>
<u>Unaudited Condensed Consolidated Statement of Operations — Three Months Ended March 31, 2012 and 2011</u>	<u>4</u>
<u>Unaudited Condensed Consolidated Statement of Comprehensive Income — Three Months Ended March 31, 2012 and 2011</u>	<u>5</u>
<u>Unaudited Condensed Consolidated Balance Sheet — March 31, 2012 and December 31, 2011</u>	<u>6</u>
<u>Unaudited Condensed Consolidated Statement of Cash Flows — Three Months Ended March 31, 2012 and 2011</u>	<u>7</u>
<u>Unaudited Condensed Consolidated Statement of Equity — Three Months Ended March 31, 2012 and 2011</u>	<u>8</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
<u>The Company</u>	<u>32</u>
<u>Financial Condition, Liquidity, and Capital Resources</u>	<u>32</u>
<u>Results of Operations — Three Months Ended March 31, 2012 and 2011</u>	<u>38</u>
<u>Critical Accounting Policies</u>	<u>41</u>
<u>Cautionary Statement on Forward-Looking Statements</u>	<u>41</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>42</u>
<u>Item 4. Controls and Procedures</u>	<u>42</u>
<u>Part II. Other Information</u>	<u>42</u>
<u>Item 1. Legal Proceedings</u>	<u>42</u>
<u>Item 1A. Risk Factors</u>	<u>43</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>43</u>
<u>Item 6. Exhibits</u>	<u>43</u>
<u>Signature</u>	<u>44</u>

Table of Contents

GLOSSARY

The following terms are common to the deathcare industry, are used throughout this report, and have the following meanings:

Atneed — Funeral and cemetery arrangements after a death has occurred.

Burial Vaults — A reinforced container intended to inhibit the subsidence of the earth and house the casket after it is placed in the ground.

Cemetery Perpetual Care or Endowment Care Fund — A trust fund established for the purpose of maintaining cemetery grounds and property into perpetuity.

Cremation — The reduction of human remains to bone fragments by intense heat.

General Agency (GA) Revenues — Commissions we receive from third-party life insurance companies for life insurance policies or annuities sold to preneed customers for the purpose of funding preneed funeral arrangements. The commission rate paid is determined based on the product type sold, the length of payment terms, and the age of the insured/annuitant.

Interment — The burial or final placement of human remains in the ground.

Lawn Crypt — An underground outer burial receptacle constructed of concrete and reinforced steel, which is usually pre-installed in predetermined designated areas.

Marker — A method of identifying a deceased person in a particular burial space, crypt, or niche. Permanent burial markers are usually made of bronze, granite, or stone.

Maturity — When the underlying contracted service is performed or merchandise is delivered, typically at death. This is the point at which preneed contracts are converted to atneed contracts (note — delivery of certain merchandise and services can occur prior to death).

Mausoleum — An above ground structure that is designed to house caskets and cremation urns.

Preneed — Purchase of products and services prior to a death occurring.

Preneed Backlog — Future revenues from unfulfilled preneed funeral and cemetery contractual arrangements.

Production — Sales of preneed funeral and preneed or atneed cemetery contracts.

As used herein, “SCI”, “Company”, “we”, “our”, and “us” refer to Service Corporation International and companies owned directly or indirectly by Service Corporation International, unless the context requires otherwise.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended	
	March 31,	
	2012	2011
	(In thousands, except per share amounts)	
Revenues	\$602,506	\$579,699
Costs and expenses	(474,939)	(453,253)
Gross profits	127,567	126,446
General and administrative expenses	(25,959)	(28,833)
Losses on divestitures and impairment charges, net	(490)	(420)
Operating income	101,118	97,193
Interest expense	(33,588)	(33,559)
Losses on early extinguishment of debt, net	—	(314)
Other income, net	3,905	674
Income before income taxes	71,435	63,994
Provision for income taxes	(23,120)	(24,065)
Net income	48,315	39,929
Net income attributable to noncontrolling interests	(290)	(1,165)
Net income attributable to common stockholders	\$48,025	\$38,764
Basic earnings per share:		
Net income attributable to common stockholders	\$0.22	\$0.16
Basic weighted average number of shares	220,132	239,772
Diluted earnings per share:		
Net income attributable to common stockholders	\$0.22	\$0.16
Diluted weighted average number of shares	223,212	242,052
Dividends declared per share	\$0.05	\$0.05

(See notes to unaudited condensed consolidated financial statements)

Table of Contents

SERVICE CORPORATION INTERNATIONAL
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 (UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net income	\$48,315	\$39,929
Other comprehensive income:		
Foreign currency translation adjustments	5,745	11,508
Total comprehensive income	54,060	51,437
Total comprehensive income (loss) attributable to noncontrolling interests	(275)	(1,171)
Total comprehensive income attributable to common stockholders	\$53,785	\$50,266

(See notes to unaudited condensed consolidated financial statements)

Table of ContentsSERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	March 31, 2012	December 31, 2011
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 113,831	\$ 128,569
Receivables, net	96,376	103,892
Deferred tax assets	38,073	44,316
Inventories, net	25,438	25,513
Other	24,400	25,803
Total current assets	298,118	328,093
Preneed funeral receivables, net and trust investments	1,516,968	1,478,865
Preneed cemetery receivables, net and trust investments	1,712,976	1,595,940
Cemetery property, at cost	1,496,439	1,497,703
Property and equipment, net	1,619,157	1,618,361
Goodwill	1,358,182	1,361,493
Deferred charges and other assets	423,504	430,851
Cemetery perpetual care trust investments	1,050,081	1,016,506
Total assets	\$9,475,425	\$9,327,812
LIABILITIES & EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$347,823	\$358,904
Current maturities of long-term debt	28,415	23,554
Income taxes	13,544	3,150
Total current liabilities	389,782	385,608
Long-term debt	1,858,984	1,861,116
Deferred preneed funeral revenues	566,449	575,546
Deferred preneed cemetery revenues	857,064	833,303
Deferred tax liability	414,810	405,615
Other liabilities	396,739	414,773
Deferred preneed funeral and cemetery receipts held in trust	2,558,446	2,424,356
Care trusts' corpus	1,048,056	1,015,300
Commitments and contingencies (Note 15)		
Equity:		
Common stock, \$1 per share par value, 500,000,000 shares authorized, 225,571,921 and 224,665,395 shares issued, respectively, and 217,097,274 and 222,955,853 shares outstanding, respectively	217,097	222,956
Capital in excess of par value	1,378,589	1,430,330
Accumulated deficit	(342,579	) (367,044
Accumulated other comprehensive income	111,612	105,852
Total common stockholders' equity	1,364,719	1,392,094
Noncontrolling interests	20,376	20,101
Total equity	1,385,095	1,412,195
Total liabilities and equity	\$9,475,425	\$9,327,812
(See notes to unaudited condensed consolidated financial statements)		

Table of Contents

SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Three Months Ended	
	March 31,	
	2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net income	\$48,315	\$39,929
Adjustments to reconcile net income to net cash provided by operating activities:		
Losses on early extinguishment of debt, net	—	314
Depreciation and amortization	29,541	29,331
Amortization of intangible assets	6,149	6,354
Amortization of cemetery property	9,569	9,500
Amortization of loan costs	1,194	1,184
Provision for doubtful accounts	2,842	1,933
Provision for deferred income taxes	18,479	19,379
Losses on divestitures and impairment charges, net	490	420
Share-based compensation	2,574	2,253
Change in assets and liabilities, net of effects from acquisitions and divestitures:		
Decrease in receivables	4,771	13,494
(Increase) decrease in other assets	(5,352)	) 1,386
Decrease in payables and other liabilities	(7,888)	) (1,454)
Effect of preneed funeral production and maturities:		
Decrease in preneed funeral receivables, net and trust investments	15,766	15,761
Decrease in deferred preneed funeral revenue	(7,735)	) (19,398)
Decrease in deferred preneed funeral receipts held in trust	(10,069)	) (8,942)
Effect of cemetery production and deliveries:		
Increase in preneed cemetery receivables, net and trust investments	(26,238)	) (9,456)
Increase in deferred preneed cemetery revenue	15,948	11,750
Increase (decrease) in deferred preneed cemetery receipts held in trust	642	(5,643)
Other	(3,214)	) (109)
Net cash provided by operating activities	95,784	107,986
Cash flows from investing activities:		
Capital expenditures	(23,378)	) (25,138)
Acquisitions	(804)	) (10,513)
Proceeds from divestitures and sales of property and equipment, net	264	4,697
Other	1,176	3,567
Net cash used in investing activities	(22,742)	) (27,387)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	907	—
Payments of debt	(497)	) (710)
Early extinguishment of debt	—	(5,155)
Principal payments on capital leases	(6,084)	) (5,639)
Proceeds from exercise of stock options	2,323	3,182
Purchase of Company common stock	(75,106)) (30,245)
Payments of dividends	(11,104)) (9,605)
Bank overdrafts and other	433	4,794

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Net cash used in financing activities	(89,128)	(43,378)
Effect of foreign currency on cash and cash equivalents	1,348		2,240	
Net (decrease) increase in cash and cash equivalents	(14,738	)	39,461	
Cash and cash equivalents at beginning of period	128,569		170,846	
Cash and cash equivalents at end of period	\$113,831		\$210,307	

(See notes to unaudited condensed consolidated financial statements)

7

Table of Contents

SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(UNAUDITED)
(In thousands)

	Common Stock	Treasury Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance at December 31, 2010	\$242,020	\$(985)	\$1,603,112	\$(477,459)	\$ 112,768	\$ 492	\$1,479,948
Comprehensive income	—	—	—	38,764	11,502	1,171	51,437
Dividends declared on common stock (\$.05 per share)	—	—	(11,930)	—	—	—	(11,930)
Employee share-based compensation earned	—	—	2,253	—	—	—	2,253
Stock option exercises	484	—	2,698	—	—	—	3,182
Restricted stock awards, net of forfeitures	539	—	(539)	—	—	—	—
Purchase of Company common stock	—	(3,204)	(27,041)	—	—	—	(30,245)
Other	11	—	53	—	—	—	64
Balance at March 31, 2011	\$243,054	\$(4,189)	\$1,568,606	\$(438,695)	\$ 124,270	\$ 1,663	\$1,494,709
Balance at December 31, 2011	224,666	(1,710)	1,430,330	(367,044)	105,852	20,101	1,412,195
Comprehensive income	—	—	—	48,025	5,760	275	54,060
Dividends declared on common stock (\$.05 per share)	—	—	(10,960)	—	—	—	(10,960)
Employee share-based compensation earned	—	—	2,574	—	—	—	2,574
Stock option exercises	422	—	1,901	—	—	—	2,323
Restricted stock awards, net of forfeitures	483	—	(483)	—	—	—	—
Purchase of Company common stock	—	(6,765)	(44,780)	(23,560)	—	—	(75,105)
Other	1	—	7	—	—	—	8
Balance at March 31, 2012	\$225,572	\$(8,475)	\$1,378,589	\$(342,579)	\$ 111,612	\$ 20,376	\$1,385,095

(See notes to unaudited condensed consolidated financial statements)

Table of Contents

SERVICE CORPORATION INTERNATIONAL

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

1. Nature of Operations

We are North America's largest provider of deathcare products and services, with a network of funeral service locations and cemeteries primarily operating in the United States and Canada. Our operations consist of funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria, and related businesses. Funeral service locations 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, casket memorialization products, burial vaults, cremation receptacles, cremation memorial products, flowers, and other ancillary products and services, is sold at funeral service locations. 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, markers, 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.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

Our unaudited condensed consolidated financial statements include the accounts of Service Corporation International (SCI) and all subsidiaries in which we hold a controlling financial interest. Our financial statements also include the accounts of the funeral merchandise and service trusts, cemetery merchandise and service trusts, and cemetery perpetual care trusts in which we have a variable interest and are the primary beneficiary. Our interim condensed consolidated financial statements are unaudited but include all adjustments, consisting of normal recurring accruals and any other adjustments, which management considers necessary for a fair statement of our results for these periods. Our unaudited condensed consolidated financial statements have been prepared in a manner consistent with the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2011, unless otherwise disclosed herein, and should be read in conjunction therewith. The accompanying year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year period.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation with no effect on our previously reported results of operations, consolidated financial position, or cash flows.

Use of Estimates in the Preparation of Financial Statements

The preparation of the unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions as described in our Annual Report on Form 10-K for the year ended December 31, 2011. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. As a result, actual results could differ from these estimates.

Preneed Funeral and Cemetery Receivables

We sell preneed funeral and cemetery contracts whereby the customer enters into arrangements for future merchandise and services prior to the time of need. As these contracts are prior to the delivery of the related goods and services, the preneed funeral and cemetery receivables are offset by a comparable deferred revenue amount. These receivables have an interest component for which interest income is recorded when the interest amount is considered collectible and realizable, which typically coincides with cash payment. We do not accrue interest on financing receivables that are not paid in accordance with the contractual payment date given the nature of our goods and services, the nature of our contracts with customers, and the timing of the delivery of our services. We do not consider receivables to be past due

until the service or goods are required to be delivered at which time the preneed receivable is paid or reclassified as a trade receivable with payment terms of less than 30 days. As the preneed funeral and cemetery receivables are offset by comparable deferred revenue amounts, we have no risk of loss related to these receivables.

If a preneed contract is cancelled prior to delivery, state or provincial law determines the amount of the refund owed to the customer, if any, including the amount of the attributed investment earnings. Upon cancellation, we receive the amount of principal

Table of Contents

deposited to the trust and previously undistributed net investment earnings and, where required, issue a refund to the customer. We retain excess funds, if any, and recognize the attributed investment earnings (net of any investment earnings payable to the customer) as revenue in the consolidated statement of operations. In certain jurisdictions, we may be obligated to fund any shortfall if the amount deposited by the customers exceed the funds in trust. Based on our historical experience, we have provided an allowance for cancellation of these receivables, which is recorded as a reduction in receivables with a corresponding offset to deferred revenue.

Fair Value Measurements

In May 2011, the Financial Accounting Standards Board (FASB) amended the Fair Value Measurements and Disclosure (FVM&D) Topic of the Accounting Standards Codification (ASC) to expand disclosures about items marked to fair value that are categorized within Level 3 of the fair value hierarchy to include qualitative explanations of the valuation methodology used and sensitivity analysis of the inputs into the valuation. The amendment also requires that items that are not measured at fair value but for which the fair value is disclosed also disclose the level in the fair value hierarchy in which those items were categorized. We adopted the amended guidance in the first quarter of 2012 and the appropriate disclosures are contained in Notes 4, 5, and 6.

Comprehensive Income

In June 2011, the FASB amended the Comprehensive Income Topic of the ASC to require the disclosure of the components of other comprehensive income, which we previously disclosed elsewhere in our filings, be shown as either part of one statement of comprehensive income or as a separate statement of comprehensive income immediately following the income statement. We adopted the amended guidance in the first quarter of 2012 and a separate Statement of Comprehensive Income is included herein.

3. Recently Issued Accounting Standards

Goodwill Testing

In September 2011, the FASB amended the Intangibles - Goodwill and Other Topic of the ASC that allows us to make a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If, after assessing the relevant information, we determine it is more likely than not that the fair value is more than the carrying amount, no additional analysis is necessary. If we determine it is more likely than not that the fair value is less than the carrying amount, then we are required to proceed to the quantitative approach. The amended guidance is effective for us in our annual test in the fourth quarter of 2012, and adoption will have no impact on our consolidated financial condition or results of operations.

4. Preneed Funeral Activities

Preneed funeral receivables, net and trust investments represent trust investments, including investment earnings, and customer receivables, net of unearned finance charges, related to unperformed, price-guaranteed preneed funeral contracts. Our funeral merchandise and service trusts are variable interest entities as defined in the Consolidation Topic of the ASC. In accordance with this guidance, we have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. Our cemetery trust investments detailed in Notes 5 and 6 are also accounted for as variable interest entities. When we receive payments from the customer, we deposit the amount required by law into the trust and reclassify the corresponding amount from Deferred preneed funeral revenues into Deferred preneed funeral and cemetery receipts held in trust. Amounts are withdrawn from the trusts after the contract obligations are performed. Cash flows from preneed funeral contracts are presented as operating cash flows in our unaudited condensed consolidated statement of cash flows.

Preneed funeral receivables, net and trust investments are reduced by the trust investment earnings (realized and unrealized) that we have been allowed to withdraw in certain states prior to maturity. These earnings are recorded in Deferred preneed funeral revenues until the service is performed or the merchandise is delivered.

The table below sets forth certain investment-related activities associated with our preneed funeral merchandise and service trusts:

Table of Contents

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Deposits	\$22,178	\$17,316
Withdrawals	30,912	23,758
Purchases of available-for-sale securities	188,059	83,757
Sales of available-for-sale securities	184,902	109,707
Realized gains from sales of available-for-sale securities	26,011	12,877
Realized losses from sales of available-for-sale securities	(9,748)	(4,034)

The components of Preneed funeral receivables, net and trust investments in our unaudited condensed consolidated balance sheet at March 31, 2012 and December 31, 2011 are as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Trust investments, at market	\$954,986	\$892,685
Cash and cash equivalents	92,970	101,111
Insurance-backed fixed income securities	269,149	277,650
Trust investments	1,317,105	1,271,446
Receivables from customers	241,685	246,601
Unearned finance charge	(5,428)	(5,425)
	1,553,362	1,512,622
Allowance for cancellation	(36,394)	(33,757)
Preneed funeral receivables and trust investments	\$1,516,968	\$1,478,865

The cost and market values associated with our funeral merchandise and service trust investments recorded at fair market value at March 31, 2012 and December 31, 2011 are detailed below. Cost reflects the investment (net of redemptions) of control holders in common trust funds, mutual funds, and private equity investments. Fair market value represents the value of the underlying securities held by the common trust funds, mutual funds at published values, and the estimated market value of private equity investments (including debt as well as the estimated fair value related to the contract holder's equity in majority-owned real estate investments).

Table of Contents

	March 31, 2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$106,997	\$4,731	\$(2,130)	\$109,598
Canadian government	113,298	367	(73)	113,592
Corporate	51,266	2,453	(577)	53,142
Residential mortgage-backed	3,294	65	(4)	3,355
Asset-backed	127	5	—	132
Equity securities:				
Preferred stock	1,885	81	(111)	1,855
Common stock:				
United States	219,926	50,121	(8,221)	261,826
Canada	23,261	2,851	(1,352)	24,760
Other international	17,232	1,695	(538)	18,389
Mutual funds:				
Equity	146,494	7,339	(8,898)	144,935
Fixed income	215,124	4,849	(13,174)	206,799
Private equity	36,605	214	(21,135)	15,684
Other	507	412	—	919
Trust investments	\$936,016	\$75,183	\$(56,213)	\$954,986
	December 31, 2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$77,299	\$4,565	\$(373)	\$81,491
Canadian government	114,586	838	(109)	115,315
Corporate	49,210	1,849	(770)	50,289
Residential mortgage-backed	3,292	71	(34)	3,329
Asset-backed	126	6	—	132
Equity securities:				
Preferred stock	2,041	50	(153)	1,938
Common stock:				
United States	258,738	40,992	(22,715)	277,015
Canada	23,986	2,511	(1,771)	24,726
Other international	18,954	1,045	(1,296)	18,703
Mutual funds:				
Equity	134,383	2,384	(18,982)	117,785
Fixed income	193,134	5,044	(13,114)	185,064
Private equity	35,017	218	(19,249)	15,986
Other	484	428	—	912
Trust investments	\$911,250	\$60,001	\$(78,566)	\$892,685

Where quoted prices are available in an active market, securities held by the common trust funds and mutual funds are classified as Level 1 investments pursuant to the three-level valuation hierarchy as required by the FVM&D Topic of the ASC.

Where quoted market prices are not available for the specific security, fair values are estimated by using either quoted prices

12

Table of Contents

of securities with similar characteristics or an income approach fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, rating, and tax-exempt status. These funds are classified as Level 2 investments pursuant to the three-level valuation hierarchy as required by the FVM&D Topic of the ASC.

The valuation of private equity and other alternative investments requires management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. The fair value of these investments is estimated based on the market value of the underlying real estate and private equity investments. The underlying real estate value is determined using the most recent available appraisals. As of March 31, 2012, private equity instruments are valued based on reported net asset values discounted by 0% to 60% for risk and 0% to 25% for liquidity. A significant increase (decrease) in the discounts results in a directionally opposite change in the fair value of the instruments. Valuation policies and procedures are determined by our Treasury department, which reports to our Chief Financial Officer. Additionally, valuations are reviewed by our audit committee quarterly. These funds are classified as Level 3 investments pursuant to the three-level valuation hierarchy as required by the FVM&D Topic of the ASC.

As of March 31, 2012, our unfunded commitment for our private equity and other investments was \$14.5 million which, if called, would be funded by the assets of the trusts. Our private equity and other investments include several funds that invest in limited partnerships, distressed debt, real estate, and mezzanine financing. These investments can never be redeemed by the funds. Instead, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the funds. We estimate that the underlying assets will be liquidated over the next 2 to 10 years.

Our investments classified as Level 1 securities include common stock and mutual funds. Level 2 securities include U.S. Treasury, Canadian government, corporate, mortgage-backed fixed income securities, and preferred stock equity securities. Our private equity and other alternative investments are classified as Level 3 securities.

The inputs into the fair value of our market-based funeral merchandise and service trust investments are categorized as follows:

	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2) (In thousands)	Significant Unobservable Inputs (Level 3)	Fair Market Value
Trust investments at March 31, 2012	\$656,709	\$281,674	\$16,603	\$954,986
Trust investments at December 31, 2011	\$623,293	\$252,494	\$16,898	\$892,685

The change in our market-based funeral merchandise and service trust investments with significant unobservable inputs (Level 3) is as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
Fair market value, beginning balance	\$16,898	\$21,359
Net unrealized (losses) gains included in Accumulated other comprehensive income(1)	(1,300)	3,870
Net realized losses included in Other income, net(2)	(10)	(7)
Purchases	—	—
Sales	(9)	(194)
Contributions	1,278	486
Distributions and other	(254)	(144)
Fair market value, ending balance	\$16,603	\$25,370

(1) All unrealized (losses) gains recognized in Accumulated other comprehensive income for our funeral merchandise and service trust investments are attributable to our preneed customers and are offset by a corresponding

reclassification in Accumulated other comprehensive income to Deferred preneed funeral and cemetery receipts held in trust. See Note 7 for further information related to our Deferred preneed funeral and cemetery receipts held in trust.

- (2) All losses recognized in Other income, net for our funeral merchandise and service trust investments are attributable to our preneed customers and are offset by a corresponding reclassification in Other income, net to Deferred preneed funeral and cemetery receipts held in trust. See Note 7 for further information related to our Deferred preneed funeral and cemetery receipts held in trust.

Maturity dates of our fixed income securities range from 2012 to 2042. Maturities of fixed income securities, excluding mutual

Table of Contents

funds, at March 31, 2012 are estimated as follows:

	Fair Market Value (In thousands)
Due in one year or less	\$134,939
Due in one to five years	60,065
Due in five to ten years	50,180
Thereafter	34,635
	\$279,819

Earnings from all our funeral merchandise and service trust investments are recognized in funeral revenues when a service is performed or merchandise is delivered. Fees charged by our wholly-owned registered investment advisor are also included in current revenues in the period in which they are earned. In addition, we are entitled to retain, in certain jurisdictions, a portion of collected customer payments when a customer cancels a preneed contract; these amounts are also recognized in current revenues. Recognized earnings (realized and unrealized) related to these trust investments were \$9.9 million and \$9.6 million for the three months ended March 31, 2012 and 2011, respectively. We assess our trust investments for other-than-temporary declines in fair value on a quarterly basis. Impairment charges resulting from this assessment are recognized as investment losses in Other income, net and a decrease to Preneed funeral receivables, net and trust investments. These investment losses, if any, are offset by the corresponding reclassification in Other income, net, which reduces Deferred preneed funeral receipts held in trust. See Note 7 for further information related to our Deferred preneed funeral receipts held in trust. For the three months ended March 31, 2012 and 2011, we recorded a \$0.3 million and a \$3.1 million impairment charge for other-than-temporary declines in fair value related to unrealized losses on certain investments, respectively.

We have determined that the remaining unrealized losses in our funeral merchandise and service trust investments are considered temporary in nature, as the unrealized losses were due to temporary fluctuations in interest rates and equity prices. The investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We believe that none of the securities are other-than-temporarily impaired based on our analysis of the investments. Our analysis included a review of the portfolio holdings and discussions with the individual money managers as to the sector exposures, credit ratings and the severity and duration of the unrealized losses. Our funeral merchandise and service trust investment unrealized losses, their associated fair market values, and the duration of unrealized losses as of March 31, 2012 and December 31, 2011, respectively, are shown in the following tables:

	March 31, 2012		In Loss Position		Total	Unrealized
	In Loss Position Less Than 12 Months	Unrealized Losses	In Loss Position Greater Than 12 Months	Unrealized Losses		
	Fair Market Value		Fair Market Value		Fair Market Value	Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$36,336	\$(1,930)	\$7,853	\$(200)	\$44,189	\$(2,130)
Canadian government	7,069	(73)	—	—	7,069	(73)
Corporate	13,340	(465)	609	(112)	13,949	(577)
Residential mortgage-backed	945	(4)	—	—	945	(4)
Equity securities:						
Preferred stock	778	(102)	90	(9)	868	(111)
Common stock:						
United States	42,370	(4,865)	10,229	(3,356)	52,599	(8,221)
Canada	4,039	(1,024)	973	(328)	5,012	(1,352)
Other international	4,702	(177)	1,837	(361)	6,539	(538)

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Mutual funds:							
Equity	33,514	(1,774)	22,122	(7,124)	55,636	(8,898)	
Fixed income	108,720	(5,684)	6,836	(7,490)	115,556	(13,174)	
Private equity	2,078	(3,705)	13,244	(17,430)	15,322	(21,135)	
Total temporarily impaired securities	\$253,891	\$(19,803)	\$63,793	\$(36,410)	\$317,684	\$(56,213)	

14

Table of Contents

	December 31, 2011		December 31, 2011		December 31, 2011	
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$6,977	\$(90)	\$8,709	\$(283)	\$15,686	\$(373)
Canadian government	9,597	(109)	—	—	9,597	(109)
Corporate	17,328	(692)	662	(78)	17,990	(770)
Residential mortgage-backed Asset-backed	600	(4)	295	(30)	895	(34)
Equity securities:						
Preferred stock	1,244	(153)	—	—	1,244	(153)
Common stock:						
United States	84,450	(18,120)	14,924	(4,595)	99,374	(22,715)
Canada	8,448	(1,491)	513	(280)	8,961	(1,771)
Other international	7,263	(615)	2,403	(681)	9,666	(1,296)
Mutual funds:						
Equity	76,559	(9,173)	26,053	(9,809)	102,612	(18,982)
Fixed income	68,378	(5,500)	9,314	(7,614)	77,692	(13,114)
Private equity	1,977	(3,499)	13,502	(15,750)	15,479	(19,249)
Other	—	—	—	—	—	—
Total temporarily impaired securities	\$282,821	\$(39,446)	\$76,375	\$(39,120)	\$359,196	\$(78,566)

5. Preneed Cemetery Activities

Preneed cemetery receivables, net and trust investments represent trust investments, including investment earnings, and customer receivables, net of unearned finance charges, for contracts sold in advance of when the property interment rights, merchandise, or services are needed. Our cemetery merchandise and service trusts are variable interest entities as defined in the Consolidation Topic of the ASC. In accordance with this guidance, we have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. The trust investments detailed in Notes 4 and 6 are also accounted for as variable interest entities. When we receive payments from the customer, we deposit the amount required by law into the trust and reclassify the corresponding amount from Deferred preneed cemetery revenues into Deferred preneed funeral and cemetery receipts held in trust. Amounts are withdrawn from the trusts when the contract obligations are performed. Cash flows from preneed cemetery contracts are presented as operating cash flows in our unaudited condensed consolidated statement of cash flows.

Preneed cemetery receivables, net and trust investments are reduced by the trust investment earnings (realized and unrealized) that we have been allowed to withdraw in certain states prior to maturity. These earnings are recorded in Deferred preneed cemetery revenues until the service is performed or the merchandise is delivered.

The table below sets forth certain investment-related activities associated with our preneed cemetery merchandise and service trusts:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Deposits	\$25,195	\$24,092

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Withdrawals	24,733	29,944
Purchases of available-for-sale securities	270,083	133,565
Sales of available-for-sale securities	255,417	133,555
Realized gains from sales of available-for-sale securities	39,272	16,847
Realized losses from sales of available-for-sale securities	(13,770)	(5,621)

The components of Preneed cemetery receivables, net and trust investments in our unaudited condensed consolidated balance sheet at March 31, 2012 and December 31, 2011 are as follows:

15

Table of Contents

	March 31, 2012	December 31, 2011
	(In thousands)	
Trust investments, at market	\$1,153,699	\$1,051,464
Cash and cash equivalents	92,072	104,554
Insurance-backed fixed income securities	10	5
Trust investments	1,245,781	1,156,023
Receivables from customers	543,488	517,917
Unearned finance charges	(31,935)	(33,766)
	1,757,334	1,640,174
Allowance for cancellation	(44,358)	(44,234)
Preneed cemetery receivables and trust investments	\$1,712,976	\$1,595,940

The cost and market values associated with our cemetery merchandise and service trust investments recorded at fair market value at March 31, 2012 and December 31, 2011 are detailed below. Cost reflects the investment (net of redemptions) of control holders in common trust funds, mutual funds, and private equity investments. Fair market value represents the value of the underlying securities held by the common trust funds, mutual funds at published values, and the estimated market value of private equity investments.

	March 31, 2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$95,800	\$6,829	\$(2,130)	\$100,499
Canadian government	17,029	351	(8)	17,372
Corporate	44,452	2,785	(572)	46,665
Residential mortgage-backed	163	4	—	167
Equity securities:				
Preferred stock	3,059	130	(204)	2,985
Common stock:				
United States	347,048	88,890	(10,942)	424,996
Canada	17,819	3,451	(1,576)	19,694
Other international	28,236	3,165	(669)	30,732
Mutual funds:				
Equity	236,441	10,592	(11,010)	236,023
Fixed income	268,654	10,588	(20,054)	259,188
Private equity	32,483	51	(17,599)	14,935
Other	331	112	—	443
Trust investments	\$1,091,515	\$126,948	\$(64,764)	\$1,153,699

Table of Contents

	December 31, 2011			
	Cost	Unrealized Gains (In thousands)	Unrealized Losses	Fair Market Value
Fixed income securities:				
U.S. Treasury	\$51,022	\$6,438	\$(313)	\$57,147
Canadian government	16,566	381	(24)	16,923
Corporate	42,803	2,033	(961)	43,875
Residential mortgage-backed Asset-backed	167 —	5 —	(2) —	170 —
Equity securities:				
Preferred stock	3,365	86	(270)	3,181
Common stock:				
United States	408,075	71,138	(30,454)	448,759
Canada	18,289	2,547	(1,780)	19,056
Other international	30,501	1,843	(1,536)	30,808
Mutual funds:				
Equity	197,523	3,317	(24,911)	175,929
Fixed income	248,529	11,670	(20,238)	239,961
Private equity	30,783	53	(15,617)	15,219
Other	306	130	—	436
Trust investments	\$1,047,929	\$99,641	\$(96,106)	\$1,051,464

Where quoted prices are available in an active market, securities held by the common trust funds and mutual funds are classified as Level 1 investments pursuant to the three-level valuation hierarchy as required by the FVM&D Topic of the ASC.

Where quoted market prices are not available for the specific security, fair values are estimated by using either quoted prices of securities with similar characteristics or an income approach fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, rating, and tax-exempt status. These funds are classified as Level 2 investments pursuant to the three-level valuation hierarchy as required by the FVM&D Topic of the ASC.

The valuation of private equity and other alternative investments requires management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. The fair value of these investments is estimated based on the market value of the underlying real estate and private equity investments. The underlying real estate value is determined using the most recent available appraisals. As of March 31, 2012, private equity instruments are valued based on reported net asset values discounted by 0% to 60% for risk and 0% to 25% for liquidity. A significant increase (decrease) in the discounts results in a directionally opposite change in the fair value of the instruments. Valuation policies and procedures are determined by our Treasury department, which reports to our Chief Financial Officer. Additionally, valuations are reviewed by our audit committee quarterly. These funds are classified as Level 3 investments pursuant to the three-level valuation hierarchy as required by the FVM&D Topic of the ASC.

As of March 31, 2012, our unfunded commitment for our private equity and other investments was \$15.2 million which, if called, would be funded by the assets of the trusts. Our private equity and other investments include several funds that invest in limited partnerships, distressed debt, real estate, and mezzanine financing. These investments can never be redeemed by the funds. Instead, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the funds. We estimate that the underlying assets will be liquidated over the next 2 to 10 years.

Our investments classified as Level 1 securities include common stock and mutual funds. Level 2 securities include U.S. Treasury, Canadian government, corporate, mortgage-backed and asset-backed fixed income securities, and preferred stock. Our private equity and other alternative investments are classified as Level 3 securities.

The inputs into the fair value of our market-based cemetery merchandise and service trust investments are categorized as follows:

17

Table of Contents

	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Market Value
	(In thousands)			
Trust investments at March 31, 2012	\$970,633	\$167,688	\$15,378	\$1,153,699
Trust investments at December 31, 2011	\$914,513	\$121,296	\$15,655	\$1,051,464

The change in our market-based cemetery merchandise and service trust investments with significant unobservable inputs (Level 3) is as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
Fair market value, beginning balance	\$15,655	\$6,251
Net unrealized (losses) gains included in Accumulated other comprehensive income(1)	(1,345)	6,311
Net realized losses included in Other income, net(2)	(12)	(8)
Sales	—	—
Contributions	1,356	503
Distributions and other	(276)	(2,393)
Fair market value, ending balance	\$15,378	\$10,664

All unrealized (losses) gains recognized in Accumulated other comprehensive income for our cemetery merchandise and service trust investments are attributable to our preneed customers and are offset by a (1) corresponding reclassification in Accumulated other comprehensive income to Deferred preneed funeral and cemetery receipts held in trust. See Note 7 for further information related to our Deferred preneed funeral and cemetery receipts held in trust.

All losses recognized in Other income, net for our cemetery merchandise and service trust investments are attributable to our preneed customers and are offset by a corresponding reclassification in Other income, net to (2) Deferred preneed funeral and cemetery receipts held in trust. See Note 7 for further information related to our Deferred preneed funeral and cemetery receipts held in trust.

Maturity dates of our fixed income securities range from 2012 to 2042. Maturities of fixed income securities, excluding mutual funds, at March 31, 2012 are estimated as follows:

	Fair Market Value (In thousands)
Due in one year or less	\$4,793
Due in one to five years	61,108
Due in five to ten years	49,640
Thereafter	49,162
	\$164,703

Earnings from all our cemetery merchandise and service trust investments are recognized in current cemetery revenues when a service is performed or merchandise is delivered. Fees charged by our wholly-owned registered investment advisor are also included in current revenues in the period in which they are earned. In addition, we are entitled to retain, in certain jurisdictions, a portion of collected customer payments when a customer cancels a preneed contract; these amounts are also recognized in current revenues. Recognized earnings (realized and unrealized) related to these trust investments were \$7.5 million and \$6.0 million for the three months ended March 31, 2012 and 2011, respectively.

We assess our trust investments for other-than-temporary declines in fair value on a quarterly basis. Impairment charges resulting from this assessment are recognized as investment losses in Other income, net and a decrease to

Preneed cemetery receivables, net and trust investments. These investment losses, if any, are offset by the corresponding reclassification in Other income, net, which reduces Deferred preneed cemetery receipts held in trust. See Note 7 for further information related to our Deferred preneed cemetery receipts held in trust. For the three months ended March 31, 2012 and 2011, we recorded a \$0.3 million and a \$1.0 million impairment charge for other-than-temporary declines in fair value related to unrealized losses on certain investments, respectively.

Table of Contents

We have determined that the remaining unrealized losses in our cemetery merchandise and service trust investments are considered temporary in nature, as the unrealized losses were due to temporary fluctuations in interest rates and equity prices. The investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We believe that none of the securities are other-than-temporarily impaired based on our analysis of the investments. Our analysis included a review of the portfolio holdings and discussions with the individual money managers as to the sector exposures, credit ratings, and the severity and duration of the unrealized losses. Our cemetery merchandise and service trust investment unrealized losses, their associated fair market values and the duration of unrealized losses as of March 31, 2012 are shown in the following tables:

	March 31, 2012		In Loss Position		Total	
	In Loss Position		Greater Than 12 Months			
	Less Than 12 Months		Fair Market Value		Fair Market Value	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$43,178	\$(1,932)	\$2,287	\$(198)	\$45,465	\$(2,130)
Canadian government	2,489	(8)	—	—	2,489	(8)
Corporate	13,559	(483)	538	(89)	14,097	(572)
Residential mortgage-backed	29	—	—	—	29	—
Equity securities:						
Preferred stock	1,382	(198)	66	(6)	1,448	(204)
Common stock:						
United States	59,820	(7,023)	11,828	(3,919)	71,648	(10,942)
Canada	4,255	(987)	420	(589)	4,675	(1,576)
Other international	5,230	(223)	2,620	(446)	7,850	(669)
Mutual funds:						
Equity	25,667	(1,593)	35,401	(9,417)	61,068	(11,010)
Fixed income	83,092	(7,603)	9,567	(12,451)	92,659	(20,054)
Private equity	474	(308)	13,946	(17,291)	14,420	(17,599)
Total temporarily impaired securities	\$239,175	\$(20,358)	\$76,673	\$(44,406)	\$315,848	\$(64,764)

Table of Contents

	December 31, 2011		In Loss Position		Total	
	Less Than 12 Months		Greater Than 12 Months			
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$1,736	\$(51)	\$3,038	\$(262)	\$4,774	\$(313)
Canadian government	4,024	(24)	—	—	4,024	(24)
Corporate	15,044	(850)	1,747	(111)	16,791	(961)
Residential mortgage-backed	2	(1)	15	(1)	17	(2)
Equity securities:						
Preferred stock	1,583	(270)	—	—	1,583	(270)
Common stock:						
United States	123,849	(26,401)	17,085	(4,053)	140,934	(30,454)
Canada	7,694	(1,260)	366	(520)	8,060	(1,780)
Other international	8,654	(629)	3,772	(907)	12,426	(1,536)
Mutual funds:						
Equity	115,725	(11,222)	36,398	(13,689)	152,123	(24,911)
Fixed income	48,950	(7,686)	9,367	(12,552)	58,317	(20,238)
Private equity	466	(254)	14,213	(15,363)	14,679	(15,617)
Total temporarily impaired securities	\$327,727	\$(48,648)	\$86,001	\$(47,458)	\$413,728	\$(96,106)

6. Cemetery Perpetual Care Trusts

We are required by state and provincial law to pay into cemetery perpetual care trusts a portion of the proceeds from the sale of cemetery property interment rights. Our cemetery perpetual care trusts are variable interest entities as defined in the Consolidation Topic of the ASC. In accordance with this guidance, we have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. The merchandise and service trust investments detailed in Notes 4 and 5 are also accounted for as variable interest entities. We consolidate our cemetery perpetual care trust investments with a corresponding amount recorded as Care trusts' corpus. Cash flows from cemetery perpetual care trusts are presented as operating cash flows in our unaudited condensed consolidated statement of cash flows.

The table below sets forth certain investment-related activities associated with our cemetery perpetual care trusts:

	Three Months Ended	
	March 31, 2012	March 31, 2011
	(In thousands)	
Deposits	\$6,544	\$5,789
Withdrawals	8,252	8,387
Purchases of available-for-sale securities	70,127	203,086
Sales of available-for-sale securities	52,886	267,666
Realized gains from sales of available-for-sale securities	2,162	21,241
Realized losses from sales of available-for-sale securities	(2,215)	(10,661)

The components of Cemetery perpetual care trust investments in our unaudited condensed consolidated balance sheet at March 31, 2012 and December 31, 2011 are as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	

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Trust investments, at market	\$999,259	\$952,573
Cash and cash equivalents	50,822	63,933
Cemetery perpetual care trust investments	\$1,050,081	\$1,016,506

The cost and market values associated with our cemetery perpetual care trust investments recorded at fair market value at

20

Table of Contents

March 31, 2012 and December 31, 2011 are detailed below. Cost reflects the investment (net of redemptions) of control holders in common trust funds, mutual funds, and private equity investments. Fair market value represents the value of the underlying securities or cash held by the common trust funds, mutual funds at published values, and the estimated market value of private equity investments.

	March 31, 2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$927	\$31	\$(1)	\$957
Canadian government	29,612	634	(15)	30,231
Corporate	21,406	544	(68)	21,882
Residential mortgage-backed	1,654	49	(1)	1,702
Asset-backed	98	6	—	104
Equity securities:				
Preferred stock	5,440	65	(404)	5,101
Common stock:				
United States	151,786	21,538	(4,024)	169,300
Canada	13,853	1,666	(1,595)	13,924
Other international	18,489	1,099	(699)	18,889
Mutual funds:				
Equity	17,795	2,534	(141)	20,188
Fixed income	664,339	37,041	(3,650)	697,730
Private equity	25,340	371	(13,734)	11,977
Other	8,133	1,083	(1,942)	7,274
Cemetery perpetual care trust investments	\$958,872	\$66,661	\$(26,274)	\$999,259
	December 31, 2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$981	\$39	\$—	\$1,020
Canadian government	29,015	686	(43)	29,658
Corporate	21,197	528	(134)	21,591
Residential mortgage-backed	1,662	53	(13)	1,702
Asset-backed	83	2	(1)	84
Equity securities:				
Preferred stock	6,475	18	(1,146)	5,347
Common stock:				
United States	141,880	14,443	(9,113)	147,210
Canada	13,374	1,483	(1,423)	13,434
Other international	16,836	1,314	(1,421)	16,729
Mutual funds:				
Equity	21,801	1,598	(579)	22,820
Fixed income	654,883	29,758	(9,402)	675,239
Private equity	23,212	374	(12,737)	10,849
Other	8,018	850	(1,978)	6,890
Cemetery perpetual care trust investments	\$939,417	\$51,146	\$(37,990)	\$952,573

Table of Contents

Where quoted prices are available in an active market, securities held by the common trust funds and mutual funds are classified as Level 1 investments pursuant to the three-level valuation hierarchy as required by the FVM&D Topic of the ASC.

Where quoted market prices are not available for the specific security, fair values are estimated by using either quoted prices of securities with similar characteristics or an income approach fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, rating, and tax-exempt status. These funds are classified as Level 2 investments pursuant to the three-level valuation hierarchy as required by the FVM&D Topic of the ASC.

The valuation of private equity and other alternative investments requires management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. The fair value of these investments is estimated based on the market value of the underlying real estate and private equity investments. The underlying real estate value is determined using the most recent available appraisals. As of March 31, 2012, private equity instruments are valued based on reported net asset values discounted by 0% to 60% for risk and 0% to 25% for liquidity. A significant increase (decrease) in the discounts results in a directionally opposite change in the fair value of the instruments. Valuation policies and procedures are determined by our Treasury department, which reports to our Chief Financial Officer. Additionally, valuations are reviewed by our audit committee quarterly. These funds are classified as Level 3 investments pursuant to the three-level valuation hierarchy as required by the FVM&D Topic of the ASC.

As of March 31, 2012, our unfunded commitment for our private equity and other investments was \$7.0 million which, if called, would be funded by the assets of the trusts. Our private equity and other investments include several funds that invest in limited partnerships, distressed debt, real estate, and mezzanine financing. These investments can never be redeemed by the funds. Instead, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the funds. We estimate that the underlying assets will be liquidated over the next 2 to 10 years.

Our investments classified as Level 1 securities include common stock and mutual funds. Level 2 securities include U.S. Treasury, Canadian government, corporate, mortgage-backed and asset-backed fixed income securities, and preferred stock. Our private equity and other alternative investments are classified as Level 3 securities.

The inputs into the fair value of our market-based cemetery perpetual care trust investments are categorized as follows:

	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2) (In thousands)	Significant Unobservable Inputs (Level 3)	Fair Market Value
Trust investments at March 31, 2012	\$920,031	\$59,977	\$19,251	\$999,259
Trust investments at December 31, 2011	\$875,432	\$59,402	\$17,739	\$952,573

The change in our market-based cemetery perpetual care trust investments with significant unobservable inputs (Level 3) is as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
Fair market value, beginning balance	\$17,739	\$17,089
Net unrealized (losses) gains included in Accumulated other comprehensive income(1)	839	6,111
Net realized gains (losses) included in Other income, net(2)	(57)	(27)
Sales	(26)	(44)
Contributions	1,390	1
Distributions and other	(634)	(2,871)
Fair market value, ending balance	\$19,251	\$20,259

All unrealized (losses) gains recognized in Accumulated other comprehensive income for our cemetery perpetual (1) care trust investments are offset by a corresponding reclassification in Accumulated other comprehensive income to Care trusts' corpus. See Note 7 for further information related to our Care trusts' corpus.

All gains (losses) recognized in Other income, net for our cemetery perpetual care trust investments are offset by a (2) corresponding reclassification in Other income, net to Care trusts' corpus. See Note 7 for further information related to our Care trusts' corpus.

Table of Contents

Maturity dates of our fixed income securities range from 2012 to 2042. Maturities of fixed income securities at March 31, 2012 are estimated as follows:

	Fair Market Value (In thousands)
Due in one year or less	\$5,684
Due in one to five years	23,190
Due in five to ten years	24,729
Thereafter	1,273
	\$54,876

Distributable earnings from these cemetery perpetual care trust investments are recognized in current cemetery revenues to the extent we incur qualifying cemetery maintenance costs. Fees charged by our wholly-owned registered investment advisor are also included in current revenues in the period in which they are earned. Recognized earnings related to these trust investments were \$9.0 million and \$9.2 million for the three months ended March 31, 2012 and 2011, respectively.

We assess our trust investments for other-than-temporary declines in fair value on a quarterly basis. Impairment charges resulting from this assessment are recognized as investment losses in Other income, net and a decrease to Cemetery perpetual care trust investments. These investment losses, if any, are offset by the corresponding reclassification in Other income, net, which reduces Care trusts' corpus. See Note 7 for further information related to our Care trusts' corpus. For the three months ended March 31, 2012 and 2011, we recorded a \$0.0 million and a \$0.3 million impairment charge for other-than-temporary declines in fair value related to unrealized losses on certain investments, respectively.

We have determined that the remaining unrealized losses in our cemetery perpetual care trust investments are considered temporary in nature, as the unrealized losses were due to temporary fluctuations in interest rates and equity prices. The investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We believe that none of the securities are other-than-temporarily impaired based on our analysis of the investments. Our analysis included a review of the portfolio holdings, and discussions with the individual money managers as to the sector exposures, credit ratings, and the severity and duration of the unrealized losses. Our cemetery perpetual care trust investment unrealized losses, their associated fair market values and the duration of unrealized losses, are shown in the following tables.

	March 31, 2012					
	In Loss Position		In Loss Position		Total	
	Less Than 12 Months		Greater Than 12 Months			
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$342	\$(1)	\$—	\$—	\$342	\$(1)
Canadian government	4,758	(15)	—	—	4,758	(15)
Corporate	5,960	(57)	68	(11)	6,028	(68)
Residential mortgage-backed	222	(1)	—	—	222	(1)
Equity securities:						
Preferred stock	2,937	(260)	434	(144)	3,371	(404)
Common stock:						
United States	22,965	(1,768)	8,142	(2,256)	31,107	(4,024)
Canada	4,568	(1,001)	643	(594)	5,211	(1,595)
Other international	9,843	(682)	262	(17)	10,105	(699)
Mutual funds:						

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Equity	827	(28)	2,267	(113)	3,094	(141)
Fixed income	84,277	(1,628)	45,962	(2,022)	130,239	(3,650)
Private equity	281	(349)	11,293	(13,385)	11,574	(13,734)
Other	144	(179)	5,807	(1,763)	5,951	(1,942)
Total temporarily impaired securities	\$137,124	\$(5,969)	\$74,878	\$(20,305)	\$212,002	\$(26,274)

December 31, 2011

	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$—	\$—	\$—	\$—	\$—	\$—
Canadian government	7,057	(43)	—	—	7,057	(43)
Corporate	3,854	(73)	1,456	(61)	5,310	(134)
Residential mortgage-backed Asset-backed	58	(1)	127	(12)	185	(13)
	51	(1)	—	—	51	(1)
Equity securities:						
Preferred stock	4,393	(1,116)	21	(30)	4,414	(1,146)
Common stock:						
United States	39,716	(5,459)	9,055	(3,654)	48,771	(9,113)
Canada	4,402	(772)	565	(651)	4,967	(1,423)
Other international	5,738	(1,226)	104	(195)	5,842	(1,421)
Mutual funds:						
Equity	9,852	(564)	2,717	(15)	12,569	(579)
Fixed income	144,350	(5,498)	51,301	(3,904)	195,651	(9,402)
Private equity	254	(324)	10,189	(12,413)	10,443	(12,737)
Other	140	(181)	5,660	(1,797)	5,800	(1,978)
Total temporarily impaired securities	\$219,865	\$(15,258)	\$81,195	\$(22,732)	\$301,060	