

SERVICE CORPORATION INTERNATIONAL

Form 10-Q

November 05, 2009

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q**

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

For the quarterly period ended September 30, 2009

Or

**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)

1929 Allen Parkway, Houston, Texas

(Address of principal executive offices)

74-1488375

(I. R. S. employer identification number)

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
(Do not check if a smaller
reporting company)

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 November 3, 2009 was 253,384,884 (net of treasury shares).

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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 house and protect the casket before 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 use.

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.

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SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Revenues	\$ 497,217	\$ 516,439	\$ 1,521,761	\$ 1,638,672
Costs and expenses	(396,054)	(434,171)	(1,218,653)	(1,311,646)
Gross profit	101,163	82,268	303,108	327,026
General and administrative expenses	(20,961)	(16,110)	(69,213)	(62,840)
Loss on divestitures and impairment charges, net	(2,221)	(12,819)	(1,280)	(28,723)
Hurricane expense, net		(4,313)		(4,313)
Other operating income, net				585
Operating income	77,981	49,026	232,615	231,735
Interest expense	(29,383)	(33,222)	(93,439)	(100,602)
Gain on early extinguishment of debt	482		3,922	
Interest income	584	1,128	1,872	4,502
Other income (expense), net	301	(1,000)	(442)	(1,061)
Income from continuing operations before income taxes	49,965	15,932	144,528	134,574
Provision for income taxes	(19,403)	(1,160)	(56,006)	(46,524)
Income from continuing operations	30,562	14,772	88,522	88,050
Loss from discontinued operations (net of income tax benefit of \$0, \$0, \$0, and \$195, respectively)				(362)
Net income	30,562	14,772	88,522	87,688
Net loss (income) attributable to noncontrolling interests	600	(133)	274	(133)
Net income attributable to common stockholders	\$ 31,162	\$ 14,639	\$ 88,796	\$ 87,555
Basic earnings per share:				
Income from continuing operations attributable to common stockholders	\$.12	\$.06	\$.35	\$.34
Net income attributable to common stockholders	\$.12	\$.06	\$.35	\$.34
Diluted earnings per share:				
Income from continuing operations attributable to common stockholders	\$.12	\$.06	\$.35	\$.33
Net income attributable to common stockholders	\$.12	\$.06	\$.35	\$.33
Basic weighted average number of shares	251,765	257,408	250,858	259,505

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Diluted weighted average number of shares	253,048	260,370	251,272	263,002
Dividends declared per share	\$.04	\$.04	\$.12	\$.12

(See notes to unaudited condensed consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)
(In thousands, except share amounts)

	September 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 233,485	\$ 128,397
Receivables, net	71,829	96,145
Inventories	30,717	31,603
Deferred tax asset	79,571	79,571
Current assets held for sale	1,512	1,279
Other	20,189	18,515
Total current assets	437,303	355,510
Preneed funeral receivables, net and trust investments	1,313,363	1,191,692
Preneed cemetery receivables, net and trust investments	1,310,989	1,062,952
Cemetery property, at cost	1,459,350	1,458,981
Property and equipment, net	1,546,670	1,567,875
Non-current assets held for sale	103,242	97,512
Goodwill	1,175,528	1,178,969
Deferred charges and other assets	368,593	452,634
Cemetery perpetual care trust investments	848,159	744,758
	\$ 8,563,197	\$ 8,110,883
Liabilities & Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 299,934	\$ 294,859
Current maturities of long-term debt	26,061	27,104
Current liabilities held for sale	625	465
Income taxes	1,623	4,354
Total current liabilities	328,243	326,782
Long-term debt	1,717,507	1,821,404
Deferred preneed funeral revenues	600,653	588,198
Deferred preneed cemetery revenues	812,390	771,117
Deferred income taxes	329,956	288,677
Non-current liabilities held for sale	80,181	75,537
Other liabilities	321,992	356,090
Deferred preneed funeral and cemetery receipts held in trust	2,103,825	1,817,665
Care trusts corpus	849,459	772,234
Commitments and contingencies (Note 15)		
Equity:		

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Common stock, \$1 per share par value, 500,000,000 shares authorized, 253,594,517, and 249,953,075 shares issued, respectively, 253,184,884 and 249,472,075 shares outstanding, respectively	253,185	249,472
Capital in excess of par value	1,721,253	1,733,814
Accumulated deficit	(637,960)	(726,756)
Accumulated other comprehensive income	82,893	36,649
Total common stockholders' equity	1,419,371	1,293,179
Noncontrolling interests	(380)	
Total equity	1,418,991	1,293,179
	\$ 8,563,197	\$ 8,110,883

(See notes to unaudited condensed consolidated financial statements)

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

	Nine Months Ended	
	September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 88,522	\$ 87,688
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations, net of tax		362
Gain on early extinguishment of debt, net	(3,922)	
Depreciation and amortization	82,821	84,219
Amortization of intangible assets	16,148	18,145
Amortization of cemetery property	21,723	23,824
Amortization of loan costs	2,526	2,718
Provision for doubtful accounts	8,606	6,768
Provision for deferred income taxes	42,418	94,107
Loss on divestitures and impairment charges, net	1,280	28,723
Share-based compensation	7,505	7,626
Excess tax benefits from share-based awards		(3,219)
Change in assets and liabilities, net of effects from acquisitions and divestitures:		
Decrease in receivables	13,296	7,786
Decrease (increase) in other assets	12,916	(71,977)
Increase (decrease) in payables and other liabilities	21,285	(92,603)
Effect of preneed funeral production and maturities:		
Decrease in preneed funeral receivables, net and trust investments	18,645	8,605
Increase in deferred preneed funeral revenue	8,679	23,229
Decrease in deferred preneed funeral receipts held in trust	(24,858)	(25,284)
Effect of cemetery production and maturities:		
(Increase) decrease in preneed cemetery receivables, net and trust investments	(27,019)	29,734
Increase in deferred preneed cemetery revenue	20,590	23,186
Decrease in deferred preneed cemetery receipts held in trust	(5,811)	(19,596)
Other	(1)	(592)
Net cash provided by operating activities	305,349	233,449
Cash flows from investing activities:		
Capital expenditures	(62,460)	(108,324)
Proceeds from divestitures and sales of property and equipment, net	20,984	19,221
Acquisitions	(3,359)	(8,545)
Net deposits of restricted funds and other	(1,023)	(21,476)
Net cash used in investing activities from continuing operations	(45,858)	(119,124)
Net cash provided by investing activities from discontinued operations		858
Net cash used in investing activities	(45,858)	(118,266)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt		72,807

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Payments of debt	(118,436)	(54,403)
Principal payments on capital leases	(18,704)	(18,550)
Purchase of Company common stock		(79,470)
Proceeds from exercise of stock options	13,405	6,097
Excess tax benefits from share-based awards		3,219
Payments of dividends	(30,060)	(31,166)
Bank overdrafts and other	(9,240)	(8,757)
Net cash used in financing activities	(163,035)	(110,223)
Effect of foreign currency on cash and cash equivalents	8,632	(1,651)
Net increase in cash and cash equivalents	105,088	3,309
Cash and cash equivalents at beginning of period	128,397	168,594
Cash and cash equivalents at end of period	\$ 233,485	\$ 171,903

(See notes to unaudited condensed consolidated financial statements)

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

	Outstanding Shares	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance at December 31, 2008	249,472	\$ 249,472	\$ 1,733,814	\$ (726,756)	\$ 36,649	\$	\$ 1,293,179
Net income				88,796		(274)	88,522
Other comprehensive income					46,244		46,244
Dividends declared on common stock (\$0.12 per share)			(30,212)				(30,212)
Employee share-based compensation earned			7,505				7,505
Stock option exercises	2,811	2,811	10,594				13,405
Restricted stock awards, net of forfeitures	830	830	(830)				
Issuance of shares from treasury	72	72	382				454
Other						(106)	(106)
Balance at September 30, 2009	253,185	\$ 253,185	\$ 1,721,253	\$ (637,960)	\$ 82,893	\$ (380)	\$ 1,418,991

(See notes to unaudited condensed consolidated financial statements)

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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 personalization 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 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 unaudited 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 presentation 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, 2008, 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.

We recorded several immaterial adjustments to correct errors related to prior accounting periods during the three and nine months ended September 30, 2009. The net impact of these adjustments was a decrease to our pre-tax income in the amount of \$0.1 million and an increase to net income in the amount of \$1.0 million for the three months ended September 30, 2009. The net impact of these adjustments was a decrease to our pre-tax income and net income in the amount of \$7.1 million and \$3.5 million, respectively, for the nine months ended September 30, 2009. We do not believe these adjustments are quantitatively or qualitatively material to our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2009, nor are they quantitatively or qualitatively material to our expected 2009 annual financial results. Additionally, such items are not quantitatively or qualitatively material to any of our prior annual financial statements, nor are such items qualitatively material to any of our prior quarterly financial statements.

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 Form 10-K for the year ended December 31, 2008. 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 period. As a result, actual results could differ from these estimates.

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In December 2007, the Financial Accounting Standards Board (FASB) revised the authoritative guidance for business combinations, establishing principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired (including goodwill), the liabilities assumed, and any noncontrolling interest in the acquiree. Subsequently, on April 1, 2009, the FASB amended and clarified certain aspects of its authoritative guidance on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. We will apply the FASB authoritative guidance to all business combinations for which the acquisition date is on or after January 1, 2009, and to certain future income tax effects related to our prior business combinations, should they arise. In these acquisitions, tangible and intangible assets acquired and liabilities assumed will be recorded at fair value and goodwill will be recognized for any difference between the price of the acquisition and our fair value determination.

On October 14, 2009, we entered into a definitive support agreement in which we agreed to offer to acquire all of the outstanding common shares of Keystone North America Inc. (Keystone) for Canadian (C)\$8.00 per share in cash. The total transaction is valued at approximately \$256 million, including the assumption of Keystone's outstanding debt. The transaction is anticipated to close in the first quarter of 2010, subject to customary closing conditions, including expiration of the waiting period under the Hart-Scott-Rodino Antitrust Act; however there can be no assurance the acquisition will be completed by this time or at all.

Noncontrolling Interests

The FASB issued authoritative guidance for noncontrolling interests in December 2007, establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance clarifies that a noncontrolling interest in a subsidiary, which is sometimes referred to as an unconsolidated investment, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, the guidance requires consolidated net income to be reported at amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. We adopted the provisions of the FASB guidance on January 1, 2009 and applied the provisions retrospectively. As a result, we have modified our unaudited condensed consolidated statement of operations, unaudited condensed consolidated balance sheet, unaudited condensed consolidated statement of cash flows, and unaudited condensed consolidated statement of equity to incorporate the required disclosure of noncontrolling interest information.

During our examination of the FASB authoritative guidance for noncontrolling interests and its impact on our current accounting, we determined that balances historically designated as non-controlling interest in our consolidated preneed funeral and cemetery trusts and our cemetery perpetual care trusts do not meet the criteria for non-controlling interest as prescribed by the new guidance, which states that only a financial instrument classified as equity in the trusts' financial statements can be a noncontrolling interest in the consolidated financial statements. The interest related to our merchandise and service trusts is classified as a liability because the preneed contracts underlying these trusts are unconditionally redeemable upon the occurrence of an event that is certain to occur. In addition, since the earnings from our cemetery perpetual care trusts are used to support the maintenance of our cemeteries, the interest in these trusts also retains the characteristics of a liability. Accordingly, effective December 31, 2008, we re-characterized the amounts historically described as *Non-controlling interest in funeral and cemetery trusts* as either *Deferred preneed funeral receipts held in trust* or *Deferred preneed cemetery receipts held in trust*, as appropriate. Additionally, we re-characterized the amounts historically described as *Non-controlling interest in cemetery perpetual care trusts* as *Care trusts corpus*.

Fair Value Measurements

We measure the available-for-sale securities held by our funeral merchandise and service, cemetery merchandise and service, and cemetery perpetual care trusts at fair value on a recurring basis in accordance with the FASB authoritative guidance for fair value measurements. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a framework for measuring fair value, and expands disclosures about instruments

measured at fair value. The guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs

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that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Certain available-for-sale securities held by our funeral merchandise and service, cemetery merchandise and service, and cemetery perpetual care trusts have been classified in Level 3 of the hierarchy due to significant management judgment required as a result of the absence of quoted market prices, inherent lack of liquidity, or the long-term nature of the securities. For additional disclosures required by FASB guidance for all of our available-for-sale securities, see Notes 4, 5, and 6.

In February 2008, the FASB provided a one-year deferral of the effective date of its authoritative guidance for fair value measurements for non-financial assets and liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with deferral provisions, we adopted on January 1, 2009, the guidance for our non-financial assets and liabilities, such as goodwill and property and equipment that we disclose or recognize at fair value on a non-recurring basis. As none of our non-financial assets or liabilities within the scope of guidance experienced an event that required fair value measurement during the nine months ended September 30, 2009, our adoption for these assets and liabilities has had no impact on our results of operations, consolidated financial position, or cash flows.

In April 2009, the FASB issued additional guidance on how to determine the fair value of assets and liabilities in an environment where the volume and level of activity for the asset or liability have significantly decreased. The FASB also re-emphasizes that the objective of a fair value measurement remains an exit price. The guidance, which was effective for us in the second quarter of 2009, did not have a material impact on our results of operations, consolidated financial position, or cash flows.

Determination of the Useful Life of Intangible Assets

In April 2008, the FASB issued authoritative guidance that amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset and requires enhanced related disclosures. The guidance must be applied prospectively to all intangible assets recognized as of, or acquired, subsequent to January 1, 2009. Our adoption of the guidance did not impact our unaudited condensed consolidated financial statements.

Other-Than-Temporary Impairments

In April 2009, the FASB amended the existing guidance on determining whether impairment for investments in debt securities is other-than-temporary and significantly changed the impairment model for such securities. The guidance also modified the presentation of other-than-temporary impairment losses and increased related disclosure requirements. Our second quarter 2009 adoption of the amended guidance did not have a material impact on our results of operations, consolidated financial position, or cash flows; however, we have included additional disclosures, as required, regarding our other-than-temporary impairments. See Notes 4, 5, and 6 for more information.

Interim Fair Value Disclosures

In April 2009, the FASB issued authoritative guidance that requires companies to disclose the fair value of financial instruments within interim financial statements, adding to the current requirement to provide such disclosures annually. The guidance was effective for us in the second quarter of 2009 and we have included additional disclosures as required.

Subsequent Events

In May 2009, the FASB issued authoritative guidance that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The guidance became effective for us in the second quarter of 2009. For the third quarter ended September 30, 2009, we have evaluated subsequent events through November 5, 2009. Compliance with the guidance did not have an impact on our unaudited condensed consolidated financial statements.

3. Recently Issued Accounting Standards*Variable Interest Entities*

In June 2009, the FASB amended its authoritative guidance to improve financial reporting by enterprises involved with variable interest entities. Specifically, the amended guidance addresses: (1) the impact resulting from the

elimination of the qualifying special-

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purpose entity concept in previously issued guidance, and (2) constituent concerns about the application of certain key provisions of the existing guidance on the consolidation of variable interest entities, including those in which the accounting and disclosures under the existing guidance do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. The amended guidance is effective for us on January 1, 2010, and we are still assessing the impact on our unaudited condensed consolidated financial statements.

Accounting Standards Codification and Hierarchy

In June 2009, the FASB established the FASB Accounting Standards Codification (ASC) as the source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities. Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or EITF Abstracts. Instead, it will issue Accounting Standards Updates to update the Codification. The Codification is effective for interim or annual financial periods ending after September 15, 2009. We adopted the Codification during the three months ended September 30, 2009, and its adoption did not impact our unaudited condensed consolidated financial statements.

Fair Value Measurements

In August 2009, the FASB issued additional guidance on how to determine the fair value of liabilities. The guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value utilizing one or more of the following techniques: (1) a valuation technique that uses the quoted market price of an identical liability or similar liabilities when traded as assets; or (2) another valuation technique that is consistent with the principles set forth by the FASB for measuring fair value, such as a present value technique. The guidance will be effective for the first reporting period after the issuance, which for us is the fourth quarter of 2009. We do not expect the guidance to have a material impact on our financial statements.

In September 2009, the FASB issued additional guidance on how to determine fair value for investments in certain entities that calculate net asset value per share. The guidance permits, as a practical expedient, to estimate the fair value of the investment using its reported net asset value per share as long as that value was calculated in accordance with the authoritative literature governing investment companies. The guidance will be effective for the first reporting period after the issuance, which for us is the fourth quarter of 2009, and we are currently evaluating the impact of the guidance on our financial statements.

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.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
Deposits	\$ 22,015	\$ 26,187	\$ 62,402	\$ 70,959
Withdrawals	27,296	24,528	81,237	95,039
Purchases of available-for-sale securities	124,939	116,264	255,423	306,035

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Sales of available-for-sale securities	138,777	76,922	314,322	311,517
Realized gains from sales of available-for-sale securities	5,599	7,535	12,957	37,844
Realized losses from sales of available-for-sale securities	(8,746)	(8,078)	(49,939)	(34,968)

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The components of *Preneed funeral receivables, net and trust investments* in our unaudited condensed consolidated balance sheet at September 30, 2009 and December 31, 2008 are as follows:

	September 30, 2009	December 31, 2008
	(In thousands)	
Trust investments at market	\$ 728,198	\$ 636,712
Cash and cash equivalents	150,452	125,657
Insurance-backed fixed income securities	214,999	216,394
Trust investments	1,093,649	978,763
Receivables from customers	257,917	249,224
Unearned finance charges	(6,328)	(6,316)
	1,345,238	1,221,671
Allowance for cancellation	(31,875)	(29,979)
Preneed funeral receivables, net and trust investments	\$ 1,313,363	\$ 1,191,692

The cost and market values associated with our funeral merchandise and service trust investments recorded at fair market value at September 30, 2009 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.

	September 30, 2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$ 34,935	\$ 991	\$ (231)	\$ 35,695
Canadian government	91,852	1,353	(49)	93,156
Corporate	32,736	1,667	(38)	34,365
Mortgage-backed	5,067	65	(25)	5,107
Asset-backed	144	6		150
Equity securities:				
Common stock (based on investment objectives):				
Growth	143,524	20,447	(13,314)	150,657
Value	173,450	16,856	(19,564)	170,742
Mutual funds:				
Equity	120,007	3,433	(30,780)	92,660
Fixed income	154,256	3,386	(22,399)	135,243
Private equity	19,624	1,276	(9,989)	10,911
Other	5,121	63	(3,886)	1,298
Trust investments	\$ 780,716	\$ 49,543	\$ (100,275)	\$ 729,984

Less: Assets associated with businesses held for
sale

(1,786)

\$ 728,198

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	December 31, 2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$ 61,907	\$ 569	\$ (17,533)	\$ 44,943
Canadian government	86,216	951	(828)	86,339
Corporate	21,144	106	(670)	20,580
Mortgage-backed	26,230	233	(7,728)	18,735
Asset-backed	20			20
Equity securities:				
Common stock (based on investment objectives):				
Growth	158,337	1,497	(47,427)	112,407
Value	184,807	1,747	(55,355)	131,199
Mutual funds:				
Equity	98,499	691	(33,276)	65,914
Fixed income	156,393	2,475	(40,380)	118,488
Private equity	18,597	1,872	(6,717)	13,752
Other	29,261	825	(2,958)	27,128
Trust investments	\$ 841,411	\$ 10,966	\$ (212,872)	\$ 639,505
Less: Assets associated with businesses held for sale				(2,793)
				\$ 636,712

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 Fair Value Measurements and Disclosures 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 a fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, rating, and tax-exempt status.

The valuation of private equity and other alternative investments requires significant 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. Private equity investments are valued using market appraisals or a discounted cash flow methodology depending on the nature of the underlying assets. The appraisals assess value based on a combination of replacement cost, comparative sales analysis, and discounted cash flow analysis.

Our investments classified as Level 1 securities include common stock and mutual funds. Level 2 securities include United States (U.S.) Treasury, Canadian government, corporate, mortgage-backed and asset-backed fixed income 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)	Significant Unobservable Inputs (Level 3)	Fair Market Value
	(In thousands)			
Trust investments at September 30, 2009	\$549,302	\$ 168,473	\$ 12,209	\$729,984
Trust investments at December 31, 2008	\$428,008	\$ 170,617	\$ 40,880	\$639,505

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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 September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Fair market value, beginning balance	\$ 12,346	\$ 47,080	\$ 40,880	\$ 37,865
Net unrealized losses included in <i>Accumulated other comprehensive income</i> (1)	(237)	(9,478)	(7,447)	(229)
Net (losses) gains included in <i>Other income (expense), net</i> (2)	(2)		17	
Purchases, sales, contributions, and distributions, net	102	(76)	650	(110)
Transfers out of Level 3			(21,891)	
Fair market value, ending balance	\$ 12,209	\$ 37,526	\$ 12,209	\$ 37,526

- (1) All losses recognized in *Accumulated other comprehensive income* for 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) gains recognized in *Other income (expense), 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 (expense), 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 2009 to 2039. Maturities of fixed income securities (excluding mutual funds) at September 30, 2009 are estimated as follows:

	Fair Market Value (In thousands)
Due in one year or less	\$ 85,998
Due in one to five years	33,642
Due in five to ten years	37,734
Thereafter	11,099
	\$ 168,473

Earnings from all trust investments are recognized in funeral revenues when a service is performed or merchandise is delivered. 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 our trust investments were \$5.9 million and \$10.1 million for the three months ended September 30, 2009 and 2008, respectively. Recognized earnings (realized and unrealized) related to

our trust investments were \$16.8 million and \$31.2 million for the nine months ended September 30, 2009 and 2008, 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 (expense), net* and a decrease to *Preneed funeral receivables, net and trust investments*. These investment losses, if any, are offset by a corresponding reclassification in *Other income (expense), net*, which reduces *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*. We recorded an impairment charge for other-than-temporary declines in fair value related to unrealized losses on certain securities of \$6.3 million and \$16.7 million for the three and nine months ended September 30, 2009, respectively. These impairment charges were primarily related to securities which we anticipate will be sold at a loss in the fourth quarter. We recorded an impairment charge for other-than-temporary declines in fair value related to unrealized losses on certain securities of \$1.3 million for the three and nine months ended September 30, 2008.

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Mortgage-backed	8,118	(3,495)	6,925	(4,233)	15,043	(7,728)
Equity securities:						
Common stock (based on investment objectives):						
Growth	57,436	(24,296)	41,992	(23,131)	99,428	(47,427)
Value	67,038	(28,356)	49,011	(26,999)	116,049	(55,355)
Mutual funds:						
Equity	33,709	(15,589)	27,181	(17,687)	60,890	(33,276)
Fixed income	43,432	(19,348)	33,975	(21,032)	77,407	(40,380)
Private equity	1,608	(691)	12,850	(6,026)	14,458	(6,717)
Other	709	(304)	5,659	(2,654)	6,368	(2,958)
Total temporarily impaired securities	\$ 260,262	\$ (101,304)	\$ 193,517	\$ (111,568)	\$ 453,779	\$ (212,872)

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

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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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
Deposits	\$ 25,297	\$ 29,602	\$ 68,960	\$ 84,914
Withdrawals	22,844	30,360	76,702	103,099
Purchases of available-for-sale securities	124,312	119,727	308,627	754,276
Sales of available-for-sale securities	128,440	94,052	276,361	341,284
Realized gains from sales of available-for-sale securities	6,585	11,462	12,615	34,876
Realized losses from sales of available-for-sale securities	(8,915)	(8,561)	(48,245)	(38,372)

The components of *Preneed cemetery receivables, net and trust investments* in our unaudited condensed consolidated balance sheet at September 30, 2009 and December 31, 2008 are as follows:

	September 30, 2009	December 31, 2008
	(In thousands)	
Trust investments, at market	\$ 874,263	\$ 659,149
Cash and cash equivalents	139,110	139,753
Trust investments	1,013,373	798,902
Receivables from customers	372,864	341,688
Unearned finance charges	(44,087)	(48,999)
	1,342,150	1,091,591
Allowance for cancellation	(31,161)	(28,639)
Preneed cemetery receivables, net and trust investments	\$ 1,310,989	\$ 1,062,952

The cost and market values associated with our cemetery merchandise and service trust investments recorded at fair market value at September 30, 2009 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.

	September 30, 2009		
	Cost	Unrealized Gains	Unrealized Losses
			Fair Market Value

	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$ 40,726	\$ 929	\$ (459)	\$ 41,196
Canadian government	14,601	390	(46)	14,945
Corporate	9,173	442		9,615
Mortgage-backed	9,333	51	(85)	9,299
Equity securities:				
Common stock (based on investment objectives):				
Growth	195,550	28,247	(15,365)	208,432
Value	252,161	22,932	(23,546)	251,547
Mutual funds:				
Equity	246,164	4,239	(45,597)	204,806
Fixed income	208,338	2,870	(32,495)	178,713
Private equity	11,131	11	(7,354)	3,788
Other	4,833	7	(3,494)	1,346
Trust investments	\$ 992,010	\$ 60,118	\$ (128,441)	\$ 923,687
Less: Assets associated with businesses held for sale				(49,424)
				\$ 874,263

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	December 31, 2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$ 60,699	\$ 139	\$ (19,146)	\$ 41,692
Canadian government	11,949	466		12,415
Corporate	9,726	130	(520)	9,336
Mortgage-backed	21,832	50	(6,867)	15,015
Equity securities:				
Common stock (based on investment objectives):				
Growth	194,429	544	(57,876)	137,097
Value	262,819	735	(78,233)	185,321
Mutual funds:				
Equity	203,032	480	(67,330)	136,182
Fixed income	189,492	952	(55,452)	134,992
Private equity	11,795	678	(3,538)	8,935
Other	25,154	533	(2,785)	22,902
Trust investments	\$ 990,927	\$ 4,707	\$ (291,747)	\$ 703,887
Less: Assets associated with businesses held for sale				(44,738)
				\$ 659,149

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 Fair Value Measurements and Disclosures 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 a fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, rating, and tax-exempt status.

The valuation of private equity and other alternative investments requires significant 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. Private equity investments are valued using market appraisals or a discounted cash flow methodology depending on the nature of the underlying assets. The appraisals assess value based on a combination of replacement cost, comparative sales analysis, and discounted cash flow analysis.

Our investments classified as Level 1 securities include common stock and mutual funds. Level 2 securities include U.S. Treasury, Canadian government, corporate, and mortgage-backed fixed income securities. 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:

Quoted Market Prices	Significant Other	Significant
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	in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Market Value
		(In thousands)		
Trust investments at September 30, 2009	\$ 843,498	\$ 75,055	\$ 5,134	\$ 923,687
Trust investments at December 31, 2008	\$ 593,592	\$ 78,458	\$ 31,837	\$ 703,887

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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		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Fair market value, beginning balance	\$ 5,388	\$ 24,255	\$ 31,837	\$ 21,809
Net unrealized (losses) gains included in <i>Accumulated other comprehensive income</i> (1)	(336)	(717)	(11,779)	2,994
Net realized (losses) gains included in <i>Other income (expense), net</i> (2)	(3)		15	
Purchases, sales, contributions, and distributions, net	85	(386)	654	(1,651)
Transfers out of Level 3			(15,593)	
Fair market value, ending balance	\$ 5,134	\$ 23,152	\$ 5,134	\$ 23,152

(1) All (losses) gains recognized in *Accumulated other comprehensive income* for cemetery 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) gains recognized in *Other income (expense), 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 (expense), 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 2009 to 2039. Maturities of fixed income securities (excluding mutual funds) at September 30, 2009 are estimated as follows:

	Fair Market Value (In thousands)
Due in one year or less	\$ 4,475
Due in one to five years	25,268
Due in five to ten years	26,187
Thereafter	19,125
	\$ 75,055

Earnings from all trust investments are recognized in cemetery revenues when a service is performed or merchandise is delivered. 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 our trust investments were \$3.1 million and \$1.4 million for

the three months ended September 30, 2009 and 2008, respectively. Recognized earnings (realized and unrealized) related to our trust investments were \$4.9 million and \$11.0 million for the nine months ended September 30, 2009 and 2008, 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 (expense), net* and a decrease to *Preneed cemetery receivables, net and trust investments*. These investment losses, if any, are offset by a corresponding reclassification in *Other income (expense), net*, which reduces *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*. We recorded an impairment charge for other-than-temporary declines in fair value related to unrealized losses on certain securities of \$20.6 million and \$33.5 million for the three and nine months ended September 30, 2009, respectively. These impairment charges were primarily related to securities which we anticipate will be sold at a loss in the fourth quarter. We recorded an impairment charge for other-than-temporary declines in fair value related to unrealized losses on certain securities of \$2.3 million for the three and nine months ended September 30, 2008.

We have determined that the remaining unrealized losses in our cemetery trust investments at September 30, 2009 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 these 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

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duration of the unrealized losses. Our cemetery trust investment unrealized losses, their associated fair market values and the duration of unrealized losses as of September 30, 2009 are shown in the following table:

	In Loss Position		September 30, 2009		Total	
	Less Than 12 Months		In Loss Position		Total	
	Fair		Greater Than 12		Fair	
	Market	Unrealized	Market	Unrealized	Market	Unrealized
	Value	Losses	Value	Losses	Value	Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$ 18,811	\$ (459)	\$	\$	\$ 18,811	\$ (459)
Foreign government	4,519	(46)			4,519	(46)
Mortgage-backed	3,107	(85)			3,107	(85)
Equity securities:						
Common stock (based on investment objectives):						
Growth	36,476	(3,826)	38,845	(11,539)	75,321	(15,365)
Value	53,909	(7,061)	74,450	(16,485)	128,359	(23,546)
Mutual funds:						
Equity	110,823	(37,555)	62,022	(8,042)	172,845	(45,597)
Fixed income	61,917	(17,494)	44,595	(15,001)	106,512	(32,495)
Private equity	9,960	(1,489)	9,357	(5,865)	19,317	(7,354)
Other	3,207	(481)	3,052	(3,013)	6,259	(3,494)
Total temporarily impaired securities	\$ 302,729	\$ (68,496)	\$ 232,321	\$ (59,945)	\$ 535,050	\$ (128,441)

	In Loss Position		December 31, 2008		Total	
	Less Than 12 Months		In Loss Position		Total	
	Fair		Greater Than 12		Fair	
	Market	Unrealized	Market	Unrealized	Market	Unrealized
	Value	Losses	Value	Losses	Value	Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$ 34,817	\$ (15,637)	\$ 5,757	\$ (3,509)	\$ 40,574	\$ (19,146)
Corporate	4,204	(435)	113	(85)	4,317	(520)
Mortgage-backed	12,491	(5,610)	2,066	(1,257)	14,557	(6,867)
Equity securities:						
Common stock (based on investment objectives):						
Growth	113,100	(50,671)	18,104	(7,205)	131,204	(57,876)
Value	152,885	(68,495)	24,471	(9,738)	177,356	(78,233)
Mutual funds:						
Equity	101,895	(46,405)	29,282	(20,925)	131,177	(67,330)

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Fixed income	100,882	(46,308)	15,045	(9,144)	115,927	(55,452)
Private equity	660	(231)	7,536	(3,307)	8,196	(3,538)
Other	519	(182)	5,933	(2,603)	6,452	(2,785)
Total temporarily impaired securities	\$ 521,453	\$ (233,974)	\$ 108,307	\$ (57,773)	\$ 629,760	\$ (291,747)

6. Cemetery Perpetual Care Trusts

We are required by state or 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 contracts are presented as operating cash flows in our unaudited condensed consolidated statement of cash flows.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
Deposits	\$ 5,878	\$ 5,715	\$ 17,208	\$ 17,650
Withdrawals	9,321	8,696	24,428	23,153
Purchases of available-for-sale securities	114,283	43,055	218,526	159,923
Sales of available-for-sale securities	122,468	52,899	191,463	178,648
Realized gains from sales of available-for-sale securities	1,358	1,529	5,082	11,881
Realized losses from sales of available-for-sale securities	(1,947)	(2,591)	(13,068)	(16,222)

The components of *Cemetery perpetual care trust investments* in our unaudited condensed consolidated balance sheet at September 30, 2009 and December 31, 2008 are as follows:

	September	December 31,
	30, 2009	2008
	(In thousands)	
Trust investments, at market	\$ 766,494	\$ 673,237
Cash and cash equivalents	81,665	71,521
Cemetery perpetual care trust investments	\$ 848,159	\$ 744,758

The cost and market values associated with our cemetery perpetual care trust investments recorded at fair market value at September 30, 2009 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.

	September 30, 2009			Fair Market Value
	Cost	Unrealized Gains	Unrealized Losses	
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$ 5,380	\$ 877	\$ (100)	\$ 6,157
Canadian government	24,601	659	(82)	25,178
Corporate	37,770	2,848	(607)	40,011
Mortgage-backed	3,669	54	(30)	3,693
Equity securities:				
Preferred stock	7,444	1,811	(329)	8,926
Common stock (based on investment objectives):				
Growth	4,133	293	(328)	4,098
Value	125,246	7,393	(17,062)	115,577
Mutual funds:				
Equity	112,975	1,321	(17,200)	97,096
Fixed income	482,114	3,964	(15,321)	470,757

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Private equity	21,454	295	(13,478)	8,271
Other	15,965	847	(10,304)	6,508
Cemetery perpetual care trust investments	\$ 840,751	\$ 20,362	\$ (74,841)	\$ 786,272
Less: Assets associated with businesses held for sale				(19,778)
				\$ 766,494

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	December 31, 2008			Fair
	Cost	Unrealized Gains	Unrealized Losses	Market Value
	(In thousands)			
Fixed income securities:				
U.S. Treasury	\$ 5,805	\$ 769	\$ (808)	\$ 5,766
Canadian government	20,837	773		21,610
Corporate	42,139	202	(5,079)	37,262
Mortgage-backed	4,376	1	(835)	3,542
Equity securities:				
Preferred stock	5,558	1	(1,186)	4,373
Common stock (based on investment objectives):				
Growth	5,744	70	(1,200)	4,614
Value	106,709	1,303	(22,287)	85,725
Mutual funds:				
Equity	90,044	25	(20,931)	69,138
Fixed income	519,132	233	(106,187)	413,178
Private equity	20,561	668	(2,812)	18,417
Other	32,482	816	(3,439)	29,859
Cemetery perpetual care trust investments	\$ 853,387	\$ 4,861	\$ (164,764)	\$ 693,484
Less: Assets associated with businesses held for sale				(20,247)
				\$ 673,237

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 Fair Value Measurements and Disclosures 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 a fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, rating, and tax-exempt status.

The valuation of private equity and other alternative investments requires significant 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. Private equity investments are valued using market appraisals or a discounted cash flow methodology depending on the nature of the underlying assets. The appraisals assess value based on a combination of replacement cost, comparative sales analysis, and discounted cash flow analysis.

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 cemetery perpetual care trust investments are categorized as follows:

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 September 30, 2009	\$ 687,528	\$ 83,965	\$ 14,779	\$ 786,272
Trust investments at December 31, 2008	\$ 572,655	\$ 72,553	\$ 48,276	\$ 693,484

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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		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Fair market value, beginning balance	\$ 14,397	\$ 33,319	\$ 48,276	\$ 32,644
Net unrealized gains (losses) included in <i>Accumulated other comprehensive income</i> (1)	633	(760)	(28,086)	4,341
Net realized losses included in <i>Other income (expense), net</i> (2)	(38)		(43)	
Purchases, sales, contributions, and distributions, net	(213)	112	1,844	(4,314)
Transfers out of Level 3			(7,212)	
Fair market value, ending balance	\$ 14,779	\$ 32,671	\$ 14,779	\$ 32,671

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

(2) All losses recognized in *Other income (expense), net* for our cemetery

perpetual care trust investments are offset by a corresponding reclassification in *Other income (expense), net* to *Care trusts corpus*. See Note 7 for further information related to our *Care trusts corpus*.

Maturity dates of our fixed income securities range from 2009 to 2039. Maturities of fixed income securities (excluding mutual funds) at September 30, 2009 are estimated as follows:

	Fair Market Value (In thousands)
Due in one year or less	\$ 8,447
Due in one to five years	31,970
Due in five to ten years	18,399
Thereafter	16,223
	\$ 75,039

Distributable earnings from these cemetery perpetual care trust investments are recognized in current cemetery revenues to the extent we incur qualifying cemetery maintenance costs. Recognized earnings related to these cemetery perpetual care trust investments were \$8.8 million and \$9.5 million for the three months ended September 30, 2009 and 2008, respectively. Recognized earnings related to these cemetery perpetual care trust investments were \$26.9 million and \$29.5 million for the nine months ended September 30, 2009 and 2008, 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 (expense), net*, and a decrease to *Cemetery perpetual care trust investments*. These investment losses, if any, are offset by a corresponding reclassification in *Other income (expense), net*, which reduces *Care trusts corpus*. See Note 7 for further information related to our *Care trusts corpus*. We recorded an impairment charge for other-than-temporary declines in fair value related to unrealized losses on certain securities of \$6.7 million and \$12.6 million for the three and nine months ended September 30, 2009. These impairment charges were primarily related to securities which we anticipate will be sold at a loss in the fourth quarter. We recorded an impairment charge for other-than-temporary declines in fair value related to unrealized losses on certain securities of \$0.3 million for the three and nine months ended September 30, 2008.

We have determined that the remaining unrealized losses in our cemetery perpetual care trust investments at September 30, 2009 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 these 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 as of September 30, 2009 are shown in the following table:

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	In Loss Position		September 30, 2009		Total	
	Less Than 12 Months		In Loss Position 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	\$ 2,207	\$ (100)	\$	\$	\$ 2,207	\$ (100)
Foreign government	7,499	(82)			7,499	(82)
Corporate	6,037	(588)	21	(19)	6,058	(607)
Mortgage-backed	1,051	(30)			1,051	(30)
Equity securities:						
Preferred stock	355	(3)	795	(326)	1,150	(329)
Common stock (based on investment objectives):						
Growth	146	(36)	2,053	(292)	2,199	(328)
Value	30,719	(6,209)	33,329	(10,853)	64,048	(17,062)
Mutual funds:						
Equity	62,206	(11,975)	21,841	(5,225)	84,047	(17,200)