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 June 30, 2019

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	**74-1488375**
(State or other jurisdiction of incorporation or organization)	(I. R. S. employer identification number)
1929 Allen Parkway	**77019**
Houston	(Zip code)
Texas	**(713) 522-5141**
(Address of principal executive offices)	(Registrant's telephone number, including area code)

None

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock ($1 par value)	SCI	New York Stock Exchange

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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

☒ Large accelerated filer	☐ Accelerated filer	☐ Non-accelerated filer (Do not check if smaller reporting company)	☐ Smaller reporting company	☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 July 26, 2019 was 182,360,782 (net of treasury shares).

SERVICE CORPORATION INTERNATIONAL

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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, including cremation, and cemetery arrangements sold once death has occurred.

Cancellation — Termination of a preneed contract, which relieves us of the obligation to provide the goods and services included in the contract. Cancellations may be requested by the customer or be initiated by us for failure to comply with the contractual terms of payment. State or provincial laws govern the amount of refund, if any, owed to the customer.

Care Trust Corpus — The deposits and net realized capital gains and losses included in a perpetual care trust that cannot be withdrawn. In certain states, some or all of the net realized capital gains can be distributed, so they are not included in the corpus.

Cemetery Merchandise and Services — Stone and bronze memorials, markers, outer burial containers, floral placement, graveside services, merchandise installations, urns, and interments.

Cemetery Perpetual Care Trust or Endowment Care Fund (ECF) — A trust fund established for the purpose of maintaining cemetery grounds and property into perpetuity. For these trusts, the corpus remains in the trust in perpetuity and the investment earnings or elected distributions are withdrawn regularly and are intended to defray our expenses incurred to maintain the cemetery. In certain states, some or all of the net realized capital gains can also be distributed. Additionally, some states allow a total return distribution that may contain elements of income, capital appreciation, and principal.

Cemetery Property — Developed lots, lawn crypts, mausoleum spaces, niches, and cremation memorialization property items (constructed and ready to accept interments) and undeveloped land we intend to develop for the sale of interment rights. Includes the construction-in-progress balance during the pre-construction and construction phases of projects creating new developed property items.

Cemetery Property Amortization — The non-cash recognized expenses of cemetery property interment rights, which are recorded by specific identification with the cemetery property revenue for each contract.

Cemetery Property Interment Rights — The exclusive right to determine the human remains that will be interred in a specific cemetery property space. See also Cemetery Property Revenue below.

Cemetery Property Revenue — Recognized sales of interment rights in cemetery property when the receivable is deemed collectible and the property is fully constructed and available for interment.

Combination Location (Combos) — Locations where a funeral service location is physically located within or adjoining a SCI owned cemetery location.

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

Cremation Memorialization — Products specifically designed to commemorate and honor the life of an individual that has been cremated. These products include cemetery property items that provide for the disposition of cremated remains within our cemeteries such as benches, boulders, statues, etc. They also include memorial walls and books where the name of the individual is inscribed but the remains have been scattered or kept by the family.

Funeral Merchandise and Services — Merchandise such as burial caskets and related accessories, outer burial containers, urns and other cremation receptacles, casket and cremation memorialization products, flowers, and professional services relating to funerals including arranging and directing services, use of funeral facilities and motor vehicles, removal, preparation, embalming, cremations, memorialization, visitations, travel protection, and catering.

Funeral Recognized Preneed Revenue — Funeral merchandise and travel protection, net sold on a preneed contract and delivered before a death has occurred.

Funeral Services Performed — The number of funeral services, including cremations, provided after the date of death, sometimes referred to as funeral volume.

General Agency (GA) Revenue — Commissions we receive from third-party life insurance companies for life insurance policies 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 (interment), in mausoleums (entombment), in niches (inurnment), or in cremation memorialization property (inurnment).

Lawn Crypt — Cemetery property in which an underground outer burial receptacle constructed of concrete and reinforced steel has been pre-installed in predetermined designated areas.

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

Maturity — When the underlying contracted merchandise is delivered or service is performed, typically at death. This is the point at which preneed funeral 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/or cremation urns.

Merchandise and Service Trust — A trust account established in accordance with state or provincial law into which we deposit the required percentage of customers' payments for preneed funeral, cremation, or cemetery merchandise and services to be delivered or performed by us in the future. The amounts deposited can be withdrawn only after we have completed our obligations under the preneed contract or the cancellation of the contract. Also referred to as a preneed trust.

Outer Burial Container — A reinforced container intended to inhibit the subsidence of the earth and house the casket after it is placed in the ground, also known as a burial vault.

Preneed — Purchase of cemetery property interment rights or any merchandise and services prior to death occurring.

Preneed Backlog — Future revenue from unfulfilled preneed funeral, cremation, and cemetery contractual arrangements.

Preneed Cemetery Production — Sales of preneed cemetery contracts. These sales are recorded in *Deferred revenue, net* until the merchandise is delivered, the service is performed, and the property has been constructed and is available for interment.

Preneed Funeral Production — Sales of preneed funeral trust-funded and insurance-funded contracts. Preneed funeral trust-funded contracts are recorded in *Deferred revenue, net* until the merchandise is delivered or the service is performed. We do not reflect the unfulfilled insurance-funded preneed funeral contract amounts in our Consolidated Balance Sheet. The proceeds of the life insurance policies will be reflected in revenue as these funerals are performed by us in the future.

Preneed Receivables, Net — Amounts due from customers when we have delivered the merchandise, performed the service, or transferred control of the cemetery property interment rights prior to a death occurring or amounts due from customers on irrevocable preneed contracts.

Sales Average — Average revenue per funeral service performed, excluding the impact of funeral recognized preneed revenue, GA revenue, and certain other revenue.

Travel Protection — A product that provides shipment of remains to the servicing funeral home or cemetery of choice if the purchaser passes away outside of a certain radius of their residence, without any additional expense to the family.

Trust Fund Income — Recognized investment earnings from our merchandise and service and perpetual care trust investments.

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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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands, except per share amounts)			
Revenue:				
Property and merchandise revenue	$ 415,492	$ 397,600	$ 796,701	$ 765,814
Service revenue	339,090	334,450	694,461	712,548
Other revenue	57,990	64,042	119,622	112,212
Total revenue	812,572	796,092	1,610,784	1,590,574
Costs and expenses:				
Cost of property and merchandise	(213,635)	(209,925)	(411,529)	(397,648)
Cost of service	(193,378)	(188,293)	(384,191)	(379,141)
Overhead and other expenses	(214,413)	(209,747)	(432,084)	(429,896)
Total costs and expenses	(621,426)	(607,965)	(1,227,804)	(1,206,685)
Operating profit	191,146	188,127	382,980	383,889
General and administrative expenses	(29,370)	(31,136)	(71,900)	(65,920)
(Losses) gains on divestitures and impairment charges, net	(11,823)	6,865	(13,701)	7,347
Hurricane recoveries (expenses), net	152	(1,902)	(296)	330
Operating income	150,105	161,954	297,083	325,646
Interest expense	(47,317)	(44,519)	(94,707)	(88,095)
Loss on early extinguishment of debt, net	(7,579)	—	(7,579)	(10,131)
Other income, net	874	1,880	1,594	2,264
Income before income taxes	96,083	119,315	196,391	229,684
Provision for income taxes	(23,570)	(16,034)	(44,665)	(44,355)
Net income	72,513	103,281	151,726	185,329
Net income attributable to noncontrolling interests	(184)	(42)	(74)	(102)
Net income attributable to common stockholders	$ 72,329	$ 103,239	$ 151,652	$ 185,227
Basic earnings per share:				
Net income attributable to common stockholders	$ 0.40	$ 0.57	$ 0.83	$ 1.01
Basic weighted average number of shares	182,369	182,637	182,048	183,877
Diluted earnings per share:				
Net income attributable to common stockholders	$ 0.39	$ 0.55	$ 0.82	$ 0.98
Diluted weighted average number of shares	185,690	187,188	185,517	188,547

(See notes to unaudited condensed consolidated financial statements)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Net income	$ 72,513	$ 103,281	$ 151,726	$ 185,329
Other comprehensive income:				
Foreign currency translation adjustments	6,998	(5,909)	14,399	(15,501)
Total comprehensive income	79,511	97,372	166,125	169,828
Total comprehensive income attributable to noncontrolling interests	(36)	(41)	(76)	(98)
Total comprehensive income attributable to common stockholders	$ 79,475	$ 97,331	$ 166,049	$ 169,730

(See notes to unaudited condensed consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	June 30, 2019	December 31, 2018
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 243,684	$ 198,850
Receivables, net	82,261	73,825
Inventories	25,669	24,950
Other	42,603	33,607
Total current assets	394,217	331,232
Preneed receivables, net and trust investments	4,613,523	4,271,392
Cemetery property	1,834,745	1,837,464
Property and equipment, net	2,027,417	1,977,364
Goodwill	1,846,627	1,863,842
Deferred charges and other assets	1,019,105	934,151
Cemetery perpetual care trust investments	1,624,709	1,477,798
Total assets	$ 13,360,343	$ 12,693,243
LIABILITIES & EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 447,388	$ 479,768
Current maturities of long-term debt	167,084	69,896
Income taxes payable	—	5,936
Total current liabilities	614,472	555,600
Long-term debt	3,464,902	3,532,182
Deferred revenue, net	1,444,564	1,418,814
Deferred tax liability	404,230	404,627
Other liabilities	370,507	297,302
Deferred receipts held in trust	3,693,355	3,371,738
Care trusts' corpus	1,624,097	1,471,165
Commitments and contingencies (Note 10)		
Equity:		
Common stock, $1 per share par value, 500,000,000 shares authorized, 186,411,295 and 184,720,582 shares issued, respectively, and 182,468,970 and 181,470,582 shares outstanding, respectively	182,469	181,471
Capital in excess of par value	998,794	972,710
Retained earnings	535,173	474,327
Accumulated other comprehensive income	27,792	13,395
Total common stockholders' equity	1,744,228	1,641,903
Noncontrolling interests	(12)	(88)
Total equity	1,744,216	1,641,815
Total liabilities and equity	$ 13,360,343	$ 12,693,243

(See notes to unaudited condensed consolidated financial statements)

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 151,726	$ 185,329
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early extinguishment of debt	7,579	10,131
Depreciation and amortization	74,244	78,069
Amortization of intangibles	13,653	13,645
Amortization of cemetery property	33,523	29,813
Amortization of loan costs	2,989	3,017
Provision for doubtful accounts	4,273	4,494
Provision for deferred income taxes	6,090	22,011
Losses (gains) on divestitures and impairment charges, net	13,701	(7,347)
Gain on sale of investments	—	(2,636)
Share-based compensation	8,013	7,544
Change in assets and liabilities, net of effects from acquisitions and divestitures:		
(Increase) decrease in receivables	(11,608)	965
Increase in other assets	(18,643)	(10,635)
Decrease in payables and other liabilities	(55,148)	(37,817)
Effect of preneed sales production and maturities:		
Increase in preneed receivables, net and trust investments	(1,594)	(23,494)
Increase in deferred revenue, net	55,441	56,342
Decrease in deferred receipts held in trust	(21,346)	(14,055)
Net cash provided by operating activities	262,893	315,376
Cash flows from investing activities:		
Capital expenditures	(112,714)	(102,890)
Acquisitions, net of cash acquired	(32,755)	(167,622)
Proceeds from divestitures and sales of property and equipment	11,380	18,305
Proceeds from sale of investments	—	2,900
Payments on Company-owned life insurance policies	(8,586)	(11,733)
Proceeds from Company-owned life insurance policies	—	2,810
Other	—	(14,525)
Net cash used in investing activities	(142,675)	(272,755)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	854,263	370,000
Debt issuance costs	(15,536)	—
Scheduled payments of debt	(8,712)	(8,631)
Early payments of debt	(828,121)	(259,590)
Principal payments on finance leases	(21,807)	(19,270)
Proceeds from exercise of stock options	23,101	7,302
Purchase of Company common stock	(29,574)	(228,866)
Payments of dividends	(65,691)	(62,241)
Bank overdrafts and other	12,307	(8,820)
Net cash used in financing activities	(79,770)	(210,116)
Effect of foreign currency on cash, cash equivalents, and restricted cash	3,113	(2,133)
Net increase (decrease) in cash, cash equivalents, and restricted cash	43,561	(169,628)
Cash, cash equivalents, and restricted cash at beginning of period	207,584	340,601
Cash, cash equivalents, and restricted cash at end of period	$ 251,145	$ 170,973

(See notes to unaudited condensed consolidated financial statements)

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

	Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance at December 31, 2018	$ 184,721	$ (3,250)	$ 972,710	$ 474,327	$ 13,395	$ (88)	$ 1,641,815
Comprehensive income	—	—	—	79,323	7,251	40	86,614
Dividends declared on common stock ($0.18 per share)	—	—	—	(32,820)	—	—	(32,820)
Employee share-based compensation earned	—	—	4,568	—	—	—	4,568
Stock option exercises	950	—	15,012	—	—	—	15,962
Restricted stock awards, net of forfeitures	126	—	(126)	—	—	—	—
Purchase of Company common stock	—	(355)	(1,935)	(12,252)	—	—	(14,542)
Other	59	—	(1,251)	—	—	—	(1,192)
Balance at March 31, 2019	185,856	(3,605)	988,978	508,578	20,646	(48)	1,700,405
Comprehensive income	—	—	—	72,329	7,146	36	79,511
Dividends declared on common stock ($0.18 per share)	—	—	—	(32,871)	—	—	(32,871)
Employee share-based compensation earned	—	—	3,445	—	—	—	3,445
Stock option exercises	513	—	6,626	—	—	—	7,139
Purchase of Company common stock	—	(337)	(1,832)	(12,863)	—	—	(15,032)
Other	42	—	1,577	—	—	—	1,619
Balance at June 30, 2019	$ 186,411	$ (3,942)	$ 998,794	$ 535,173	$ 27,792	$ (12)	$ 1,744,216

	Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance at December 31, 2017	$ 191,936	$ (5,321)	$ 970,468	$ 210,364	$ 41,943	$ 47	$ 1,409,437
Cumulative effect of accounting changes	—	—	—	172,461	(229)	—	172,232
Comprehensive income	—	—	—	81,988	(9,589)	57	72,456
Dividends declared on common stock ($0.17 per share)	—	—	—	(31,348)	—	—	(31,348)
Employee share-based compensation earned	—	—	3,699	—	—	—	3,699
Stock option exercises	282	—	4,707	—	—	—	4,989
Restricted stock awards, net of forfeitures	163	—	(163)	—	—	—	—
Purchase of Company common stock	—	(3,095)	(16,101)	(99,601)	—	—	(118,797)
Other	47	—	(866)	—	—	—	(819)
Balance at March 31, 2018	$ 192,428	$ (8,416)	$ 961,744	$ 333,864	$ 32,125	$ 104	$ 1,511,849
Comprehensive income	—	—	—	103,239	(5,908)	41	97,372
Dividends declared on common stock ($0.17 per share)	—	—	—	(30,893)	—	—	(30,893)
Employee share-based compensation earned	—	—	3,845	—	—	—	3,845
Stock option exercises	129	—	2,184	—	—	—	2,313
Restricted stock awards, net of forfeitures	15	—	(15)	—	—	—	—
Purchase of Company common stock	—	(2,971)	(15,557)	(91,541)	—	—	(110,069)
Other	53	—	1,927	—	—	—	1,980
Balance at June 30, 2018	$ 192,625	$ (11,387)	$ 954,128	$ 314,669	$ 26,217	$ 145	$ 1,476,397

(See notes to unaudited condensed consolidated financial statements)

SERVICE CORPORATION INTERNATIONAL
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 operating in the United States and Canada. Our funeral service and cemetery operations consist of funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria, and other related businesses, which enable us to serve a wide array of customer needs. We sell cemetery property and funeral and cemetery merchandise and services at the time of need and on a preneed basis.

Funeral service locations provide all professional services relating to funerals and cremations, including the use of funeral facilities and motor vehicles, arranging and directing services, removal, preparation, embalming, cremations, memorialization, travel protection, and catering. Funeral merchandise, including burial caskets and related accessories, urns and other cremation receptacles, outer burial containers, flowers, online and video tributes, stationery products, casket and cremation memorialization products, and other ancillary merchandise, is sold at funeral service locations.

Our cemeteries provide cemetery property interment rights, including developed lots, lawn crypts, mausoleum spaces, niches, and other cremation memorialization and interment options. Cemetery merchandise and services, including memorial markers and bases, outer burial containers, flowers and floral placement, other ancillary merchandise, graveside services, merchandise installation, and interments, are sold at our cemeteries.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

Our consolidated financial statements include the accounts of Service Corporation International (SCI) and all subsidiaries in which we hold a controlling financial interest. Intercompany balances and transactions have been eliminated in consolidation.

Our consolidated financial statements also include the accounts of the merchandise and service trusts and cemetery perpetual care trusts in which we have a variable interest and are the primary beneficiary. We have retained the specialized industry accounting principles when consolidating the trusts. Our trusts are variable interest entities, for which we have determined that we are the primary beneficiary as we absorb a majority of the losses and returns associated with these trusts. Although we consolidate the trusts, it does not change the legal relationships among the trusts, us, or our customers. The customers are the legal beneficiaries of these trusts; therefore, their interests in these trusts represent a liability to us.

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, 2018, 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.

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, 2018. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. As a result, actual results could differ from these estimates.

Leases

We have operating and finance leases. Our operating leases primarily include funeral service real estate and office equipment for funeral service locations, cemetery locations, and administrative offices. Our finance leases primarily include transportation equipment but also include real estate and office equipment. Lease terms related to real estate generally range from one to forty years with options to renew at varying terms. Lease terms related to office and transportation equipment generally range from one to eight years with options to renew at varying terms.

We determine whether an arrangement is or contains a lease at the inception of the arrangement based on the unique facts and circumstances present. Right-of-use (ROU) assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Leases with a term greater than one year are recognized on the balance sheet as ROU assets and lease liabilities. We have elected not to recognize on the balance sheet leases with terms of one year or less.

Lease liabilities and their corresponding ROU assets are recorded at commencement date based on the present value of lease payments over the expected lease term. For transportation equipment, we use the rate implicit in each lease to calculate the present value. For real estate and non-transportation equipment leases, the interest rate implicit in lease contracts is typically not readily determinable. Therefore, we use the appropriate collateralized incremental borrowing rate based on the information available at commencement date in determining the present value of future payments for real estate and non-transportation equipment leases. Certain adjustments to the ROU asset may be required for items such as initial direct costs paid or incentives received.

We calculate operating lease expense ratably over the lease term plus any reasonably assured renewal periods. We consider reasonably assured renewal options and fixed escalation provisions in our calculation. Generally, our leases do not include options to terminate the lease prior to the contractual lease expiration date, but future renewal periods are generally cancelable. The majority of our contractually available renewal periods for leases of buildings and land are considered reasonably certain of being exercised. This determination is made by our real estate team based on facts and circumstances surrounding each property. Leases with a term of 12 months or less are not recorded on the balance sheet. The majority of our lease arrangements contain options to (i) purchase the property at fair value on the exercise date, (ii) purchase the property for a value determined at the inception of the lease, or (iii) renew the lease for the fair rental value at the end of the primary lease term. The depreciable life of assets and leasehold improvements are generally limited by the expected lease term.

Certain of our lease agreements include variable rental payments based on a percentage of sales over base contractual levels and others include rental payments adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We generally do not have sublease arrangements, sale-leaseback arrangements, or leveraged leases.

We have lease agreements with lease and non-lease components, which are generally accounted for separately. For leases commencing before January 1, 2019, we have elected the practical expedient to not separate lease and non-lease components on certain equipment leases, such as copiers where the cost-per-copy maintenance charges are included in the lease charge. On these leases, we have elected to account for the lease and non-lease components as a single component. For leases commencing on or after January 1, 2019, we account for the maintenance charges (non-lease components) separate from the lease components.

Cash, Cash Equivalents, and Restricted Cash

The components of cash, cash equivalents, and restricted cash at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
Cash and cash equivalents	$ 243,684	$ 198,850
Restricted cash[1]:		
Included in *Other current assets*	5,716	7,007
Included in *Deferred charges and other assets*	1,745	1,727
Total restricted cash	7,461	8,734
Total cash, cash equivalents, and restricted cash	$ 251,145	$ 207,584

(1) Restricted cash in both periods primarily consists of proceeds from divestitures deposited into escrow accounts under IRS code section 1031 and collateralized obligations under certain insurance policies.

Property and equipment, net

During the fourth quarter of 2018, based on a review of our historical usage patterns for similar assets, we increased our estimate of the remaining useful life of certain building improvements and equipment by one to three years. For the three and six months ended June 30, 2019, these changes in useful life, which were made prospectively, reduced depreciation expense by $4.1 million ($0.02 per basic and diluted share) and $8.0 million ($0.04 per basic and diluted share).

Accounting Standards Adopted in 2019

Leases

In February 2016 and in January, July, and December 2018, the Financial Accounting Standards Board (FASB) issued and amended new guidance on "*Leases*" to increase transparency and comparability among organizations. Under the new guidance, we are required to recognize right-of-use (ROU) lease assets and liabilities on our balance sheet and disclose key information about leasing arrangements. In addition, the new guidance offers specific accounting considerations for lessees, lessors, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

We adopted the new guidance on January 1, 2019 using the modified retrospective transition method. As a result of the adoption, we recorded:

- a $0.7 million reclass from *Other current assets* to *Accounts payable and accrued liabilities* for prepaid operating lease expenses,
- a $2.7 million reclass from *Accounts payable and accrued liabilities* to *Deferred charges and other assets* for accrued operating lease expenses,
- a $62.6 million increase to *Deferred charges and other assets* for operating lease right-of-use assets, and
- a $9.4 million and $53.2 million increase to *Accounts payable and accrued liabilities* and *Other liabilities*, respectively, for operating lease liabilities.

The modified retrospective transition method includes a number of optional practical expedients and accounting policy elections:

1. We elected a package of practical expedients to not reassess:
   - whether a contract is or contains a lease,
   - lease classification, or
   - initial direct costs.
2. We did not elect a practical expedient to use hindsight when determining lease term.
3. We elected the short-term lease recognition exemption.
4. The remaining practical expedients do not apply or do not have a material impact.

We established a project team to implement the new guidance. We implemented a new enterprise-wide lease management system in the form of a pre-configured software-as-a-service cloud-based application to support the adoption and ongoing lease requirements under the new guidance. This system serves as a lease database to manage our lease inventory centrally and ensure completeness of our lease inventory. The system also produces accounting entries and financial reporting disclosures required under the new guidance and provides lease activity business intelligence reporting. We thoroughly tested the new system to ensure it produces accurate data to prepare the required accounting entries and disclosures under the new guidance upon adoption and on an ongoing basis. We evaluated and implemented additional changes to our processes and internal controls to facilitate adoption on January 1, 2019 and to meet the standard's ongoing reporting and disclosure requirements.

Our current operating lease portfolio is primarily composed of real estate and equipment. As a result of the adoption, we recognized ROU assets and lease liabilities related to substantially all operating lease arrangements. The adoption of "*Leases*" did not have an impact on our consolidated results of operations or cash flows. We made the required enhanced lease-related disclosures above and in Note 9 of this Form 10-Q.

Internal Use Software

In August 2018, the FASB amended *"Internal Use Software"* to align the requirements for capitalizing implementation costs incurred in a hosting arrangement for software-as-a-service with the requirements for capitalizing those costs in a hosting arrangement that includes a software license. Costs for implementation activities in the application development stage are capitalized, depending on the nature of the costs, while costs incurred during the preliminary project and post-implementation stages are expensed. Any capitalized costs are amortized over the term of the hosting arrangement. Cash payments for the implementation costs, whether capitalized or not, are presented as operating outflows as that is consistent with the presentation of the fees in the hosting arrangement. We adopted the new guidance on a prospective basis to implementation costs incurred after January 1, 2019 with an immaterial impact on our consolidated results of operations and consolidated financial position and no impact on cash flows.

Recently Issued Accounting Standards

Financial Instruments

In June 2016, the FASB amended "*Financial Instruments*" to provide financial statement users with more decision-useful information about the expected credit losses on debt instruments and other commitments to extend credit held by a reporting entity at each reporting date. During November 2018 and April 2019, the FASB made amendments to the new standard that clarified guidance on several matters, including accrued interest, recoveries, and various codification improvements. The new standard, as amended, replaces the incurred loss impairment methodology in the current standard with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to support credit loss estimates.

The new guidance is effective for us on January 1, 2020, and in the first half of 2019, we established an implementation team and began analyzing the impact on our current policies and procedures to identify potential differences that would result from applying the requirements of the new standard. The implementation team reports findings and progress of the project to management on a frequent basis. Through this process, we have identified appropriate changes to our processes, systems, and controls to support recognition and disclosure under the new standard. We are still evaluating the impact of the new standard on our consolidated results of operations, consolidated financial position, and cash flows.

Goodwill

In January 2017, the FASB amended *"Goodwill"* to simplify the subsequent measurement of goodwill. The amended guidance eliminates Step 2 from the goodwill impairment test. Instead, impairment is defined as the amount by which the carrying value of the reporting unit exceeds its fair value, up to the total amount of goodwill of the reporting unit. The new guidance is effective for us on January 1, 2020, and is not expected to have an impact on our consolidated results of operations, consolidated financial position, and cash flows.

Fair Value Measurements

In August 2018, the FASB amended *"Fair Value Measurements"* to modify the disclosure requirements related to fair value. The amendment removes requirements to disclose (1) the amount of and reasons for transfers between levels 1 and 2 of the fair value hierarchy, (2) our policy related to the timing of transfers between levels, and (3) the valuation processes used in level 3 measurements. It clarifies that, for investments measured at net asset value, disclosure of liquidation timing is only required if the investee has communicated the timing either to us or publicly. It also clarifies that the narrative disclosure of the effect of changes in level 3 inputs should be based on changes that could occur at the reporting date. The amendment adds a requirement to disclose the range and weighted average of significant unobservable inputs used in level 3 measurements. The guidance is effective for us with our quarterly filing for the period ended March 31, 2020 and we will make the required disclosure changes in that filing. Adoption will not have an impact on our consolidated results of operations, consolidated financial position, and cash flows.

Retirement Plans

In August 2018, the FASB amended *"Retirement Plans"* to modify the disclosure requirements for defined benefit plans. For us, the amendment requires the disclosure of the weighted average interest crediting rate used for cash balance plans and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. It removes the requirement to disclose the approximate amount of future benefits covered by insurance contracts. The guidance is effective for us with our annual filing for the year ended December 31, 2020 and we will make the required disclosure changes in that filing. Adoption will not have an impact on our consolidated results of operations, consolidated financial position, and cash flows.

3. Preneed Activities

Preneed receivables, net and trust investments

The components of *Preneed receivables, net and trust investments* in our unaudited Condensed Consolidated Balance Sheet at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
Preneed funeral receivables	$ 120,424	$ 107,612
Preneed cemetery receivables	896,550	883,432
Preneed receivables from customers	1,016,974	991,044
Unearned finance charge	(50,402)	(44,981)
Allowance for cancellation	(50,520)	(48,380)
Preneed receivables, net	$ 916,052	$ 897,683
Trust investments, at market	$ 5,058,591	$ 4,585,720
Insurance-backed fixed income securities and other	263,589	265,787
Trust investments	5,322,180	4,851,507
Less: Cemetery perpetual care trust investments	(1,624,709)	(1,477,798)
Preneed trust investments	$ 3,697,471	$ 3,373,709
Preneed receivables, net and trust investments	$ 4,613,523	$ 4,271,392

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Deposits	$ 112,905	$ 106,843	$ 213,357	$ 200,112
Withdrawals	$ 116,680	$ 114,524	$ 224,036	$ 221,293
Purchases of securities	$ 240,376	$ 407,859	$ 689,534	$ 1,007,748
Sales of securities	$ 240,599	$ 419,357	$ 562,390	$ 1,035,357
Realized gains [(1)]	$ 54,756	$ 87,840	$ 98,281	$ 146,146
Realized losses [(1)]	$ (16,251)	$ (17,552)	$ (48,882)	$ (29,852)

(1) All realized gains and losses are recognized in Other income, net for our trust investments and are offset by a corresponding reclassification in *Other income, net* to *Deferred receipts held in trust* and *Care trusts' corpus.*

The costs and values associated with trust investments recorded at fair value at June 30, 2019 and December 31, 2018 are detailed below. Cost reflects the investment (net of redemptions) of control holders in the trusts. Fair value represents the value of the underlying securities held by the trusts.

	June 30, 2019				
	Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Value
		(In thousands)			
Fixed income securities:					
U.S. Treasury	2	$ 49,425	$ 666	$ (141)	$ 49,950
Canadian government	2	49,627	118	(1,196)	48,549
Corporate	2	13,194	53	(233)	13,014
Residential mortgage-backed	2	3,311	48	(1)	3,358
Asset-backed	2	134	3	(7)	130
Equity securities:					
Preferred stock	2	6,114	498	(116)	6,496
Common stock:					
United States	1	1,280,063	272,490	(60,342)	1,492,211
Canada	1	38,568	10,489	(1,824)	47,233
Other international	1	83,107	14,817	(2,952)	94,972
Mutual funds:					
Equity	1	842,772	27,898	(82,654)	788,016
Fixed income	1	1,235,660	12,608	(38,365)	1,209,903
Other	3	6,010	578	—	6,588
Trust investments, at fair value		3,607,985	340,266	(187,831)	3,760,420
Commingled funds					
Fixed income		432,113	5,185	(3,083)	434,215
Equity		209,194	48,175	—	257,369
Money market funds		343,467	—	—	343,467
Private equity		189,107	74,110	(97)	263,120
Trust investments, at net asset value		1,173,881	127,470	(3,180)	1,298,171
Trust investments, at market		$ 4,781,866	$ 467,736	$ (191,011)	$ 5,058,591

	December 31, 2018				
	Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Value
		(In thousands)			
Fixed income securities:					
U.S. Treasury	2	$ 49,187	$ 153	$ (448)	$ 48,892
Canadian government	2	56,343	23	(1,797)	54,569
Corporate	2	19,869	13	(516)	19,366
Residential mortgage-backed	2	3,611	10	(50)	3,571
Asset-backed	2	142	2	(11)	133
Equity securities:					
Preferred stock	2	9,058	180	(412)	8,826
Common stock:					
United States	1	1,236,513	149,233	(138,141)	1,247,605
Canada	1	34,821	9,082	(3,026)	40,877
Other international	1	77,676	6,057	(10,275)	73,458
Mutual funds:					
Equity	1	760,887	7,104	(151,853)	616,138
Fixed income	1	1,180,325	800	(89,179)	1,091,946
Other	3	6,548	3,210	(3)	9,755
Trust investments, at fair value		3,434,980	175,867	(395,711)	3,215,136
Commingled funds					
Fixed income		419,206	2,419	(18,981)	402,644
Equity		205,789	19,567	(11,723)	213,633
Money market funds		466,429	—	—	466,429
Private equity		215,618	72,897	(637)	287,878
Trust investments, at net asset value		1,307,042	94,883	(31,341)	1,370,584
Trust investments, at market		$ 4,742,022	$ 270,750	$ (427,052)	$ 4,585,720

As of June 30, 2019, our unfunded commitment for our private equity and other investments was $141.9 million which, if called, would be funded by the assets of the trusts.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Fair value, beginning balance	$ 7,108	$ 8,533	$ 9,755	$ 9,067
Net unrealized (losses) gains included in *Other income, net*(1)	(322)	264	(1,464)	(270)
Purchases	5	7	5	7
Sales	(203)	—	(1,708)	—
Acquisitions	—	11,390	—	11,390
Fair value, ending balance	$ 6,588	$ 20,194	$ 6,588	$ 20,194

(1) All net unrealized gains (losses) recognized in Other income, net for our trust investments are offset by a corresponding reclassification in *Other income, net* to *Deferred receipts held in trust* and *Care trusts' corpus*.

Maturity dates of our fixed income securities range from 2019 to 2040. Maturities of fixed income securities (excluding mutual funds) at June 30, 2019 are estimated as follows:

	Fair Value
	(In thousands)
Due in one year or less	$ 53,448
Due in one to five years	52,187
Due in five to ten years	9,253
Thereafter	113
Total estimated maturities of fixed income securities	$ 115,001

Recognized trust fund income (realized and unrealized) related to these trust investments was $47.1 million and $52.2 million for the three months ended June 30, 2019 and 2018, respectively. Recognized trust fund income (realized and unrealized) related to these trust investments was $95.1 million and $97.1 million for the six months ended June 30, 2019 and 2018, respectively.

We have determined that the unrealized losses in our fixed income investments are considered temporary in nature, as the unrealized losses were due to temporary fluctuations in interest rates. 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 credit ratings and the severity and duration of the unrealized losses. Our fixed income investment unrealized losses, their associated values, and the duration of unrealized losses as of June 30, 2019 and December 31, 2018, respectively, are shown in the following tables:

	June 30, 2019					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Value	Unrealized Losses	Value	Unrealized Losses	Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	$ 2,898	$ (113)	$ 4,830	$ (28)	$ 7,728	$ (141)
Canadian government	—	—	18,246	(1,196)	18,246	(1,196)
Corporate	979	(2)	7,384	(231)	8,363	(233)
Residential mortgage-backed	—	—	50	(1)	50	(1)
Asset-backed	—	—	24	(7)	24	(7)
Total temporarily impaired fixed income securities	$ 3,877	$ (115)	$ 30,534	$ (1,463)	$ 34,411	$ (1,578)

	December 31, 2018					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Value	Unrealized Losses	Value	Unrealized Losses	Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	$ 6,899	$ (226)	$ 16,374	$ (222)	$ 23,273	$ (448)
Canadian government	2,254	(9)	25,330	(1,788)	27,584	(1,797)
Corporate	11,579	(206)	6,563	(310)	18,142	(516)
Residential mortgage-backed	351	(4)	3,010	(46)	3,361	(50)
Asset-backed	—	—	79	(11)	79	(11)
Total temporarily impaired fixed income securities	$ 21,083	$ (445)	$ 51,356	$ (2,377)	$ 72,439	$ (2,822)

Deferred revenue, net

The components of *Deferred revenue, net* in our unaudited Condensed Consolidated Balance Sheet at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
Deferred revenue	$ 2,020,663	$ 1,989,232
Amounts due from customers for unfulfilled performance obligations on cancelable preneed contracts	(576,099)	(570,418)
Deferred revenue, net	$ 1,444,564	$ 1,418,814

The following table summarizes the activity in our contract liabilities, which are recorded in *Deferred revenue, net* and *Deferred receipts held in trust* for the six months ended June 30, 2019:

	Six Months Ended June 30,	
	2019	2018
	(In thousands)	
Beginning balance — *Deferred revenue, net* and *Deferred receipts held in trust*	$ 4,790,552	$ 5,265,206
Cumulative effect of accounting changes	—	37,991
Net preneed contract sales	496,842	505,146
(Divestitures) acquisitions of businesses, net	(29,665)	148,048
Net investment gains (1)	327,819	20,720
Recognized revenue from backlog (2)	(212,912)	(212,195)
Recognized revenue from current period sales	(241,589)	(242,438)
Change in amounts due on unfulfilled performance obligations	(3,770)	(551,092)
Change in cancellation reserve	(206)	62,147
Effect of foreign currency and other	10,848	(12,554)
Ending balance — *Deferred revenue, net* and *Deferred receipts held in trust*	$ 5,137,919	$ 5,020,979

(1) Includes both realized and unrealized investment earnings.

(2) Includes current year trust fund income through the date of performance.

4. Income Taxes

Income tax expense during interim periods is based on our estimated annual effective income tax rate plus any discrete items, which are recorded in the period in which they occur. Discrete items include, among others, such events as changes in estimates due to the finalization of tax returns, tax audit settlements, expiration of statutes of limitation, and increases or decreases in valuation allowances on deferred tax assets. Our effective tax rate was 24.5% and 13.4% for the three months ended June 30, 2019 and 2018, respectively. Our effective tax rate was 22.7% and 19.3% for the six months ended June 30, 2019 and 2018, respectively. The higher effective tax rate for the three and six months ended June 30, 2019 was primarily due to favorable adjustments allowed under SAB 118 in the prior year, partially offset with the higher excess tax benefits from increased exercises of stock options in 2019.

Unrecognized Tax Benefits

As of June 30, 2019, the total amount of our unrecognized tax benefits was $1.4 million, and the total amount of our accrued interest was $0.6 million.

The federal statutes of limitations have expired for all tax years prior to 2015, and we are not currently under audit by the IRS. Various state jurisdictions are auditing years 2009 through 2017. There are currently no federal or provincial audits in Canada; however, years subsequent to 2014 remain open and could be subject to examination. It is reasonably possible that the amount of unrecognized tax benefits may change within the next twelve months. However, given the number of years that remain subject to examination and the number of matters being examined, an estimate of the range of the possible increase or decrease cannot be made.

5. Debt

Debt as of June 30, 2019 and December 31, 2018 was as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
4.5% Senior Notes due November 2020	$ 200,000	$ 200,000
8.0% Senior Notes due November 2021	150,000	150,000
5.375% Senior Notes due January 2022	98,906	425,000
5.375% Senior Notes due May 2024	850,000	850,000
7.5% Senior Notes due April 2027	184,350	200,000
4.625% Senior Notes due December 2027	550,000	550,000
5.125% Senior Notes due June 2029	750,000	—
Term Loan due December 2022	—	641,250
Term Loan due May 2024	650,000	—
Bank Credit Facility due December 2022	—	395,000
Obligations under finance leases	197,230	211,952
Mortgage notes and other debt, maturities through 2050	34,825	4,076
Unamortized premiums, net	6,103	6,562
Unamortized debt issuance costs	(39,428)	(31,762)
Total debt	3,631,986	3,602,078
Less: Current maturities of long-term debt	(167,084)	(69,896)
Total long-term debt	$ 3,464,902	$ 3,532,182

Current maturities of debt at June 30, 2019 include amounts due within the next year under our Term Loan, mortgage notes and other debt and finance leases, and our 5.375% Senior Notes due January 2022, which we redeemed in July 2019.

Our consolidated debt had a weighted average interest rate of 4.94% and 4.99% at June 30, 2019 and December 31, 2018, respectively. Approximately 77% and 66% of our total debt had a fixed interest rate at June 30, 2019 and December 31, 2018, respectively.

During the six months ended June 30, 2019 and 2018, we paid $97.3 million and $89.1 million in cash interest, respectively.

Bank Credit Agreement

In May 2019, we entered into a new $1.7 billion bank credit agreement due May 2024 with a syndicate of banks. The $1.7 billion bank credit agreement comprises a $1.0 billion Bank Credit Facility and a $0.7 billion Term Loan, both due May 2024, including a sublimit of $100.0 million for letters of credit. We accounted for this transaction as a modification of the agreement. Through modifying the Term Loan, we received $49.3 million in proceeds from certain members of the syndicate of banks and paid $32.1 million in principal payments to other members, netting to a $17.2 million increase in our outstanding Term Loan balance.

As of June 30, 2019, we have no outstanding borrowings under our Bank Credit Facility due May 2024, $650.0 million of outstanding borrowings under our Term Loan due May 2024, and $32.9 million of letters of credit issued. The bank credit agreement provides us with flexibility for working capital, if needed, and is guaranteed by a majority of our domestic subsidiaries. The subsidiary guaranty is a guaranty of payment of the outstanding amount of the total lending commitment, including letters of credit. The bank credit agreement contains certain financial covenants, including a minimum interest coverage ratio, a maximum leverage ratio, and certain dividend and share repurchase restrictions. As of June 30, 2019, we were in compliance with all of our debt covenants. We pay a quarterly fee on the unused commitment, which was 0.20% at June 30, 2019. As of June 30, 2019, we have $967.1 million in borrowing capacity under the Bank Credit Facility.

Debt Issuances and Additions

During the six months ended June 30, 2019, we issued $854.3 million of debt including:

- $750.0 million unsecured 5.125% Senior Notes due June 2029
- $55.0 million on our Bank Credit Facility
- $49.3 million in additional proceeds from certain members of the syndicate of banks in our Bank Credit Facility

Newly issued debt was used to pay off our Bank Credit Facility due December 2022, to partially redeem our 5.375% Senior Notes due January 2022, to fund acquisition activity, and for general corporate purposes. These transactions resulted in additional debt issuance costs of $15.5 million.

During the six months ended June 30, 2018, we drew a total of $370.0 million on our Bank Credit Facility to fund the redemption of our 7.625% Senior Notes due October 2018, to make required principal payments on our Term Loan due December 2022, to fund acquisition activity, and for general corporate purposes.

Debt Extinguishments and Reductions

During the six months ended June 30, 2019, we made aggregate debt payments of $836.8 million for scheduled and early extinguishment payments including:

- $450.0 million in aggregate principal of our Bank Credit Facility;
- $40.5 million in aggregate principal payments to other members of our Term Loan;
- $326.1 million in aggregate principal 5.375% Senior Notes due January 2022;
- $15.7 million in aggregate principal of 7.5% Senior Notes due April 2027;
- $4.3 million of premiums paid on early extinguishment; and
- $0.2 million in other debt.

Certain of the above transactions resulted in the recognition of a loss of $7.6 million recorded in *Losses on early extinguishment of debt* in our Consolidated Statement of Operations for the six months ended June 30, 2019.

During the six months ended June 30, 2018, we made aggregate debt payments of $268.2 million for scheduled and early extinguishment payments including:

- $250.0 million in aggregate principal of our 7.625% Senior Notes due October 2018;
- $9.6 million in call premium for redemption of the 7.625% Senior Notes due October 2018;
- $8.4 million in aggregate principal of our Term Loan; and
- $0.2 million in other debt.

6. Fair Value of Financial Instruments

Fair Value Estimates

The fair value estimates of the following financial instruments have been determined using available market information and appropriate valuation methodologies. The carrying values of cash and cash equivalents, trade receivables, and trade payables approximate the fair values of those instruments due to the short-term nature of the instruments. The fair value of receivables on preneed contracts are impracticable to estimate because of the lack of a trading market and the diverse number of individual contracts with varying terms.

The fair value of our debt instruments at June 30, 2019 and December 31, 2018 was as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
4.5% Senior Notes due November 2020	$ 200,376	$ 198,930
8.0% Senior Notes due November 2021	164,437	160,800
5.375% Senior Notes due January 2022	99,212	428,188
5.375% Senior Notes due May 2024	876,724	851,275
7.5% Senior Notes due April 2027	221,275	214,940
4.625% Senior Notes due December 2027	566,671	517,077
5.125% Senior Notes due June 2029	793,125	—
Term Loan due December 2022	—	629,579
Term Loan due May 2024	650,000	—
Bank Credit Facility due December 2022	—	387,061
Mortgage notes and other debt, maturities through 2050	34,824	4,076
Total fair value of debt instruments	$ 3,606,644	$ 3,391,926

The fair value of our long-term, fixed-rate loans was estimated using market prices for those loans, and therefore they are classified within Level 2 of the fair value measurements hierarchy. The Term Loan, Bank Credit Facility agreement, and the mortgage notes and other debt are classified within Level 3 of the fair value measurements hierarchy. The fair value of these instruments has been estimated using a discounted cash flow analysis based on our incremental borrowing rate for similar borrowing arrangements. An increase (decrease) in the inputs results in a directionally opposite change in the fair value of the instruments.

7. Equity

Share Repurchases

Subject to market conditions, normal trading restrictions, and limitations in our debt covenants, we may make purchases in the open market or through privately negotiated transactions under our stock repurchase program. During the six months ended June 30, 2019, we repurchased 692,325 shares of common stock at an aggregate cost of $29.6 million, which is an average cost per share of $42.72. After these repurchases, the remaining dollar value of shares authorized to be purchased under our share repurchase program was approximately $165.7 million at June 30, 2019.

Subsequent to June 30, 2019, we repurchased 142,492 shares of common stock at an aggregate cost of $6.7 million, which is an average cost per share of $46.78. After these subsequent repurchases, the remaining dollar value of shares authorized to be repurchased under our repurchase program is $159.0 million.

8. Segment Reporting

Our operations are both product-based and geographically-based, and the reportable operating segments presented below include our funeral and cemetery operations. Our geographic areas include the United States and Canada, where we conduct both funeral and cemetery operations.

Our reportable segment, including disaggregated revenue, information is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Revenue from customers:				
Funeral revenue:				
Atneed revenue	$ 245,418	$ 243,013	$ 504,148	$ 517,512
Matured preneed revenue	148,584	146,045	305,034	311,374
Core funeral revenue	394,002	389,058	809,182	828,886
Non-funeral home revenue	13,121	11,836	26,094	25,513
Recognized preneed revenue	39,728	33,919	71,053	66,379
Other revenue	32,127	33,835	65,443	62,235
Total funeral revenue	478,978	468,648	971,772	983,013
Cemetery revenue:				
Atneed revenue	82,286	80,941	163,737	163,985
Recognized preneed property revenue	151,875	143,166	280,487	252,106
Recognized preneed merchandise and service revenue	73,570	73,130	140,609	141,493
Core revenue	307,731	297,237	584,833	557,584
Other revenue	25,863	30,207	54,179	49,977
Total cemetery revenue	333,594	327,444	639,012	607,561
Total revenue from customers	$ 812,572	$ 796,092	$ 1,610,784	$ 1,590,574
Operating profit:				
Funeral operating profit	$ 90,590	$ 90,421	$ 196,008	$ 210,876
Cemetery operating profit	100,556	97,706	186,972	173,013
Operating profit from reportable segments	191,146	188,127	382,980	383,889
General and administrative expenses	(29,370)	(31,136)	(71,900)	(65,920)
(Losses) gains on divestitures and impairment charges, net	(11,823)	6,865	(13,701)	7,347
Hurricane recoveries (expenses), net	152	(1,902)	(296)	330
Operating income	150,105	161,954	297,083	325,646
Interest expense	(47,317)	(44,519)	(94,707)	(88,095)
Loss on early extinguishment of debt, net	(7,579)	—	(7,579)	(10,131)
Other income, net	874	1,880	1,594	2,264
Income before income taxes	$ 96,083	$ 119,315	$ 196,391	$ 229,684

Our geographic area information is as follows:

	United States	Canada	Total
		(In thousands)	
Three Months Ended June 30,			
Revenue from external customers:			
2019	$ 767,394	$ 45,178	$ 812,572
2018	$ 750,445	$ 45,647	$ 796,092
Six Months Ended June 30,			
Revenue from external customers:			
2019	$ 1,521,474	$ 89,310	$ 1,610,784
2018	$ 1,494,558	$ 96,016	$ 1,590,574

9. Leases

Our leases principally relate to funeral service real estate and office, maintenance, and transportation equipment. The majority of our lease arrangements contain options to (i) purchase the property at fair value on the exercise date, (ii) purchase the property for a value determined at the inception of the lease, or (iii) renew the lease for the fair rental value at the end of the primary lease term.

Future lease payments for non-cancelable operating and finance leases as of June 30, 2019 was as follows:

	Operating	Finance	Total
		(In thousands)	
2019 (excluding the six months ended June 30, 2019)	$ 5,408	$ 23,722	$ 29,130
2020	11,343	43,681	55,024
2021	10,056	61,946	72,002
2022	8,928	25,721	34,649
2023	6,759	18,614	25,373
Thereafter	45,164	47,754	92,918
Total lease payments	$ 87,658	$ 221,438	$ 309,096
Less: Interest	(23,051)	(24,208)	(47,259)
Present value of lease liabilities	$ 64,607	$ 197,230	$ 261,837

As of December 31, 2018, we disclosed the following future lease payments for non-cancelable operating and finance leases exceeding one year:

	Operating	Finance
	(In thousands)	
2019	$ 11,295	$ 46,998
2020	9,550	51,943
2021	8,251	57,881
2022	7,282	21,842
2023	5,397	15,587
2024 and thereafter	37,841	40,447
Total	$ 79,616	$ 234,698
Less: Interest on finance leases		(22,746)
Total principal payable on finance leases		$ 211,952

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The components of lease cost for the three and six months ended June 30, 2019 were as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
	(In thousands)	
Amortization of leased assets	$ 10,348	$ 21,312
Interest on lease liabilities	1,453	3,284
Total finance lease cost	11,801	24,596
Operating lease cost	3,074	6,268
Variable lease cost	420	792
Total lease cost	$ 15,295	$ 31,656

Supplemental balance sheet information as of June 30, 2019 related to leases was as follows:

Lease Type	Balance Sheet Classification	June 30, 2019
		(In thousands)
Operating lease right-of-use assets (1)	*Deferred charges and other assets*	$ 62,383
Finance lease right-of-use assets (1)	*Property and equipment, net*	190,889
Total right-of-use assets (1)		$ 253,272
Operating	*Accounts payable and accrued liabilities*	$ 8,472
Finance	*Current maturities of long-term debt*	39,940
Total current lease liabilities		48,412
Operating	*Other liabilities*	56,135
Finance	*Long-term debt*	157,290
Total non-current lease liabilities		213,425
Total lease liabilities		$ 261,837

(1) Right-of-use assets are presented net of accumulated amortization.

The weighted-average life remaining and discount rates of our leases as of June 30, 2019 were as follows:

	Operating	Finance
Weighted-average remaining lease term (years)	12.2	5.2
Weighted-average discount rate	4.7%	3.5%

Supplemental cash flow information related to leases for the three and six months ended June 30, 2019 were as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
	(In thousands)	
Cash paid for amounts in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 3,124	$ 6,217
Operating cash flows for finance leases	1,773	3,721
Financing cash flows for finance leases	11,163	21,820
Total cash paid for amounts included in the measurement of lease liabilities	$ 16,060	$ 31,758
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 15,308	$ 34,474
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 2,125	$ 6,365

We have 64 operating leases where we are the lessor and the non-cancelable term is greater than one year, resulting in $0.7 million and $1.4 million in lease income for the three and six months ended June 30, 2019. We lease office space and excess land, and we are party to cellular agreements and land easements. We generally do not have sales-type leases, direct financing leases, or lease receivables. The adoption of ASC 842 did not have an impact on our accounting for lessor leases. Future undiscounted lease income from operating leases as of June 30, 2019 were as follows (in thousands):

2019 (excluding the six months ended June 30, 2019)	$ 1,341
2020	1,772
2021	1,417
2022	1,092
2023	504
Thereafter	243
Total cash receipts	$ 6,369

10. Commitments and Contingencies

Insurance Loss Reserves

We purchase comprehensive general liability, morticians' and cemetery professional liability, automobile liability, and workers' compensation insurance coverage, all of which are structured with high deductibles. The high-deductible insurance program means we are primarily self-insured for claims and associated costs and losses covered by these policies. As of June 30, 2019 and December 31, 2018, we have self-insurance reserves of $80.3 million and $80.1 million, respectively.

Litigation and Regulatory Matters

We are a party to various litigation and regulatory matters, investigations, and proceedings. Some of the more frequent routine litigations incidental to our business are based on burial practices claims and employment-related matters, including discrimination, harassment, and wage and hour laws and regulations. For each of our outstanding legal matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies, and the likelihood of an unfavorable outcome. We intend to vigorously defend ourselves in the matters described herein; however, if we determine that an unfavorable outcome is probable and can be reasonably estimated, we establish the necessary accruals. We hold certain insurance policies that may reduce cash outflows with respect to an adverse outcome of certain of these matters. We accrue such insurance recoveries when they become probable of being paid and can be reasonably estimated.

Wage and Hour Claims. We are named as a defendant in various lawsuits alleging violations of federal and state laws regulating wage and hour pay, including but not limited to the Samborsky, Fredeen, Horton, Quismundo, and Kallweit lawsuits described below. Given the nature of these lawsuits, except for those lawsuits where a settlement is referenced, we are unable to reasonably estimate the possible loss or ranges of loss, if any.

Charles Samborsky, et al, individually and on behalf of those persons similarly situated, v. SCI California Funeral Services, Inc., et al ; Case No. BC544180; in the Superior Court of the State of California for the County of Los Angeles, Central District-Central Civil West Courthouse. This lawsuit was filed in April 2014 against an SCI subsidiary and purports to have been brought on behalf of employees who worked as family service counselors in California since April 2010. The plaintiffs allege causes of action for various violations of state laws regulating wage and hour pay. In addition, this lawsuit also asserts claims under the California Private Attorney General Act (PAGA) provisions on behalf of other similarly situated California persons. The plaintiffs seek unpaid wages, compensatory and punitive damages, attorneys' fees and costs, interest, and injunctive relief. The claims have been sent to arbitration. In July 2017, the arbitrator entered an award rejecting the plaintiffs' claims, ruling that they did not sue the correct party. Plaintiffs continue to assert claims under PAGA that are not subject to arbitration.

Adrian Mercedes Vasquez, an individual and on behalf of others similarly situated, v. California Cemetery and Funeral Services, LLC, et al; Case No. BC58837; in the Superior Court of the State of California for the County of Los Angeles. This lawsuit was filed in July 2015 against SCI subsidiaries and purports to be brought on behalf of the defendants' current and former non-exempt California employees during the four years preceding the filing of the complaint. The plaintiff alleges numerous causes of action for alleged wage and hour pay violations. The plaintiff seeks unpaid wages, compensatory and punitive damages, civil penalties, attorneys' fees and costs, interest, and injunctive relief. The claims were ordered to arbitration, and the arbitrator has determined that the claims would proceed as a bilateral arbitration. On May 24, 2019, the arbitrator issued an opinion rejecting plaintiff's claims in their entirety. In addition, the plaintiff filed an unfair labor practice charge against defendants with the National Labor Relations Board alleging that by enforcing a mandatory arbitration provision, defendants allegedly violated the National Labor Relations Act. That action is currently pending.

Lisa Fredeen, an aggrieved employee and on behalf of other aggrieved employees v. California Cemetery and Funeral Services, LLC, et al; Case No. BC706930; in the Superior Court of the State of California for the County of Los Angeles. This lawsuit was filed on May 18, 2018, by the same law firm that filed the Vasquez case described above against SCI subsidiaries, asserting claims for violations of the California Labor Code and PAGA, based on alleged facts similar to those alleged in the Vasquez suit. The plaintiff seeks civil penalties, interest, and attorneys' fees.

Nicole Romano, individually and on behalf of all others similarly situated v. SCI Direct, Inc., et al; Case No. BC656654; in the Superior Court of California for the County of Los Angeles. This lawsuit was filed in April 2017 against SCI subsidiaries and purports to have been brought on behalf of persons who worked as independent sales representatives in the U.S. during the four years preceding the filing of the complaint. In addition, this lawsuit also asserts claims under PAGA provisions on behalf of other similarly situated California persons. The plaintiff alleges numerous causes of action for alleged wage and hour pay violations, including misclassifying the independent sales representatives as independent contractors instead of employees. The plaintiff seeks unpaid wages, compensatory and punitive damages, attorneys' fees and costs, interest, and injunctive relief. The parties reached a settlement of this lawsuit and the Doyle lawsuit referenced below in November 2018. The settlement agreement is subject to court approval. The financial terms of the settlement call for SCI Direct to pay a total of $2.5 million in relation to both the Romano and Doyle lawsuits. On May 21, 2019, the Court granted the parties' Motion for Preliminary Approval of Class Action Settlement.

James Doyle, individually and on behalf of all others similarly situated v. SCI Direct, Inc., et al; Case No. 2:18-cv-05859 in the United States District Court Central District of California, removed from Case No. BC705666; in the Superior Court of California for the County of Los Angeles. This lawsuit was filed in May 2018, against an SCI subsidiary, by the same attorneys who filed the Romano case described above, and alleges causes of action and seeks damages and relief similar to those in the Romano case. The parties reached a settlement of this lawsuit and the Romano lawsuit referenced above in November 2018. On December 26, 2019, this matter was consolidated into the Romano lawsuit. The settlement agreement, noted above, is subject to court approval. The financial terms of the settlement call for SCI Direct to pay a total of $2.5 million collectively for the Romano and Doyle lawsuits.

Felicia Horton, an individual and on behalf of other aggrieved employees v. SCI Direct, Inc., et al; Case No. 37-2016-00039356-CU-OE-CTL; in the Superior Court of California for the County of San Diego. This lawsuit was filed in November 2016, against SCI subsidiaries, on behalf of the plaintiff who worked as an independent sales representative of our subsidiary in California. In addition, this lawsuit asserts claims under PAGA on behalf of other similarly situated California persons. The lawsuit alleges causes of action and seeks damages and relief similar to those in the Romano case described above. The attorneys in the Horton case have also filed an additional lawsuit, against SCI subsidiaries, alleging individual and PAGA claims similar to those alleged in the Horton case. The additional individual and PAGA claim lawsuits are styled *Jandy Quismundo v. SCI Direct, Inc., et al;* Case No. 37-2017-00031825-CU-OE-CTL; in the Superior Court of California for the County of San Diego, and *Jaime Kallweit v. SCI Direct, Inc., et al;* Case No. 37-2017-00037186-CU-OE-CTL; in the Superior Court for the State of California for the County of San Diego. *Sandra Dorian v. SCI Direct, Inc., et al*; Case No 37-2018-0061985-CU-OE-CTL; in the Superior Court of California for the County of San Diego, and *Holly Karpiak v. SCI Direct, Inc., et al;* Case No. 37-2019-00031328-CU-OE-CTL, in the Superior Court of California for the County of San Diego. In addition to the wage and hour and PAGA claims described above, Horton alleges claims for sexual harassment and wrongful discharge. After a trial, the judge issued a preliminary statement of decision on April 19, 2019, awarding approximately $0.3 million related to the aforementioned claims above.

Claims Regarding Acquisition of Stewart Enterprises. We are involved in the following lawsuit.

Karen Moulton, Individually and on behalf of all others similarly situated v. Stewart Enterprises, Inc., Service Corporation International and others ; Case No. 2013-5636; in the Civil District Court Parish of New Orleans, Louisiana. This case was filed as a class action in June 2013 against SCI and our subsidiary in connection with SCI's acquisition of Stewart Enterprises, Inc. The plaintiffs allege that SCI aided and abetted breaches of fiduciary duties by Stewart Enterprises and its board of directors in negotiating the combination of Stewart Enterprises with a subsidiary of SCI. The plaintiffs seek damages concerning the combination. We filed exceptions to the plaintiffs' complaint that were granted in June 2014. Thus, subject to appeals, SCI will no longer be party to the suit. The case has continued against our subsidiary Stewart Enterprises and its former individual directors. However, in October 2016, the court entered a judgment dismissing all of plaintiffs' claims. Plaintiffs have appealed the dismissal. Given the nature of this lawsuit, we are unable to reasonably estimate the possible loss or ranges of loss, if any.

Operational Claims. We are named a defendant in various lawsuits alleging operational claims, including but not limited to the Bernstein and Hood lawsuits described below.

Caroline Bernstein, on behalf of herself and Marla Urofsky on behalf of Rhea Schwartz, and both on behalf of all others similarly situated v. SCI Pennsylvania Funeral Services, Inc. and Service Corporation International, Case No. 2:17-cv-04960-GAM; in the United States District Court Eastern District of Pennsylvania. This case was filed in November 2017 as a purported national or alternatively as a Pennsylvania class action regarding our Forest Hills/Shalom Memorial Park in Huntingdon Valley, Pennsylvania and our Roosevelt Memorial Park Cemetery in Trevose, Pennsylvania. Plaintiffs allege wrongful burial and sales practices. Plaintiffs seek compensatory, consequential and punitive damages, attorneys' fees and costs, interest, and injunctive relief. Given the nature of this lawsuit, we are unable to reasonably estimate the possible loss or ranges of loss, if any.

Shelley T. Hood v. Pine Crest Funeral Home and Cemetery A/K/A Pine Crest Funeral Home, Service Corporation International, and others; Case No. 02-CV-2017-900635.00; in the Circuit Court of Mobile County, Alabama. This case was filed in March 2017. Plaintiff alleges she contracted with Pine Crest Funeral Home to cremate her mother's remains on March 25, 2011. Plaintiff further alleges that the cremated remains could not be located when she contacted Pine Crest Funeral Home to take possession of the cremated remains in October 2015. Plaintiff sought compensatory and punitive damages. The plaintiff was awarded compensatory and punitive damages after a jury trial. This matter has settled for a confidential, non-material amount.

Unclaimed Property Audit. We are involved in the following matter.

We received notices from a third party auditor representing unclaimed property departments of certain states regarding preneed funeral and cemetery contracts that were not funded by the purchase and assignment of the proceeds of insurance policies. The auditor claims that we are subject to the laws of those states concerning escheatment of unclaimed funds. The auditor seeks escheatment of funds from the portion of such contracts for which it claims that we will probably not be required to provide services or merchandise in the future. No actual audits have commenced at this time. Given the nature of this lawsuit, we are unable to reasonably estimate the possible loss or ranges of loss, if any.

Other Potential Contingencies

In October of 2018, we received a letter from the Illinois Office of the Comptroller claiming that our subsidiary improperly withdrew a total of $13.6 million from perpetual care trusts covering 24 of our cemeteries in Illinois. We believe these withdrawals were entirely proper for the ongoing care of those cemeteries under Illinois law.

In July of 2019, we received a letter from the State of California, Department of Justice alleging that the allocation of prices among certain of our cremation service contracts and cremation merchandise contracts violates section 7735 of the Business and Professions Code and that provisions of these same contracts constitute false advertising and deceptive sales practices in violation of California consumer protection laws. The State of California, Department of Justice has requested various injunctive terms, monetary relief of $15.0 million and modified refunds for certain California consumers. We believe our contracts comply with applicable laws.

We intend to vigorously defend all of the above matters; however, an adverse decision in one or more of such matters could have a material effect on us, our financial condition, results of operations, and cash flows.

11. Earnings Per Share

Basic earnings per common share (EPS) excludes dilution and is computed by dividing *Net income attributable to common stockholders* by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other obligations to issue common stock were exercised or converted into common stock or resulted in the issuance of common shares that then shared in our earnings.

A reconciliation of the numerators and denominators of the basic and diluted EPS computations is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands, except per share amounts)			
Amounts attributable to common stockholders:				
Net income:				
Net income — basic	$ 72,329	$ 103,239	$ 151,652	$ 185,227
After tax interest on convertible debt	—	15	—	30
Net income — diluted	$ 72,329	$ 103,254	$ 151,652	$ 185,257
Weighted average shares (denominator):				
Weighted average shares — basic	182,369	182,637	182,048	183,877
Stock options	3,278	4,265	3,418	4,391
Restricted stock units	43	165	51	158
Convertible debt	—	121	—	121
Weighted average shares — diluted	185,690	187,188	185,517	188,547
Net income per share:				
Basic	$ 0.40	$ 0.57	$ 0.83	$ 1.01
Diluted	$ 0.39	$ 0.55	$ 0.82	$ 0.98

The computation of diluted EPS excludes outstanding stock options and restricted share units in certain periods in which the inclusion of such equity awards would be anti-dilutive in the periods presented. Total equity awards not included in the computation of dilutive EPS are as follows (in shares):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Antidilutive options	105	1,155	—	868

12. Acquisitions and Divestiture-Related Activities

Acquisitions

In June 2018, we acquired fifteen funeral homes and seven cemeteries in four states (the “acquired businesses”) for $82.2 million in cash. Additionally, we paid $49.8 million of the acquired businesses existing debt in conjunction with the closing of the acquisition. We have completed our purchase price allocation. During 2019, we made the following adjustments to our estimates of the fair value of assets and liabilities (in thousands):

Increase in the fair value of preneed receivables, net and trust investments	$ (3,056)
Increase in the fair value of cemetery property	(3,511)
Decrease in the fair value of preneed customer relationship intangible assets	11,996
Increase in the fair value of current liabilities	3,019
Decrease in the fair value of deferred revenue and deferred receipts held in trust	(14,156)
Decrease in the fair value of deferred income taxes	(6,883)
Other	(191)
Total adjustment to goodwill	$ (12,782)

Excluding the June 2018 acquisition described above, we spent $32.8 million and $35.6 million for several smaller, tuck-in acquisitions for the six months ended June 30, 2019 and 2018, respectively.

Divestiture-Related Activities

As divestitures occur in the normal course of business, gains or losses on the sale of such assets are recognized in the income statement line item *(Losses) gains on divestitures and impairment charges, net,* which consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
(Losses) gains on divestitures, net	$ (9,643)	$ 6,865	$ (9,097)	$ 8,141
Impairment losses	(2,180)	—	(4,604)	(794)
(Losses) gains on divestitures and impairment charges, net	$ (11,823)	$ 6,865	$ (13,701)	$ 7,347

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company

We are North America's largest provider of deathcare products and services, with a network of funeral service locations and cemeteries unequaled in geographic scale and reach. At June 30, 2019, we operated 1,478 funeral service locations and 481 cemeteries (including 287 funeral service/cemetery combination locations), which are geographically diversified across 44 states, eight Canadian provinces, the District of Columbia, and Puerto Rico.

We are well known for our Dignity Memorial® brand, North America's first transcontinental brand of deathcare products and services. Our other brands are Dignity Planning™, National Cremation Society®, Advantage® Funeral and Cremation Services, Funeraria del Angel™, Making Everlasting Memories®, Neptune Society™, and Trident Society™. Our funeral and cemetery operations consist of funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria, and related businesses, which enable us to serve a wide array of customer needs. We sell cemetery property and funeral and cemetery merchandise and services at the time of need and on a preneed basis.

Our financial position is enhanced by our approximately $11.6 billion backlog of future revenue from both trust and insurance-funded preneed sales at June 30, 2019. Preneed selling provides us with a current opportunity to lock-in future market share while deterring the customer from going to a competitor in the future. We also believe it adds to the stability and predictability of our revenue and cash flows. While revenue on the majority of preneed merchandise and service sales is deferred until the time of need, sales of preneed cemetery property provide opportunities for full current revenue recognition to the extent that the property is developed and available for use.

We have adequate liquidity and a favorable debt maturity profile, which allows us to return capital to shareholders through share repurchases and dividends.

Factors affecting our operating results include: demographic trends in terms of population growth and average age, which impact death rates and number of deaths; establishing and maintaining leading market share positions supported by strong local heritage and relationships; effectively responding to increasing cremation trends by selling complementary services and merchandise; controlling salary and merchandise costs; and exercising pricing leverage related to our atneed revenue. The average revenue per funeral contract is influenced by the mix of traditional and cremation services because our average revenue for cremations is lower than that for traditional burials. To further enhance revenue opportunities, we continue to focus on our cremation customers' preferences and remaining relevant by developing additional memorialization merchandise and services that specifically appeal to cremation customers. We believe the presentation of these additional merchandise and services through our customer-facing technology enhances our customers' experience by reducing administrative burdens and allowing them to visualize the product offerings and services, which will help drive increases in the average revenue for a cremation in future periods.

For further discussion of our key operating metrics, see our *Results of Operations* and *Cash Flow* sections below.

Financial Condition, Liquidity and Capital Resources

Capital Allocation Considerations

We rely on cash flow from operations as a significant source of liquidity. Our cash flow from operating activities provided $262.9 million in the first six months of 2019. We had $967.1 million in borrowing capacity under our Bank Credit Facility at June 30, 2019.

Our bank credit agreement requires us to maintain certain leverage and interest coverage ratios. As of June 30, 2019, we were in compliance with all of our debt covenants. Our financial covenant requirements and actual ratios as of June 30, 2019 are as follows:

	Per Credit Agreement	Actual
Leverage ratio	4.75 (Max)	3.89
Interest coverage ratio	3.00 (Min)	4.83

We believe we have the financial strength and flexibility to reward shareholders through share repurchases and dividends while maintaining a prudent capital structure and pursuing new opportunities for profitable growth.

We believe that our unencumbered cash on hand, future operating cash flows, and the available capacity under our bank credit agreement will give us adequate liquidity to meet our short-term needs as well as our long-term financial obligations. Due to cash balances residing in Canada and minimum operating cash requirements, a portion of our cash on hand is encumbered.

We consistently evaluate the best uses of our cash flow that will yield the highest value and return on capital. Our capital deployment strategy is prioritized as follows:

*Investing in Acquisitions and Building New Funeral Service Locations***.** We intend to make acquisitions of funeral service locations and cemeteries when pricing and terms are favorable. We expect an acquisition investment to earn an after-tax cash return that is in excess of our weighted average cost of capital with room for execution risk. We will also invest in the construction of additional funeral service locations. We target businesses with favorable customer categories and/or where we can achieve additional economies of scale.

Paying Dividends**.** Our quarterly dividend rate has steadily grown from $0.025 per common share in 2005 to $0.18 per common share in 2019. We target a payout ratio of 30% to 40% of earnings excluding special items and intend to grow our cash dividend commensurate with the growth in our business. While we intend to pay regular quarterly cash dividends for the foreseeable future, all future dividends are subject to limitations in our debt covenants and final determination by our Board of Directors each quarter upon review of our financial performance.

Repurchasing Shares. Absent a strategic acquisition opportunity, we believe share repurchases are attractive at the appropriate price. We intend to make purchases from time to time in the open market or through privately negotiated transactions, subject to market conditions, debt covenants, and normal trading restrictions. Our Bank Credit Facility contains covenants that limit our ability to repurchase our common stock. There can be no assurance that we will buy our common stock under our repurchase program in the future.

During the six months ended June 30, 2019, we repurchased 692,325 shares of common stock at an aggregate cost of $29.6 million, which is an average cost per share of $42.72. After these repurchases, the remaining dollar value of shares authorized to be purchased under our share repurchase program was approximately $165.7 million at June 30, 2019.

Managing Debt. We will seek to make open market debt repurchases when it is opportunistic to do so relative to other capital deployment opportunities and manage our near-term debt maturity profile. We have a relatively consistent annual cash flow stream that is generally resistant to down economic cycles. This cash flow stream and our significant liquidity is available to substantially reduce our long-term debt maturities should we choose to do so. Furthermore, our capital expenditures are generally discretionary in nature and can be managed based on the availability of operating cash flow.

Cash Flow

We believe our ability to generate strong operating cash flow is one of our fundamental financial strengths and provides us with substantial flexibility in meeting our operating and investing needs.

Operating Activities

Net cash provided by operating activities decreased $52.5 million to $262.9 million in the first six months of 2019, compared to $315.4 million in the first six months of 2018. Excluding $6.4 million in legal settlements in the current period and a $5.6 million tax refund in the prior period, cash flow from operations decreased by $40.5 million from prior year. The 2019 decrease comprises:

- a $22.4 million increase in vendor and other payments,
- a $21.1 million increase in employee compensation,
- a $18.7 million increase in cash tax recurring payments,
- a $11.8 million increase in net trust deposits, and
- a $8.2 million increase in cash interest paid, partially offset by
    - a $31.0 million increase in cash receipts from customers, and
    - a $10.7 million increase in General Agency (GA) and other receipts.

Investing Activities

Cash flows from investing activities used $142.7 million in the first six months of 2019 compared to using $272.8 million in the same period of 2018. The $130.1 million decrease from 2019 over 2018 is primarily due to the following:

- a $134.9 million decrease in cash spent on acquisitions,
- a $14.5 million decrease primarily for the purchase of land,
- a $0.3 million decrease in payments on Company-owned life insurance policies, net of proceeds, partially offset by
    - a $9.8 million increase in capital expenditures primarily due to improvements at existing funeral homes,
    - a $6.9 million decrease in cash receipts from divestitures and asset sales, and
    - a $2.9 million decrease in proceeds from sale of other investments.

Financing Activities

Financing activities used $79.8 million in the first six months of 2019 compared to using $210.1 million in the same period of 2018. The $130.3 million decrease from 2019 over 2018 is primarily due to:

- a $199.3 million decrease in purchase of Company common stock,
- a $21.1 million change in bank overdrafts and other,
- a $15.8 million increase in proceeds from exercises of stock options partially offset by
    - a $102.4 million decrease in proceeds from the issuance of debt, net of payments, and

- a $3.5 million increase in payments of dividends.

Financial Assurances

In support of our operations, we have entered into arrangements with certain surety companies whereby such companies agree to issue surety bonds on our behalf as financial assurance and/or as required by existing state and local regulations. The surety bonds are used for various business purposes; however, the majority of the surety bonds issued and outstanding have been used to support our preneed funeral and cemetery sales activities. The obligations to the customer underlying these surety bonds are recorded on the unaudited Condensed Consolidated Balance Sheet as *Deferred revenue, net.* The breakdown of surety bonds between funeral and cemetery preneed arrangements, as well as surety bonds for other activities, is described below.

	June 30, 2019	December 31, 2018
	(In millions)	
Preneed funeral	$ 91.9	$ 106.9
Preneed cemetery:		
Merchandise and services	143.6	137.9
Pre-construction	16.4	15.4
Bonds supporting preneed obligations	251.9	260.2
Bonds supporting preneed business permits	4.7	4.2
Other bonds	18.8	18.9
Total surety bonds outstanding	$ 275.4	$ 283.3

When selling preneed contracts, we may post surety bonds where allowed by state law. We post the surety bonds in lieu of trusting a certain amount of funds received from the customer. The amount of the bond posted is generally determined by the total amount of the preneed contract that would otherwise be required to be trusted, in accordance with applicable state law. For the six months ended June 30, 2019 and 2018, we had $12.4 million and $12.3 million, respectively, of cash receipts attributable to bonded sales. These amounts do not consider reductions associated with taxes, obtaining costs, or other costs.

Surety bond premiums are paid annually and are automatically renewable until maturity of the underlying preneed contracts, unless we are given prior notice of cancellation. Except for cemetery pre-construction bonds (which are irrevocable), the surety companies generally have the right to cancel the surety bonds at any time with appropriate notice. In the event a surety company were to cancel the surety bond, we are required to obtain replacement surety assurance from another surety company or fund a trust for an amount generally less than the posted bond amount. Management does not expect that we will be required to fund material future amounts related to these surety bonds because of lack of surety capacity or surety company non-performance.

Preneed Funeral and Cemetery Activities and Backlog of Contracts

In addition to selling our products and services to client families at the time of need, we enter into price-guaranteed preneed contracts, which provide for future funeral or cemetery merchandise and services. Because preneed funeral and cemetery merchandise or services will generally not be provided until sometime in the future, most states and provinces require that all or a portion of the funds collected from customers on preneed contracts be deposited into merchandise and service trusts until the merchandise is delivered or the service is performed. In certain situations, as described above, where permitted by state or provincial laws, we may post a surety bond as financial assurance for a certain amount of the preneed contract in lieu of placing funds into trust accounts. Alternatively, we may sell a life insurance or annuity policy from third-party insurance companies.

Insurance-Funded Preneed Contracts: Where permitted by state or provincial law, we may sell a life insurance or annuity policy from third-party insurance companies, for which we earn a commission as general sales agent for the insurance company. These general agency commissions (GA revenue) are based on a percentage per contract sold and are recognized as funeral revenue when the insurance purchase transaction between the preneed purchaser and third-party insurance provider is completed. We do not reflect the unfulfilled insurance-funded preneed contract amounts in our unaudited Condensed Consolidated Balance Sheet because they are not assets and liabilities as defined in *Statement of Accounting Concepts No. 6* as we have no claim to the insurance proceeds until the contract is fulfilled and no obligation under the contract until the benefits are assigned to us at the time of need. The proceeds of the life insurance policies or annuity contracts will be reflected in funeral revenue as we perform these funerals.

The table below details the results of insurance-funded preneed production and maturities for the three and six months ended June 30, 2019 and 2018, and the number of contracts associated with those transactions.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Preneed insurance-funded:				
Sales production [1]	$ 149.5	$ 148.1	$ 285.6	$ 274.7
Sales production (number of contracts) [1]	26,215	25,232	50,127	46,821
General agency revenue	$ 34.2	$ 36.1	$ 70.2	$ 67.6
Maturities	$ 84.2	$ 82.7	$ 175.3	$ 179.1
Maturities (number of contracts)	14,365	14,020	29,978	30,251

(1) Amounts are not included in our unaudited Condensed Consolidated Balance Sheet.

Trust-Funded Preneed Contracts: The funds collected from customers and required by state or provincial law are deposited into trusts. We retain any funds above the amounts required to be deposited into trust accounts and use them for working capital purposes, generally to offset the selling and administrative costs of our preneed programs. Although this represents cash flow to us, the associated revenues are deferred until the merchandise is delivered or services are performed (typically at maturity). The funds in trust are then invested by professional money managers with oversight by independent trustees in accordance with state and provincial laws.

The tables below detail our results of preneed production and maturities, excluding insurance contracts, for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Funeral:				
Preneed trust-funded (including bonded):				
Sales production	$ 102.9	$ 92.3	$ 196.1	$ 185.0
Sales production (number of contracts)	28,257	25,123	53,349	50,996
Maturities	$ 72.4	$ 70.5	$ 145.5	$ 147.6
Maturities (number of contracts)	18,140	17,182	36,843	36,843
Cemetery:				
Sales production:				
Preneed	$ 240.5	$ 245.6	$ 457.2	$ 447.1
Atneed	83.5	79.9	165.5	165.0
Total sales production	$ 324.0	$ 325.5	$ 622.7	$ 612.1
Sales production deferred to backlog:				
Preneed	$ 102.3	$ 120.2	$ 196.2	$ 217.4
Atneed	61.5	59.4	122.3	122.7
Total sales production deferred to backlog	$ 163.8	$ 179.6	$ 318.5	$ 340.1
Revenue recognized from backlog:				
Preneed	$ 74.3	$ 81.2	$ 137.5	$ 138.2
Atneed	59.4	59.5	119.0	120.4
Total revenue recognized from backlog	$ 133.7	$ 140.7	$ 256.5	$ 258.6

Backlog of Preneed Contracts: The following table reflects our backlog of trust-funded deferred preneed contract revenue, including amounts related to *Deferred receipts held in trust* at June 30, 2019 and December 31, 2018. Additionally, the table reflects our backlog of unfulfilled insurance-funded contracts (which are not included in our unaudited Condensed Consolidated Balance Sheet) at June 30, 2019 and December 31, 2018. The backlog amounts presented include amounts due from customers for undelivered performance obligations on cancelable preneed contracts to arrive at our total backlog of deferred revenue. The table does not include the backlog associated with businesses that are held for sale.

The table also reflects our preneed receivables and trust investments associated with the backlog of deferred preneed contract revenue including the amounts due from customers for undelivered performance obligations on cancelable preneed contracts. We believe that the table below is meaningful because it sets forth the aggregate amount of future revenue we expect to recognize as a result of preneed sales, as well as the amount of funds associated with this revenue. Because the future revenue exceeds the assets, future revenue will exceed the cash distributions actually received from the associated trusts and future collections from the customer.

	June 30, 2019		December 31, 2018	
	Fair Value	Cost	Fair Value	Cost
	(In billions)			
Deferred revenue, net	$ 1.44	$ 1.44	$ 1.42	$ 1.42
Amounts due from customers for unfulfilled performance obligations on cancelable preneed contracts	0.58	0.58	0.57	0.57
Deferred receipts held in trust	3.69	3.49	3.37	3.47
Allowance for cancellation	(0.27)	(0.25)	(0.24)	(0.25)
Backlog of trust-funded deferred revenue, net of estimated allowance for cancellation	$ 5.44	$ 5.26	$ 5.12	$ 5.21
Backlog of insurance-funded deferred revenue(1)	6.16	6.16	5.97	5.97
Total backlog of deferred revenue	$ 11.60	$ 11.42	$ 11.09	$ 11.18
Preneed receivables, net and trust investments	$ 4.61	$ 4.41	$ 4.27	$ 4.37
Amounts due from customers for unfulfilled performance obligations on cancelable preneed contracts	0.58	0.58	0.57	0.57
Allowance for cancellation on trust investments	(0.27)	(0.25)	(0.24)	(0.25)
Assets associated with backlog of trust-funded deferred revenue, net of estimated allowance for cancellation	$ 4.92	$ 4.74	$ 4.60	$ 4.69
Insurance policies associated with insurance-funded deferred revenue(1)	6.16	6.16	5.97	5.97
Total assets associated with backlog of preneed deferred revenue	$ 11.08	$ 10.90	$ 10.57	$ 10.66

(1) Amounts are not included in our unaudited Condensed Consolidated Balance Sheet.

The fair value of our trust investments was based on a combination of quoted market prices, observable inputs such as interest rates or yield curves, and/or appraisals. As of June 30, 2019, the difference between the backlog and asset fair value amounts totaled $0.52 billion, consisting of $0.23 billion related to contracts for which we have posted surety bonds as financial assurance in lieu of trusting, $0.06 billion collected from customers that were not required to be deposited into trust, and $0.23 billion in allowable cash distributions from trust assets. As of June 30, 2019, the fair value of the total backlog comprised $3.07 billion related to cemetery contracts and $8.53 billion related to funeral contracts. As of June 30, 2019, the fair value of the assets associated with the backlog of trust-funded deferred revenue comprised $2.82 billion related to cemetery contracts and $2.1 billion related to funeral contracts.

Trust Investments

In addition to selling our products and services to client families at the time of need, we enter into price-guaranteed preneed funeral and cemetery contracts, which provide for future funeral or cemetery merchandise and services. Since preneed funeral and cemetery merchandise or services will generally not be provided until sometime in the future, most states and provinces require that all or a portion of the funds collected from customers on preneed funeral and cemetery contracts be paid into trusts and/or escrow accounts until the merchandise is delivered or the service is performed. Investment earnings associated with the trust investments are expected to mitigate the inflationary costs of providing the preneed funeral and cemetery merchandise and services in the future at the prices that were guaranteed at the time of sale.

Also, we are required by state and provincial law to pay a portion of the proceeds from the preneed or atneed sale of cemetery property interment rights into perpetual care trusts. For these investments, the original corpus remains in the trust in perpetuity and the net ordinary earnings or elected distributions are withdrawn with the intention of offsetting the expense to maintain the cemetery property. While many states require that net capital gains or losses be retained and added to the corpus, certain states allow the net realized capital gains and losses to be included in the net ordinary earnings that are distributed. Additionally, some states allow a total return distribution that may contain elements of income, capital appreciation, and principal.

Independent trustees manage and invest the majority of the funds deposited into the funeral and cemetery merchandise and services trusts as well as the cemetery perpetual care trusts. The majority of trustees are selected based on their respective geographic footprint and qualifications per state and provincial regulations. Most of the trustees engage the same independent investment managers. These trustees, with input from SCI's wholly-owned registered investment advisor, establish an investment policy that serves as an operating document to guide the investment activities of the trusts including asset allocation and manager selection. The investments are also governed by state and provincial guidelines. All of the trusts seek to control risk and volatility through a combination of asset classes, investment styles, and a diverse mix of investment managers.

Asset allocation is based on the liability structure of each funeral, cemetery, and perpetual care trust. Based on the various criteria set forth in the investment policy, the investment advisor recommends investment managers to the trustees. The primary investment objectives for the funeral and cemetery merchandise and service trusts include 1) preserving capital within acceptable levels of volatility and risk and 2) achieving growth of principal over time sufficient to preserve and increase the purchasing power of the assets. Preneed funeral and cemetery contracts generally take years to mature; therefore, the funds associated with these contracts are often invested through several market cycles.

Historically, the cemetery perpetual care trusts' investment objectives, in accordance with state and provincial regulations, have emphasized providing a steady stream of current investment income with some capital appreciation in order to provide for the maintenance and beautification of cemetery properties. However, during 2016, SCI worked with several state legislatures to adjust laws and regulations to allow for a fixed distribution rate from cemetery perpetual care trusts' assets regardless of the level of ordinary income, similar to university endowments. As a result, beginning in 2017, a significant portion of our cemetery perpetual care trust assets were liquidated and reinvested in a more growth-oriented asset allocation with investment objectives similar to the funeral and cemetery merchandise and service trusts. Currently, the asset allocation is split approximately evenly between income and growth orientations. We expect this asset allocation shift to enhance asset growth and provide further protection to our customers. Additionally, we expect more states to adopt total return distribution legislation in the coming years.

As of June 30, 2019, approximately 87% of our trusts were under the control and custody of three large financial institutions. The U.S. trustees primarily use four managed limited liability companies (LLCs), one for each merchandise and service trust type and two for the cemetery perpetual care trust type, and each with an independent trustee as custodian. Each financial institution acting as trustee manages its allocation of trust assets in accordance with the investment policy through the purchase of the LLCs' units. For those accounts not eligible for participation in the LLCs, or in the event a particular state's regulations contain investment restrictions, the trustee utilizes institutional mutual funds that comply with our investment policy or with such state restrictions. The U.S. trusts include a modest allocation to alternative investments. These alternative investments are held in vehicles structured as LLCs and are managed by certain trustees. The trusts that are eligible to allocate a portion of their investments to alternative investments purchase units of the respective alternative investment LLCs.

Investment Structures

Each financial institution, acting as trustee, manages its allocation of trust assets in compliance with the investment policy primarily through the purchase of four managed LLCs, one for each trust type and each with a different, independent trustee acting as custodian. The managed LLCs use the following structures for investments:

Commingled funds. These funds allow the trusts to access, at a reduced cost, the same investment managers and strategies used elsewhere in the portfolios.

Mutual funds. The trust funds employ institutional share class mutual funds where operationally or economically efficient. These mutual funds are utilized to invest in various asset classes including U.S. equities, non-U.S. equities, corporate bonds, government bonds, high yield bonds, and commodities, all of which are governed by guidelines outlined in their individual prospectuses.

Separately managed accounts. To reduce the costs to the investment portfolios, the trusts utilize separately managed accounts where appropriate.

Asset Classes

Fixed income investments are intended to preserve principal, provide a source of current income, and reduce overall portfolio volatility. The majority of the fixed income allocation for the trusts is in institutional share class mutual funds. Where the trusts have direct investments in individual fixed income securities, these are primarily in government and corporate instruments.

Canadian government fixed income securities are investments in Canadian federal and provincial government instruments. In many cases, regulatory restrictions mandate that the funds from the sales of preneed funeral and cemetery products sold in certain Canadian jurisdictions must be invested in these instruments.

Equity investments have historically provided long-term capital appreciation in excess of inflation. The trusts have direct investments in individual equity securities primarily in domestic equity portfolios that include large, mid, and small capitalization companies of different investment styles (i.e., growth and value). The majority of the equity allocation is managed by institutional investment managers that specialize in an objective-specific area of expertise. Our equity securities are exposed to market risk; however, we believe these securities are well-diversified. As of June 30, 2019, the largest single equity position represented less than 1% of the total securities portfolio.

The objective of *private equity fund* investments is to provide high rates of return with reduced volatility and lower correlation. These investments are typically long term in duration. These investments are diversified by strategy, sector, manager, and vintage year. The investments consist of numerous limited partnerships, including private equity, real estate, fund of funds, distressed debt, and mezzanine financing. The trustees that have oversight of their respective alternative LLCs work closely with the investment advisor in making all investment decisions.

Trust Performance

During the six months ended June 30, 2019, the Standard and Poor's 500 Index increased 18.5% and the Barclay's Aggregate Index increased 6.1%, and the combined SCI trusts increased by 13.1%.

SCI, the trustees, and the investment advisor monitor the capital markets and the trusts on an on-going basis. The trustees, with input from the investment advisor, take prudent action as needed to achieve the investment goals and objectives of the trusts.

Results of Operations — Three Months Ended June 30, 2019 and 2018

Management Summary

In the three months ended June 30, 2019, we reported net income attributable to common stockholders of $72.3 million ($0.39 per diluted share) compared to net income attributable to common stockholders for the same period in 2018 of $103.2 million ($0.55 per diluted share). These results were affected by the following items:

	Three Months Ended June 30,	
	2019	2018
	(In millions)	
Pre-tax (losses) gains from divestitures and impairment, net	$ (11.8)	$ 6.9
Pre-tax loss from the early extinguishment of debt	$ (7.6)	$ —
Pre-tax legal settlement	$ 1.6	$ —
Tax effect from above items	$ 4.2	$ (2.2)
Change in certain tax reserves	$ (1.2)	$ 16.1

In addition to the items referenced in the table above, growth in our cemetery segment coupled with a favorable adjusted effective tax rate more than offset an anticipated increase in interest expense related to the timing of our recent debt refinancing.

Funeral Results

	Three Months Ended June 30,	
	2019	2018
	(Dollars in millions, except average revenue per service)	
Consolidated funeral revenue	$ 479.0	$ 468.6
Less: Revenue associated with acquisitions/new construction	9.2	2.6
Less: Revenue associated with divestitures	0.3	1.7
Comparable (1) funeral revenue	469.5	464.3
Less: Comparable recognized preneed revenue	39.1	33.8
Less: Comparable general agency and other revenue	31.6	33.9
Adjusted comparable funeral revenue	$ 398.8	$ 396.6
Comparable services performed	76,439	74,913
Comparable average revenue per service(2)	$ 5,217	$ 5,294
Consolidated funeral operating profit	$ 90.6	$ 90.4
Less: Operating loss associated with acquisitions/new construction	(0.6)	0.1
Less: Operating loss associated with divestitures	(0.2)	(1.5)
Comparable funeral operating profit	$ 91.4	$ 91.8

(1) We define comparable (or same store) operations as those funeral locations owned by us for the entire period beginning January 1, 2018 and ending June 30, 2019.

(2) We calculate comparable average revenue per service by dividing comparable funeral revenue, excluding recognized preneed revenue, general agency revenue, and other revenue to avoid distorting our average of normal funeral services revenue, by the comparable number of services performed during the period. Recognized preneed revenue are preneed sales of merchandise that are delivered at the time of sale, including memorial merchandise and travel protection, net and are excluded from our calculation of comparable average revenue per service because the associated service has not yet been performed.

Funeral Revenue

Consolidated revenue from funeral operations was $479.0 million for the three months ended June 30, 2019 compared to $468.6 million for the same period in 2018. This increase is primarily attributable to the increase of $6.6 million in revenue contributed by acquired properties, and a $5.2 million increase in comparable revenue as described below partially offset by $1.4 million in revenue contributed by properties that have been subsequently divested.

Comparable revenue from funeral operations was $469.5 million for the three months ended June 30, 2019 compared to $464.3 million for the same period in 2018. This $5.2 million increase is due to 2.0% higher comparable services performed and a $5.3 million increase in recognized preneed revenue partially offset by 1.5% decrease in average revenue per funeral service and lower other revenue. Other revenue decreased $2.3 million, primarily due to lower General Agency (GA) revenue as a result of a decrease in insurance-funded preneed sales production.

Organic sales average growth of 1.5% was more than offset by 190 basis point increase in the total comparable cremation rate, which increased to 56.7% in the three months ended June 30, 2019 from 54.8% in 2018 as a result of an increase in both direct cremations and cremations with service.

Funeral Operating Profit

Consolidated funeral operating profit was essentially flat to the prior year as we focused on managing our fixed cost structure against limited revenue growth.

Cemetery Results

	Three Months Ended June 30,	
	2019	2018
	(In millions)	
Consolidated cemetery revenue	$ 333.6	$ 327.4
Less: Revenue associated with acquisitions/new construction	5.3	1.3
Less: Revenue associated with divestitures	0.3	0.5
Comparable [1] cemetery revenue	$ 328.0	$ 325.6
Consolidated cemetery operating profit	$ 100.6	$ 97.7
Less: Operating profit associated with acquisitions/new construction	0.9	0.3
Less: Operating profit associated with divestitures	0.1	0.1
Comparable cemetery operating profit	$ 99.6	$ 97.3

(1) We define comparable (or same store) operations as those cemetery locations owned by us for the entire period beginning January 1, 2018 and ending June 30, 2019.

Cemetery Revenue

Consolidated revenue from our cemetery operations increased $6.2 million, or 1.9%, in the second quarter of 2019 compared to the same period in 2018 primarily due to a $4.0 million increase in revenue contributed by acquired properties and a $2.4 million increase in comparable cemetery revenue The comparable revenue growth over the prior year quarter is primarily due to an increase in recognized preneed property revenue from sales into existing developed cemetery property projects partially offset by lower other revenue (primarily endowment care trust fund income) due to the timing of capital gains and other distributions.

Cemetery Operating Profit

Consolidated cemetery operating profit increased $2.9 million, or 3.0%, in the second quarter of 2019 compared to the same period in 2018 primarily due to a $0.6 million increase in operating profit contributed by acquired properties and a $2.3 million increase in comparable operating profit to $99.6 million. The $2.3 million increase in comparable cemetery operating profit is primarily reflecting higher recognized preneed property revenue and the impact of cost reduction initiatives which more than offset the anticipated decline of high margin trust fund income.

Other Financial Statement Items

General and administrative expenses

General and administrative expenses decreased $1.8 million to $29.4 million in the second quarter of 2019. The current year quarter included a reduction in legal expenses of 1.6 million. Excluding these costs, general and administrative expenses were relatively flat compared to the second quarter of 2018 due to continued effective cost management offsetting normal fixed cost growth.

(Losses) gains on divestitures and impairment charges, net

Losses on divestitures were $11.8 million in 2019, decreasing $18.7 million from the gain of $6.9 million in 2018. This is the result of divestitures of non-strategic funeral and cemetery locations in the United States and Canada.

Interest expense

Interest expense increased $2.8 million to $47.3 million in the second quarter of 2019. This increase is primarily due to higher interest rates related to our floating rate debt.

Loss on early extinguishment of debt

We incurred a $7.6 million loss on early extinguishment of debt in the second quarter of 2019 associated with the execution of strategic refinancing transactions.

Provision for income taxes

Income tax expense during interim periods is based on our estimated annual effective income tax rate plus any discrete items, which are recorded in the period in which they occur. Discrete items include, among others, such events as changes in estimates due to the finalization of tax returns, tax audit settlements, expiration of statutes of limitation, and increases or decreases in valuation allowances on deferred tax assets. Our effective tax rate was 24.5% and 13.4% for the three months ended June 30, 2019 and 2018, respectively. The higher effective tax rate for the three months ended June 30, 2019 was primarily due to favorable adjustments allowed under SAB 118 in the prior year, partially offset with the higher excess tax benefits from increased exercises of stock options in 2019.

Weighted average shares

The diluted weighted average number of shares outstanding was 185.7 million in the three months ended June 30, 2019, compared to 187.2 million in the same period in 2018. The decrease in the number of shares reflects the impact of shares repurchased under our share repurchase program.

Management Summary

In the six months ended June 30, 2019, we reported net income attributable to common stockholders of $151.7 million ($0.82 per diluted share) compared to net income attributable to common stockholders for the same period in 2018 of $185.2 million ($0.98 per diluted share). These results were affected by the following items:

	Six Months Ended June 30,	
	2019	2018
	(In millions)	
Pre-tax (losses) gains from divestitures and impairment charges, net	$ (13.7)	$ 7.3
Pre-tax losses from the early extinguishment of debt, net	$ (7.6)	$ (10.1)
Pre-tax legal settlements	$ (6.4)	$ —
Tax benefit from above items	$ 6.8	$ (0.6)

Change in certain tax reserves and other	$ (1.2)	$ 17.3

In addition to the items referenced in the table above, growth in our cemetery segment coupled with a favorable adjusted effective tax rate more than offset an anticipated increase in interest expense related to the timing of our recent debt refinancing and decreased revenue from fewer funeral services performed due to a weaker 2019 flu season.

Funeral Results

	Six Months Ended June 30,	
	2019	2018
	(Dollars in millions, except average revenue per service)	
Consolidated funeral revenue	$ 971.8	$ 983.0
Less: revenue associated with acquisitions/new construction	17.7	2.9
Less: revenue associated with divestitures	1.1	4.2
Comparable [(1)] funeral revenue	953.0	975.9
Less: comparable recognized preneed revenue	69.9	66.3
Less: comparable general agency and other revenue	64.7	62.1
Adjusted comparable funeral revenue	$ 818.4	$ 847.5
Comparable services performed	157,460	160,796
Comparable average revenue per service[(2)]	$ 5,198	$ 5,271
Consolidated funeral operating profit	$ 196.0	$ 210.9
Less: operating profit (loss) associated with acquisitions/new construction	0.1	(0.2)
Less: operating loss associated with divestitures	(0.6)	(2.4)
Comparable funeral operating profit	$ 196.5	$ 213.5

(1) We define comparable (or same store) operations as those funeral service locations owned by us for the entire period beginning January 1, 2018 and ending June 30, 2019.

(2) We calculate comparable average revenue per service by dividing comparable funeral revenue, excluding recognized preneed revenue, general agency revenue, and other revenue to avoid distorting our average of normal funeral services revenue, by the comparable number of services performed during the period. Recognized preneed revenue are preneed sales of merchandise that are delivered at the time of sale, including memorial merchandise and travel protection, net and are excluded from our calculation of comparable average revenue per service because the associated service has not yet been performed.

Funeral Revenue

Consolidated revenue from funeral operations was $971.8 million for the six months ended June 30, 2019 compared to $983.0 million for the same period in 2018. This decrease is primarily attributable to a $22.9 million decrease in comparable revenue as described below and $3.1 million in revenue contributed by properties that have been subsequently divested partially offset by a $14.8 million increase in revenue contributed by acquired and newly constructed properties.

Comparable revenue from funeral operations was $953.0 million for the six months ended June 30, 2019 compared to $975.9 million for the same period in 2018. The $22.9 million decrease was primarily due to a 2.1% decrease in comparable services performed, resulting from a weaker 2019 flu season, and a 1.4% decrease in the average revenue per service.

Comparable average revenue per service declined $73, or 1.4%, as a 1.1% increase in the organic sales average was offset by a 180 basis point increase in the total comparable cremation rate, which increased to 56.5% in the first six months of 2019 from 54.7% in 2018 as a result of an increase in both direct cremations and cremations with service.

Funeral Operating Profit

Consolidated funeral operating profit decreased $14.9 million, or 7.1%, in the first six months of 2019 compared to the same period in 2018. This decrease is primarily attributable to a decrease in comparable funeral operating profit of $17.0 million, or 8.0%. Comparable funeral operating profit decreased $17.0 million to $196.5 million and the operating margin percentage decreased 130 basis points to 20.6%, which is primarily due to the decreased revenue from funeral services performed resulting from a weaker 2019 flu season coupled with effectively managing our fixed cost structure.

Cemetery Results

	Six Months Ended June 30,	
	2019	2018
	(In millions)	
Consolidated cemetery revenue	$ 639.0	$ 607.6
Less: revenue associated with acquisitions	9.8	1.4
Less: revenue associated with divestitures	0.6	1.0
Comparable (1) cemetery revenue	$ 628.6	$ 605.2
Consolidated cemetery operating profit	$ 187.0	$ 173.0
Less: operating profit associated with acquisitions	0.8	0.4
Less: operating profit associated with divestitures	0.2	—
Comparable cemetery operating profit	$ 186.0	$ 172.6

(1) We define comparable (or same store) operations as those cemetery locations owned by us for the entire period beginning January 1, 2018 and ending June 30, 2019.

Cemetery Revenue

Consolidated revenue from our cemetery operations increased $31.4 million, or 5.2%, in the six months ended June 30, 2019 compared to the same period in 2018, primarily attributable to a $23.4 million increase in comparable revenue and $8.4 million in revenue contributed by acquired properties. The comparable revenue growth over the prior year is due to increased recognized preneed property revenue from sales into existing developed cemetery property projects and higher endowment care trust fund income. These increases were partially offset by lower atneed cemetery revenue as activities were reduced from a milder flu season compared to the prior year.

Cemetery Operating Profit

Consolidated cemetery operating profit increased $14.0 million, or 8.1%, in the six months ended June 30, 2019 compared to the same period in 2018 primarily as a result of a $13.4 million increase in comparable operating profit. Comparable cemetery operating profit increased $13.4 million to $186.0 million primarily due to the revenue increases described above as well as the impact of cost reduction initiatives. The operating margin percentage increased 110 basis points to 29.6%.

Other Financial Statement Items

General and Administrative Expenses

General and administrative expenses increased $6.0 million to $71.9 million in the six months ended June 30, 2019 compared to $65.9 million in the same period of 2018. The current year period includes $6.4 million related to a legal reserve established for future settlements. Excluding these costs, general and administrative expenses decreased $0.4 million due to effective cost management.

(Losses) Gains on Divestitures and Impairment Charges, Net

(Losses) gains on divestitures and impairment charges, net, declined $21.0 million in the six months ended June 30, 2019 compared to the same period of 2018. These losses and gains were associated with the divestitures of non-strategic funeral and cemetery locations in the United States and Canada and the disposal of certain transportation assets.

Interest Expense

Interest expense increased $6.6 million to $94.7 million in the six months ended June 30, 2019 primarily due to increased interest rates on our floating rate debt.

Loss on Early Extinguishment of Debt, Net

We incurred losses of $7.6 million in the six months ended June 30, 2019 and $10.1 million in the same period of 2018 on the early extinguishment of debt associated with the execution of strategic refinancing transactions.

Provision for Income Taxes

Income tax expense during interim periods is based on our estimated annual effective income tax rate plus any discrete items, which are recorded in the period in which they occur. Discrete items include, among others, events such as changes in estimates due to the finalization of tax returns, tax audit settlements, expiration of statutes of limitations, and increases or decreases in valuation allowances on deferred tax assets. Our effective tax rate was 22.7% and 19.3% for the six months ended June 30, 2019 and 2018, respectively. The higher effective tax rate for the six months ended June 30, 2019 was primarily due to favorable adjustments allowed under SAB 118 in the prior year, partially offset with the higher excess tax benefits from increased exercises of stock options in 2019.

Weighted Average Shares

The diluted weighted average number of shares outstanding was 185.5 million in the first six months of 2019, compared to 188.5 million in the same period in 2018. The decrease in the number of shares reflects the impact of shares repurchased under our share repurchase program.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Although we base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, actual results may differ from the estimates on which our financial statements are prepared at any given point of time. Changes in these estimates could materially affect our consolidated financial position, consolidated results of operations, or cash flows. Significant items that are subject to such estimates and assumptions include revenue and expense accruals, fair value of merchandise and perpetual care trust assets, and the allocation of purchase price to the fair value of assets acquired. Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

There were no significant changes to our accounting policies that have occurred subsequent to December 31, 2018, except as described below within *Recent Accounting Pronouncements and Accounting Changes*.

Recent Accounting Pronouncements and Accounting Changes

For discussion of recent accounting pronouncements and accounting changes, see Part I, Item 1. Financial Statements, Note 2 of this Form 10-Q.

Cautionary Statement on Forward-Looking Statements

The statements in this Form 10-Q that are not historical facts are forward-looking statements made in reliance on the "safe harbor" protections provided under the Private Securities Litigation Reform Act of 1995. These statements may be accompanied by words such as "believe," "estimate," "project," "expect," "anticipate," or "predict," that convey the uncertainty of future events or outcomes. These statements are based on assumptions that we believe are reasonable; however, many important factors could cause our actual results in the future to differ materially from the forward-looking statements made herein and in any other documents or oral presentations made by us, or on our behalf. Important factors, which could cause actual results to differ materially from those in forward-looking statements include, among others, the following:

- Our affiliated funeral and cemetery trust funds own investments in securities, which are affected by market conditions that are beyond our control.
- We may be required to replenish our affiliated funeral and cemetery trust funds to meet minimum funding requirements, which would have a negative effect on our earnings and cash flow.
- Our ability to execute our strategic plan depends on many factors, some of which are beyond our control.
- Our credit agreements contain covenants that may prevent us from engaging in certain transactions.

- If we lost the ability to use surety bonding to support our preneed funeral and preneed cemetery activities, we may be required to make material cash payments to fund certain trust funds.
- The funeral and cemetery industry is competitive.
- Increasing death benefits related to preneed contracts funded through life insurance or annuity contracts may not cover future increases in the cost of providing a price-guaranteed service.
- The financial condition of third-party insurance companies that fund our preneed contracts may impact our future revenue.
- Unfavorable results of litigation could have a material adverse impact on our financial statements.
- Unfavorable publicity could affect our reputation and business.
- If the number of deaths in our markets decline, our cash flows and revenue may decrease.
- If we are not able to respond effectively to changing consumer preferences, our market share, revenue, cash flows, and/or profitability could decrease.
- The continuing upward trend in the number of cremations performed in North America could result in lower revenue, operating profit, and cash flows.
- Our funeral home and cemetery businesses are high fixed-cost businesses.
- Regulation and compliance could have a material adverse impact on our financial results.
- Cemetery burial practice claims could have a material adverse impact on our financial results.
- We use a combination of insurance, self-insurance, and large deductibles in managing our exposure to certain inherent risks; therefore, we could be exposed to unexpected costs that could negatively affect our financial performance.
- A number of years may elapse before particular tax matters, for which we have established accruals, are audited and finally resolved.
- Changes in taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could have a material adverse effect on the results of our operations, financial condition, or cash flows.
- Declines in overall economic conditions beyond our control could reduce future potential earnings and cash flows and could result in future impairments to goodwill and/or other intangible assets.
- Any failure to maintain the security of the information relating to our customers, their loved ones, our associates, and our vendors could damage our reputation, could cause us to incur substantial additional costs and to become subject to litigation, and could adversely affect our operating results, financial condition, or cash flow.
- Our Canadian business exposes us to operational, economic, and currency risks.
- Our level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and may prevent us from fulfilling our obligations under our indebtedness.
- A failure of key information technology systems or processes could disrupt and adversely affect our business.
- Failure to maintain effective internal control over financial reporting could adversely affect our results of operations, investor confidence, and our stock price.
- The application of unclaimed property laws by certain states to our preneed funeral and cemetery backlog could have a material adverse impact on our liquidity, cash flows, and our financial results.

For further information on these and other risks and uncertainties, see our Securities and Exchange Commission filings, including our 2018 Annual Report on Form 10-K. Copies of this document as well as other SEC filings can be obtained from our website at www.sci-corp.com. We assume no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by us, whether as a result of new information, future events, or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The term “market” risk refers to the risk of gains or losses arising from changes in interest rates and prices of marketable securities. The disclosures are not meant to be precise indicators of expected future gains or losses, but rather indicators of reasonably possible gains or losses. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures. All of our market risk-sensitive instruments were entered into for purposes other than trading.

Marketable Equity and Debt Securities — Price Risk

In connection with our preneed operations and sales, the related trust funds own investments in equity and debt securities and mutual funds, which are sensitive to current market prices. Cost and market values as of June 30, 2019 are presented in

Part I, Item 1. Financial Statements, Note 3 of this Form 10-Q. Also, see Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, *Financial Conditions, Liquidity and Capital Resources*, for discussion of trust investments.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of June 30, 2019, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the Securities and Exchange Commission (SEC) reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time period specified by the SEC's rules and forms and that such information is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based on our evaluation, our CEO and CFO have concluded that our disclosure controls and procedures are effective as of June 30, 2019 and that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our consolidated financial condition, consolidated results of operations, and cash flows for the periods presented in conformity with US GAAP.

Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting occurred during the quarter ended June 30, 2019 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding legal proceedings is set forth in Part I, Item 1. Financial Statements, Note 10 of this Form 10-Q, which information is hereby incorporated by reference herein.

Item 1A. Risk Factors

There have been no material changes in our Risk Factors as set forth in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes our share repurchases during the three months ended June 30, 2019:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Dollar value of shares that may yet be purchased under the program
April 1, 2019 - April 30, 2019	12,486	$ 39.91	12,486	$ 180,167,864
May 1, 2019 - May 31, 2019	104,539	$ 42.99	104,539	$ 175,673,783
June 1, 2019 - June 30, 2019	220,403	$ 45.36	220,403	$ 165,676,767
	337,428		337,428	

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

4.1	—	Fifteenth Supplemental Indenture dated as of May 21, 2019 between Service Corporation International, The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York, as original trustee and BOKF, NA, as series trustee.
10.1	—	Seventh Amendment to the 401(k) Retirement Savings Plan.
10.2	—	Credit Agreement, dated May 22, 2019, between Service Corporation International, JPMorgan Chase Bank, N.A., as administrative agent, and certain other financial institutions, as lenders party thereto (Incorporated by reference to Exhibit 10.1 to Form 8-K filed May 23, 2019).
31.1	—	Certification of Thomas L. Ryan as Principal Executive Officer in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	—	Certification of Eric D. Tanzberger as Principal Financial Officer in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	—	Certification of Periodic Financial Reports by Thomas L. Ryan as Principal Executive Officer in satisfaction of Section 906 of the Sarbanes- Oxley Act of 2002.
32.2	—	Certification of Periodic Financial Reports by Eric D. Tanzberger as Principal Financial Officer in satisfaction of Section 906 of the Sarbanes-Oxley Act of 2002.
101	—	Interactive data file.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

July 30, 2019

SERVICE CORPORATION INTERNATIONAL

By: /s/ Tammy Moore

Tammy Moore

Vice President and Corporate Controller
(Principal Accounting Officer)

Exhibit 4.1

SERVICE CORPORATION INTERNATIONAL
as Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Original Trustee

and

BOKF, NA
as Series Trustee

$750,000,000

5.125% SENIOR NOTES DUE 2029

FIFTEENTH SUPPLEMENTAL INDENTURE

Dated as of May 21, 2019

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FIFTEENTH SUPPLEMENTAL INDENTURE, dated as of May 21, 2019 (this "Supplemental Indenture"), among Service Corporation International, a Texas corporation (the "Issuer"), The Bank of New York Mellon Trust Company, N.A., a national banking association, as successor to The Bank of New York, as the original trustee (the "Original Trustee") and BOKF, NA, a national banking association, as the series trustee (the "Series Trustee").

W I T N E S S E T H:

WHEREAS, the Issuer has heretofore entered into a Senior Indenture, dated as of February 1, 1993 (the "Original Indenture"), with the Original Trustee, a First Supplemental Indenture, dated as of April 14, 2004, with the Original Trustee, a Second Supplemental Indenture, dated as of June 15, 2005, with the Original Trustee, a Third Supplemental Indenture, dated as of October 3, 2006, with the Original Trustee, a Fourth Supplemental Indenture, dated as of October 3, 2006, with the Original Trustee, a Fifth Supplemental Indenture, dated as of November 28, 2006, with the Original Trustee, a Sixth Supplemental Indenture, dated as of April 9, 2007, with the Original Trustee, a Seventh Supplemental Indenture, dated as of April 9, 2007, with the Original Trustee, an Eighth Supplemental Indenture, dated as of November 10, 2009, with the Original Trustee, a Ninth Supplemental Indenture, dated as of November 22, 2010, with the Original Trustee, a Tenth Supplemental Indenture, dated as of November 8, 2012, with the Original Trustee, an Eleventh Supplemental Indenture, dated as of July 1, 2013, with the Original Trustee, a Twelfth Supplemental Indenture, dated as of May 12, 2014, with the Original Trustee, a Thirteenth Supplemental Indenture, dated as of May 12, 2014, with the Original Trustee and a Fourteenth Supplemental Indenture, dated as of December 12, 2017 with the Original Trustee and the Series Trustee;

WHEREAS, the Original Indenture, as supplemented by this Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, the form and terms of any new series of unsecured debentures, notes or other evidences of indebtedness (the "Securities") may at any time be established by a supplemental indenture executed by the Issuer and the Original Trustee;

WHEREAS, the Issuer proposes to create under the Indenture a new series of Securities;

WHEREAS, additional Securities of this series and other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Original Indenture as at the time supplemented and modified;

WHEREAS, the Issuer desires to appoint the Series Trustee to serve as the Trustee under the Indenture solely with respect to the Notes (as defined below);

WHEREAS, the Series Trustee is willing to accept such appointment with respect to the Notes;

WHEREAS, the amendments to the Original Indenture set forth in Article IX hereof with respect to the Notes do not require the consent of any existing Securityholder;

WHEREAS, the Issuer desires the Original Trustee to continue to serve as the Original Trustee under the Indenture for all purposes under the Original Indenture other than with respect to the Notes; and

WHEREAS, all actions necessary to authorize the execution and delivery of this Supplemental Indenture and to make it a valid and binding obligation of the Issuer have been done or performed;

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

Article I
ESTABLISHMENT OF NEW SERIES

Section 1.01 Establishment of New Series.

(a) There is hereby established a new series of Securities to be issued under the Indenture, to be designated as the Issuer's 5.125% Senior Notes due 2029 (the "Notes").

(b) On the Issue Date (as defined below), the Series Trustee shall authenticate and deliver $750,000,000 of the Notes and, at any time and from time to time thereafter, the Series Trustee shall authenticate and deliver Additional Notes (as defined below) for original issue in accordance with Sections 2.3 and 2.4 of the Original Indenture in an aggregate principal amount specified in the applicable Issuer Order. Further, from time to time after the original issue date, Notes shall be authenticated and delivered upon registration of transfer of or in exchange for, or in lieu of other Notes as set forth in the Original Indenture.

(c) The Notes shall be issued initially in the form of one or more Global Securities in substantially the form set out in Exhibit A hereto. The Depositary with respect to the Notes shall be The Depository Trust Company.

(d) Each Note shall be dated the date of authentication thereof and shall bear interest as provided in the form of Note in Exhibit A hereto. The date on which principal is payable on the Notes shall be as provided in the form of Note in Exhibit A hereto.

(e) The record dates for the Notes and the manner of payment of principal and interest on the Notes shall be as provided in the form of Note in Exhibit A hereto. The Place of Payment shall be as designated in Section 3.2 of the Original Indenture.

(f) The terms of Section 10.1(C) of the Original Indenture shall be applicable to the Notes. If and to the extent that the provisions of the Original Indenture are duplicative of, or in contradiction with, the provisions of this Supplemental Indenture, the provisions of this Supplemental Indenture shall govern, but solely with respect to the Notes.

ARTICLE II
APPOINTMENT OF SERIES TRUSTEE

Section 2.01 Appointment of Series Trustee. Pursuant to the Indenture, the Issuer hereby appoints the Series Trustee as Trustee under the Indenture with respect to the Notes, and only with respect to the Notes, and vests in and confirms with the Series Trustee all rights, powers, trusts, privileges, duties and obligations of the Trustee under the Indenture with respect to the Notes. There shall continue to be vested in and confirmed with the Original Trustee all of its rights, powers, trusts, privileges, duties and obligations as Trustee under the Original Indenture with respect to all of the series of Securities as to which it has served and continues to serve as Trustee under the Original Indenture. With respect to the Notes, all references to the Trustee in the Original Indenture shall be understood to be references to the Series Trustee, unless the context requires otherwise.

Section 2.02 Appointment of Paying Agent and Registrar. The Issuer hereby appoints the Series Trustee as Paying Agent, Registrar and agent upon whom notices and demands may be served, in each case, with respect to the Notes.

Section 2.03 Corporate Trust Office. For any purposes relating to the Notes or the Series Trustee, references in the Original Indenture to the "Corporate Trust Office" shall be deemed to refer to the corporate trust office of the Series Trustee, which is located at 1401 McKinney, Suite 1000, Houston, TX 77010, Attention: Corporate Trust, or any other office of the Series Trustee at which, at any particular time, this Supplemental Indenture shall be administered.

Section 2.04 Series Trustee's Limitation of Liability. The parties hereto agree that this Supplemental Indenture does not constitute an assumption by the Series Trustee of any liability of the Original Trustee arising out of any breach, negligence or willful misconduct by the Original Trustee in the performance of any of its duties as Trustee under the Original Indenture or by any representative of the Original Trustee.

Section 2.05 Original Trustee's Limitation of Liability. The parties hereto agree that the Original Trustee shall not have any liability in connection with any acts or omissions taken or not taken by the Series Trustee in the performance or non-performance of any of its duties as Trustee under the Indenture with respect to the Notes or by any representative of the Series Trustee.

Section 2.06 Series Trustee's Indemnity. The Issuer agrees to indemnify the Series Trustee for, and to hold it harmless against, any loss, liability or expense (including the reasonable compensation and the expenses and disbursements of its agents and counsel) arising out of or in connection with the performance or non-performance by the Original Trustee of its duties under the Original Indenture, including the costs and expenses of defending itself against any claim or liability in connection therewith. This indemnification shall survive the termination of this Supplemental Indenture.

Section 2.07 Original Trustee's Indemnity. The Issuer agrees to indemnify the Original Trustee for, and to hold it harmless against, any loss, liability or expense (including the reasonable compensation and the expenses and disbursements of its agents and counsel) arising out of or in connection with this Supplemental Indenture, the performance or non-performance by the Series Trustee of its duties under the Indenture with respect to the Notes, including, without limitation, the costs and expenses of defending itself against any claim or liability in connection therewith. This indemnification shall survive the termination of the Indenture and resignation or removal of the Original Trustee.

ARTICLE III
THE ORIGINAL TRUSTEE

Section 3.01 Representations & Warranties. The Original Trustee hereby represents and warrants to the Series Trustee that:

(a) This Supplemental Indenture has been duly authorized, executed and delivered on behalf of the Original Trustee and constitutes its legal, valid and binding obligation.

(b) The Original Trustee has made, or will make, available to the Series Trustee, upon the Issuer's reasonable request therefor and at the Issuer's sole cost and expense, copies in its possession of documents not otherwise available from the Issuer and necessary for the administration of the Notes.

Section 3.02 Original Trustee's Acknowledgement. The Original Trustee hereby acknowledges that it will not serve as the Trustee under the Original Indenture with respect to the Notes; and the parties hereto expressly acknowledge and agree that the Original Trustee shall have no liabilities, duties or obligations of any kind (under the Indenture or otherwise) with respect to the Notes or the issuance thereof and that the Original Trustee shall have no responsibility or liability for the sufficiency or effectiveness of this Supplemental Indenture for any purpose.

Section 3.03 Duties Under Supplemental Indenture. The Original Trustee shall have no liabilities, duties or obligations under or in respect of this Supplemental Indenture, and no implied duties or obligations of any kind shall be read into this Supplemental Indenture on the part of the Original Trustee.

ARTICLE IV
THE ISSUER

Section 4.01 Representations and Warranties. The Issuer hereby represents and warrants to the Series Trustee and to the Original Trustee that:

(a) The Issuer is a corporation duly and validly organized and existing pursuant to the laws of the State of Texas.

(b) The Original Indenture was validly and lawfully executed and delivered by the Issuer, has not been amended or modified and is in full force and effect.

(c) No event has occurred and is continuing to occur which is, or after notice or lapse of time would become, an Event of Default under the Indenture.

(d) There is no action, suit or proceeding pending or, to the best of the Issuer's knowledge, threatened against the Issuer before any court or any governmental authority arising out of any action or omission by the Issuer under the Indenture.

(e) This Supplemental Indenture has been duly authorized, executed and delivered on behalf of the Issuer and constitutes its legal, valid and binding obligation.

(f) All conditions precedent relating to the appointment of the Series Trustee as a Trustee under the Indenture have been complied with by the Issuer.

Section 4.02 Deliverables. The Issuer shall execute and deliver such further instruments and shall do such other things as the Series Trustee may reasonably require so as to more fully and certainly vest in and confirm with the Series Trustee all rights, powers, duties and obligations hereby vested in the Series Trustee. Without limiting the generality of the foregoing, and for the avoidance of doubt, the Issuer hereby expressly agrees that all reports, Opinions of Counsel, Officer Certificates, compliance certificates and other documents required to be delivered from time to time pursuant to the terms of Sections 4.3, 8.4, 9.4, 10.1 and 11.5 of the Original Indenture shall be delivered and addressed to each of the Original Trustee (to the extent required under the Indenture) and the Series Trustee (for so long as the Notes remain Outstanding).

ARTICLE V
THE SERIES TRUSTEE

Section 5.01 Representations and Warranties. The Series Trustee hereby represents and warrants to the Original Trustee and to the Issuer that:

(a) The Series Trustee is qualified and eligible, under the provisions of Section 6.9 of the Original Indenture and the Trust Indenture Act of 1939, as amended, to act as Trustee under the Indenture.

(b) This Supplemental Indenture has been duly authorized, executed and delivered on behalf of the Series Trustee and constitutes its legal, valid and binding obligation.

Section 5.02 Acceptance of Appointment. The Series Trustee hereby accepts its appointment as Trustee, Paying Agent, Registrar and agent upon whom notices and demands may be served under the Indenture with respect to the Notes and shall hereby be vested with all rights, powers, protections, privileges, benefits, immunities, indemnities, duties and obligations of the Trustee, Paying Agent, Registrar and agent upon whom notices and demands may be served under the Indenture with respect to the Notes and with respect to all property and monies held or to be held under the Indenture with respect to the Notes.

ARTICLE VI
DEFINITIONS

For purposes of this Supplemental Indenture and the Notes, the following terms have the meanings indicated below. All capitalized terms used herein and not otherwise defined below shall have the meanings ascribed thereto in the Original Indenture.

"Additional Notes" means Notes issued in compliance with the terms of this Supplemental Indenture subsequent to the Issue Date and in compliance with Sections 2.3 and 2.4 of the Original Indenture, it being understood that any notes issued in exchange for or replacement of any Notes issued on the Issue Date shall not be Additional Notes.

"Adjusted Consolidated Net Tangible Assets" means, at the time of determination, the aggregate amount of total assets included in the Issuer's most recent quarterly or annual consolidated balance sheet prepared in accordance with generally accepted accounting principles, net of applicable reserves reflected in such balance sheet, after deducting the following amounts reflected in such balance sheet: (a) goodwill; (b) deferred charges and other assets; (c) preneed receivables, net, and trust investments; (d) cemetery Perpetual Care Trust investments; (e) current assets of discontinued operations; (f) non-current assets of discontinued operations; (g) other like intangibles; and (h) current liabilities (excluding, however, current maturities of long-term debt).

"Attributable Indebtedness," when used with respect to any sale and leaseback transaction (as contemplated by Section 3.7 of the Original Indenture), means, at the time of determination, the present value (discounted at the rate set forth or implicit in the terms of the lease included in such transaction) of the total obligations of the lessee for rental payments (other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items that do not constitute payments for property rights) during the remaining term of the lease included in such transaction (including any period for which such lease has been extended). In the case of any lease that is terminable by the lessee upon the payment of a penalty or other termination payment, such amount shall be the lesser of the amount determined assuming termination upon the first date such lease may be terminated (in which case the amount shall also include the amount of the penalty or termination payment, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) or the amount determined assuming no such termination.

"Capital Stock" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

"Change of Control" has the meaning attributed thereto in Section 8.03 of this Supplemental Indenture.

"Change of Control Offer" has the meaning attributed thereto in Section 8.03 of this Supplemental Indenture.

"Credit Facilities" means one or more debt facilities with banks or other institutional lenders providing for revolving credit or term loans or letters of credit.

"Holder" means, in the case of any Note, the Person in whose name such Note is registered in the security register kept by the Issuer for that purpose in accordance with the terms of the Indenture.

"Issue Date" means May 21, 2019.

"Notes" has the meaning assigned to it in Section 1.01(a) hereof.

"Optional Redemption Premium" has the meaning attributed thereto in Exhibit A hereto.

"Perpetual Care Trust" means a trust established to provide perpetual care or maintenance for any cemetery, mausoleum or columbarium.

"Pre-Need Trust" means a trust established to hold funds related to the purchase of funeral or cemetery goods or services on a pre-need basis.

"Securities Act" means the Securities Act of 1933, as amended.

"Subsidiary" means, with respect to any Person: (a) any corporation, association, limited liability company or other business entity (other than a partnership) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of that Person (or a combination thereof); and (b) any partnership, (i) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person, or (ii) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof); *provided*, *however*, that no Pre-Need Trust or Perpetual Care Trust shall be deemed to be a Subsidiary for purposes of this Supplemental Indenture.

"Voting Stock" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

ARTICLE VII
THE NOTES

Section 7.01 Form. Provisions relating to the Notes are set forth in Exhibit A hereto, which are hereby incorporated in and expressly made a part of this Supplemental Indenture. The provisions of Exhibit A hereto shall supersede the applicable provisions of Section 2.8 of the Original Indenture to the extent applicable. The Notes and the Series Trustee's certificate of authentication thereto, shall be substantially in the form of Exhibit A, which is hereby incorporated in and expressly made a part of this Supplemental Indenture. The Notes may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Issuer is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Issuer). Each Note shall be dated the date of its authentication. The Notes shall be issuable only in registered form without interest coupons and only in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The terms of the Notes set forth in Exhibit A are part of the terms of this Supplemental Indenture.

ARTICLE VIII
REDEMPTION

Section 8.01 Optional Redemption.

(a) At its option, the Issuer may choose to redeem all or any portion of the Notes, at once or from time to time.

(b) To redeem the Notes, the Issuer must pay a redemption price in an amount determined in accordance with the provisions of the form of Note set forth in Exhibit A hereto.

(c) Any redemption pursuant to this Section 8.01 shall be made pursuant to the provisions of Sections 12.1, 12.2, 12.3 and 12.4 of the Original Indenture.

Section 8.02 Mandatory Redemption. The Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes. However, the Issuer may be required to offer to purchase Notes as described in Section 8.03 below. The Issuer may at any time and from time to time purchase Notes in the open market or otherwise.

Section 8.03 Change of Control. Upon the occurrence of any of the following events (each a "Change of Control"), each Holder shall have the right to require that the Issuer repurchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date):

(1) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (1) such person shall be deemed to have "beneficial ownership" of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of the Issuer;

(2) individuals who on the Issue Date constituted the board of directors (together with any new directors whose election by such board of directors or whose nomination for election by the shareholders of the Issuer was approved by a vote of at least a majority of the directors of the Issuer then still in office who were either directors on the Issue Date or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors then in office;

(3) the Issuer is liquidated or dissolved or adopts a plan of liquidation or dissolution; or

(4) the merger or consolidation of the Issuer with or into another Person or the merger of another Person with or into the Issuer, or the sale of all or substantially all the assets of the Issuer (determined on a consolidated basis) to another Person, other than a transaction following which (i) in the case of a merger or consolidation transaction, holders of securities that represented 100% of the Voting Stock of the Issuer immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own directly or indirectly at least a majority of the voting power of the Voting Stock of the surviving Person in such merger or consolidation transaction immediately after such transaction and (ii) in the case of a sale of assets transaction, each transferee becomes an obligor in respect of the Notes and a subsidiary of the transferor of such assets.

Within 30 days following any Change of Control, the Issuer will mail a notice to each Holder with a copy to the Series Trustee (the "Change of Control Offer") stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts regarding such Change of Control (including information with respect to *pro forma* historical income, cash flow and capitalization, in each case after giving effect to such Change of Control);

(3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions, as determined by the Issuer, consistent with this Section 8.03, that a Holder must follow in order to have its Notes purchased.

The Issuer will not be required to make a Change of Control Offer with respect to a series of Notes following a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth hereunder applicable to a Change of Control Offer made by the Issuer and purchases all Notes of such series validly tendered and not withdrawn under such Change of Control Offer or (2) notice of redemption of all of such series of Notes has been given pursuant hereto unless and until there has been a default in payment of the applicable redemption price. A Change of Control Offer may be made in advance of a Change of Control, conditional upon the Change of Control, if a definitive agreement is in place for the Change of Control at the time of the making of the Change of Control Offer.

The Issuer shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this Section 8.03. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 8.03, the Issuer shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 8.03 by virtue thereof.

Holders electing to have a Note purchased will be required to surrender the Note, with an appropriate form duly completed, to the Issuer at the address specified in the notice at least three Business Days prior to the purchase date. Holders will be entitled to withdraw their election if the Series Trustee or the Issuer receives not later than one Business Day prior to the purchase date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note which was delivered for purchase by the Holder and a statement that the Holder is withdrawing his election to have such Note purchased.

On the purchase date, all Notes purchased by the Issuer under this Section 8.03 shall be delivered by the Issuer to the Series Trustee for cancellation, and the Issuer shall pay the purchase price plus accrued and unpaid interest, if any, to the Holders entitled thereto.

In the event that at the time of any Change of Control the terms of any Credit Facility restrict or prohibit the purchase of Notes following such Change of Control, then prior to the mailing of the notice to Holders but in any event within 30 days following any Change of Control, the Issuer shall undertake to (1) repay in full all such indebtedness under any applicable Credit Facility or (2) obtain the requisite consents under any applicable Credit Facility to permit the repurchase of the Notes.

ARTICLE IX

AMENDMENT OF ORIGINAL INDENTURE

Section 9.01 Amendment of Article One of Original Indenture. The second paragraph of Section 1.1 of the Original Indenture is hereby amended and restated, but only with respect to the Notes, to read in its entirety as follows:

"All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term "*generally accepted accounting principles*" means such accounting principles as are generally accepted in the United States at the date of the supplemental indenture authorizing the issuance of the related Securities of such series."

Section 9.02 Amendment of Article Three of Original Indenture. Section 3.6 of the Original Indenture is hereby amended and restated, but only with respect to the Notes, to read in its entirety as follows:

"The Issuer will not, and will not permit any of its Subsidiaries to, mortgage, pledge, encumber or subject to any lien or security interest to secure any Indebtedness of the Issuer or any Indebtedness of any Subsidiary (other than Indebtedness owing to the Issuer or a wholly-owned Subsidiary) any assets, without providing that the Securities shall thereby be secured equally and ratably with (or prior to) any other Indebtedness so secured, unless, after giving effect thereto, the aggregate outstanding amount of all such secured Indebtedness of the Issuer and its Subsidiaries (excluding secured Indebtedness existing as of March 31, 2019, and any extensions, renewals or refundings thereof that do not increase the principal amount of Indebtedness so extended, renewed or refunded and excluding secured Indebtedness incurred pursuant to subparagraphs (a), (b), (c), (d) and (e) below), together with all outstanding Attributable Indebtedness from sale and leaseback transactions described in Section 3.7(1) of this Indenture, would not exceed 20% of Adjusted Consolidated Net Tangible Assets of the Issuer and its Subsidiaries on the date such Indebtedness is so secured; *provided*, *however*, that nothing in this Section 3.6 shall prevent the Issuer or any Subsidiary:

(a) from acquiring and retaining property subject to mortgages, pledges, encumbrances, liens or security interests existing thereon at the date of acquisition thereof, or from creating within one year of such acquisition mortgages, pledges, encumbrances or liens upon property acquired by it after March 31, 2019, as security for purchase money obligations incurred by it in connection with the acquisition of such property, whether payable to the Person from whom such property is acquired or otherwise;

(b) from mortgaging, pledging, encumbering or subjecting to any lien or security interest Current Assets to secure Current Liabilities;

(c) from mortgaging, pledging, encumbering or subjecting to any lien or security interest property to secure Indebtedness under one or more Credit Facilities in an aggregate principal amount not to exceed $1 billion;

(d) from extending, renewing or refunding any Indebtedness secured by a mortgage, pledge, encumbrance, lien or security interest on the same property theretofore subject thereto, provided that the principal amount of such Indebtedness so extended, renewed or refunded shall not be increased; or

(e) from securing the payment of workmen's compensation or insurance premiums or from making good faith pledges or deposits in connection with bids, tenders, contracts (other than contracts for the payment of money) or leases, deposits to secure public or statutory obligations, deposits to secure surety or appeal bonds, pledges or deposits in connection with contracts made with or at the request of the United States Government or any agency thereof, or pledges or deposits for similar purposes in the ordinary course of business."

Section 9.03 Amendment of Article Four of Original Indenture. Section 4.3 of the Original Indenture is hereby amended and restated, but only with respect to the Notes, to read in its entirety as follows:

"Section 4.3 *Reports by the Issuer.* (a) Whether or not required by the Commission, so long as any Securities of any series are Outstanding, the Issuer will furnish to the Trustee and to any Holders of Securities of such series who so request, within 15 days of the time periods specified in the Commission's rules and regulations:

(i) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Issuer were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Issuer's independent accountants; and

(ii) all current reports that would be required to be filed with the Commission on Form 8-K if the Issuer were required to file such reports.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder.

(b) Whether or not required by the Commission, the Issuer will file a copy of all of the information and reports referred to in Sections 4.3(a)(i) and (ii) with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request.

(c) For so long as any Securities of any series remain Outstanding, the Issuer will furnish to the Holders of Securities of such series and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(d) The Issuer will comply with the requirements of Section 314 of the Trust Indenture Act of 1939, as amended.

(e) The Issuer will furnish to the Trustee, within 90 days after the end of each fiscal year of the Issuer, an officer's certificate from the principal executive officer, principal financial officer or principal accounting officer as to his knowledge of the Issuer's compliance with all conditions and covenants under this Indenture. For purposes of this subsection (e), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture."

Section 9.04 Amendments of Article Five of Original Indenture.

(a) Section 5.1(g) of the Original Indenture is hereby amended and restated, but only with respect to the Notes, to read in its entirety as follows:

> "(g) default under any bond, debenture, note or other evidence of Indebtedness for money borrowed by the Issuer or any Subsidiary or under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Subsidiary (other than Non-Recourse Indebtedness), whether such Indebtedness exists on the date hereof or shall hereafter be created, which default shall have resulted in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, or any default in payment of such Indebtedness (after the expiration of any applicable grace periods and the presentation of any debt instruments, if required), if the aggregate amount of all such Indebtedness which has been so accelerated and with respect to which there has been such a default in payment shall exceed $10,000,000, without each such default and acceleration having been rescinded or annulled within a period of 30 days after there shall have been given to the Issuer by the Trustee by registered mail, or to the Issuer and the Trustee by the Holders of at least 25 percent in aggregate principal amount of the Securities of such series then Outstanding, a written notice specifying each such default and requiring the Issuer to cause each such default and acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; or"

(b) The first sentence of the first paragraph following Section 5.1(h) of the Original Indenture is hereby amended and restated, but only with respect to the Notes, to read in its entirety as follows:

> "If an Event of Default with respect to Securities of any series then Outstanding occurs and is continuing, then and in each and every such case, unless the principal of all of the Securities of such series shall have already become due and payable, either the Trustee or the Holders of not less than 25 percent in aggregate principal amount of the Securities of such series then Outstanding, by notice in writing to the Issuer (and to the Trustee if given by Securityholders), may declare the unpaid principal amount of all the Securities of such series then Outstanding and the Optional Redemption Premium, if any, due thereon, and the interest, if any, accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable."

Section 9.05 Amendment of Article Eleven of Original Indenture. Article Eleven of the Original Indenture is hereby amended, but only with respect to the Notes, by the addition of the following new Section at the end thereof:

> "Section 11.11 *Usury*. It is the intent of the parties in the execution and performance of the Securities of any series and the Indenture to contract in strict compliance with applicable usury laws from time to time in effect. The Issuer and the Trustee on behalf of the Holders stipulate and agree that none of the terms in the Securities of such series or the Indenture are intended or shall ever be construed to create a contract to pay interest in an amount in excess of the maximum nonusurious amount or at a rate in excess of the highest lawful rate. In the event any payment includes any such excess interest, the Issuer stipulates that such excess interest shall have been paid as a result of error on the part of the Issuer."

ARTICLE X
MISCELLANEOUS

Section 10.01 Integral Part. This Supplemental Indenture constitutes an integral part of the Indenture.

Section 10.02 Adoption, Ratification and Confirmation. The Original Indenture, as supplemented and amended by this Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

Section 10.03 Compensation and Reimbursement. The Original Trustee shall be entitled to compensation and reimbursement to the extent provided under Section 6.6 of the Original Indenture in connection with its ongoing trusteeship under the Original Indenture, including its costs with respect to entering into this Supplemental Indenture; and the Original Trustee shall continue to be entitled to indemnification as provided in Section 6.6 of the Original Indenture. The Series Trustee shall be entitled to compensation, reimbursement and indemnification as set forth in Section 6.6 of the Original Indenture with respect to the Notes, which rights and obligations shall survive the execution hereof.

Section 10.04 Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed an original; and all such counterparts shall together constitute but one and the same instrument.

Section 10.05 Governing Law. THIS SUPPLEMENTAL INDENTURE AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 10.06 Trustee Makes No Representation. Neither the Original Trustee nor the Series Trustee makes any representation (other than those made expressly by the Series Trustee or the Original Trustee) as to the validity or sufficiency of this Supplemental Indenture. The recitals and statements herein (other than those made expressly by the Series Trustee or the Original Trustee) are deemed to be those of the Issuer and not of the Series Trustee or the Original Trustee.

Section 10.07 Additional Trustee Provisions. In no event shall the Original Trustee or the Series Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, lost profits), even if the Original Trustee or the Series Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. For the avoidance of doubt, the Original Trustee shall have no liabilities, duties or obligations under or in respect of this Supplemental Indenture.

Each of the Original Trustee and the Series Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Supplemental Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; it being understood that each of the Original Trustee and the Series Trustee shall use its best efforts to resume performance as soon as practicable under the circumstances.

The permissive rights of each of the Original Trustee and the Series Trustee enumerated herein shall not be construed as duties.

Section 10.08 Notice. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by this Supplemental Indenture to be made upon, given or furnished to, or filed with

(a) the Original Trustee by the Issuer or by the Series Trustee shall be sufficient for every purpose herein if made, given, furnished or filed in writing to or with the Original Trustee at The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500, Los Angeles, California, or

(b) the Series Trustee by the Issuer or by the Original Trustee shall be sufficient for every purpose herein if made, given, furnished or filed in writing to or with the Series Trustee at BOKF, NA, 1401 McKinney, Suite 1000, Houston, TX 77010, Attention: Corporate Trust, or

(c) the Issuer by the Original Trustee or by the Series Trustee shall be sufficient for every purpose herein if in writing and mailed, first-class postage prepaid, to the Issuer addressed to it at Service Corporation International, 1929 Allen Parkway, Houston, TX 77019, Attention: Treasurer or at any other address previously furnished in writing to the Original Trustee and Series Trustee by the Issuer.

Section 10.09 Waiver of Jury Trial. THE PARTIES HERETO AND EACH HOLDER OF A NOTE BY ITS ACCEPTANCE THEREOF, HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS SUPPLEMENTAL INDENTURE OR THE NOTES.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Indenture on the date first set forth above.

ISSUER:

SERVICE CORPORATION INTERNATIONAL

By: /s/ Eric D. Tanzberger Eric D. Tanzberger
Name: Title: Senior Vice President and Chief Financial Officer

ORIGINAL TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY, **N.A.**, as Original Trustee

By: /s/ Karen Yu Karen Yu
Name: Title: Vice President

SERIES TRUSTEE:

BOKF, NA, as Series Trustee

By: /s/ Mary Jo Wagener Mary Jo Wagener
Name: Title: Vice President

EXHIBIT A

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

REGISTERED CUSIP: 817565CE2
No. ISIN: US817565CE22

$

5.125% Senior Notes Due 2029

Service Corporation International, a Texas corporation, promises to pay to Cede & Co., or registered assigns, the principal sum of U.S. dollars ($) on June 1, 2029.

Interest Payment Dates: June 1 and December 1.

Record Dates: May 15 and November 15.

Additional provisions of this Note are set forth on the other side of this Note.

Dated:

SERVICE CORPORATION
INTERNATIONAL

By ____
Name:
Title:

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

BOKF, NA
as Trustee, certifies
that this is one of
the Securities referred
to in the Supplemental Indenture.

By __
Authorized Signatory

1. Interest

Service Corporation International, a Texas corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Issuer"), promises to pay interest on the principal amount of this Note at the rate per annum shown above. The Issuer will pay interest semiannually on June 1 and December 1 of each year, commencing December 1, 2019. Interest on the Notes will accrue from May 21, 2019. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment

The Issuer will pay interest on the Notes (except defaulted interest) to the Persons who are registered holders of Notes at the close of business on the May 15 or November 15 immediately preceding the interest payment date even if Notes are canceled after the record date and on or before the interest payment date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Issuer will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Notes represented by a Global Security (including principal, premium and interest) will be made by wire transfer of immediately available funds to the accounts specified by the Depositary. The Issuer will make all payments in respect of a certificated Note (including principal, premium and interest) by mailing a check to the registered address of each Holder thereof; provided, however, that payments on a certificated Note will be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, BOKF, NA, a national banking association (the "Trustee"), will act as Paying Agent and Registrar. The Issuer may appoint and change any Paying Agent, Registrar or co-registrar without notice.

4. Indenture

The Issuer issued the Notes under an Indenture dated as of February 1, 1993 (the "Original Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the " Base Trustee"), as amended by the Fifteenth Supplemental Indenture dated as of May 21, 2019 (the "Fifteenth Supplemental Indenture" and, the Original Indenture, as supplemented by the Fifteenth Supplemental Indenture, the "Indenture"), among the Issuer, the Base Trustee and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the date of the Fifteenth Supplemental Indenture (the "Act"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all such terms, and Noteholders are referred to the Indenture and the Act for a statement of those terms.

The Notes are general unsecured obligations of the Issuer. The Issuer shall be entitled to issue Additional Notes pursuant to Section 2.3 of the Original Indenture. The Notes issued on the Issue Date and any Additional Notes will be treated as a single class for all purposes under the Indenture. The Indenture contains covenants that limit the ability of the Issuer and its subsidiaries to create liens on assets; consolidate, merge or transfer all or substantially all of its assets and the assets of its subsidiaries; and engage in sale/leaseback transactions. These covenants are subject to important exceptions and qualifications.

5. Optional Redemption

Except as set forth below, the Issuer shall not be entitled to redeem the Notes.

Prior to June 1, 2024, the Notes will be redeemable, in whole or in part, at the Issuer's option at any time, upon at least 30 days' and not more than 60 days' notice to the Holders, at a redemption price equal to the greater of (1) 100% of the principal amount of such Notes, and (2) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal (at the redemption price set forth in the table below as if redeemed on June 1, 2024) and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) through June 1, 2024 discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate plus 50 basis points (the greater of (1) and (2), the "Optional Redemption Premium"), plus in each case, accrued interest thereon to the date of redemption.

On and after June 1, 2024, the notes will be redeemable, in whole or in part, at the Issuer's option at any time, upon at least 30 days' and not more than 60 days' notice to the Holders, at the redemption prices (expressed in percentages of principal amount on the redemption date), plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on June 1 of the years set forth below:

Period	**Redemption Price**
2024	102.563%
2025	101.708%
2026	100.854%

2027 and thereafter	100.000%

Notice of optional redemption pursuant to this Section 5 will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at his registered address. Notes in denominations larger than $2,000 principal amount may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued interest on all Notes (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Notes (or such portions thereof) called for redemption.

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity most nearly equal to June 1, 2024 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of June 1, 2024.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Quotation Agent obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Quotation Agent" means the Reference Treasury Dealer appointed by the Issuer.

"Reference Treasury Dealer" means each of Wells Fargo Securities LLC (and its successors) and any other nationally recognized investment banking firm that is a primary U.S. government securities dealer specified from time to time by the Issuer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer as of 5:00 p.m., New York time, on the third Business Day preceding the redemption date.

6. Put Provisions

Upon a Change of Control, any Holder of Notes will have the right to cause the Issuer to repurchase the Notes of such Holder at a repurchase price equal to 101% of the principal amount of the Notes to be repurchased plus accrued interest to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the related interest payment date) as provided in, and subject to the terms of, the Indenture.

7. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in denominations of $2,000 principal amount and whole multiples of $1,000. A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 days before a selection of Notes to be redeemed or 15 days before an interest payment date.

8. Persons Deemed Owners

Except as provided in Section 2 hereto, the registered Holder of this Note may be treated as the owner of it for all purposes.

9. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuer at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Issuer as general creditors and not to the Trustee for payment.

10. Discharge and Defeasance

Subject to certain conditions, the Issuer at any time shall be entitled to terminate some or all of its obligations under the Notes and the Indenture (insofar as the Indenture applies to the Notes) if the Issuer deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Notes to redemption or maturity, as the case may be.

11. Amendment; Waiver

Subject to certain exceptions set forth in the Indenture, (a) the Indenture (insofar as the Indenture applies to the Notes) and the Notes may be amended with the written consent of the Holders of at least a majority in principal amount outstanding of the Notes and (b) any default or noncompliance with any provision may be waived with respect to the Notes with the written consent of the Holders of a majority in principal amount outstanding of the Notes. Subject to certain exceptions set forth in the Indenture, without the consent of any Noteholder, the Issuer, the Base Trustee and the Trustee shall be entitled to amend the Indenture or the Notes to evidence the assumption by a successor corporation of the Issuer's obligations under the Indenture, or to add covenants or make the occurrence and continuance of a default in such additional covenants a new Event of Default for the protection of the Holders of debt securities, or to cure any ambiguity or correct any inconsistency in the Indenture or amend the Indenture in any other manner which the Issuer may deem necessary or desirable and which will not adversely affect the interests of the Holders of senior debt securities issued thereunder, or to establish the form and terms of any series of senior debt securities to be issued pursuant to the Indenture, or to evidence the acceptance of appointment by a successor Trustee, or to secure the senior debt securities with any property or assets.

12. Defaults and Remedies

Under the Indenture, Events of Default include (a) default for 30 days in payment of interest on the Notes; (b) default in payment of principal on the Notes at maturity, upon redemption pursuant to Section 5 hereto, upon acceleration or otherwise, or failure by the Issuer to redeem or purchase Notes when required; (c) failure by the Issuer to comply with other agreements in the Indenture or the Notes, in certain cases subject to notice and lapse of time; (d) certain accelerations (including failure to pay within any grace period after final maturity) of other Indebtedness of the Issuer if the amount accelerated (or so unpaid) exceeds $10 million; and (e) certain events of bankruptcy or insolvency with respect to the Issuer. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes may declare all the Notes to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Notes being due and payable immediately upon the occurrence of such Events of Default.

Noteholders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives indemnity or security satisfactory to it. Subject to certain limitations, Holders of a majority in principal amount of the Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Noteholders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in the interest of the Holders.

13. Trustee Dealings with the Issuer

Subject to certain limitations imposed by the Act, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuer or its Affiliates and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Trustee.

14. No Recourse Against Others

A director, officer, employee or stockholder, as such, of the Issuer or the Trustee shall not have any liability for any obligations of the Issuer under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Noteholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

15. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Note.

16. Abbreviations

Customary abbreviations may be used in the name of a Noteholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Issuer has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Noteholders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

18. Governing Law

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

The Issuer will furnish to any Noteholder upon written request and without charge to the Note holder a copy of the Indenture which has in it the text of this Note in larger type. Requests may be made to:

1929 Allen Parkway
Houston, Texas 77019
Attention: Secretary

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Security on the books of the Issuer. The agent may substitute another to act for him.

DATE: __ YOUR SIGNATURE: __

Sign exactly as your name appears on the other side of this Security

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Issuer pursuant to Section 8.03 of the Supplemental Indenture, check the box: □

If you want to elect to have only part of this Security purchased by the Issuer pursuant to Section 8.03 of the Supplemental Indenture, state the amount in principal amount:

$

Dated: __		Your Signature: __
		(Sign exactly as your name appears on the other side of this Security.)

Signature Guarantee: __
(Signature must be guaranteed)

Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The following increases or decreases in this Global Security have been made:

Date of Exchange	Amount of decrease in Principal amount of this Global Security	Amount of increase in Principal amount of this Global Security	Principal amount of this Global Security following such decrease or increase)	Signature of authorized officer of Trustee or Securities Custodian

Exhibit 10.1

SEVENTH AMENDMENT TO THE
SCI 401(k) RETIREMENT SAVINGS PLAN

WHEREAS, Service Corporation International (the "Employer") adopted a restatement of the SCI 401(k) Retirement Savings Plan (the "Plan") effective as of January 1, 2016, which has subsequently been amended; and

WHEREAS, the Employer has the ability to amend the Plan pursuant to Article 11.1; and

WHEREAS, the Employer previously maintained multiple prior human resources information systems ("Prior HRIS") solely for the purpose of determining years of vesting service for certain participants who were hired on or after July 1, 2019 but had worked for the Employer (or an entity acquired by an Employer) at some point prior to January 1, 2014 ("Affected Participants"); and

WHEREAS, the use of the Prior HRIS is time consuming and costly, and the Employer believes the discontinuation of determining certain employer matching contributions by reference to the Prior HRIS is in the best interests of the Plan; and

WHEREAS, the Employer desires to amend the Plan to exclude vesting service for periods prior to January 1, 2014 for purposes of calculating the employer matching contributions of Affected Participants;

NOW, **THEREFORE**, the Employer hereby amends the Plan in the following respects, effective as of July 1, 2019:

1. Section 3.3(a) of the Plan is amended to read as follows (bold/underline showing additions):

   "(a) **Contribution Formula.** Except as otherwise provided in this Section, the Employer must make a Non-Safe Harbor Matching Contribution equal to the amount determined by the following formula based on a Benefiting Participant's Years of Vesting Service: (1) with respect to Benefiting Participants who have completed from 0 to 5 Years of Vesting Service, 75% of Elective Deferrals for the Allocation Period, not to exceed 6% of Compensation for the Allocation Period; (2) with respect to Benefiting Participants who have completed from 6 to 10 Years of Vesting Service, 100% of Elective Deferrals for the Allocation Period, not to exceed 6% of Compensation for the Allocation Period; and (3) with respect to Benefiting Participants who have completed from 11 or more Years of Vesting Service, 125% of Elective Deferrals for the Allocation Period, not to exceed 6% of Compensation for the Allocation Period. **For purposes of the foregoing contribution formulas, and notwithstanding anything to the contrary herein, for a Benefiting Participant who has a termination date with the Employer (or any of its affiliates) prior to January 1, 2014 and hire date on or after July 1, 2019, (i) "Years of Vesting Service" shall include only his or her "Years of Vesting Service" accrued for periods on or after July 1, 2019, and (ii) any "Years of Vesting Service" for periods prior to January 1, 2014 shall be disregarded when determining the percentage utilized when calculating the Non-Safe Harbor Matching Contribution.**"

2. In all other respects, the terms of this Plan are hereby ratified and confirmed.

IN WITNESS WHEREOF, the Employer has caused this Seventh Amendment to be executed in duplicate counterparts, each of which shall be considered as an original, as of the date indicated below.

SERVICE CORPORATION INTERNATIONAL

By: /s/ GREGORY T. SANGALIS

Title: SVP General Counsel/Secretary

Date: April 16, 2019

Exhibit 31.1

Service Corporation International
a Texas corporation
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Thomas L. Ryan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Service Corporation International, a Texas corporation (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 30, 2019

/s/ Thomas L. Ryan

Thomas L. Ryan
President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Exhibit 31.2

Service Corporation International
a Texas corporation
CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, Eric D. Tanzberger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Service Corporation International, a Texas corporation (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 30, 2019

/s/ Eric D. Tanzberger

Eric D. Tanzberger
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer

I, Thomas L. Ryan, of Service Corporation International, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Service Corporation International.

Dated: July 30, 2019

/s/ Thomas L. Ryan

Thomas L. Ryan
President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Exhibit 32.2

Certification of Chief Financial Officer

I, Eric D. Tanzberger, of Service Corporation International, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (the “Periodic Report”) which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Service Corporation International.

Dated: July 30, 2019

/s/ Eric D. Tanzberger

Eric D. Tanzberger
Chief Financial Officer
(Principal Financial Officer)