

SERVICE CORPORATION INTERNATIONAL

Form 10-Q

April 28, 2011

**Table of Contents**

**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 March 31, 2011

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number 1-6402-1**

**SERVICE CORPORATION INTERNATIONAL**  
(Exact name of registrant as specified in its charter)

**Texas**

(State or other jurisdiction of incorporation or  
organization)

**74-1488375**

(I. R. S. employer identification number)

**1929 Allen Parkway, Houston, Texas**

(Address of principal executive offices)

**77019**

(Zip code)

**713-522-5141**

(Registrant's telephone number, including area code)

**None**

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

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

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

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

Large accelerated  
filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting  
company)

Smaller reporting  
company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). YES  NO

The number of shares outstanding of the registrant's common stock as of April 26, 2011 was 238,806,670 (net of treasury shares).



**SERVICE CORPORATION INTERNATIONAL  
INDEX**

	<b>Page</b>
<a href="#"><u>Glossary</u></a>	3
<a href="#"><u>Part I. Financial Information</u></a>	4
<a href="#"><u>Item 1. Financial Statements</u></a>	4
<a href="#"><u>Unaudited Condensed Consolidated Statement of Operations Three Months Ended March 31, 2011 and 2010</u></a>	4
<a href="#"><u>Unaudited Condensed Consolidated Balance Sheet March 31, 2011 and December 31, 2010</u></a>	5
<a href="#"><u>Unaudited Condensed Consolidated Statement of Cash Flows Three Months Ended March 31, 2011 and 2010</u></a>	6
<a href="#"><u>Unaudited Condensed Consolidated Statement of Equity Three Months Ended March 31, 2011 and 2010</u></a>	7
<a href="#"><u>Notes to Unaudited Condensed Consolidated Financial Statements</u></a>	8
<a href="#"><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>	30
<a href="#"><u>The Company</u></a>	30
<a href="#"><u>Financial Condition, Liquidity, and Capital Resources</u></a>	30
<a href="#"><u>Results of Operations Three Months Ended March 31, 2011 and 2010</u></a>	36
<a href="#"><u>Critical Accounting Policies</u></a>	39
<a href="#"><u>Cautionary Statement on Forward-Looking Statements</u></a>	40
<a href="#"><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></a>	41
<a href="#"><u>Item 4. Controls and Procedures</u></a>	41
<a href="#"><u>Part II. Other Information</u></a>	42
<a href="#"><u>Item 1. Legal Proceedings</u></a>	42
<a href="#"><u>Item 1A. Risk Factors</u></a>	42
<a href="#"><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	42
<a href="#"><u>Item 6. Exhibits</u></a>	42
<a href="#"><u>Signature</u></a>	44
<a href="#"><u>EX-12.1</u></a>	
<a href="#"><u>EX-31.1</u></a>	
<a href="#"><u>EX-31.2</u></a>	
<a href="#"><u>EX-32.1</u></a>	
<a href="#"><u>EX-32.2</u></a>	
<a href="#"><u>EX-101 INSTANCE DOCUMENT</u></a>	
<a href="#"><u>EX-101 SCHEMA DOCUMENT</u></a>	
<a href="#"><u>EX-101 CALCULATION LINKBASE DOCUMENT</u></a>	
<a href="#"><u>EX-101 LABELS LINKBASE DOCUMENT</u></a>	
<a href="#"><u>EX-101 PRESENTATION LINKBASE DOCUMENT</u></a>	
<a href="#"><u>EX-101 DEFINITION LINKBASE DOCUMENT</u></a>	

**Table of Contents**

**GLOSSARY**

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

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

**Burial Vaults** A reinforced container intended to house and protect the casket before it is placed in the ground.

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

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

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

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

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

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

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

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

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

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

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

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

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**SERVICE CORPORATION INTERNATIONAL**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**(UNAUDITED)**

**(In thousands, except per share amounts)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
Revenues	\$ 579,699	\$ 530,863
Costs and expenses	(453,253)	(418,505)
Gross profits	126,446	112,358
General and administrative expenses	(28,833)	(26,252)
Losses on divestitures and impairment charges, net	(420)	(480)
Operating income	97,193	85,626
Interest expense	(33,559)	(32,301)
Loss on early extinguishment of debt, net	(314)	
Other income (expense), net	674	(1,884)
Income before income taxes	63,994	51,441
Provision for income taxes	(24,065)	(20,116)
Net income	39,929	31,325
Net income attributable to noncontrolling interests	(1,165)	(413)
Net income attributable to common stockholders	\$ 38,764	\$ 30,912
Basic earnings per share:		
Net income attributable to common stockholders	\$ .16	\$ .12
Basic weighted average number of shares	239,772	254,400
Diluted earnings per share:		
Net income attributable to common stockholders	\$ .16	\$ .12
Diluted weighted average number of shares	242,052	256,154
Dividends declared per share	\$ .05	\$ .04

(See notes to unaudited condensed consolidated financial statements)

**Table of Contents**

**SERVICE CORPORATION INTERNATIONAL**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**(UNAUDITED)**

(In thousands, except share amounts)

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 210,307	\$ 170,846
Receivables, net	93,209	107,185
Deferred tax assets	44,308	41,371
Inventories	34,245	34,770
Other	17,966	27,746
Total current assets	400,035	381,918
Preneed funeral receivables, net and trust investments	1,436,201	1,424,557
Preneed cemetery receivables, net and trust investments	1,615,743	1,563,893
Cemetery property, at cost	1,509,367	1,508,787
Property and equipment, net	1,633,168	1,627,698
Goodwill	1,313,671	1,307,484
Deferred charges and other assets	389,641	389,184
Cemetery perpetual care trust investments	1,022,420	987,019
Total assets	\$ 9,320,246	\$ 9,190,540
<b>LIABILITIES &amp; EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 338,540	\$ 342,651
Current maturities of long-term debt	22,693	22,502
Income taxes	4,186	1,474
Total current liabilities	365,419	366,627
Long-term debt	1,830,090	1,832,380
Deferred preneed funeral revenues	567,669	580,223
Deferred preneed cemetery revenues	832,235	813,493
Deferred tax liability	344,885	323,304
Other liabilities	405,344	399,619
Deferred preneed funeral and cemetery receipts held in trust	2,459,109	2,408,074
Care trusts corpus	1,020,786	986,872
Commitments and contingencies (Note 15)		
Stockholders' Equity:		
Common stock, \$1 per share par value, 500,000,000 shares authorized, 243,053,957 and 242,019,650 shares issued, respectively, and 238,865,095 and 241,035,250 shares outstanding, respectively	238,865	241,035
Capital in excess of par value	1,568,606	1,603,112

Edgar Filing: SERVICE CORPORATION INTERNATIONAL - Form 10-Q

Accumulated deficit	(438,695)	(477,459)
Accumulated other comprehensive income	124,270	112,768
Total common stockholders' equity	1,493,046	1,479,456
Noncontrolling interests	1,663	492
Total equity	1,494,709	1,479,948
Total liabilities and equity	\$ 9,320,246	\$ 9,190,540

(See notes to unaudited condensed consolidated financial statements)

5

---



**Table of Contents**

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 39,929	\$ 31,325
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early extinguishment of debt, net	314	
Depreciation and amortization	29,331	28,679
Amortization of intangible assets	6,354	5,636
Amortization of cemetery property	9,500	6,434
Amortization of loan costs	1,184	1,261
Provision for doubtful accounts	1,933	31
Provision for deferred income taxes	19,379	14,425
Losses on divestitures and impairment charges, net	420	480
Share-based compensation	2,253	2,324
Change in assets and liabilities, net of effects from acquisitions and divestitures:		
Decrease in receivables	13,494	2,658
Decrease in other assets	1,386	493
(Decrease) increase in payables and other liabilities	(1,454)	9,070
Effect of preneed funeral production and maturities:		
Decrease in preneed funeral receivables, net and trust investments	15,761	25,844
Decrease in deferred preneed funeral revenue	(19,398)	(3,668)
Decrease in deferred preneed funeral receipts held in trust	(8,942)	(18,655)
Effect of cemetery production and deliveries:		
Increase in preneed cemetery receivables, net and trust investments	(9,456)	(7,892)
Increase in deferred preneed cemetery revenue	11,750	8,814
Decrease in deferred preneed cemetery receipts held in trust	(5,643)	(360)
Other	(109)	2,037
Net cash provided by operating activities	107,986	108,936
<b>Cash flows from investing activities:</b>		
Capital expenditures	(25,138)	(18,336)
Acquisitions	(10,513)	(259,393)
Proceeds from divestitures and sales of property and equipment, net	4,697	24,268
Net withdrawals of restricted funds and other	3,567	26,445
Net cash used in investing activities	(27,387)	(227,016)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt		175,000
Debt issuance costs		(6,203)
Payments of debt	(710)	(30,810)
Early extinguishment of debt	(5,155)	
Principal payments on capital leases	(5,639)	(5,889)
Proceeds from exercise of stock options	3,182	1,024

Edgar Filing: SERVICE CORPORATION INTERNATIONAL - Form 10-Q

Purchase of Company common stock	(30,245)	(689)
Payments of dividends	(9,605)	(10,161)
Bank overdrafts and other	4,794	(7,773)
Net cash (used in) provided by financing activities	(43,378)	114,499
Effect of foreign currency on cash and cash equivalents	2,240	4,310
Net increase in cash and cash equivalents	39,461	729
Cash and cash equivalents at beginning of period	170,846	179,745
Cash and cash equivalents at end of period	\$ 210,307	\$ 180,474

(See notes to unaudited condensed consolidated financial statements)

**Table of Contents**

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

	Common Stock	Treasury Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance at December 31, 2009	\$ 254,027	\$ (10)	\$ 1,735,493	\$ (603,876)	\$ 97,142	12	\$ 1,482,788
Net income				30,912		413	31,325
Dividends declared on common stock (\$0.04 per share)			(10,190)				(10,190)
Other comprehensive income					13,827	5	13,832
Employee share-based compensation earned			2,324				2,324
Stock option exercises	294		730				1,024
Restricted stock awards, net of forfeitures	529		(529)				
Purchase of Company common stock		(80)	(609)				(689)
Other	1		7				8
Balance at March 31, 2010	\$ 254,851	\$ (90)	\$ 1,727,226	\$ (572,964)	\$ 110,969	\$ 430	\$ 1,520,422
Balance at December 31, 2010	242,020	(985)	1,603,112	(477,459)	112,768	492	1,479,948
Net income				38,764		1,165	39,929
Dividends declared on common stock (\$0.05 per share)			(11,930)				(11,930)
Other comprehensive income			2,253		11,502	6	11,508
							2,253

Employee share-based compensation earned								
Stock option exercises	484		2,698					3,182
Restricted stock awards, net of forfeitures	539		(539)					
Purchase of Company common stock		(3,204)	(27,041)					(30,245)
Other	11		53					64
Balance at								
March 31, 2011	\$ 243,054	\$ (4,189)	\$ 1,568,606	\$ (438,695)	\$ 124,270	\$ 1,663		\$ 1,494,709

(See notes to unaudited condensed consolidated financial statements)

**Table of Contents**

**SERVICE CORPORATION INTERNATIONAL**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share amounts)**

**1. Nature of Operations**

We are North America's largest provider of deathcare products and services, with a network of funeral service locations and cemeteries primarily operating in the United States and Canada. Our operations consist of funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria, and related businesses.

Funeral service locations provide all professional services relating to funerals and cremations, including the use of funeral facilities and motor vehicles and preparation and embalming services. Funeral-related merchandise, including caskets, casket memorialization products, burial vaults, cremation receptacles, cremation memorial products, flowers, and other ancillary products and services, is sold at funeral service locations. Cemeteries provide cemetery property interment rights, including mausoleum spaces, lots, and lawn crypts, and sell cemetery-related merchandise and services, including stone and bronze memorials, markers, merchandise installations, and burial openings and closings. We also sell preneed funeral and cemetery products and services whereby a customer contractually agrees to the terms of certain products and services to be provided in the future.

**2. Summary of Significant Accounting Policies**

***Principles of Consolidation and Basis of Presentation***

Our unaudited condensed consolidated financial statements include the accounts of Service Corporation International (SCI) and all subsidiaries in which we hold a controlling financial interest. Our financial statements also include the accounts of the funeral merchandise and service trusts, cemetery merchandise and service trusts, and cemetery perpetual care trusts in which we have a variable interest and are the primary beneficiary. Our interim condensed consolidated financial statements are unaudited but include all adjustments, consisting of normal recurring accruals and any other adjustments, which management considers necessary for a fair presentation of our results for these periods. Our unaudited condensed consolidated financial statements have been prepared in a manner consistent with the accounting policies described in our annual report on Form 10-K for the year ended December 31, 2010, unless otherwise disclosed herein, and should be read in conjunction therewith. The accompanying year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year period.

***Reclassifications***

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

***Use of Estimates in the Preparation of Financial Statements***

The preparation of the unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions as described in our Form 10-K for the year ended December 31, 2010. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. As a result, actual results could differ from these estimates.

***Preneed Funeral and Cemetery Receivables***

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

is paid or reclassified as a trade receivable with payment terms of less than 30 days. As the preneed funeral and cemetery receivables are offset by comparable deferred revenue amount we have no risk of loss related to these receivables.

**Table of Contents**

If a preneed contract is cancelled prior to delivery, state or provincial law determines the amount of the refund owed to the customer, if any, including the amount of the attributed investment earnings. Upon cancellation, we receive the amount of principal deposited to the trust and previously undistributed net investment earnings and, where required, issue a refund to the customer. We retain excess funds, if any, and recognize the attributed investment earnings (net of any investment earnings payable to the customer) as revenue in the consolidated statement of operations. In certain jurisdictions, we may be obligated to fund any shortfall if the amount deposited by the customer exceed the funds in trust. Based on our historical experience, we have provided an allowance for cancellation of these receivables which is recorded as a reduction to deferred revenue.

***Fair Value Measurements***

In January 2010, the FASB amended the Fair Value Measurements and Disclosure (FVM&D) Topic of the Accounting Standards Codification (ASC) to require additional disclosures on (1) transfers between levels, (2) Level 3 activity presented on a gross basis, (3) valuation technique, and (4) inputs into the valuation. We adopted Items 1, 3, and 4 during the three months ended March 31, 2010, and the adoption did not impact our unaudited condensed consolidated financial statements. We adopted Item 2 during the three months ended March 31, 2011, and the appropriate disclosures are contained in Notes 4, 5, and 6.

***Stock-Based Compensation***

In April 2010, the FASB issued additional guidance for the Compensation – Stock Compensation Topic of the ASC to clarify classification of an employee stock-based payment award when the exercise price is denominated in the currency of a market in which the underlying equity security trades. This guidance becomes effective for us on January 1, 2011. The adoption did not impact our unaudited condensed consolidated financial statements.

***Multi-Deliverable Arrangements***

In October 2009, the FASB issued authoritative guidance which impacts the recognition of revenue in multi-deliverable arrangements. The guidance establishes a selling-price hierarchy for determining the selling price of a deliverable. The goal of this guidance is to clarify disclosures related to multi-deliverable arrangements and to align the accounting with the underlying economics of the multi-deliverable transaction. This guidance is effective for us in the first quarter of 2011, and its adoption did not impact our unaudited condensed consolidated financial statements.

**3. Recently Issued Accounting Standards*****Receivables***

In January 2011, the FASB amended the Receivables Topic of the ASC to defer the effective date of disclosures about troubled debt restructuring. The update proposed guidance to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment and for disclosure of troubled debt restructurings. The amended guidance is effective for us in the second quarter of 2011. We do not believe this guidance will have any impact on our consolidated financial condition or results of operations.

**4. Preneed Funeral Activities**

*Preneed funeral receivables, net and trust investments* represent trust investments, including investment earnings, and customer receivables, net of unearned finance charges, related to unperformed, price-guaranteed preneed funeral contracts. Our funeral merchandise and service trusts are variable interest entities as defined in the Consolidation Topic of the ASC. In accordance with this guidance, we have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. Our cemetery trust investments detailed in Notes 5 and 6 are also accounted for as variable interest entities. When we receive payments from the customer, we deposit the amount required by law into the trust and reclassify the corresponding

**Table of Contents**

amount from *Deferred preneed funeral revenues* into *Deferred preneed funeral and cemetery receipts held in trust*. Amounts are withdrawn from the trusts after the contract obligations are performed. Cash flows from preneed funeral contracts are presented as operating cash flows in our unaudited condensed consolidated statement of cash flows.

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(In thousands)</b>	
Deposits	\$ 17,316	\$ 21,173
Withdrawals	23,758	32,010
Purchases of available-for-sale securities	83,757	151,100
Sales of available-for-sale securities	109,707	177,786
Realized gains from sales of available-for-sale securities	12,877	11,493
Realized losses from sales of available-for-sale securities	(4,034)	(18,445)

The components of *Preneed funeral receivables, net and trust investments* in our unaudited condensed consolidated balance sheet at March 31, 2011 and December 31, 2010 are as follows:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
	<b>(In thousands)</b>	
Trust investments, at market	\$ 889,554	\$ 875,043
Cash and cash equivalents	122,638	121,212
Insurance-backed fixed income securities	221,316	220,287
Trust investments	1,233,508	1,216,542
Receivables from customers	241,166	247,434
Unearned finance charge	(5,510)	(5,620)
	1,469,164	1,458,356
Allowance for cancellation	(32,963)	(33,799)
Preneed funeral receivables and trust investments	\$ 1,436,201	\$ 1,424,557

The cost and market values associated with our funeral merchandise and service trust investments recorded at fair market value at March 31, 2011 and December 31, 2010 are detailed below. Cost reflects the investment (net of redemptions) of control holders in common trust funds, mutual funds, and private equity investments. Fair market value represents the value of the underlying securities held by the common trust funds, mutual funds at published values, and the estimated market value of private equity investments (including debt as well as the estimated fair value related to the contract holder's equity in majority-owned real estate investments). The fair market value of our funeral merchandise and service trust investments, in the aggregate, was 107% and 104% of the related cost basis of such investments as of March 31, 2011 and December 31, 2010, respectively.

**March 31, 2011**  
**Unrealized      Unrealized**



	<b>Cost</b>	<b>Gains</b>	<b>Losses</b>	<b>Fair Market Value</b>
	<b>(In thousands)</b>			
Fixed income securities:				
U.S. Treasury	\$ 70,155	\$ 2,531	\$ (289)	\$ 72,397
Canadian government	122,265	705	(47)	122,923
Corporate	32,082	3,383	(239)	35,226
Residential mortgage-backed	5,204	113	(33)	5,284
Asset-backed	2,942	80	(4)	3,018
Equity securities:				
Preferred stock	3,098	409	(14)	3,493
Common stock:				
United States	274,011	70,964	(6,983)	337,992
Canada	21,408	6,153	(479)	27,082
Other international	19,261	2,006	(1,710)	19,557
Mutual funds:				
Equity				