

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, 2024

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 no.)

1929 Allen Parkway

Houston

Texas

77019

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code: (713) 522-5141

Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act: None

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 every Interactive Data File required to be submitted 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 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 ☐ 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 in 12b-2 of the act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of May 2, 2024 was 145,611,533 (net of treasury shares).

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## Glossary

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

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

Average Revenue per Service — Average revenue per funeral service performed, excluding the impact of non-funeral home preneed sales revenue, core general agency revenue, and certain other revenue.

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 Trusts' Corpus — The deposits and net realized capital gains included in the perpetual care trusts that may not be withdrawable. 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 Marker — An item used to identify the deceased person in a particular burial space, crypt, niche, or cremation memorialization property. Permanent burial and cremation memorialization cemetery markers are usually made of bronze or stone.

Cemetery Merchandise and Services — Merchandise and services used in connection with a cemetery interment, including stone and bronze memorials, cemetery 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 or Amortization of Cemetery Property — 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 who 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, niches, 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 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 health and age of the insured/annuitant.

Interment — The burial or final placement of human remains in the ground (interment), in mausoleums (entombment), or in niches or 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.

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 upon the cancellation of the contract. Also referred to as a preneed trust.

Non-Funeral Home Preneed Sales Revenue — Non-funeral home general agency revenue and merchandise and travel protection revenues, net, sold to a preneed customer and delivered before a death has occurred.

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 funeral or cemetery merchandise and services prior to death occurring.

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

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

Preneed Funeral Sales 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 and amounts due from customers on irrevocable preneed contracts.

Travel Protection — A service provided by a third-party that provides shipment of remains to the servicing funeral home of choice if the purchaser passes away outside of a certain radius of their residence.

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. Management has published a white paper on the corporate website for further understanding of accounting for preneed sales. You can view the white paper at <http://investors.sci-corp.com> under Featured Documents. Documents and information on our website are not incorporated by reference herein.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Service Corporation International Condensed Consolidated Statement of Operations (Unaudited)

	Three months ended March 31,	
	2024	2023
(In thousands, except per share amounts)		
Revenue		
Property and merchandise revenue	\$ 516,883	\$ 515,242
Service revenue	451,945	439,505
Other revenue	76,554	73,962
Total revenue	1,045,382	1,028,709
Costs of revenue		
Cost of property and merchandise	( 263,593 )	( 258,602 )
Cost of service	( 236,048 )	( 231,298 )
Overhead and other expenses	( 271,528 )	( 249,715 )
Costs of revenue	( 771,169 )	( 739,615 )
Gross profit	274,213	289,094
Corporate general and administrative expenses	( 41,325 )	( 44,160 )
(Losses) gains on divestitures and impairment charges, net	( 684 )	691
Operating income	232,204	245,625
Interest expense	( 64,352 )	( 53,916 )
Losses on early extinguishment of debt	—	( 1,060 )
Other income, net	2,462	1,209
Income before income taxes	170,314	191,858
Provision for income taxes	( 39,040 )	( 47,029 )
Net income	131,274	144,829
Net income attributable to noncontrolling interests	27	( 66 )
Net income attributable to common stockholders	\$ 131,301	\$ 144,763
Basic earnings per share:		
Net income attributable to common stockholders	\$ 0.90	\$ 0.95
Basic weighted average number of shares	146,266	153,125
Diluted earnings per share:		
Net income attributable to common stockholders	\$ 0.89	\$ 0.93
Diluted weighted average number of shares	147,913	155,300

(See notes to unaudited condensed consolidated financial statements)

## Service Corporation International

### Condensed Consolidated Statement of Comprehensive Income (Unaudited)

	Three months ended March 31,	
	2024	2023
	(In thousands)	
Net income	\$ 131,274	\$ 144,829
Other comprehensive income:		
Foreign currency translation adjustments	( 8,480 )	298
Total comprehensive income	122,794	145,127
Total comprehensive income attributable to noncontrolling interests	30	( 65 )
Total comprehensive income attributable to common stockholders	\$ 122,824	\$ 145,062

(See notes to unaudited condensed consolidated financial statements)

## Service Corporation International

### Condensed Consolidated Balance Sheet (Unaudited)

	March 31, 2024	December 31, 2023
(In thousands, except share amounts)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 205,595	\$ 221,557
Receivables, net of reserves of \$ 4,097 and \$ 4,382 , respectively	89,854	97,939
Inventories	35,126	33,597
Income tax receivable	86,674	122,183
Other	32,093	23,010
Total current assets	449,342	498,286
Preneed receivables, net of reserves of \$ 34,394 and \$ 32,475 , respectively, and trust investments	6,430,825	6,191,912
Cemetery property	2,039,397	2,020,846
Property and equipment, net	2,480,096	2,480,099
Goodwill	1,992,032	1,977,186
Deferred charges and other assets, net of reserves of \$ 2,350 and \$ 2,345 , respectively	1,268,970	1,247,830
Cemetery perpetual care trust investments	2,034,432	1,939,241
Total assets	\$ 16,695,094	\$ 16,355,400
<b>LIABILITIES &amp; EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 662,711	\$ 685,759
Current maturities of long-term debt	63,437	63,341
Total current liabilities	726,148	749,100
Long-term debt	4,613,200	4,649,155
Deferred revenue, net	1,713,650	1,703,509
Deferred tax liability	640,336	638,106
Other liabilities	470,180	464,935
Deferred receipts held in trust	4,909,180	4,670,884
Care trusts' corpus	2,031,619	1,938,238
Commitments and contingencies (Note 9)		
Equity:		
Common stock, \$ 1 per share par value, 500,000,000 shares authorized, 148,979,038 and 148,297,042 shares issued, respectively, and 146,299,031 and 146,323,340 shares outstanding, respectively	146,299	146,323
Capital in excess of par value	952,344	937,596
Retained earnings	475,545	432,454
Accumulated other comprehensive income	16,414	24,891
Total common stockholders' equity	1,590,602	1,541,264
Noncontrolling interests	179	209
Total equity	1,590,781	1,541,473
Total liabilities and equity	\$ 16,695,094	\$ 16,355,400

(See notes to unaudited condensed consolidated financial statements)

## Service Corporation International

### Condensed Consolidated Statement of Cash Flows (Unaudited)

	Three months ended March 31,	
	2024	2023
	(In thousands)	
<b>Cash flows from operating activities:</b>		
Net income	\$ 131,274	\$ 144,829
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early extinguishment of debt	—	1,060
Depreciation and amortization	50,219	46,114
Amortization of intangibles	4,321	4,731
Amortization of cemetery property	21,713	20,338
Amortization of loan costs	1,752	1,697
Provision for expected credit losses	4,185	1,906
Provision for (benefit from) deferred income taxes	2,412	( 492 )
Losses (gains) on divestitures and impairment charges, net	684	( 691 )
Share-based compensation	3,926	4,478
Change in assets and liabilities, net of effects from acquisitions and divestitures:		
Decrease in receivables	6,043	8,329
Decrease (increase) in other assets	5,167	( 17,421 )
(Decrease) increase in payables and other liabilities	( 10,446 )	1,977
Effect of preneed sales production and maturities:		
Increase in preneed receivables, net and trust investments	( 61,527 )	( 39,923 )
Increase in deferred revenue, net	34,170	41,030
Increase in deferred receipts held in trust	26,230	1,610
Net cash provided by operating activities	220,123	219,572
<b>Cash flows from investing activities:</b>		
Capital expenditures	( 79,787 )	( 77,903 )
Business acquisitions, net of cash acquired	( 15,839 )	( 8,700 )
Real estate acquisitions	( 6,948 )	( 16,666 )
Proceeds from divestitures and sales of property and equipment	8,508	9,741
Payments for Company-owned life insurance policies	( 2,739 )	( 1,366 )
Net cash used in investing activities	( 96,805 )	( 94,894 )
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	115,000	408,383
Debt issuance costs	—	( 7,471 )
Scheduled payments of debt	( 5,828 )	( 5,287 )
Early payments and extinguishment of debt	( 150,000 )	( 345,073 )
Principal payments on finance leases	( 9,019 )	( 8,537 )
Proceeds from exercise of stock options	17,237	8,763
Purchase of Company common stock	( 49,461 )	( 165,950 )
Payments of dividends	( 43,944 )	( 41,207 )
Bank overdrafts and other	( 7,973 )	( 6,729 )
Net cash used in financing activities	( 133,988 )	( 163,108 )
Effect of foreign currency	( 1,826 )	20
Net decrease in cash, cash equivalents, and restricted cash	( 12,496 )	( 38,410 )
Cash, cash equivalents, and restricted cash at beginning of period	224,761	204,524
Cash, cash equivalents, and restricted cash at end of period	\$ 212,265	\$ 166,114

(See notes to unaudited condensed consolidated financial statements)





# Service Corporation International

## Condensed Consolidated Statement of Equity (Unaudited)

	Common Stock	Treasury Stock, Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
(In thousands, except per share amounts)							
Balance at December 31, 2022	\$ 156,089	\$ (2,149)	\$ 958,329	\$ 544,384	\$ 16,538	\$ 232	\$ 1,673,423
Comprehensive income	—	—	—	144,763	299	65	145,127
Dividends declared on common stock (\$ 0.27 per share)	—	—	—	(41,207)	—	—	(41,207)
Employee share-based compensation earned	—	—	4,478	—	—	—	4,478
Stock option exercises	298	—	8,465	—	—	—	8,763
Restricted stock awards, net of forfeitures	132	1	(133)	—	—	—	—
Purchase of Company common stock	—	(2,432)	(16,500)	(148,373)	—	—	(167,305)
Noncontrolling interest payments	—	—	—	—	—	(107)	(107)
Other	—	—	(1,271)	—	—	—	(1,271)
Balance at March 31, 2023	\$ 156,519	\$ (4,580)	\$ 953,368	\$ 499,567	\$ 16,837	\$ 190	\$ 1,621,901

	Common Stock	Treasury Stock, Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
(In thousands, except per share amounts)							
Balance at December 31, 2023	\$ 148,298	\$ (1,975)	\$ 937,596	\$ 432,454	\$ 24,891	\$ 209	\$ 1,541,473
Comprehensive income	—	—	—	131,301	(8,477)	(30)	122,794
Dividends declared on common stock (\$ 0.30 per share)	—	—	—	(43,944)	—	—	(43,944)
Employee share-based compensation earned	—	—	3,926	—	—	—	3,926
Stock option exercises	544	—	16,693	—	—	—	17,237
Restricted stock awards, net of forfeitures	138	—	(138)	—	—	—	—
Purchase of Company common stock	—	(706)	(4,518)	(44,266)	—	—	(49,490)
Other	—	—	(1,215)	—	—	—	(1,215)
Balance at March 31, 2024	\$ 148,980	\$ (2,681)	\$ 952,344	\$ 475,545	\$ 16,414	\$ 179	\$ 1,590,781

(See notes to unaudited condensed consolidated financial statements)

# Service Corporation International

## Notes to Unaudited Condensed Consolidated Financial Statements

### 1. Nature of Operations

Service Corporation International (SCI) is a holding company and all operations are conducted by its subsidiaries. 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. We strive to offer families exceptional service in planning life celebrations and personalized remembrances.

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 cemetery markers and bases, outer burial containers, flowers and floral placement, other ancillary merchandise, graveside memorial services, merchandise installation, and interments, are sold at our cemeteries.

### 2. Summary of Significant Accounting Policies

#### Principles of Consolidation and Basis of Presentation

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

Our unaudited condensed 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. 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, 2023, 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. Certain reclassifications have been made to prior period amounts to conform to the current period disclosure presentation with no effect on our consolidated net income or cash flows.

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

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. As a result, actual results could differ from these estimates.

#### Cash, Cash Equivalents, and Restricted Cash

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying amounts of our cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

The components of cash, cash equivalents, and restricted cash were as follows:

	March 31, 2024		December 31, 2023	
	(In thousands)			
Cash and cash equivalents	\$	205,595	\$	221,557
Restricted cash <sup>(1)</sup>				
Included in <i>Other current assets</i>		3,839		370
Included in <i>Deferred charges and other assets, net</i>		2,831		2,834
Total restricted cash		6,670		3,204
Total cash, cash equivalents, and restricted cash	\$	212,265	\$	224,761

<sup>(1)</sup> 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.

### Receivables, net

The components of *Receivables, net* in our unaudited Condensed Consolidated Balance Sheet were as follows:

	March 31, 2024				
	Atneed Funeral	Atneed Cemetery	Miscellaneous	Current Portion of Notes	Total
	(In thousands)				
Receivables	\$ 28,657	\$ 18,985	\$ 46,112	\$ 197	\$ 93,951
Reserve for credit losses	( 1,447 )	( 2,075 )	( 454 )	( 121 )	( 4,097 )
Receivables, net	\$ 27,210	\$ 16,910	\$ 45,658	\$ 76	\$ 89,854

  

	December 31, 2023				
	Atneed Funeral	Atneed Cemetery	Miscellaneous	Current Portion of Notes	Total
	(In thousands)				
Receivables	\$ 35,572	\$ 19,277	\$ 47,297	\$ 175	\$ 102,321
Reserve for credit losses	( 1,784 )	( 2,118 )	( 343 )	( 137 )	( 4,382 )
Receivables, net	\$ 33,788	\$ 17,159	\$ 46,954	\$ 38	\$ 97,939

Additionally, included in *Deferred charges and other assets, net* were long-term miscellaneous receivables, net and notes receivable, net as follows:

	March 31, 2024		December 31, 2023	
	(In thousands)			
Notes receivable	\$	10,406	\$	10,294
Reserve for credit losses		( 1,796 )		( 1,797 )
Notes receivable, net	\$	8,610	\$	8,497
Long-term miscellaneous receivables	\$	8,034	\$	7,888
Reserve for credit losses		( 554 )		( 548 )
Long-term miscellaneous receivables, net	\$	7,480	\$	7,340

## PART I

The following table summarizes the activity in our reserve for credit losses by portfolio segment, excluding preneed receivables which are presented in Note 3, for the three months ended March 31, 2024:

	(Provision) Benefit for Expected Credit				Effect of Foreign Currency and		
	December 31, 2023	Losses	Write Offs	Recoveries	Other	March 31, 2024	
(In thousands)							
Trade receivables:							
Funeral	\$ ( 1,784 )	\$ ( 895 )	\$ 1,727	\$ ( 537 )	\$ 42	\$ ( 1,447 )	
Cemetery	( 2,118 )	( 265 )	437	( 130 )	1	( 2,075 )	
Total reserve for credit losses on trade receivables	\$ ( 3,902 )	\$ ( 1,160 )	\$ 2,164	\$ ( 667 )	\$ 43	\$ ( 3,522 )	
Miscellaneous receivables:							
Current	\$ ( 343 )	\$ ( 111 )	\$ —	\$ —	\$ —	\$ ( 454 )	
Long-term	( 548 )	( 6 )	—	—	—	( 554 )	
Total reserve for credit losses on miscellaneous receivables	\$ ( 891 )	\$ ( 117 )	\$ —	\$ —	\$ —	\$ ( 1,008 )	
Notes receivable	\$ ( 1,934 )	\$ 16	\$ 1	\$ —	\$ —	\$ ( 1,917 )	

At March 31, 2024, the amortized cost basis of our miscellaneous and notes receivables by year of origination was as follows:

	2024	2023	2022	2021	2020	Prior	Revolving Line of									
							Credit	Total								
(In thousands)																
Miscellaneous receivables:																
Current	\$	39,114	\$	5,585	\$	801	\$	511	\$	47	\$	54	\$	—	\$	46,112
Long-term		1,082		3,363		2,013		1,142		202		232		—		8,034
Total miscellaneous receivables	\$	40,196	\$	8,948	\$	2,814	\$	1,653	\$	249	\$	286	\$	—	\$	54,146
Notes receivable	\$	—	\$	—	\$	—	\$	—	\$	—	\$	4,661	\$	5,942	\$	10,603

At March 31, 2024, the payment status of our miscellaneous and notes receivables was as follows:

	Past Due							Total
	<30 Days	30-90 Days	90-180 Days	>180 Days	Total	Current		Total
(In thousands)								
Miscellaneous receivables:								
Current	\$ —	\$ 2,458	\$ 1,992	\$ 688	\$ 5,138	\$ 40,974	\$ —	\$ 46,112
Long-term	—	—	—	—	—	8,034	—	8,034
Total miscellaneous receivables	\$ —	\$ 2,458	\$ 1,992	\$ 688	\$ 5,138	\$ 49,008	\$ —	\$ 54,146
Notes receivable	\$ —	\$ 32	\$ 1	\$ 1,116	\$ 1,149	\$ 9,454	\$ —	\$ 10,603

## Recently Issued Accounting Standards

### Segments

In November 2023, the FASB amended the reportable segment guidance by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This new guidance also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The guidance is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 with early adoption permitted. This amendment is effective for our fiscal year ending December 31, 2024. We are currently assessing the impact of this guidance on our disclosures. Upon adoption, we will include the additional disclosures in our financial statements and related notes.

### Income Tax

In December 2023, the FASB amended guidance that requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The new guidance is effective on a prospective basis for annual periods beginning after December 15, 2024 and early adoption is also permitted. We are currently assessing the impact of this guidance on our disclosures. Upon adoption, we will include the additional disclosures in our financial statements and related notes.

## 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 were as follows:

	March 31, 2024	December 31, 2023
	(In thousands)	
Preneed receivables, net	\$ 1,513,458	\$ 1,513,933
Trust investments, at market	6,719,664	6,394,796
Insurance-backed fixed income securities and other	232,135	222,424
Trust investments	6,951,799	6,617,220
Less: Cemetery perpetual care trust investments	( 2,034,432 )	( 1,939,241 )
Preneed trust investments	4,917,367	4,677,979
<i>Preneed receivables, net and trust investments</i>	\$ 6,430,825	\$ 6,191,912

## PART I

Preneed receivables, net comprised the following:

March 31, 2024				
	Funeral		Cemetery	Total
(In thousands)				
Preneed receivables	\$ 189,783	\$	1,374,763	\$ 1,564,546
Unearned finance charges	( 10,239 )		( 6,455 )	( 16,694 )
Preneed receivables, at amortized cost	179,544		1,368,308	1,547,852
Reserve for credit losses	( 17,852 )		( 16,542 )	( 34,394 )
Preneed receivables, net	\$ 161,692	\$	1,351,766	\$ 1,513,458

  

December 31, 2023				
	Funeral		Cemetery	Total
(In thousands)				
Preneed receivables	\$ 190,514	\$	1,371,804	\$ 1,562,318
Unearned finance charges	( 10,100 )		( 5,810 )	( 15,910 )
Preneed receivables, at amortized cost	180,414		1,365,994	1,546,408
Reserve for credit losses	( 17,026 )		( 15,449 )	( 32,475 )
Preneed receivables, net	\$ 163,388	\$	1,350,545	\$ 1,513,933

At March 31, 2024, the amortized cost basis of our preneed receivables by year of origination was as follows:

	2024	2023	2022	2021	2020	Prior	Total
(In thousands)							
Preneed receivables, at amortized cost:							
Funeral	\$ 21,075	\$ 66,928	\$ 41,887	\$ 20,954	\$ 9,712	\$ 18,988	\$ 179,544
Cemetery	140,995	508,951	356,583	206,946	102,217	52,616	1,368,308
Total preneed receivables, at amortized cost	\$ 162,070	\$ 575,879	\$ 398,470	\$ 227,900	\$ 111,929	\$ 71,604	\$ 1,547,852

At March 31, 2024, the payment status of our preneed receivables was as follows:

Past Due							
	<30 Days	30-90 Days	90-180 Days	>180 Days	Total	Current	Total
(In thousands)							
Preneed receivables, at amortized cost:							
Funeral	\$ 6,910	\$ 3,455	\$ 2,619	\$ 27,799	\$ 40,783	\$ 138,761	\$ 179,544
Cemetery	34,438	28,523	9,147	5,360	77,468	1,290,840	1,368,308
Total preneed receivables, at amortized cost	\$ 41,348	\$ 31,978	\$ 11,766	\$ 33,159	\$ 118,251	\$ 1,429,601	\$ 1,547,852

The following table summarizes the activity for the reserve for credit losses on preneed receivables for the three months ended March 31, 2024:

	December 31, 2023	Provision for Expected Credit Losses	Write Offs	Effect of Foreign Currency and Other	March 31, 2024
(In thousands)					
Funeral	\$ ( 17,026 )	\$ ( 1,622 )	\$ 779	\$ 17	\$ ( 17,852 )
Cemetery	( 15,449 )	( 1,302 )	201	8	( 16,542 )
Total reserve for credit losses on preneed receivables	\$ ( 32,475 )	\$ ( 2,924 )	\$ 980	\$ 25	\$ ( 34,394 )

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

	Three months ended March 31,	
	2024	2023
(In thousands)		
Deposits	\$ 156,119	\$ 137,245
Withdrawals	\$ 130,607	\$ 124,245
Purchases of securities	\$ 341,998	\$ 607,476
Sales of securities	\$ 334,719	\$ 630,740
Realized gains from sales of securities <sup>(1)</sup>	\$ 105,445	\$ 82,330
Realized losses from sales of securities <sup>(1)</sup>	\$ ( 31,815 )	\$ ( 49,910 )

<sup>(1)</sup> 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*.



## PART I

The cost and market values associated with trust investments recorded at market value 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.

		March 31, 2024						
		Fair Value Hierarchy		Unrealized		Unrealized		
		Level	Cost		Gains		Losses	Value
(In thousands)								
Fixed income securities:								
U.S. Treasury	2	\$	42,605	\$	90	\$	( 1,285 )	\$ 41,410
Canadian government	2		31,337		—		—	31,337
Corporate	2		10,808		105		( 16 )	10,897
Residential mortgage-backed	2		5,269		23		( 95 )	5,197
Asset-backed	2		286		—		( 47 )	239
Equity securities:								
Preferred stock	2		420		—		( 72 )	348
Common stock:								
United States	1		1,725,582		646,399		( 57,808 )	2,314,173
Canada	1		41,553		20,424		( 866 )	61,111
Other international	1		122,152		35,834		( 10,413 )	147,573
Mutual funds:								
Equity	1		892,823		149,405		( 5,188 )	1,037,040
Fixed income	1		1,043,839		4,753		( 114,631 )	933,961
Trust investments, at fair value			3,916,674		857,033		( 190,421 )	4,583,286
Commingled funds								
Fixed income			823,946		1,692		( 66,005 )	759,633
Equity			336,779		90,667		( 208 )	427,238
Money market funds			369,276		—		—	369,276
Alternative investments			429,754		159,323		( 8,846 )	580,231
Trust investments, at net asset value			1,959,755		251,682		( 75,059 )	2,136,378
Trust investments, at market		\$	5,876,429	\$	1,108,715	\$	( 265,480 )	\$ 6,719,664

		December 31, 2023						
		Fair Value Hierarchy		Unrealized		Unrealized		
		Level	Cost		Gains	Losses		Value
(In thousands)								
Fixed income securities:								
U.S. Treasury	2	\$	45,645	\$	145	\$	( 1,376 )	\$ 44,414
Canadian government	2		31,896		—		—	31,896
Corporate	2		10,642		138		( 17 )	10,763
Residential mortgage-backed	2		5,452		29		( 104 )	5,377
Asset-backed	2		291		—		( 51 )	240
Equity securities:								
Preferred stock	2		417		—		( 97 )	320
Common stock:								
United States	1		1,744,919		478,226		( 78,630 )	2,144,515
Canada	1		42,721		20,251		( 676 )	62,296
Other international	1		108,106		19,580		( 11,088 )	116,598
Mutual funds:								
Equity	1		876,620		118,476		( 9,540 )	985,556
Fixed income	1		998,767		5,727		( 109,231 )	895,263
Trust investments, at fair value			3,865,476		642,572		( 210,810 )	4,297,238
Commingled funds								
Fixed income			827,600		2,432		( 63,021 )	767,011
Equity			337,500		71,819		( 642 )	408,677
Money market funds			346,672		—		—	346,672
Alternative investments			412,482		169,825		( 7,109 )	575,198
Trust investments, at net asset value			1,924,254		244,076		( 70,772 )	2,097,558
Trust investments, at market		\$	5,789,730	\$	886,648	\$	( 281,582 )	\$ 6,394,796

Our alternative investments include funds invested in limited partnerships with interests in private equity, private market real estate, energy and natural resources, infrastructure, transportation, and private debt including both distressed debt and mezzanine financing. These investments can never be redeemed by the funds. Instead, due to the nature of the investments in this category, distributions are received through the liquidation of the underlying assets of the funds. The funds' managers have not communicated the timing of any liquidations.

Maturity dates of our fixed income securities range from 2024 to 2040 . Maturities of fixed income securities (excluding mutual and commingled funds) at March 31, 2024 are estimated as follows:

	Fair Value
	(In thousands)
Due in one year or less	\$ 53,339
Due in one to five years	29,654
Due in five to ten years	6,003
Thereafter	84
Total estimated maturities of fixed income securities	\$ 89,080

Recognized trust fund income (realized and unrealized) related to our preneed trust investments was \$ 42.7 million and \$ 36.0 million for the three months ended March 31, 2024 and 2023, respectively. Recognized trust fund income (realized and unrealized) related to our cemetery perpetual care trust investments was \$ 23.3 million and \$ 22.0 million for the three months ended March 31, 2024 and 2023, respectively.

## PART I

## Deferred Revenue, Net

*Deferred revenue, net* represents future revenue, including distributed trust investment earnings associated with unperformed trust-funded preneed contracts that are not held in trust accounts. Future revenue and net trust investment earnings that are held in trust accounts are included in *Deferred receipts held in trust*.

The components of *Deferred revenue, net* in our unaudited Condensed Consolidated Balance Sheet were as follows:

	March 31, 2024	December 31, 2023
	(In thousands)	
Deferred revenue	\$ 2,690,118	\$ 2,649,397
Amounts due from customers for unfulfilled performance obligations on cancelable preneed contracts	( 976,468 )	( 945,888 )
<i>Deferred revenue, net</i>	\$ 1,713,650	\$ 1,703,509

The following table summarizes the activity for our contract liabilities, which are reflected in *Deferred revenue, net* and *Deferred receipts held in trust*:

	Three months ended March 31,	
	2024	2023
	(In thousands)	
Beginning balance — <i>Deferred revenue, net</i> and <i>Deferred receipts held in trust</i>	\$ 6,374,393	\$ 5,787,548
Net preneed contract sales	367,166	364,463
Acquisitions (dispositions) of businesses, net	7,678	2,904
Net investment gains (losses) <sup>(1)</sup>	208,719	178,220
Recognized revenue from backlog <sup>(2)</sup>	( 172,580 )	( 180,172 )
Recognized revenue from current period sales	( 130,146 )	( 137,324 )
Change in amounts due on unfulfilled performance obligations	( 27,954 )	( 22,519 )
Change in cancellation reserve	( 83 )	26
Effect of foreign currency and other	( 4,363 )	( 832 )
Ending balance — <i>Deferred revenue, net</i> and <i>Deferred receipts held in trust</i>	\$ 6,622,830	\$ 5,992,314

<sup>(1)</sup> Includes both realized and unrealized investment gains (losses)

<sup>(2)</sup> 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, events such 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 22.9 % and 24.5 % for the three months ended March 31, 2024 and 2023, respectively. The lower effective tax rate for the three months ended March 31, 2024 was primarily due to an increase in excess tax benefits recognized on the settlement of employee share-based awards, which decreased tax expense during the quarter. The effective tax rate for the three months ended March 31, 2024 was higher than the federal statutory tax rate of 21.0 % primarily due to state tax expense.

### Unrecognized Tax Benefits

As of March 31, 2024, the total amount of our unrecognized tax benefits was \$ 1.3 million and the total amount of our accrued interest was approximately \$ 1.0 million.

The federal statutes of limitation have expired for all tax years prior to 2020, and we are not currently under audit by the IRS. However, pursuant to the 2017 Tax Cuts and Jobs Act, the statute of limitations on the transition tax for the 2017 tax year does not expire until September 2024. Various state jurisdictions are auditing years 2013 through 2021. There are currently no federal or provincial audits in Canada; however, years subsequent to 2018 remain open and could be subject to examination. We believe that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease by \$ 1.3 million within the next twelve months as a result of concluding various state tax matters .

## 5. Debt

The components of Debt are :

	March 31, 2024	December 31, 2023
	(In thousands)	
7.5% Senior Notes due April 2027	\$ 137,424	\$ 137,424
4.625% Senior Notes due December 2027	550,000	550,000
5.125% Senior Notes due June 2029	750,000	750,000
3.375% Senior Notes due August 2030	850,000	850,000
4.0% Senior Notes due May 2031	800,000	800,000
Term Loan due January 2028	653,906	658,125
Bank Credit Facility due January 2028	755,000	790,000
Obligations under finance leases	135,631	132,039
Mortgage notes and other debt, maturities through 2050	79,067	80,696
Unamortized debt issuance costs	( 34,391 )	( 35,788 )
Total debt	4,676,637	4,712,496
Less: Current maturities of long-term debt	( 63,437 )	( 63,341 )
Total long-term debt	\$ 4,613,200	\$ 4,649,155

Current maturities of debt at March 31, 2024 include amounts due under our term loan, mortgage notes and other debt, and finance lease payments due within the next year as well as the portion of unamortized debt issuance costs expected to be recognized in the next twelve months.

Approximately, 69 % of our total debt had a fixed interest rate at March 31, 2024 and December 31, 2023, respectively.

The components of our interest rate are as follows:

	March 31, 2024	December 31, 2023
Fixed Debt	4.36 %	4.35 %
Floating Debt	7.41 %	7.44 %
Total Debt	5.29 %	5.29 %

During the three months ended March 31, 2024 and 2023, we paid \$ 43.8 million and \$ 29.6 million in cash interest, respectively.

## PART I

### Bank Credit Agreement

The Bank Credit Facility due January 2028 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 Facility contains a maximum leverage ratio financial covenant and certain dividend and share repurchase restrictions. As of March 31, 2024, we were in compliance with all of our debt covenants. We have \$ 39.0 million of letters of credit outstanding and pay a quarterly fee on the unused commitment of 0.20 % at March 31, 2024. As of March 31, 2024, we had \$ 706.0 million in borrowing capacity under the Bank Credit Facility. The Bank Credit Facility had an interest rate of 7.43 % and 7.46 % at March 31, 2024 and December 31, 2023, respectively.

### Debt Issuances and Additions

During the three months ended March 31, 2024, we drew \$ 115.0 million on our Bank Credit Facility due January 2028 for general corporate purposes.

During the three months ended March 31, 2023, we issued or added \$ 408.4 million of debt including:

- \$ 284.1 million in proceeds from certain members of the syndicate of banks in our Term Loan;
- \$ 65.0 million on our Bank Credit Facility due January 2028;
- \$ 44.3 million in proceeds from certain members of the syndicate of banks in our Bank Credit Facility;
- \$ 10.0 million on our Bank Credit Facility due May 2024; and
- \$ 5.0 million in other debt.

Net proceeds from newly issued debt during the three months ended March 31, 2023 were used to pay off our Bank Credit Facility due May 2024 and Term Loan due May 2024, and for general corporate purposes. These transactions resulted in additional debt issuance costs of \$ 7.5 million.

### Debt Extinguishments and Reductions

During the three months ended March 31, 2024, we made aggregate debt payments of \$ 155.8 million for scheduled and early debt extinguishment payments including:

- \$ 150.0 million in aggregate principal of our Bank Credit Facility due January 2028;
- \$ 4.2 million in aggregate principal of our Term Loan due January 2028;
- \$ 1.6 million in other debt.

During the three months ended March 31, 2023, we made aggregate debt payments of \$ 350.4 million for scheduled and early debt extinguishment payments including:

- \$ 199.3 million in aggregate principal payments to other members of our Bank Credit Facility;
- \$ 145.3 million in aggregate principal payments to other members of our Term Loan;
- \$ 4.2 million in aggregate principal of our Term Loan due January 2028;
- \$ 0.4 million of premiums paid on early extinguishment of debt; and
- \$ 1.2 million in other debt.

Certain of the above transactions resulted in loss of \$ 1.1 million recorded in *Losses on early extinguishment of debt* in our Consolidated Statement of Operations for the three months ended March 31, 2023.

## 6. Credit Risk and 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 carrying values of receivables on preneed funeral and cemetery contracts approximate fair value as the terms and conditions of these contracts are comparable to our current contract offerings.

The fair value of our debt instruments was as follows:

	March 31, 2024		December 31, 2023	
	(In thousands)			
7.5% Senior Notes due April 2027	\$	142,964	\$	142,749
4.625% Senior Notes due December 2027		529,144		532,125
5.125% Senior Notes due June 2029		726,060		732,173
3.375% Senior Notes due August 2030		731,527		739,500
4.0% Senior Notes due May 2031		704,752		711,336
Term Loan due January 2028		653,906		658,125
Bank Credit Facility due January 2028		755,000		790,000
Mortgage notes and other debt, maturities through 2050		77,583		79,426
Total fair value of debt instruments	\$	4,320,936	\$	4,385,434

The fair values of our long-term, fixed rate loans were 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, and the mortgage and other debt are classified within Level 3 of the fair value measurements hierarchy. The fair values of these instruments have been estimated using 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

(All shares reported in whole numbers)

### Share Repurchase Program

Subject to market conditions, normal trading restrictions, and limitations in our debt covenants, we may make purchases of our Common stock in the open market or through privately negotiated transactions under our share repurchase program. During the three months ended March 31, 2024, we repurchased 706,305 shares of common stock at an aggregate cost of \$ 49.5 million, which is an average cost per share of \$ 70.08 . After these repurchases, the remaining dollar value of shares authorized to be purchased under the share repurchase program was \$ 479.0 million at March 31, 2024.

Subsequent to March 31, 2024, we repurchased 687,168 shares for \$ 48.7 million at an average cost per share of \$ 70.91 . After these repurchases, the remaining dollar value of shares authorized to be purchased under the share repurchase program is \$ 430.3 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 information, including disaggregated revenue, was as follows and includes a reconciliation of gross profit to our consolidated income before income taxes.

	Three months ended March 31,			
	2024		2023	
	(In thousands)			
Revenue from customers:				
Funeral revenue:				
Atneed revenue	\$	315,377	\$	313,240
Matured preneed revenue		190,148		185,709
Core funeral revenue		505,525		498,949
Non-funeral home revenue		23,683		21,209
Non-funeral home preneed sales revenue		29,075		41,242
Core general agency and other revenue		46,450		48,309
Total funeral revenue		604,733		609,709
Cemetery revenue:				
Atneed revenue		109,728		110,274
Recognized preneed property revenue		199,726		191,729
Recognized preneed merchandise and services revenue		98,280		86,160
Core cemetery revenue		407,734		388,163
Other revenue		32,915		30,837
Total cemetery revenue		440,649		419,000
Total revenue from customers	\$	1,045,382	\$	1,028,709
Gross profit:				
Funeral gross profit	\$	131,874	\$	149,466
Cemetery gross profit		142,339		139,628
Gross profit from reportable segments		274,213		289,094
Corporate general and administrative expenses		( 41,325 )		( 44,160 )
(Losses) gains on divestitures and impairment charges, net		( 684 )		691
Operating income		232,204		245,625
Interest expense		( 64,352 )		( 53,916 )
Losses on early extinguishment of debt		—		( 1,060 )
Other income, net		2,462		1,209
Income before income taxes	\$	170,314	\$	191,858

Our geographic area information was as follows:

	United States	Canada	Total
	(In thousands)		
Three months ended March 31,			
Revenue from external customers:			
2024	\$ 988,456	\$ 56,926	1,045,382
2023	\$ 971,509	\$ 57,200	1,028,709

## 9. Commitments and Contingencies

### Insurance Loss Reserves

We purchase comprehensive general liability, morticians and cemetery professional liability, automobile liability, and workers' compensation insurance coverage 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 March 31, 2024 and December 31, 2023, we had self-insurance reserves of \$ 106.2 million and \$ 103.3 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, or if we determine an amount for which we would be willing to settle the matter to avoid further costs and risk, we establish the necessary accruals. We hold certain insurance policies that may reduce cash outflows with respect to an adverse outcome of these matters. We accrue such insurance recoveries when they become probable of being paid and can be reasonably estimated.

**Operational Claims.** We are named as a defendant in various lawsuits alleging operational claims, including but not limited to the State of California and Taylor lawsuits described below.

The People of the State of California v. Service Corporation International, a Texas corporation, SCI Direct, Inc. a Florida Corporation, S.E. Acquisition of California, Inc., a California corporation dba Neptune Society of Northern California, Neptune Management Corp., a California corporation, Trident Society, Inc. a California corporation, and Does 1 through 100, inclusive, Case No. RG 19045103; in the Superior Court of the State of California in and for the County of Alameda. In July 2019, we received a letter from the Attorney General, State of California, Department of Justice ("CAAG") alleging that the allocation of prices among certain of our cremation service contracts and cremation merchandise contracts, and the related preneed trust funding, violates section 7735 of the California 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. On November 21, 2019, we filed a complaint, S.E. Combined Services of California, Inc., a California Corporation dba Neptune Society of Northern California, Neptune Management Corp. a California Corporation, and Trident Society, Inc. v. Xavier Becerra, Attorney General of the State of California, and Does 1-50, Case No. 34-2019-00269617; in the Sacramento County Superior Court seeking declaratory relief holding, in general, that our practices, methods, and documentation utilized in the sale of preneed funeral goods and services are in all respects compliant with California law. On December 2, 2019, the CAAG filed the complaint, referenced above, seeking permanent injunction from making false statements and engaging in unfair competition, a placement of funds into preneed trusts, civil penalties, customer refunds, attorneys' fees, and costs. The parties have reached a settlement of the lawsuit that includes civil penalties of \$23 million and provides certain preneed contract consumers the right to receive refunds. The proposed settlement will become final and effective following the entry of judgment by the court, and we maintain a reserve that we believe is sufficient to cover all costs related to the settlement. The proposed settlement represents a compromise of contested claims and does not contain any admission of wrongdoing or fault on the part of the Company, its board of directors or executive officers in the action settlement.

### **Unclaimed Property Audits**

We have received notices from auditors representing the unclaimed property departments of approximately forty states regarding the escheatment of preneed trust funds held in association with unused preneed funeral and cemetery contracts ("Unused Preneed Trust Funds"). The states claim that these Unused Preneed Trust Funds are subject to the states' unclaimed property or escheatment laws and generally assert that all or a portion of the Unused Preneed Trust Funds are escheatable if the beneficiary and/or purchaser is deceased or presumed deceased and no services or merchandise have been provided. We received notice that no additional property is due to be reported for the states of Alabama, Connecticut, Iowa, Kentucky, Maryland, Massachusetts, Montana, Nebraska, New Mexico, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, West Virginia, and Wyoming. We consider the unclaimed property audits resolved in those eighteen states.

We have entered into an audit resolution agreement with the State of Florida Department of Financial Services and Division of Unclaimed Property ("Florida Agreement"). The Florida Agreement provides for the Company to retain the trust fund earnings and to escheat the principal to the State of Florida, which resulted in an increase in trust fund income in 2023.

We have reserved all of our rights, claims, and defenses. Given the nature of these matters, we are unable to reasonably estimate the total possible loss or ranges of loss, if any.

We believe we have strong defenses to these claims and 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.



10. 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 earnings per share 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 stock that shared in our earnings.

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

	Three months ended March 31,			
	2024		2023	
(In thousands, except per share amounts)				
Amounts attributable to common stockholders:				
Net income — basic and diluted	\$	131,301	\$	144,763
Weighted average shares:				
Weighted average shares — basic		146,266		153,125
Stock options		1,584		2,104
Restricted share units		63		71
Weighted average shares — diluted		147,913		155,300
Amounts attributable to common stockholders:				
Earnings per share:				
Basic	\$	0.90	\$	0.95
Diluted	\$	0.89	\$	0.93

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 antidilutive to the periods presented. Total antidilutive options not currently included in the computation of diluted earnings per share are as follows (in shares):

	Three months ended March 31,	
	2024	2023
(In thousands)		
Antidilutive options	569	186

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 March 31, 2024, we operated 1,485 funeral service locations and 490 cemeteries (including 306 funeral service/cemetery combination locations), which are geographically diversified across 44 states, eight Canadian provinces, the District of Columbia, and Puerto Rico. Our funeral 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. We strive to offer families exceptional service in planning life celebrations and personalized remembrances. Our Dignity Memorial® brand serves approximately 600,000 families each year with professionalism, compassion, and attention to detail.

Our financial position is enhanced by our \$15.2 billion backlog of future revenue from both trust and insurance-funded preneed sales at March 31, 2024. Preneed selling provides us with a strategic opportunity to gain future market share. 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 allow us to reinvest and grow our business as well as 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 improves our customers’ experience by reducing administrative burdens and allowing them to visualize the enhanced product and service offerings, which we believe will help drive increases in the average revenue for a cremation in future periods.

For further discussion of our key operating metrics, see our “Cash Flow” and “Results of Operations” 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 \$220.1 million in the first three months of 2024. As of March 31, 2024, we had \$706.0 million in remaining borrowing capacity under our Bank Credit Facility.

Our Bank Credit Facility requires us to maintain a certain leverage ratio with which we were in compliance at March 31, 2024. We target a leverage ratio of 3.5x to 4.0x.

Our leverage ratio requirement and actual ratio as of March 31, 2024 were as follows:

	Per Credit Agreement	Actual
Leverage ratio	5.00 (Max)	3.59

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

Our unencumbered cash on hand, future operating cash flows, and the available capacity under our Bank Credit Facilities will give us adequate liquidity to meet our short-term needs as well as our long-term financial obligations. A portion of our cash on hand is encumbered primarily due to cash balances residing in Canada and Puerto Rico, as well as minimum captive insurance balance and operating cash requirements.

## PART I

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

*Investing in Acquisitions and Building New Funeral Service and Cemetery Locations.* We manage our footprint by focusing on strategic acquisitions and building new funeral service locations where the expected returns are attractive and exceed our weighted average cost of capital by a meaningful margin. We target businesses with favorable customer dynamics and/or where we can achieve additional economies of scale. We continue to pursue strategic acquisitions and build new funeral service locations in areas that provide us with the potential for scale.

*Return Excess Cash to Shareholders.* Absent strategic acquisition or other higher return opportunities, we intend to return excess cash to shareholders. Our quarterly dividend rate has steadily grown from \$0.025 per common share in 2005 to \$0.30 per common share in 2024. We target a payout ratio of 30% to 40% of after tax 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 covenant, and final determination by our Board of Directors each quarter upon review of our financial performance.

*Managing Debt.* We continue to focus on maintaining optimal levels of liquidity and financial flexibility. We generate a relatively consistent annual cash flow stream that is generally resistant to down economic cycles. This cash flow stream and our significant liquidity allow us to opportunistically manage our debt maturity profile as we maintain a target leverage ratio of 3.5x to 4.0x.

### Cash Flow

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

#### Operating Activities

Net cash provided by operating activities was \$220.1 million and \$219.6 million for the for the three months ended March 31, 2024 and 2023, respectively.

The \$0.5 million increase in operating cash flows from 2023 comprises:

- a \$17.7 million increase in cash receipts from customers,
- a \$12.7 million decrease in employee compensation payments,
- a \$3.7 million decrease in cash tax payments, and
- a \$3.5 million increase in General Agency (GA) commission and other receipts, partially offset by
  - a \$14.2 million increase in cash interest payments,
  - a \$12.5 million increase in net trust deposits, and
  - a \$10.4 million increase in vendor and other payments.

#### Investing Activities

Cash flows from investing activities used \$96.8 million and \$94.9 million for the three months ended March 31, 2024 and 2023, respectively. The \$1.9 million increased outflow in 2024 over 2023 is primarily due to the following:

- a \$7.1 million increase in cash spent on business acquisitions,
- a \$1.9 million increase in total capital expenditures which comprises:
  - a \$1.5 million increase in expenditures for growth capital expenditures/construction of new funeral service locations, and
  - \$0.4 million increase in maintenance capital expenditures:
    - a \$5.7 million increase in expenditures for cemetery property development,
    - a \$2.1 million increase in expenditures for capital improvements at existing field locations, and
    - a \$7.4 million decrease in expenditures for digital investments and corporate.
- a \$1.4 million increase in net repayments for Company-owned life insurance policies,
- a \$1.2 million decrease in cash receipts from divestitures and asset sales, partially offset by
  - a \$9.7 million decrease in cash spent on real estate acquisitions.

## Financing Activities

Financing activities used \$134.0 million for the three months ended March 31, 2024 compared to using \$163.1 million for the same period in 2023. The \$29.1 million decreased outflow from 2024 over 2023 is primarily due to the following:

- a \$116.5 million decrease in purchase of Company common stock, and
- a \$8.5 million increase in proceeds from exercises of stock options, partially offset by
  - a \$91.9 million increase in debt repayments, net of proceeds,
  - a \$2.7 million increase in payments of dividends, and
  - a \$1.3 million change in bank overdrafts and other.

## 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 sales activities. The obligations underlying these surety bonds are recorded on our 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.

	March 31, 2024	December 31, 2023
	(In millions)	
Preneed funeral	\$ 65.2	\$ 67.8
Preneed cemetery:		
Merchandise and services	140.7	141.3
Pre-construction	53.6	54.6
Bonds supporting preneed funeral and cemetery obligations	259.5	263.7
Bonds supporting preneed business permits	7.7	7.6
Other bonds	26.2	25.4
Total surety bonds outstanding	\$ 293.4	\$ 296.7

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.

Surety bond premiums are paid annually and the bonds 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 due to a lack of surety capacity or surety company non-performance.

## Preneed 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 and 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 revenues 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 complete. All selling costs incurred pursuant to the sale of insurance-funded preneed contracts are expensed as incurred. We do not reflect the unfulfilled insurance-funded preneed contract amounts in our unaudited Condensed Consolidated Balance Sheet. 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 our results of insurance-funded preneed production and maturities.

	Three months ended March 31,	
	2024	2023
	(Dollars in millions)	
Preneed insurance-funded:		
Sales production <sup>(1)</sup>	\$ 177.2	\$ 180.2
Sales production (number of contracts) <sup>(1)</sup>	28,448	29,211
General agency revenue	\$ 49.8	\$ 46.5
Maturities	\$ 108.4	\$ 104.8
Maturities (number of contracts)	17,256	17,055

<sup>(1)</sup> 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:

	Three months ended March 31,	
	2024	2023
(Dollars in millions)		
<b>Funeral:</b>		
Preneed trust-funded (including bonded):		
Sales production	\$ 138.9	\$ 142.1
Sales production (number of contracts)	34,132	35,212
Maturities	\$ 96.6	\$ 93.5
Maturities (number of contracts)	22,248	22,416
<b>Cemetery:</b>		
Sales production:		
Preneed	\$ 330.8	\$ 305.7
Atneed	108.0	110.8
Total sales production	\$ 438.8	\$ 416.5
Sales production deferred to backlog:		
Preneed	\$ 158.5	\$ 158.0
Atneed	78.5	78.1
Total sales production deferred to backlog	\$ 237.0	\$ 236.1
Revenue recognized from backlog:		
Preneed	\$ 105.0	\$ 113.1
Atneed	78.6	77.1
Total revenue recognized from backlog	\$ 183.6	\$ 190.2

#### 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 March 31, 2024 and December 31, 2023. Additionally, the table reflects our backlog of unfulfilled insurance-funded contracts (which are not included in our unaudited Condensed Consolidated Balance Sheet) at March 31, 2024 and December 31, 2023. 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.

	March 31, 2024		December 31, 2023	
	Fair Value	Cost	Fair Value	Cost
(In billions)				
Deferred revenue, net	\$ 1.71	\$ 1.71	\$ 1.70	\$ 1.70
Amounts due from customers for unfulfilled performance obligations on cancelable preneed contracts	0.97	0.97	0.95	0.95
Deferred receipts held in trust	4.91	4.25	4.67	4.18
Allowance for cancellation on trust investments	(0.28)	(0.24)	(0.26)	(0.24)
Backlog of trust-funded deferred revenue, net of estimated allowance for cancellation	7.31	6.69	7.06	6.59
Backlog of insurance-funded revenue <sup>(1)</sup>	7.90	7.90	7.78	7.78
Total backlog of deferred revenue	\$ 15.21	\$ 14.59	\$ 14.84	\$ 14.37
Preneed receivables, net and trust investments	\$ 6.43	\$ 5.77	\$ 6.19	\$ 5.70
Amounts due from customers for unfulfilled performance obligations on cancelable preneed contracts	0.97	0.97	0.95	0.95
Allowance for cancellation on trust investments	(0.28)	(0.24)	(0.26)	(0.24)
Assets associated with backlog of trust-funded deferred revenue, net of estimated allowance for cancellation	7.12	6.50	6.88	6.41
Insurance policies associated with insurance-funded deferred revenue <sup>(1)</sup>	7.90	7.90	7.78	7.78
Total assets associated with backlog of preneed revenue	\$ 15.02	\$ 14.40	\$ 14.66	\$ 14.19

<sup>(1)</sup> 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 appraisals. As of March 31, 2024, the difference between the backlog and asset market amounts represents \$0.18 billion related to contracts for which we have posted surety bonds as financial assurance in lieu of trusting, \$1.33 billion collected from customers that were not required to be deposited into trusts, and \$0.19 billion in allowable cash distributions from trust assets partially offset by \$1.51 billion in amounts due on delivered property and merchandise. As of March 31, 2024, the fair value of the total backlog comprised \$4.38 billion related to cemetery contracts and \$10.83 billion related to funeral contracts. As of March 31, 2024, the fair value of the assets associated with the backlog of trust-funded deferred revenue comprised \$4.40 billion related to cemetery contracts and \$2.72 billion related to funeral contracts. As of March 31, 2024, the backlog of insurance-funded contracts of \$7.90 billion was equal to the proceeds we expect to receive from the associated insurance policies when the corresponding contract is serviced.

### 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 generally remains in the trust in perpetuity and the earnings or elected distributions are withdrawn as allowed to defray the expenses 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 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 service trusts as well as the cemetery perpetual care trusts. The majority of the 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 several years to mature; therefore, the funds associated with these contracts are often invested through several market cycles.

Where allowed by state and provincial regulations, the cemetery perpetual care trusts' primary investment objectives are growth-oriented to provide for a fixed distribution rate from the trusts' assets. Where such distributions are limited to ordinary income, the cemetery perpetual care trusts' investment objectives emphasize providing a steady stream of current investment income with some capital appreciation. Both types of distributions are used to provide for the current and future maintenance and beautification of the cemetery properties.

As of March 31, 2024, approximately 95% of our trusts were under the control and custody of five 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, 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 appropriate LLCs' units. For those accounts not eligible for participation in the LLCs or where a particular state's regulations contain other 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

The managed LLCs use the following structures for investments:

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

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

Mutual 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.

### Asset Classes

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 March 31, 2024, the largest single equity position represented approximately 1% of the total securities portfolio.

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 invested 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 contracts sold in certain Canadian jurisdictions must be invested in these instruments.

Alternative investments serve to provide high rates of return with reduced volatility and lower correlation to publicly-traded securities. These investments are typically longer term in duration and are diversified by strategy, sector, manager, geography, and vintage year. The investments consist of numerous limited partnerships invested in private equity, private market real estate, energy and natural resources, infrastructure, transportation, and private debt including both 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 three months ended March 31, 2024, the Standard and Poor's 500 Index increased 10.6% and the Bloomberg's US Aggregate Bond Index decreased 0.8%. This compares to SCI trusts that increased 5.6% during the same period, which exceeded our internal custom benchmark. The SCI trusts have a diversified allocation of approximately 60% equities, 26% fixed income securities, 10% alternative and other investments with the remaining 4% available in money market funds.

Recognized trust fund income (realized and unrealized) related to our preneed trust investments was \$ 42.7 million and \$ 36.0 million for the three months ended March 31, 2024 and 2023, respectively. Recognized trust fund income (realized and unrealized) related to our cemetery perpetual care trust investments was \$ 23.3 million and \$ 22.0 million for the three months ended March 31, 2024 and 2023, respectively. The increase in recognized trust fund income is primarily due to the market returns experienced during 2023.

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 March 31, 2024 and 2023

Management Summary

In the first three months of 2024, we reported consolidated net income attributable to common stockholders of \$131.3 million (\$0.89 per diluted share) compared to net income attributable to common stockholders for the same period in 2023 of \$144.8 million (\$0.93 per diluted share). These results were impacted by certain items including:

	Three months ended March 31,			
	2024		2023	
	(In millions)			
Pre-tax (losses) gains on divestitures and impairment charges, net	\$	(0.7)	\$	0.7
Pre-tax losses on early extinguishment of debt	\$	—	\$	(1.1)
Tax effect from significant items	\$	0.1	\$	0.1
Change in uncertain tax reserves and other	\$	—	\$	0.2

In addition to the above items, the decrease from the prior year was expected, as higher cemetery gross profit, a lower share count, and a lower tax rate was slightly overcome by lower funeral gross profit as well as higher interest expense.

## Funeral Results

	Three months ended March 31,	
	2024	2023
	(Dollars in millions, except average revenue per service)	
Consolidated funeral revenue	\$ 604.7	\$ 609.7
Less: revenue associated with acquisitions/new construction	4.8	0.5
Less: revenue associated with divestitures	0.5	1.3
Comparable <sup>(1)</sup> funeral revenue	599.4	607.9
Less: non-funeral home preneed sales revenue	28.9	41.2
Less: core general agency and other revenue	46.0	47.9
Adjusted comparable funeral revenue	\$ 524.5	\$ 518.8
Comparable services performed	93,341	96,051
Comparable average revenue per service <sup>(2)</sup>	\$ 5,619	\$ 5,401
Consolidated funeral gross profit	\$ 131.9	\$ 149.5
Less: gross profit associated with acquisitions/new construction	0.4	—
Less: gross profit associated with divestitures	0.3	—
Comparable <sup>(1)</sup> funeral gross profit	\$ 131.2	\$ 149.5

<sup>(1)</sup> We define comparable (or same store) operations as those funeral locations owned by us for the entire period beginning January 1, 2023 and ending March 31, 2024.

<sup>(2)</sup> We calculate comparable average revenue per service by dividing comparable funeral revenue, excluding general agency revenue, non-funeral home preneed sales revenue, and other revenue to avoid distorting our average of normal funeral services revenue, by the comparable number of funeral services performed during the period.

## Funeral Revenue

Consolidated revenue from funeral operations was \$604.7 million for the three months ended March 31, 2024, compared to \$609.7 million for the same period in 2023. This \$5.0 million decrease is primarily attributable to a \$8.5 million decrease in comparable revenue as described below and offset by \$4.3 million of growth in revenue contributed by acquired and newly constructed properties.

Comparable revenue from funeral operations was \$599.4 million for the three months ended March 31, 2024 compared to \$607.9 million for the same period in 2023. The \$8.5 million decrease was due to a \$12.3 million decrease in non-funeral home preneed sales revenue slightly offset by an increase of \$3.7 million in core funeral revenue. Core revenue increased by \$3.7 million primarily due to a 3.9% increase in core average revenue partially offset by a 3.0% decrease in core funeral services performed. The core cremation rate increased 70 basis points to 56.6%.

Non-funeral home preneed sales revenue decreased by \$12.3 million primarily due to operational changes in certain markets with respect to timing of merchandise deliveries. This decrease is partially offset by an increase in general agency revenue as we continue to shift from trust-funded to insurance-funded contracts.

## Funeral Gross Profit

Consolidated funeral gross profit decreased \$17.6 million, or 11.8%, in the first three months of 2024 compared to 2023. This decrease is primarily attributable to the \$18.3 million, or 12.2%, decrease in comparable funeral gross profit. Comparable funeral gross profit decreased \$18.3 million to \$131.2 million and the comparable gross profit percentage decreased from 24.6% to 21.9%. This decrease is primarily due to the decline in revenue mentioned above and an increase in annual incentive compensation costs over the prior year quarter.

## Cemetery Results

	Three months ended March 31,			
	2024		2023	
	(In millions)			
Consolidated cemetery revenue	\$	440.6	\$	419.0
Less: revenue associated with acquisitions/new construction		0.9		—
Less: revenue associated with divestitures		(0.1)		0.3
Comparable <sup>(1)</sup> cemetery revenue	\$	439.8	\$	418.7
Consolidated cemetery gross profit	\$	142.3	\$	139.6
Less: gross losses associated with acquisitions/new construction		(0.1)		(0.2)
Less: gross losses associated with divestitures		(0.1)		(0.1)
Comparable <sup>(1)</sup> cemetery gross profit	\$	142.5	\$	139.9

<sup>(1)</sup> We define comparable (or same store) operations as those cemetery locations owned by us for the entire period beginning January 1, 2023 and ending March 31, 2024.

## Cemetery Revenue

Consolidated revenue from our cemetery operations increased \$21.6 million, or 5.2%, for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to a \$21.1 million, or 5.0%, increase in comparable cemetery revenue and a \$0.9 million increase in revenue contributed by newly constructed and acquired properties.

The \$21.1 million, or 5.0%, increase in comparable cemetery revenue was primarily attributable to a \$18.9 million increase in comparable cemetery core revenue. This increase was primarily a result of a \$19.5 million increase in total recognized preneed revenue, which benefited from growth in comparable preneed sales production of \$23.8 million, or 7.8%, that more than offset a modest decline in atneed revenue.

## Cemetery Gross Profit

Consolidated cemetery gross profit increased \$2.7 million for the three months ended March 31, 2024 compared to the same period in 2023, which is primarily attributable to the increase in comparable cemetery gross profit of \$2.6 million. Comparable cemetery gross profit increased from \$139.9 million to \$142.5 million, and the gross profit percentage decreased from 33.4% to 32.4% primarily due to an increase in annual incentive compensation costs over the prior year quarter.

## Other Financial Statement Items

## Corporate General and Administrative Expenses

Corporate general and administrative expenses decreased \$2.8 million to \$41.3 million for the three months ended March 31, 2024. The decrease was primarily related to prior year accelerated compensation expenses upon the retirement of certain executives and the timing of lower long-term incentive compensation costs versus the prior year quarter.

## Interest Expense

Interest expense increased \$10.4 million to \$64.4 million for the three months ended March 31, 2024 primarily due to higher interest and a higher balance on our floating rate debt. During the three months ended March 31, 2024, our floating rate debt carried a weighted average rate of 7.4%, which is more than 140 basis points higher than the weighted average rate for our floating rate debt in the first quarter of 2023.

## Provision for Income Taxes

Our effective tax rate was 22.9% and 24.5% for the three months ended March 31, 2024 and 2023, respectively. The lower effective tax rate for the three months ended March 31, 2024 was primarily due to an increase in excess tax benefits recognized on the settlement of employee share-based awards, which decreased tax expense during the quarter. The effective tax rate for the three months ended March 31, 2024 was higher than the federal statutory tax rate of 21.0% primarily due to state tax expense.

## Weighted Average Shares

The diluted weighted average number of shares outstanding was 147.9 million for the three months ended March 31, 2024 compared to 155.3 million for the same period in 2023. The decrease primarily reflects the impact of shares repurchased under our share repurchase program.

## Critical Accounting Policies, Recent Accounting Pronouncements, and Accounting Changes

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 have not significantly changed since December 31, 2023 and are disclosed in our Annual Report on [Form 10-K](#) for the year ended December 31, 2023.

### 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”, “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 consolidated results in the future to differ materially from the forward-looking statements made herein and in any other documents or oral presentations made by, or on behalf of, the Company. These factors are discussed below. We assume no obligation and make no undertaking to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by the Company, whether as a result of new information, future events, or otherwise.

- Our affiliated 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.
- We may be adversely affected by the effects of inflation.
- Our results may be adversely affected by significant weather events, natural disasters, catastrophic events or public health crises.
- 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 activities, we may be required to make material cash payments to fund certain trust funds.
- 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 life insurance companies that fund our preneed contracts may impact our future revenue.
- Unfavorable publicity could affect our reputation and business.
- Our failure to attract and retain qualified sales personnel could have an adverse effect on our business and financial condition.
- 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.
- 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.

## PART I

- Our level of indebtedness could adversely affect our cash flows, 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 a key information technology system or process could disrupt and adversely affect our business.
- The funeral and cemetery industry is competitive.
- If the number of deaths in our markets declines, our cash flows and revenue may decrease. Changes in the number of deaths are not predictable from market to market or over the short term.
- If we are not able to respond effectively to changing consumer preferences, our market share, revenue, and/or profitability could decrease.
- The continuing upward trend in life expectancy and the number of cremations performed in North America could result in lower revenue, operating profit, and cash flows.
- Our funeral and cemetery businesses are high fixed-cost businesses.
- Risks associated with our supply chain could materially adversely affect our financial performance.
- Regulation and compliance could have a material adverse impact on our financial results.
- Unfavorable results of litigation could have a material adverse impact on our financial statements.
- Cemetery burial practice claims could have a material adverse impact on our financial results.
- 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 financial results.
- Changes in taxation, or the interpretation of tax laws or regulations, 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.

For further information on these and other risks and uncertainties, see our Securities and Exchange Commission filings, including our 2023 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](http://www.sci-corp.com). We assume no obligation and make no undertaking 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 March 31, 2024 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 Condition, Liquidity and Capital Resources" section for discussion of trust investments.

## Item 4. Controls and Procedures

### Disclosure Controls and Procedures

As of March 31, 2024, 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 March 31, 2024 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

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024 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 9](#) 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, 2023.

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

The following table summarizes our share repurchases during the three months ended March 31, 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Approximate Dollar Value	
			Total Number of Shares Purchased as Part of Publicly Announced Programs	of Shares That May Yet be Purchased Under the Program
January 1, 2024 — January 31, 2024 <sup>(1)</sup>	219,543	\$ 67.88	187,317	\$ 512,248,221
February 1, 2024 — February 29, 2024	236,241	\$ 68.82	236,241	\$ 495,990,885
March 1, 2024 — March 31, 2024 <sup>(2)</sup>	250,521	\$ 73.16	232,335	\$ 478,994,083
	706,305		655,893	

<sup>(1)</sup> 32,226 shares were purchased in January 2024 in connection with the surrender of shares by associates to satisfy certain tax withholding obligations under compensation plans. These repurchases were not part of our publicly announced program and do not affect our share repurchase program.

<sup>(2)</sup> 18,186 shares were purchased in March 2024 in connection with the surrender of shares by associates to satisfy certain tax withholding obligations under compensation plans. These repurchases were not part of our publicly announced program and do not affect our share repurchase program.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

(a) Not applicable.

(b) Not applicable.

(c) During the three months ended March 31, 2024, no director or officer (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## Item 6. Exhibits

Exhibit Number	Description
3.1	— Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to Registration Statement No. 333-10867 on Form S-3).
3.2	— Articles of Amendment to Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to Form 10-Q for the fiscal quarter ended September 30, 1996).
3.3	— Certificate of Amendment to Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to Form 8-K filed May 25, 2018).
3.4	— Statement of Resolution Establishing Series of Shares of Series D Junior Participating Preferred Stock, dated July 27, 1998 (Incorporated by reference to Exhibit 3.2 to Form 10-Q for the fiscal quarter ended June 30, 1998).
3.5	— Bylaws of the Company (Incorporated by reference to Exhibit 3.1 to Form 8-K filed May 5, 2023).
4.1	— Senior Indenture dated as of February 1, 1993 by and between the Company and The Bank of New York, as trustee (Incorporated by reference as Exhibit 4.1 to Form S-4 filed September 2, 2004 (File No. 333-118763)).
4.2	— Agreement of Resignation, Appointment of Acceptance, dated December 12, 2005, among the Company, The Bank of New York and The Bank of New York Trust Company, N.A., appointing a successor trustee for the Senior Indenture dated as of February 1, 1993 (Incorporated by reference to Exhibit 4.1 to Form 10-Q for the fiscal quarter ended June 30, 2005).
10.1	— Form of Performance Unit Grant Award Agreement.
10.35	— Employment and Noncompetition Agreement, dated January 1, 2022 between OFTC, Inc. and Elisabeth G. Nash.
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 formatted Inline XBRL.
104	— Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).



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.

May 2, 2024

SERVICE CORPORATION INTERNATIONAL

By: Is/ TAMMY MOORE  
Tammy Moore  
*Vice President and Corporate Controller*  
*(Principal Accounting Officer)*

Grant # 2024

**PERFORMANCE UNIT GRANT  
AWARD AGREEMENT**

This PERFORMANCE UNIT GRANT AWARD AGREEMENT ("Agreement") is made as of February 14, 2024, by and between Service Corporation International, a Texas corporation (the "Company"), and \_\_\_\_\_ (the "Employee").

WHEREAS, the Compensation Committee ("Compensation Committee") of the Board of Directors of the Company has determined that it is to the advantage and interest of the Company to grant to the Employee the performance units grant provided for herein in consideration of services provided by the Employee and to provide focus on the longer-term success of the Company.

NOW, THEREFORE, the Company and the Employee hereby agree as follows:

1. Grant of Award.

a. Pursuant to the Company's Amended and Restated 2016 Equity Incentive Plan ("Plan"), the Employee is hereby granted as of January 1, 2024, a Performance Unit Grant Award (the "Award"), subject to the terms and conditions set forth below, with respect to \_\_\_\_\_ performance units ("Units").

b. Each Unit shall have a value equal to the value of one share of the Company's common stock.

c. If a dividend is paid on the Company's common stock during the Performance Cycle, the number of Units listed above shall be increased on the dividend payment date by (i) multiplying the per share dividend amount by the number of Units credited under this Agreement on the dividend payment date, and (ii) dividing that amount by the value of a share of the Company's common stock on the dividend payment date.

d. If the Units covered by this Award become vested in accordance with Section 2 below, the Employee will be entitled to receive, net of applicable withholding or applicable social security taxes, a cash payment representing the product of (i) the value of a share of the Company's common stock on the date of approval of the payment by the Compensation Committee (which value shall be an average of the closing price of Company common stock over the five trading days up to and including the date of approval), multiplied by (ii) the number of Units vested, multiplied by (iii) the Performance Settlement Factor as determined using Exhibit A, attached hereto and made a part of this Agreement.

e. If the Award becomes vested and payable, the Award will be paid to the Employee as soon as practicable after the end of the Performance Cycle, but no later than March 15, 2026.

2. Vesting. If the Employee is employed by the Company (or any Affiliate thereof) continuously during the Performance Cycle and through the payment date for the Award, as described in Section 1(e) above (the "Payment Date"), the Award will vest 100% on the Payment Date. Except as provided below, this Award shall terminate, and all of the Employee's rights hereunder shall be forfeited, if the Employee is not employed on the Payment Date.

a. Death, Disability and Termination by the Company without Cause. In the event of the termination of the Employee's employment with the Company (or any Affiliate thereof) prior to the Payment Date due to the Employee's death, Disability or termination by the Company (or an Affiliate thereof) without Cause (as that term is defined in Employee's employment agreement with an Affiliate of Company, or if none, as determined by the Company in its reasonable discretion), a pro-rata portion of the Award will vest, as determined in accordance with the following calculation: The number of Units under the Award to be vested is determined by the number of active months of employment by the Employee during the Performance Cycle divided by 36 (which is the number of months in the "Performance Cycle" as set forth in Exhibit A).

b. Retirement. In the event of the termination of the Employee's employment with the Company (or any Affiliate thereof) prior to the to the Payment Date due to the Employee's retirement on or after attainment of age 60 with ten (10) years of service, or retirement on or after attainment of age 55 with twenty (20) years of service, the Award will vest, if the Compensation Committee, in its sole discretion, acting by meeting or unanimous consent occurring prior to the effective date of the Employee's retirement, causes the Award to vest, in which event the Award will fully vest without prorating regardless of the number of months remaining in the Performance Cycle.

c. Change of Control. In the event of a Change of Control of the Company during the Performance Cycle, the Award will be governed by Section 4.9 of the Plan so long as the Award is honored or assumed or replaced in accordance with Exhibit B attached hereto. Otherwise, the Award will be fully vested and paid at the Target amount set forth on Exhibit A, on the date a Change of Control occurs.

Notwithstanding any provision of this Agreement or any other agreement between the Employee and the Company to the contrary, in the event of a termination of the Employee's employment with the Company (or any Affiliate thereof) by the Company for Cause (as described above), or if the Employee terminates his or her employment with the Company (or any Affiliate thereof) for any reason, any unpaid Award shall be forfeited in its entirety and will not be paid.

3. Transfer Restrictions. This Award is non-transferable other than by will or by the laws of descent and distribution, and may not otherwise be assigned, pledged or

hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt by the Employee (or the Employee's successor in interest after the Employee's death) to effect any such disposition, or upon the levy of any such process, the Award may immediately become null and void, at the discretion of the Compensation Committee.

4. Tax. The Employee will pay any and all Federal, state or local income tax and all associated employment taxes (FICA) when the Award is paid.

5. Miscellaneous. This Agreement (i) shall be binding upon and inure to the benefit of any successor of the Company, (ii) shall be governed by the laws of the State of Texas and any applicable laws of the United States, and (iii) may not be amended without the written consent of both the Company and the Employee. No contract or right of employment shall be implied by this Agreement.

6. Incorporation of Plan Provisions. This Award and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which shall be controlling and are incorporated herein by reference. Capitalized terms not otherwise defined herein (inclusive of Exhibit A) shall have the meanings set forth for such terms in the Plan.

7. IRC §409A Compliance. Notwithstanding the applicable provisions of this Agreement regarding timing of distribution of payments, the following special rules shall apply in order for this Agreement to comply with IRC §409A: (i) to the extent any distribution is to a "specified employee" (as defined under IRC §409A) and to the extent such applicable provisions of IRC §409A require a delay of such distributions by a six month period after the date of such Employee's separation of service with the Company, the provisions of this Agreement shall be construed and interpreted as requiring a six month delay in the commencement of such distributions thereunder.

To the extent of any compliance issues under IRC §409A, the Agreement shall be construed in such a manner so as to comply with the requirements of such provision so as to avoid any adverse tax consequences to the Employee.

8. Payment Limitations. Notwithstanding anything herein to the contrary, the following limitations shall apply to any calculation of payments under this Agreement:

a. If the Company's TSR for the Performance Cycle is negative, the Performance Settlement Factor used to calculate the Award payment shall not exceed the Target amount set forth in Section B of Exhibit A.

b. If the Company's TSR ranking for the Performance Cycle is below the 25<sup>th</sup> percentile of the TSR of the peers in the Comparator Group, then no payment shall be made under this Agreement.

c. If the Company's Annualized ROE for each fiscal year during the Performance Cycle is less than the weighted average Annualized ROE of the companies

that comprise the S&P midcap 400 for each such year during the Performance Cycle (as reported by Bloomberg, or a similar reporting service if Bloomberg is unavailable), then the amount that would otherwise have been paid under Section 1(d) of this Agreement shall be reduced by twenty-five percent (25%).

9. Clawback. If (i) the Employee is a Company officer at or above the level of Vice President at the date of this Agreement, (ii) Employee is not covered by a separate incentive award recoupment policy related to the award of Units pursuant to this Agreement, and (iii) it is determined that the Employee has engaged in fraud that causes, in whole or in part, a material adverse restatement of the Company's financial statements, then any unpaid Award shall be forfeited in its entirety. In addition, if (A) an Award has been paid under this Agreement prior to the time of such determination, and (B) the payment occurred at any time after the ending date of the period covered by the incorrect financial statements, then the Employee must repay the Company the entire amount of his or her Award payment. Any determination by the Board of Directors with respect to the foregoing shall be final, subject however to the right of the Employee to contest such determination in any court of competent jurisdiction. The Company agrees to pay promptly as incurred all legal fees and expenses which the Employee may reasonably incur as a result of any such contest; provided however, if the Employee does not prevail in such contest, the Employee will reimburse the Company for all such legal fees and expenses. As used herein, the term "fraud" shall mean the act of knowingly making a false representation of a material fact with the intent to deceive.

10. Binding Effect. This Agreement shall be effective only if executed by the Company by means of a manual, typed, or stamped signature, or an e-signature, recorded as a performance unit grant in the minutes of the committee administering the Plan and executed by the Employee by means of a manual signature or an e-signature. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under the Employee.

[Signature Page Attached]

IN WITNESS HEREOF, the Employee and the Company have executed this Performance Unit Grant Award as of the day and year first above written.

**EMPLOYEE Service Corporation International**

/s/ Lori E. Spilde

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[Signature] Name: Lori E. Spilde  
Title: Senior Vice President  
General Counsel and Secretary

pup.2.2024

Exhibit A**Calculation of Performance Settlement Factor**

The Performance Settlement Factor used to determine the amount payable under the Performance Unit Award described in the attached Performance Unit Grant Award Agreement, dated as of February 14, 2024, between Service Corporation International, a Texas corporation (the “Company” or “SCI”), and all of its Affiliates and the Employee, shall be calculated as provided in this Exhibit A.

A. Definitions. For purposes of this Award, the following definitions will control:

- “Adjusted Average Equity” means Adjusted Prior Year Equity, plus Adjusted Current Year Equity, divided by 2. An adjusting entry in excess of \$50 million may be carried forward to avoid distortion in the Return on Equity calculation during each year of the Performance Cycle.
- “Adjusted Current Year Equity” means Total Stockholder Equity, less accumulated Other Comprehensive Income as set forth in the Company’s Consolidated Balance Sheet, and excluding non-recurring items in both the current and prior fiscal years.
- “Adjusted Prior Year Equity” means Total Stockholder Equity, as set forth in the Company’s Consolidated Balance Sheet, and excluding non-recurring items in the prior fiscal year.
- “Adjusted Net Income from Continuing Operations” means the Company’s consolidated net income from continuing operations, as determined under U.S. Generally Accepted Accounting Principles, for the fiscal year, as reported in the Company’s financial statements utilizing the forecasted normalized effective tax rate, which may be adjusted to exclude the following items:
  1. Significant litigation costs and/or settlements.
  2. Special accounting, tax or restructuring charges.
  3. The cumulative effect of changes in accounting or tax principles.
  4. An extraordinary gain or loss or correction of an error.
  5. All gains, losses or impairment charges recorded in association with the sale or potential sale of a business and/or real estate or any impairment(s) related to the evaluation of goodwill, intangible assets, long-lived assets or loss contracts.
  6. Charges relating to the opening, closing, or relocation of subsidiaries or other overhead centers.
  7. The gain or loss associated with the early extinguishment of debt or other debt restructuring charges.

8. Accounting and/or tax charges relating to acquisitions and dispositions, system conversions and/or implementations, settlement or termination of pension obligations, and transitions or terminations of major vendors and/or suppliers of the Company.
9. Currency gains or losses.

- “Annualized ROE” means the product of (i) the sum of the Return on Equity for each fiscal year during the Performance Cycle, divided by (ii) three.
- “Award” is a grant of Units as approved by the Compensation Committee. The number Units subject to the Award shall be increased, as provided in Section 1(c) of the Agreement, to reflect the deemed reinvestment of dividends during the Performance Cycle.
- “Comparator Group” is defined as the publicly traded U.S. companies which are included in the reference group as documented in the 2024 Compensation Committee’s records and which are in existence at the end of the Performance Cycle.
- “Compensation Committee” means the Compensation Committee of the Board of Directors of Service Corporation International.
- “IRC §409A” means Section 409A of the Internal Revenue Code of 1986, as amended.
- “National Exchange” is defined as the New York Stock Exchange (NYSE) or the National Association of Stock Dealers and Quotes (NASDAQ).
- “Plan Administrator” is Compensation Committee, which may delegate certain elements of administrative responsibility to the Company’s CEO or appropriate members of his staff. Any performance goals, performance standards and award determinations must be approved by the Compensation Committee.
- “Performance Cycle” is defined as the three-year period beginning January 1, 2024 and ending December 31, 2026.
- “Performance Settlement Factor” is the applicable percentage set forth in Section B below, which shall be applied to the number of vested units based on the Company’s relative TSR ranking within the Comparator Group, as interpolated.
- “Return on Equity” shall be calculated for each fiscal year during the Performance Cycle by dividing (i) the Company’s Adjusted Net Income from Continuing Operations, for the fiscal year, by (ii) the Adjusted Average Equity for such fiscal year.



- “Total Shareholder Return” (TSR) is defined as the rate of return reflecting stock price appreciation plus reinvestment of dividends over the Performance Cycle. Specifically, TSR will be calculated using the following provisions: \$100 invested in SCI stock on the first day of the Performance Cycle, with dividends reinvested on each applicable payment date, compared to \$100 invested in each of the peer companies in the Comparator Group, with dividend reinvestment on each applicable payment date during the same period. For purposes of this calculation, any determination of reinvested dividends shall be calculated as the sum of the total dividends paid on one share of stock during the Performance Cycle, assuming reinvestment of such dividends in such stock (based on the closing stock price of such stock on the applicable dividend payment date). For the avoidance of doubt, it is intended that the foregoing calculation of reinvested dividend amount shall take into account not only the reinvestment of dividends in a share of stock but also capital appreciation or depreciation in the shares of stock deemed acquired by such reinvestment.
- “Unit” is a performance unit which shall have a value equal to the closing price of a share of the Company’s common stock.

B. Performance Unit Awards Settlement Criteria:

SCI Weighted Average Total Shareholder Return Ranking Relative to Comparator Group at End of Performance Cycle	Ranking	% of Target Award Paid as Incentive  (Performance Settlement Factor)
Maximum	75 <sup>th</sup> % or greater	200%
	70 <sup>th</sup> %ile	180%
	65 <sup>th</sup> %ile	160%
	60 <sup>th</sup> %ile	140%
	55 <sup>th</sup> %ile	120%
<b>Target</b>	<b>50<sup>th</sup>%ile</b>	<b>100%</b>
	45 <sup>th</sup> %ile	85%
	40 <sup>th</sup> %ile	70%

	35 <sup>th</sup> ile	55%
	30 <sup>th</sup> ile	40%
Threshold	25 <sup>th</sup> ile	25%
Below Threshold	Less than 25 <sup>th</sup> ile	0%

- Calculation of awards for performance levels between Target and Maximum, or Threshold and Target will be calculated using straight-line interpolation.
- If mergers and acquisitions result in a reduction in the number of peer group companies during the cycle, these percentile rankings will reflect the Comparator Group companies still intact at the end of the Performance Cycle.
- As provided in Section 8(a) of the Agreement, in the event SCI's TSR is negative at the end of the Performance Cycle, no payment hereunder will exceed the Target in the schedule above.
- As provided in Section 8(c) of the Agreement, If the Company's Annualized ROE for each fiscal year during the Performance Cycle is less than the weighted average Annualized ROE of the companies that comprise the S&P midcap 400 for each such year during the Performance Cycle (as reported by Bloomberg, or a similar reporting service if Bloomberg is unavailable), then the amount that would otherwise have been paid under Section 1(d) of this Agreement shall be reduced by twenty-five percent (25%).
- The Compensation Committee shall have the reasonable discretion to interpret or construe ambiguous, unclear or implied terms applicable to this Agreement, and to make any findings of fact necessary to make a calculation or determination hereunder.
- A decision made in good faith by the Compensation Committee shall govern and be binding in the event of any dispute regarding a method of calculation of performance or a determination of vesting or forfeiture in connection with the Award or this Agreement.

**EXHIBIT B**

No cancellation, acceleration of exercisability, vesting, cash settlement or other payment shall occur with respect to any Award if the Committee reasonably determines in good faith, prior to the occurrence of a Change of Control, that such Award shall be honored or assumed or replaced therefor (such honored, assumed or replaced Award hereinafter called an "Alternative Award"), by an Employee's employer (or the parent or an Affiliate of such employer) immediately following the Change of Control; provided that any such Alternative Award must:

- (i) be based on stock which is traded on an established U.S. securities market;
- (ii) provide such Employee with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Award, including, but not limited to, an identical or better exercise or vesting schedule and identical or better timing and methods of payment; provided that, if determined by the Committee, any performance-based Awards may be converted into Alternative Awards that vest and become payable solely upon the continued performance of services and in respect of the amount that would have been payable based upon performance through the date of the Change in Control or other measure of performance specified in the Employee's applicable Award Agreement;
- (iii) have substantially equivalent economic value to such Award (determined at the time of the Change of Control and using valuation principles permitted under Treas. Reg. §1.424-1); and
- (iv) have terms and conditions which provide that in the event that, during the CoC Protection Period, the Employee's employment or service is involuntarily terminated for any reason (including, but not limited to a termination due to death, Disability or without Cause) or terminated for Good Reason (as defined below), all of such Employee's Awards shall be deemed immediately and fully exercisable, any forfeiture restrictions shall lapse as to each of the Employee's outstanding Restricted Stock Awards, each of the Employee's outstanding Restricted Stock Units and Other Stock-Based Awards shall vest and be payable in full and each such Alternative Award shall be settled for a payment per each share of stock subject to the Alternative Award in cash, in immediately transferable, publicly traded securities or in a combination thereof, in an amount equal to, in the case of an Option or SAR, the excess of the fair market value of such stock on the date of the Employee's termination over the corresponding exercise or base price per share and, in the case of any Restricted Stock, Restricted Stock Unit, or Other Stock-Based Award, the fair market value of the number of shares of stock subject or related thereto.

For this purpose, an Employee's employment or service shall be deemed to have been terminated for Good Reason if the Employee terminates employment or service within the CoC Protection Period for any of the following:

- (a) The Company requires the Employee to be relocated more than 50 miles from the current office location, unless the Employee's commute is reduced by the relocation;
- (b) The Company materially reduces the responsibilities, authority or accountability of Employee from the same in effect immediately prior to the Change of Control;
- (c) The Company reduces the base salary, Target Bonus or other compensation program participation of Employee;  
or
- (d) The Company materially reduces the aggregate benefits of Employee.

The "CoC Protection Period" shall mean the period commencing sixty (60) days prior to a Change of Control and ending twenty-four months after the date upon which a Change of Control occurs.

## EMPLOYMENT AND NONCOMPETITION AGREEMENT

THIS AGREEMENT is made and effective this 1st day of January 2022, between OFTC, Inc., a Delaware corporation (the "Company"), and Elisabeth G. Nash (the "Employee"):

ARTICLE I  
EMPLOYMENT

1.1 Employment Term. The Company agrees to employ the Employee and the Employee agrees to accept such employment, in accordance with the terms and conditions of this Agreement, for the period beginning on the date of this Agreement and ending as of the close of business on December 31, 2022 (such period together with all extensions thereof are referred to hereinafter as the "Employment Term"); provided, however, that commencing on January 1, 2023, and on each January 1 thereafter (each such date shall be hereinafter referred to as a "Renewal Date"), the Employment Term shall be extended so as to terminate one year from such Renewal Date if (a) the Company notifies the Employee in writing of such extension at least thirty (30) days prior to such Renewal Date and (b) the Employee has not previously given the Company written notice that the Employment Term shall not be so extended. In the event that the Company gives the Employee written notice at any time of its intention not to renew the Employment Term, then the Employment Term shall terminate on December 31 of the year in which such notice of non-renewal is given and shall not thereafter be further extended. If the Company fails to notify the Employee at least thirty (30) days prior to a Renewal Date either of its intention to extend the Employment Term as provided above or its intention not to so extend the Employment Term, then the Employment Term shall not be extended and shall terminate as of the day prior to such Renewal Date.

1.2 Duties. The Employee shall serve the Company in an executive or managerial capacity and shall hold such title as may be authorized from time to time by the Board of Directors of Service Corporation International ("SCI"). The Employee shall have the duties, powers and authority consistent therewith and such other powers as are delegated to Employee in writing from time to time by the Board of Directors of SCI. If the Employee is elected to any office or other position with the Company during the term of this Agreement, the Employee will serve in such capacity or capacities without further compensation unless the Compensation Committee (the "Compensation Committee") of the Board of Directors of SCI authorizes additional compensation. The Employee's title and duties may be changed from time to time at the discretion of the Company. The Employee also agrees to perform, without additional compensation, such other services for the Company and for any subsidiary or affiliated corporations of the Company or for any partnerships in which the Company has an interest, as the Company shall from time to time specify. The term "Company" as used hereinafter shall be deemed to include and refer to subsidiaries and affiliated corporations and partnerships of SCI. Employee agrees and acknowledges that Employee owes, and will comply with, a fiduciary duty of loyalty, fidelity and allegiance to act at all times in the best interests of the Company and to take no action or fail to take action if such action or failure to act would injure the Company's business, its interests or its reputation.

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1.3 Extent of Service. During the Employment Term, the Employee shall devote Employee's full time, attention and energy to the business of the Company, and, except as may be specifically permitted by the Company, shall not be engaged in any other business activity during the term of this Agreement. The foregoing shall not be construed as preventing the Employee from making passive investments in other businesses or enterprises, provided, however, that such investments will not: (a) require services on the part of the Employee which would in any way impair the performance of Employee's duties under this Agreement, or (b) in any manner significantly interfere with Employee's responsibilities as an Employee of the Company in accordance with this Agreement.

#### 1.4 Compensation.

(a) Salary. The Company shall pay to the Employee a salary at the rate in effect for Employee at the date of this Agreement. Such salary is to be payable in installments in accordance with the payroll policies of the Company in effect from time to time during the term of this Agreement. The Company may (but is not required to) make such upward adjustments to the Employee's salary, as it deems appropriate from time to time.

(b) Incentive Compensation. In addition to the above salary, the Employee shall be eligible annually for incentive compensation at the discretion of the Compensation Committee.

(c) Other Benefits. The Employee shall be reimbursed in accordance with the Company's normal expense reimbursement policy for all of the actual and reasonable costs and expenses accrued by Employee in the performance of Employee's services and duties hereunder, including but not limited to, travel and entertainment expenses. The Employee shall be entitled to participate in all insurance, stock options, retirement plans and other benefit plans or programs as may be from time to time specifically adopted and approved by the Company for its employees, in accordance with the eligibility requirements and any other terms and conditions of such plans. It is understood and agreed between the parties hereto that the Company reserves the right, at its sole discretion, to modify, amend or terminate such plans, programs or benefits at any time.

#### 1.5 Termination.

(a) Death. If the Employee dies during the term of this Agreement and while in the employ of the Company, this Agreement shall automatically terminate and the Company shall have no further obligation to the Employee or Employee's estate except that (i) the Company shall continue to pay the Employee's estate the Employee's salary in installments through the end of the Employment Term which was in effect immediately prior to Employee's death, (ii) the Company shall pay the Employee's estate any applicable Pro Rated Bonus (defined below). and (iii) the Company will provide to Employee's family members who previously had such coverage, continuation of Employee's Group Health and Dental Coverage and ArmadaCare program (including pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986 ("COBRA") to the extent applicable) for a period of eighteen (18) months beginning the month following such date of termination, with such family members paying such amount of premiums as would have been applicable if Employee had remained an employee of the Company.

(b) Certain Discharges. Prior to the end of the Employment Term, the Company may discharge the Employee for Cause and terminate Employee's employment hereunder without notice and without any further liability hereunder to Employee or Employee's estate except that the Company shall pay or provide to the Employee (or Employee's estate, in the event of Employee's subsequent death): (i) salary accrued to the date of termination, and (ii) continuation of Employee's Group Health and Dental coverage program pursuant to COBRA to the extent applicable, for a period of eighteen (18) months beginning the month following such date of termination, with Employee paying all premiums. For purposes of this Agreement, "Cause" shall mean a determination by the Company that Employee: (i) has been convicted of a crime involving moral turpitude, has been convicted of a felony, or has entered a plea of nolo contendere to a felony; (ii) has regularly failed or refused to follow policies or directives established by the Company or the Board of Directors of SCI; (iii) has willfully and persistently failed to attend to Employee's duties; (iv) has committed acts amounting to gross negligence or willful misconduct to the detriment of the Company or its affiliates; (v) has violated any of Employee's obligations under Articles II or III of this Agreement; or (vi) has otherwise breached any of the terms or provisions of this Agreement.

(c) Without Cause. Prior to the end of the Employment Term, the employment of the Employee with the Company may be terminated by the Company other than for Cause, death or Disability. Unless such event occurs during the CoC Protection Period, the Company shall have no further obligation to Employee or Employee's estate except that the Company shall pay or provide to the Employee (or Employee's estate, in the event of Employee's subsequent death), (i) bi-weekly salary continuation payments calculated based on Employee's rate of salary as in effect immediately prior to Employee's termination, which shall continue for a period equal to two years from such date of termination, each of which shall be treated as a separate payment obligation of the Company, (ii) any applicable Pro Rated Bonus and (iii) continuation of Employee's Group Health and Dental coverage and ArmadaCare program (including pursuant to COBRA to the extent applicable) for a period of eighteen (18) months beginning the month following such date of termination, with Employee paying such amount of premiums as would have been applicable if Employee had remained an employee of the Company.

(d) Voluntary Termination by Employee. If during the term of this Agreement, the Employee voluntarily terminates Employee's employment with the Company other than for Good Reason, the Company shall be relieved of all of its obligations under this Agreement, except that the Company shall pay or provide to the Employee (or Employee's estate, in the event of Employee's subsequent death): (i) the Employee's salary through the date of Employee's termination, (ii) any incentive compensation under Section 1.4(b) determined by the Compensation Committee for any fiscal period ended prior to the date of Employee's termination which had not been paid at the time of Employee's termination, and (iii) continuation of Employee's Group Health and Dental coverage program pursuant to COBRA to the extent applicable, for a period of eighteen (18) months beginning the month following such date of termination, with Employee paying all premiums. All such payments of salary or incentive compensation to the Employee or Employee's estate shall be made in the same manner and at the

same times as the Employee's salary or incentive compensation would have been paid to the Employee had Employee not terminated Employee's employment.

(e) Change of Control. If during the CoC Protection Period the Employee's employment is (i) terminated by the Company other than for Cause, death or Disability, or (ii) terminated by Employee after an occurrence of any Good Reason (except under circumstances which would be grounds for termination of Employee by the Company for Cause), then the Company shall be relieved of all of its obligations under this Agreement, except that the Company shall pay or provide the Employee (or Employee's estate, in the event of Employee's subsequent death) the following amounts:

(1) Three, multiplied by the sum of Employee's most recently set Target Bonus plus Employee's annual salary in effect immediately prior to the CoC Protection Period, which amount will be paid in a lump sum in cash within thirty (30) days after the later of the date of the Change of Control or Employee's date of termination; and

(2) Partial Bonus, to be paid within thirty (30) days after the later of the date of the Change of Control or Employee's date of termination; and

(3) Continuation of Employee's Group Health and Dental coverage and ArmadaCare program (including pursuant to COBRA to the extent applicable) for a period of eighteen (18) months beginning the month following the later of the date of the Change of Control or such date of termination, with Employee paying such amount of premiums as would have been applicable if Employee had remained an employee of the Company.

The obligations of the Company under this Section 1.5(e) shall remain in effect for the CoC Protection Period notwithstanding the fact that such CoC Protection Period may extend beyond the expiration of the Employment Term.

Amounts payable under this paragraph (e) of Section 1.5 shall be reduced to the extent of any amounts paid by the Company under paragraph (c) of Section 1.5.

(f) Post Employment Term Matters. In the event the Employment Term terminates because it is not extended or renewed pursuant to Section 1.1, then the Company shall be relieved of all of its obligations under this Agreement and Employee will thereafter be an employee "at will" of the Company.

(g) Release. As a condition to the payment of any benefit related to the termination of employment, including without limitation severance, vesting of options or restricted stock, or other benefits, including any amounts otherwise payable under the Executive Deferred Compensation Plan, the Employee (or Employee's executor, legal guardian, or other legal representative in the case of the Employee's death or Disability) shall execute and not revoke a waiver and release of all claims against the Company and its affiliates in a form reasonably acceptable to the Company within twenty-one (21) days following the Employee's termination date.



1.6 Disability. If during the term of this Agreement, the Employee shall become disabled, as that term is defined in the Company's applicable sickness and injury continuance plan ("Disability"), the Company shall be relieved of all of its obligations under this Agreement, except that the Company shall: (i) continue to pay to Employee the Employee's salary during the period beginning on the date Company determines that Employee is Disabled ("Disability Date") and ending twenty-four (24) weeks thereafter ("Disability Payment Period") in lieu of any short-term disability payments that are payable to Employee during the Disability Payment Period, (ii) pay to Employee (or Employee's estate, in the event of Employee's subsequent death) any applicable Pro Rated Bonus, and (iii) continue Employee's Group Health and Dental coverage (including pursuant to COBRA to the extent applicable) and ArmadaCare coverage for a period of eighteen (18) months beginning the month following the Disability Date; provided, however, that if Employee's employment with the Company is terminated during the eighteen month period following the Disability Date, Employee shall pay the amount of premiums as would have been applicable if Employee remained an employee of the Company during that eighteen month period.

## ARTICLE II INFORMATION

2.1 Nondisclosure of Information. The Employee acknowledges that in the course of Employee's employment by the Company Employee will receive certain trade secrets, which may include, but are not limited to, programs, lists of acquisition or disposition prospects and knowledge of acquisition strategy, financial information and reports, lists of customers or potential customers and other confidential information and knowledge concerning the business of the Company (hereinafter collectively referred to as "Information") which the Company desires to protect. The Employee understands that the Information is confidential and agrees not to reveal the Information to anyone outside the Company so long as the confidential or secret nature of the Information shall continue, unless compelled to do so by any federal or state regulatory agency or by a court order. If Employee becomes aware that disclosure of any Information is being sought by such an agency or through a court order, Employee will immediately notify the Company. The Employee further agrees that Employee will at no time use the Information in competing with the Company. Upon termination of Employee's employment with the Company, the Employee shall surrender to the Company all papers, documents, writings and other property produced by Employee or coming into Employee's possession by or through Employee's employment or relating to the Information, and the Employee agrees that all such materials are and will at all times remain the property of the Company and to the extent the Employee has any rights therein, Employee hereby irrevocably assigns such rights to the Company. The foregoing notwithstanding, Employee understands that neither this Agreement nor any other agreement or policy of the Company limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

2.2 Disclosure of Information, Ideas, Concepts, Improvements, Discoveries and Inventions. As part of the Employee's fiduciary duties to the Company, Employee agrees that during Employee's employment by the Company, and for a period of six (6) months after the termination of the employment relationship for any reason, Employee shall promptly disclose in writing to the Company all information, ideas, concepts, improvements, discoveries and inventions, whether patentable or not, and whether or not reduced to practice, which are conceived, developed, made or acquired by Employee, either individually or jointly with others, and which relate to the business, products or services of the Company or any of its subsidiaries or affiliates, irrespective of whether Employee utilized the Company's time or facilities and irrespective of whether such information, idea, concept, improvement, discovery or invention was conceived, developed, discovered or acquired by the Employee on the job, at home, or elsewhere. This obligation extends to all types of information, ideas and concepts, including information, ideas and concepts relating to new types of services, corporate opportunities, acquisition prospects, the identity of key representatives within acquisition prospect

organizations, prospective names or service marks for the Company's business activities, and the like.

**2.3 Immunity.** As provided by the Defend Trade Secrets Act, 28 U.S.C. §1833(b) (the "DTSA"), Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. The DTSA further provides that Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, provided such filing is made under seal. In the event Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the trade secret to Employee's attorney and use the trade secret information in the court proceeding, provided Employee files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

**2.4 Ownership of Information, Ideas, Concepts, Improvements, Discoveries and Inventions and All Original Works of Authorship.**

(a) All information, ideas, concepts, improvements, discoveries and inventions, whether patentable or not, which are conceived, made, developed or acquired by Employee or which are disclosed or made known to Employee, individually or in conjunction with others, during Employee's employment by the Company and which relate to the Company's business, products or services (including but not limited to all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organization or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks), are and shall be the sole and exclusive property of the Company. Moreover, all drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, maps and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries and inventions are and shall be the sole and exclusive property of the Company.

(b) In particular, Employee hereby specifically sells, assigns and transfers to the Company all of Employee's worldwide right, title and interest in and to all such information, ideas, concepts, improvements, discoveries or inventions described in Section 2.4 (a) above, and any United States or foreign applications for patents, inventor's certificates or other industrial rights that may be filed thereon, including divisions, continuations, continuations-in-part, reissues and/or extensions thereof, and applications for registration of such names and marks. Both during the period of Employee's employment by the Company and thereafter, Employee shall assist the Company and its nominees at all times in the protection of such information, ideas, concepts, improvements, discoveries or inventions both in the United States and all foreign countries, including but not limited to the execution of all lawful oaths and all assignment documents requested by the Company or its nominee in connection with the preparation,

prosecution, issuance or enforcement of any applications for United States or foreign letters patent, including divisions, continuations, continuations-in-part, reissues, and/or extensions thereof, and any application for the registration of such names and marks.

(c) Moreover, if during Employee's employment by the Company, Employee creates any original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as videotapes, written presentations on acquisitions, computer programs, drawing, maps, architectural renditions, models, manuals, brochures or the like) relating to the Company's business, products, or services, whether such work is created solely by Employee or jointly with others, the Company shall be deemed the author of such work if the work is prepared by Employee in the scope of Employee's employment; or, if the work is not prepared by Employee within the scope of Employee's employment but is specially ordered by Company as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation or as an instructional text, then the work shall be considered to be work made for hire and the Company shall be considered the author of the work. In the event such work is neither prepared by the Employee within the scope of Employee's employment or is not a work specially ordered and deemed to be a work made for hire, then Employee hereby agrees to assign, and by these presents, does assign, to the Company all of Employee's worldwide right, title and interest in and to the work and all rights of copyright therein. Both during the period of Employee's employment by the Company and thereafter, Employee agrees to assist the Company and its nominee, at any time, in protection of the Company's worldwide right, title and interest in and to the work and all rights of copyright therein, including but not limited to, the execution of all formal assignment documents requested by the Company or its nominees and the execution of all lawful oaths and applications for registration of copyright in the United States and foreign countries.

### ARTICLE III NONCOMPETITION

3.1 Noncompetition. During the Employment Term (and for a period of one (1) or two (2) years thereafter if the Company exercises its options under Section 3.2 hereof), Employee shall not, acting alone or in conjunction with others, directly or indirectly, in any market in which the Company or any of its affiliated companies conducts business, work for or engage in any business in competition with the business conducted by the Company or any of its affiliated companies, whether for Employee's own account or by soliciting, canvassing or accepting any business or transaction for or from any other company or business in competition with such business of the Company or any of its affiliated companies. In the event that a court should determine that any restriction herein is unenforceable, the parties hereto agree that the obligations under this paragraph shall be enforceable for the maximum term and maximum geographical area allowable by law.

3.2 Extension. The Company shall have the option to extend Employee's obligations under Section 3.1 for one (1) additional year (the "First Extension Term") beyond the end of the Employment Term. If the Company exercises such option, it shall be required to pay Employee an amount equal to one year's salary, based on Employee's salary rate as of the date Employee's

employment with the Company ceased (the "Noncompetition Payment"). Such Noncompetition Payment shall be made in twelve (12) equal monthly installments (each installment being an amount equal to 1/12th of such annual salary) commencing on the date which is thirty (30) days after the last day of the Employment Term. Subsequent payments shall be made on the same day of each succeeding month until twelve (12) payments have been made. If the Employee breaches Employee's noncompetition obligations, the Company shall be entitled to cease making such monthly payments. The purpose of this paragraph is to make the noncompetition obligation of the Employee more reasonable from the Employee's point of view. The amounts to be paid by the Company are not intended to be liquidated damages or an estimate of the actual damages that would be sustained by the Company if the Employee breaches Employee's post-employment noncompetition obligation. If the Employee breaches Employee's post-employment noncompetition obligation, the Company shall be entitled to all of its remedies at law or in equity for damages and injunctive relief. The Company may exercise the option conferred by this paragraph at any time within thirty (30) days after the last day of the Employment Term by mailing written notice of such exercise to Employee.

If the Company exercises its option to extend Employee's obligations as set forth in the preceding paragraph, then the Company shall have the option to extend Employee's obligations under Section 3.1 for one (1) additional year (the "Second Extension Term") beyond the end of the First Extension Term. If the Company exercises its option to extend Employee's obligations for the Second Extension Term, the rights and obligations of the parties set forth in the preceding paragraph shall be applicable during the Second Extension Term. The Company may exercise the option conferred by this paragraph at any time within thirty (30) days after the last day of the First Extension Term by mailing written notice of such exercise to Employee.

3.3 Termination For Cause or Termination By Employee. Notwithstanding anything to the contrary in this Agreement, in the event that Employee's employment hereunder is terminated for Cause pursuant to Section 1.5(b) hereof, or in the event Employee voluntarily terminates the employment relationship for any reason other than a material breach of this Agreement by the Company, the noncompetition obligations of Employee described in Section 3.1 above shall automatically continue for a period of two (2) years from the date the employment relationship ceases, and the Company shall not be required to (i) make any payments to Employee in consideration for such obligations, or (ii) provide any notice to Employee. Notwithstanding the foregoing this Section 3.3 shall not be applicable in the event Employee voluntarily terminates the employment relationship for Good Reason within the CoC Protection Period; provided however, the first clause of this sentence shall be null and void if such termination referenced therein occurs under circumstances which would be grounds for termination of Employee by the Company for Cause.

3.4 Obligations to Refrain From Competing Unfairly. In addition to the other obligations agreed to by Employee in this Agreement, Employee agrees that during the Employment Term and for five (5) year(s) thereafter, Employee shall not at any time, directly or indirectly for the benefit or any other party than the Company or any of its affiliated companies, (a) induce, entice, or solicit any employee of the Company or any of its affiliated companies to leave such employment, or (b) contact, communicate or solicit any customer of the Company or any of its

affiliated companies derived from any customer list, customer lead, mail, printed matter or other information secured from the Company or any of its affiliated companies or their present or past employees, or (c) in any other manner use any customer lists or customer leads, mail, telephone numbers, printed material or material of the Company or any of its affiliated companies relating thereto.

3.5 Acknowledgement. Employee acknowledges that Employee's compliance with the provisions of this Article III is necessary to protect the existing goodwill and other proprietary rights of the Company, as well as all goodwill and relationships that may be acquired or enhanced during the course of Employee's employment with the Company, and all confidential information which may come into existence or to which Employee may have access during Employee's employment with the Company. Employee further acknowledges that Employee will become familiar with certain of the Company's affairs, operations, customers and confidential information and data by means of Employee's employment with the Company, and that failure to comply with the provisions of this Article III will result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law. The Company shall be entitled to all of its remedies at law or in equity for damages and injunctive relief in the event of any violation of this Article III by Employee.

#### ARTICLE IV MISCELLANEOUS

4.1 Notices. All notices, requests, consents and other communications under this Agreement shall be in writing and shall be deemed to have been delivered on the date personally delivered or on the date mailed, postage prepaid, by certified mail, return receipt requested, or telegraphed and confirmed if addressed to the respective parties as follows:

If to the Employee:

Elisabeth G. Nash  
3406 Banbury Place  
Houston, Texas 77027

If to the Company:

President  
c/o OFTC, Inc.  
1929 Allen Parkway  
Houston, Texas 77019  
Attention: Legal Department

Either party hereto may designate a different address by providing written notice of such new address to the other party hereto.

4.2 Entire Agreement. This Agreement replaces and merges all previous agreements and discussions relating to the same or similar subject matters between Employee and the Company (or any of its affiliates) and constitutes the entire agreement between the Employee and the Company (and any of its affiliates) with respect to the subject matter of this Agreement. Any existing employment agreement between the Employee and the Company (or any of its affiliates) is hereby terminated, effective immediately. This Agreement may not be modified in any respect by any verbal statement, representation or agreement made by an employee, officer, or representative of the Company or by any written agreement unless signed by an officer of the Company who is expressly authorized by the Company to execute such document.

4.3 Specific Performance. The Employee acknowledges that a remedy at law for any breach of Article II or III of this Agreement will be inadequate, agrees that the Company shall be entitled to specific performance and injunctive and other equitable relief in case of any such breach or attempted breach, and further agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or any other equitable relief.

4.4 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or deemed to be invalid or unenforceable under applicable law, such provision shall be ineffective to the extent of such prohibition, invalidity or unenforceability without invalidating the remainder of such provision or the remaining provisions of this Agreement.

4.5 Assignment. This Agreement may not be assigned by the Employee. Neither the Employee, Employee's spouse, nor Employee's estate shall have any right to commute, encumber or dispose of any right to receive payments hereunder, it being understood that such payments and the right thereto are nonassignable and nontransferable. This Agreement may be assigned by the Company.

4.6 Binding Effect. Subject to the provisions of Section 4.5 of this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties hereto, the Employee's heirs and personal representatives, and the successors and assigns of the Company.

4.7 Captions. The section and paragraph headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

4.8 Governing Law. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Texas.

4.9 Counterparts. This Agreement may be executed in multiple original counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument.

4.10 Survival of Certain Obligations. Employee's obligations under Articles II and III hereof shall survive any termination of Employee's employment hereunder.

4.11 Waiver. The waiver by either party of any right hereunder or of any breach of this Agreement shall not operate as or be construed to be an amendment of this Agreement or a waiver of any future right or breach.

4.12 Dispute Resolution.

(a) Employee and the Company agree that, except for the matters identified in Section 4.12(b) below, all disputes relating to any aspects of Employee's employment with the Company shall be resolved by binding arbitration. This includes, but is not limited to, any claims against the Company, its affiliates or their officers, directors, employees, or agents for breach of contract, wrongful discharge, discrimination, harassment, defamation, misrepresentation, and emotional distress, as well as any disputes pertaining to the meaning or effect of this Agreement.

(b) It is expressly agreed that this Section 4.12 shall not govern claims for workers' compensation or unemployment benefits, or any claim by the Company against Employee which is based on fraud, theft or other dishonest conduct of Employee.

(c) Any claim which either party has against the other must be presented in writing by the claiming party to the other within one (1) year of the date the claiming party knew or should have known of the facts giving rise to the claim. Otherwise, the claim shall be deemed waived and forever barred even if there is a federal or state statute of limitations which would have given more time to pursue the claim.

(d) Each party may retain legal counsel and shall pay its own costs and attorneys' fees, regardless of the outcome of the arbitration. Each party shall pay one-half of the compensation to be paid to the arbitrators, as well as one-half of any other costs relating to the administration of the arbitration proceeding (for example, room rental, court reporter, etc.).

(e) An arbitrator shall be selected by mutual agreement of the parties. If the parties are unable to agree on a single arbitrator, each party shall select one arbitrator, and the two arbitrators so selected shall select a third arbitrator. The three arbitrators so selected will then hear and decide the matter. All arbitrators must be attorneys, judges or retired judges who are licensed to practice law in the state where the Employee is or most recently was employed by the Company. The arbitration proceedings shall be conducted within the county in which Employee is or most recently was employed by the Company or at another mutually agreeable location.

(f) Except as otherwise provided herein, the arbitration proceedings shall be conducted in accordance with the statutes, rules or regulations governing arbitration in the state in which Employee is or most recently was employed by the Company. In the absence of such statutes, rules or regulations, the arbitration proceedings shall be conducted in accordance with the employment arbitration rules of the American Arbitration Association ("AAA"); provided however, that the foregoing reference to the AAA rules shall not be deemed to require any filing



with that organization, nor any direct involvement of that organization. In the event of any inconsistency between this Agreement and the statutes, rules or regulations to be applied pursuant to this paragraph, the terms of this Agreement shall apply.

(g) The arbitrator shall issue a written award, which shall contain, at a minimum, the names of the parties, a summary of the issues in controversy, and a description of the award issued. Upon motion to a court of competent jurisdiction, either party may obtain a judgment or decree in conformity with the arbitration award, and said award shall be enforced as any other judgment or decree.

(h) In resolving claims governed by this Section 4.12, the arbitrator shall apply the laws of the state in which Employee is or most recently was employed by the Company, and/or federal law, if applicable.

(i) Employee and the Company agree and acknowledge that any arbitration proceedings between them, and the outcome of such proceedings, shall be kept strictly confidential; provided however, that the Company may disclose such information to the extent required by law and to its employees, agents and professional advisors who have a legitimate need to know such information, and the Employee may disclose such information (i) to the extent required by law, (ii) to the extent that the Employee is required to disclose same to professional persons assisting Employee in preparing tax returns; and (iii) to Employee's legal counsel.

**4.13 Certain Definitions.** The following defined terms used in this Agreement shall have the meanings indicated:

**Change of Control.** "Change of Control" means the happening of any of the following events:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of Common Stock of SCI (the "Outstanding SCI Common Stock") or (B) the combined voting power of the then outstanding voting securities of SCI entitled to vote generally in the election of directors (the "Outstanding SCI Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control under this subsection (a): (i) any acquisition directly from SCI (excluding an acquisition by virtue of the exercise of a conversion privilege), (ii) any acquisition by SCI, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by SCI or any corporation controlled by SCI, or (iv) any acquisition by any corporation pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (A), (B) and (C) of subsection (c) of this definition of "Change of Control" are satisfied; or

(b) Individuals who, as of the effective date hereof, constitute the Board of Directors of SCI (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of

Directors of SCI; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by SCI's shareholders, was approved by (A) a vote of at least a majority of the directors then comprising the Incumbent Board, or (B) a vote of at least a majority of the directors then comprising the Executive Committee of the Board of Directors of SCI at a time when such committee was comprised of at least five (5) members and all members of such committee were either members of the Incumbent Board or considered as being members of the Incumbent Board pursuant to clause (A) of this subsection (b), shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of SCI; or

(c) Consummation of a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (A) more than 60% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding SCI Common Stock and Outstanding SCI Voting Securities immediately prior to such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding SCI Common Stock and Outstanding SCI Voting Securities, as the case may be, (B) no Person (excluding SCI, any employee benefit plan (or related trust) of SCI or such corporation resulting from such reorganization, merger or consolidation, and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 20% or more of the Outstanding SCI Common Stock or Outstanding SCI Voting Securities, as the case may be) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(d) Consummation of a sale or other disposition of all or substantially all of the assets of SCI other than to a corporation, with respect to which following such sale or other disposition, (i) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding SCI Common Stock and Outstanding SCI Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding SCI

Common Stock and Outstanding SCI Voting Securities, as the case may be, (ii) no Person (excluding SCI and any employee benefit plan (or related trust) of SCI or such corporation, and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the Outstanding SCI Common Stock or Outstanding SCI Voting Securities, as the case may be) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board of Directors of SCI providing for such sale or other disposition of assets of SCI; or

(e) Approval by the shareholders of SCI of a complete liquidation or dissolution of SCI.

CoC Protection Period "CoC Protection Period" shall mean the period commencing sixty (60) days prior to a Change of Control and ending twenty-four (24) months after the date upon which a Change of Control occurs."

Good Reason. "Good Reason" shall mean the occurrence of any of the following during the CoC Protection Period:

(a) The Company requires the Employee to be relocated more than fifty (50) miles from the current office location, unless the Employee's commute is reduced by the relocation;

(b) The Company materially reduces the responsibilities, authority or accountability of Employee from the same in effect immediately prior to the Change of Control;

(c) The Company reduces the base salary, Target Bonus or other compensation program participation of Employee; or

(d) The Company materially reduces the aggregate benefits of Employee.

Partial Bonus. "Partial Bonus" shall mean a bonus equal to the product of (i) Employee's most recently set Target Bonus, and (ii) a fraction, the denominator of which is 365 and the numerator of which is the number of days in the fiscal year being considered through the date of the termination of Employee's employment.

Pro Rated Bonus. "Pro Rated Bonus" shall mean, a bonus equal to the product of (i) the bonus Employee did not receive but would have received under Section 1.4(b) if Employee had remained a non-Disabled Employee through the end of the Employment Term, it being understood that the amount of such bonus Employee would have received shall be determined by reference to the average amount of bonus actually awarded to other officers who were at the same or comparable level of responsibility as Employee immediately prior to Employee's termination, death, or Disability, and (ii) a fraction, the denominator of which is 365 and the numerator of which is the number of days in the fiscal year being considered through the date of

death, Disability Date or notice of termination of employment, whichever occurs first. In the event that a majority of SCI officers do not receive a bonus for the fiscal year being considered, then the Pro Rated Bonus shall not be applicable and Employee shall not be entitled to a Pro Rated Bonus. The Pro Rated Bonus, if any, payable to Employee shall be paid during the period between January 1<sup>st</sup> and March 14<sup>th</sup> of the calendar year immediately following the date Employee ceases to be employed by the Company.

Target Bonus. "Target Bonus" shall mean the percentage of salary or level of bonus for Employee which is set by the Compensation Committee at the beginning of each year as an incentive goal to be achieved (it being understood that the actual bonus eventually earned could be lesser or greater than the Target Bonus).

#### 4.14 Section 409A.

(a) Notwithstanding the applicable provisions of this Agreement regarding timing of distribution of payments, the following special rules shall apply in order for this Agreement to comply with Internal Revenue Code Section 409A ("IRC §409A"): (i) to the extent any distribution is to a "specified employee" (as defined under IRC §409A) and to the extent such applicable provisions of IRC §409A require a delay of such distributions by a six (6) month period after the date of such Employee's separation of service with the Company, the provisions of this Agreement shall be construed and interpreted as requiring a six month delay in the commencement of such distributions thereunder, and (ii) in the event there are any installment payments under this Agreement that are required to be delayed by a six month period in order to comply with IRC §409A, the monthly installments that would have been paid during such six month delay shall be accumulated and paid to the Employee in a single lump sum within five (5) business days after the end of such six month delay, and (iii) the Company shall not have the discretion to prepay any installment payments otherwise provided under this Agreement.

(b) In the event that Employee is required to execute a release to receive any payments from the Company that constitute nonqualified deferred compensation under IRC §409A, payment of such amounts shall not be made or commence until the sixtieth (60th) day following such termination of employment. Any payments that are suspended during the sixty (60) day period shall be paid on the date the first regular payroll is made immediately following the end of such period.

(c) For purposes of this Agreement, any reference to "termination" of Employee's employment shall be interpreted consistent with the meaning of the term "separation from service" in IRC §409A(a)(2)(A)(i) and any amount payable upon termination of employment which constitutes "nonqualified deferred compensation" under IRC §409A shall not be paid to Employee prior to the date such Employee incurs a separation from service under IRC §409A(a)(2)(A)(i). In addition, to the extent of any compliance issues under IRC §409A, the Agreement shall be construed in such a manner so as to comply with the requirements of such provision so as to avoid any adverse tax consequences to the Employee.

#### 4.15 Limitations on Severance Payment and Other Payments or Benefits.

(a) Limitation on Payments. Notwithstanding any provision of this Agreement, if any portion of any severance payment or any other payment under this Agreement, or under any other agreement with the Employee or plan of the Company or its affiliates (in the aggregate, "Total Payments"), would constitute an "excess parachute payment" and would, but for this Section 4.15, result in the imposition on the Employee of an excise tax under Internal Revenue Code Section 4999 or the disallowance of deductions to the Company under Internal Revenue Code Section 280G ("IRC §280G"), then the Total Payments to be made to the Employee shall either be (i) delivered in full, or (ii) delivered in such amount so that no portion of such Total Payment would be subject to the Excise Tax, whichever of the foregoing results in the receipt by the Employee of the greatest benefit on an after-tax basis (taking into account the applicable federal, state and local income taxes and the Excise Tax).

(b) Determination of Limit. Within forty (40) days following a termination of employment or notice by one party to the other of its belief that there is a payment or benefit due the Employee that will result in an excess parachute payment, the Employee and the Company, at the Company's expense, shall obtain the opinion (which need not be unqualified) of a nationally recognized tax counsel ("National Tax Counsel") selected by the Company (which may be regular outside counsel to the Company), which opinion sets forth (i) the amount of the Base Period Income (as defined below), (ii) the amount and present value of the Total Payments, (iii) the amount and present value of any excess parachute payments determined without regard to any reduction of Total Payments pursuant to subsection (a), and (iv) the net after-tax proceeds to the Employee, taking into account the tax imposed under IRC §280G if (x) the Total Payments were reduced in accordance with subsection (a) or (y) the Total Payments were not so reduced. The opinion of National Tax Counsel shall be addressed to the Company and the Employee and shall be binding upon the Company and the Employee. If such National Tax Counsel opinion determines that subsection (a)(ii) above applies, then the payments hereunder or any other payment or benefit determined by such counsel to be includable in Total Payments shall be reduced or eliminated so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. In such event, payments or benefits included in the Total Payments shall be reduced or eliminated by applying the following principles, in order: (1) the payment or benefit with the higher ratio of the parachute payment value to present economic value (determined using reasonable actuarial assumptions) shall be reduced or eliminated before a payment or benefit with a lower ratio; (2) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and (3) cash payments shall be reduced prior to non-cash benefits; provided that if the foregoing order of reduction or elimination would violate IRC §409A, then the reduction shall be made pro rata among the payments or benefits described above (on the basis of the relative present value of the parachute payments).

(c) Definitions and Assumptions. For purposes of this Agreement: (i) the terms "excess parachute payment" and "parachute payments" shall have the meanings assigned to them in IRC §280G and such "parachute payments" shall be valued as provided therein; (ii) present value shall be calculated in accordance with IRC §280G(d)(4); (iii) the term "Base Period Income" means an amount equal to the Employee's "annualized includible compensation for the

base period" as defined in IRC §280G(d)(1); (iv) for purposes of the opinion of National Tax Counsel, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of IRC §§280G(d)(3) and (4), which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Employee; and (v) the Employee shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation, and state and local income taxes at the highest marginal rate of taxation in the state or locality of the Employee's domicile (determined in both cases in the calendar year in which the termination of employment or notice described in subsection (b) above is given, whichever is earlier), net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

(d) Reasonableness of Compensation. If such National Tax Counsel so requests in connection with the opinion required by this Section 4.15, the Employee and the Company shall obtain, at the Company's expense, and the National Tax Counsel may rely on, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Employee solely with respect to its status under IRC §280G.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

"COMPANY"

OFTC, Inc.

/s/ Daniel Kleban

By: \_\_\_\_\_

Daniel Kleban, President

"EMPLOYEE"

/s/ Elisabeth G. Nash

By: \_\_\_\_\_

**SVP** Elisabeth G. Nash

**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.
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.

/s/ Thomas L. Ryan

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

Date: May 2, 2024



**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.
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.

/s/ Eric D. Tanzberger

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Eric D. Tanzberger  
Senior Vice President  
Chief Financial Officer  
(Principal Financial Officer)

Date: May 2, 2024

**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 March 31, 2024 (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.

/s/ Thomas L. Ryan

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Thomas L. Ryan

President, Chairman of the Board, and Chief Executive Officer

(Principal Executive Officer)

Dated: May 2, 2024

**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 March 31, 2024 (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.

/s/ Eric D. Tanzberger

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Eric D. Tanzberger  
Senior Vice President  
Chief Financial Officer  
(Principal Financial Officer)

Dated: May 2, 2024