Report of Organizational Actions Affecting Basis of Securities

See separate instructions.

Doubl	Dava authors	1
Part I	Reporting	issuer

	and neporting	133001						
1	Issuer's name		2 Issuer's employer identification number (EIN)					
CA	RRIAGE SERVICES, INC	С.			76-0423828			
3 Name of contact for additional information		4 Telephone No. of contact		5 Email address of contact				
ADEOLA OLANIYAN				713-332-8586	ADEOLA.OLANIYAN@CARRIAGESERVICES.COM			
6 Number and street (or P.O. box if mail is not			delivered to s		7 City, town, or post office, state, and Zip code of contact			
30	40 POST OAK BLVD., SU	UITE 300			HOUSTON, TX 77056			
8 Date of action			9 Class	ification and description				
MA	AY 8, 2020		2.750% C	ONVERTIBLE SENIOR NOT	ES DUE 2021			
10	CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)			
143905AM9 ISIN US143905/			5AM99	CSV	BLOOMBERG ID EK 1260331			
Ρ	art II Organizatio	onal Action Attac	h additional	statements if needed. See	back of form for additional questions.			
14	14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for							
	the action ► ON OC	TOBER 25, 2017, TH	E BOARD OF	DIRECTORS FOR CARRIA	GE SERVICES, INC. APPROVED AN INCREASE IN THE			
QL					RE. THE INCREASE WAS EFFECTIVE WITH RESPECT			
то	THE DIVIDEND PAYAB	LE ON JUNE 1, 2020	TO HOLDER	RS OF RECORD ON MAY 11	, 2020 (EX-DIVIDEND DATE OF			
MA	AY 8, 2020). THE CASH D	DIVIDEND PAID ON C	COMMON ST	OCK RESULTED IN A CONV	ERSION RATE CHANGE ON CARRIAGE'S			
2.7	50% CONVERTIBLE SE	NIOR NOTES DUE 2	021.					

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► THE TAXABLE AMOUNT OF THE DEEMED DISTRIBUTION THAT RESULTED FROM THE

CONVERSION RATE CHANGE INCREASED THE BASIS OF THE NOTES IN THE HANDS OF THE NOTEHOLDERS BY \$2.2890 PER \$1,000 PRINCIPAL AMOUNT OF THE NOTES HELD ON MAY 11, 2020. (SEE ATTACHED)

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► THE AMOUNT OF THE DEEMED DISTRIBUTION WAS BASED ON THE FAIR MARKET VALUE OF THE INCREASE IN THE CONVERSION RATE. THE CONVERSION RATE INCREASED FROM 45.5554 COMMON SHARES PER \$1,000 PRINCIPAL AMOUNT OF THE NOTES, TO 45.7053 COMMON SHARES PER \$1,000 PRINCIPAL AMOUNT OF THE NOTES. CARRIAGE SERVICES' SHARES ARE PUBLICALLY TRADED UNDER TICKER SYMBOL "CSV". PER SHARE FAIR MARKET VALUE OF \$15.27 IS THE AVERAGE STOCK PRICE ON THE LAST TEN DAYS PRIOR TO MAY 8, 2020.

For Paperwork Reduction Act Notice, see the separate Instructions.

Form 8937 (Rev. 12-2011)

Part II Organizational Action (continued)

Print/Type preparer's name

►

Firm's name

Firm's address 🕨

Paid Preparer

Use Only

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► IRC SEC. 305(c) AND REGULATIONS THEREUNDER, SPECIFICALLY, REG. SEC. 1.305(d) AND PROP. REG. SEC. 1.307-7(c); IRC SEC. 301

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10 0	
18 C	an any resulting loss be recognized? NA
·	
19 P	rovide any other information necessary to implement the adjustment, such as the reportable tax year > THE REPORTABLE TAX YEAR IS
	DAR YEAR 2020. FOR FISCAL YEAR END TAXPAYERS, THE REPORTABLE YEAR IS GENERALLY THE TAX YEAR BEGINNING ON OR
	MAY 11, 2020. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS FOR MAKING ANY DETERMINATION FOR
	CATION OF THE INFORMATION INCLUDED HEREIN BASED ON THEIR SPECIFIC FACTS AND SITUATION.
AFFLIC	ATION OF THE INFORMATION INCLUDED HEREIN BASED ON THEIR SPECIFIC FACTS AND SITUATION.
	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and
	belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.
Sign	abla
Here	Signature► ()()/// Date► MAY 20, 2020
	Signature Date MAY 20, 2020 Print your name ADEDIA DIANIYAN Title CONTROLLER
	Print your name ADEDIA OCANIYAN Title CONTROLLER
	Print your name ////////////////////////////////////

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

Date

PTIN

Check if if self-employed

Firm's EIN ►

Phone no.

Preparer's signature

Adjusted conversion rate calculation for increase in dividend payment

(d) Adjustment for Cash Distributions. If the Ex-Dividend Date occurs for any cash dividend or distribution by the Company to all or substantially all holders of the outstanding Common Stock, other than regular quarterly cash dividends that do not exceed \$0.025 per share (such threshold, the "Initial Dividend Threshold"), the Conversion Rate shall be adjusted based on the following formula:

$$\mathrm{CR}_{\mathtt{1}} = \mathrm{CR}_{\mathtt{0}} \ge \frac{\mathrm{SP}_{\mathtt{0}} - \mathrm{T}}{\mathrm{SP}_{\mathtt{0}} - \mathrm{C}}$$

where:

(c)

CR0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex-Dividend Date for such dividend or distribution;

 CR_1 = the Conversion Rate in effect immediately after the Open of Business on the Ex-Dividend Date for such dividend or distribution;

SP0 = the average of the Last Reported Sale Prices of the Common Stock over the ten consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution;

T = the Initial Dividend Threshold; provided, that if the dividend or distribution is not a regular quarterly dividend, the Initial Dividend Threshold will be deemed to be zero; and

C = the amount in cash per share that the Company pays or distributes to holders of the Common Stock.

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The Initial Dividend Threshold is subject to adjustment in a manner inversely proportional to adjustments to the Conversion Rate, other than any adjustment provided for in this Section 10.05(d).

If "SP₀ " (as defined above) minus "C" (as defined above) is less than \$1.00, in lieu of the foregoing adjustment, each Holder shall receive, for each \$1,000 principal amount of Notes held, at the same time and upon the same terms as holders of the Common Stock, the amount of cash such Holder would have received if such Holder had owned a number of shares of the Common Stock equal to the Conversion Rate in effect on the record date for such distribution.

Any adjustment made under this <u>Section 10.05(d)</u> shall become effective immediately after the Open of Business on the Ex-Dividend Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be immediately readjusted, as of the date the Board of Directors determines not to make or pay such distribution, to be the Conversion Rate that would then be in effect had the related Ex-Dividend Date not occurred.

\$15.270	Avg. stock price	last 10 days prior to 5/8	8/20 (ex-d	ividend date)							
(b) 45.5554	x	\$15.270 \$15.270	-	0.025	=	<u>15.245</u> 15.195	=	1.003290556		(a) 45.7053	
45.7053 1000	=	0.045705333	x	\$ 6,321,000	=	\$ 288,903.41					
\$ 6,321,000 \$ 288,903	=	\$ 21.8793						45.7053 (a)	Deemed o	<mark>lividend = (a) - (k</mark> 45.55543 = (b)) x (c)
								0.1499	x	\$15.270	\$2.2890

(c)