SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1997

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: 1-11961

CARRIAGE SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	76-0423828
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1300 POST OAK BLVD., SUITE 1500, HOUSTON, TX	77056
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (281) 556-7400

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 [X]

The number of shares of the Registrant's Class A Common Stock, $.01 par value per share, and Class B Common Stock, $.01 par value per share, outstanding as of July 29, 1997 was 5,326,806 and 5,183,608, respectively.

CARRIAGE SERVICES, INC.

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FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Form 10-Q are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, but are not limited to, the following: the Company's ability to sustain its rapid acquisition rate, to manage the growth and to obtain adequate performance from acquired businesses; the economy and financial market conditions, including stock prices, interest rates and credit availability; and death rates and competition in the Company's markets.

CARRIAGE SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	December 31, 1996	June 30, 1997 (unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,712	$ 1,873
Accounts receivable --		
Trade, net of allowance for doubtful accounts of $530 in 1996 and $798 in 1997	5,665	7,847
Other	673	1,394
	6,338	9,241
Inventories and other current assets	3,350	4,564
Total current assets	11,400	15,678
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation of $4,095 in 1996 and $5,555 in 1997	46,112	67,537
CEMETERY PROPERTY, at cost	4,061	22,995
NAMES AND REPUTATIONS, net of accumulated amortization of $2,007 in 1996 and $3,101 in 1997	62,568	92,636
DEFERRED CHARGES AND OTHER NONCURRENT ASSETS	7,167	13,118
	$ 131,308	$ 211,964
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and other current liabilities	$ 5,225	$ 6,451
Current portion of long-term debt and obligations under capital leases	1,086	1,354
Total current liabilities	6,311	7,805
PRENEED LIABILITIES, net	3,664	7,637
LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES, net of current portion	43,290	80,599
DEFERRED INCOME TAXES	3,749	11,634
Total liabilities	57,014	107,675
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE PREFERRED STOCK	17,251	16,286
STOCKHOLDERS' EQUITY:		
Class A Common Stock, $.01 par value; 40,000,000 shares authorized; 3,942,000 and 5,277,000 issued and outstanding at December 31, 1996 and June 30, 1997, respectively	40	53
Class B Common Stock; $.01 par value; 10,000,000 shares authorized; 4,502,000 and 5,234,000 issued and outstanding at December 31, 1996 and June 30, 1997, respectively	45	52
Contributed capital	63,966	92,128
Retained deficit	(7,008)	(4,230)
Total stockholders' equity	57,043	88,003
	$ 131,308	$ 211,964

The accompanying notes are an integral part of these financial statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED AND IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the three months ended June 30,		For the six months ended June 30,	
	1996	1997	1996	1997
REVENUES, net				
Funeral	$ 8,523	$ 15,631	$ 15,648	$ 30,919
Cemetery	767	3,430	1,277	6,131
	9,290	19,061	16,925	37,050
COSTS AND EXPENSES				
Funeral	6,873	11,526	12,454	22,146
Cemetery	698	2,532	1,082	4,758
	7,571	14,058	13,536	26,904
Gross profit	1,719	5,003	3,389	10,146
GENERAL AND ADMINISTRATIVE EXPENSES	606	1,166	1,155	2,187
Operating income	1,113	3,837	2,234	7,959
INTEREST EXPENSE, net	1,461	1,416	2,644	2,570
Income (loss) before income taxes	(348)	2,421	(410)	5,389
PROVISION FOR INCOME TAXES	120	932	251	2,075
NET INCOME (LOSS)	(468)	1,489	(661)	3,314
Preferred stock dividend requirements	91	29	101	210
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (559)	$ 1,460	$ (762)	$ 3,104
INCOME (LOSS) PER SHARE:				
Net income (loss) per common and common equivalent share attributable to common stockholders	$ (.12)	$ .13	$ (.17)	$ .28
Weighted average number of common and common equivalent shares outstanding	4,516	11,636	4,512	11,110

The accompanying notes are an integral part of these financial statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED AND IN THOUSANDS)

	For the six months ended June 30, 1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (661)	$ 3,314
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities --		
Depreciation and amortization	1,389	4,170
Provision for losses on accounts receivable	143	154
Deferred income taxes	166	1,518
Changes in assets and liabilities net of effects from acquisitions:		
Increase in accounts receivable	(256)	(1,301)
Increase in other deferred charges	(242)	(697)
Increase in accounts payable and other current liabilities	343	116
Other, net	(417)	(1,381)
Net cash provided by operating activities	465	5,893
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(24,415)	(39,226)
Purchase of property, plant and equipment	(2,004)	(3,451)
Other, including disposition of assets	1,297	1,686
Net cash used in investing activities	(25,122)	(40,991)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	23,772	36,434
Payments on long-term debt and obligations under capital leases	(1,777)	(709)
Payment of preferred stock dividends	(101)	(537)
Exercise of stock options	10	71
Purchase of treasury stock	(330)	--
Net cash provided by financing activities	21,574	35,259
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,083)	161
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,573	1,712
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,490	$ 1,873
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid through issuance of new debt	$ 825	$ --
Cash interest paid	$ 2,399	$ 2,137
Preferred and common stock issued in connection with acquisitions	$ 9,100	$ 27,010
Retirement of debt through disposition of business	$ 2,642	$ --

The accompanying notes are an integral part of these financial statements.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements include Carriage Services, Inc. and its subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated.

The information for the three and six months ended June 30, 1996 and 1997 is unaudited, but in the opinion of management, reflects all adjustments which are of a normal, recurring nature necessary for a fair presentation of financial position and results of operations for the interim periods. The accompanying consolidated financial statements have been prepared consistent with the accounting policies described in the Company's report on Form 10-K for the year ended December 31, 1996, and should be read in conjunction therewith.

2. ACQUISITIONS

During the six months ended June 30, 1997, the Company purchased 26 funeral homes and two cemeteries. 24 funeral homes and four cemeteries were acquired during the six months ended June 30, 1996. These acquisitions have been accounted for by the purchase method, and their results of operations are included in the accompanying consolidated financial statements from the dates of acquisition.

The effect of the above acquisitions on the Consolidated Balance Sheets was as follows:

	June 30, 1996	June 30, 1997
	(in thousands)	
Current Assets, net of cash acquired	$ 2,857	$ 7,347
Cemetery Property	1,927	18,845
Property, Plant and Equipment	15,104	20,388
Deferred Charges and Other Noncurrent Assets	500	550
Names and Reputations	17,344	31,162
Current Liabilities	(1,293)	(560)
Other Liabilities	(2,924)	(11,496)
Total Acquisitions	33,515	66,236
Redeemable Preferred Stock issued	8,545	20,000
Preferred Stock issued	555	--
Common Stock issued	--	7,010
Cash used for acquisitions	$ 24,415	$ 39,226

The following table represents, on an unaudited pro forma basis, the combined operations of the Company and the above noted acquisitions, as if such acquisitions had occurred as of January 1, 1996. Appropriate adjustments have been made to reflect the accounting basis used in recording these acquisitions; however, these unaudited pro forma results are based on the acquired businesses' historical financial results and do not assume any additional profitability resulting from the application of the Company's revenue enhancement measures or cost reduction programs to the historical results of the acquired businesses. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have resulted had the combinations been in effect on the dates indicated, that have resulted since the dates of acquisition or that may result in the future.

	Six months ended June 30,	
	1996	1997
	(Unaudited and in thousands)	
Revenues, net	$ 37,554	$ 39,395
Net income (loss) before income taxes	(913)	5,382
Net income (loss) attributable to common stockholders	(549)	3,100
Income (loss) per common and common equivalent share	(.13)	.26

3. DEBT

In August 1996, the Company entered into a credit facility (the "Credit Facility") for a $75 million revolving line of credit. The Credit Facility provides for both LIBOR and base rate interest options. The facility is unsecured with a term of three years and contains customary restrictive covenants, including a restriction on the payment of dividends on common stock, and requires the Company to maintain certain financial ratios. As of June 30, 1997, $67.8 million was outstanding under the line of credit with a weighted average interest rate of 7.36%. The Company increased the bank line from $75 million to $100 million subsequent to June 30, 1997 and is currently reviewing proposals from several financial institutions which would further increase its credit availability and improve its borrowing terms.

4. RECENT ACCOUNTING STANDARD

In February 1997, Financial Accounting Standards No. 128 ("FAS 128") Earnings Per Share was issued. FAS 128 is effective for earnings per share calculations for periods ending after December 15, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. The following table presents pro forma earnings per share amounts computed using FAS 128.

	Three months ended June 30,		Six months ended June 30,	
	1997 (basic)	1997 (diluted)	1997 (basic)	1997 (diluted)
	(dollars in thousands)			
Pro forma earnings per share:				
Net income	$ 1,489	$ 1,489	$ 3,314	$ 3,314
Series D preferred stock dividends	29	--	210	--
Series F preferred stock dividends	146	--	327	--
Net income attributable to common stockholders	$ 1,314	$ 1,489	$ 2,777	$ 3,314

Total weighted average number of common and common equivalent shares outstanding	10,484	11,760	9,782	11,605
Pro forma earnings per share	$ .13	$ .13	$ .28	$ .28

Pro forma earnings per share for the three and six months ended June 30, 1996 has not been presented due to pending SEC guidance on the application of FAS 128.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company was formed in 1991 in order to take advantage of the attractive fundamentals of and significant opportunities to consolidate the death care industry. From 1992 through 1995, the Company acquired 42 funeral homes and four cemeteries, for consideration ranging from approximately $9 million to $14 million in each of the four years. The Company intentionally took a disciplined, deliberate approach to acquisitions that allowed management the time to integrate early acquisitions, to develop and implement systems, including operational procedures, administrative policies, financial systems and related controls, and to promote a decentralized service culture.

Management believes that the Company's focus on controlled growth while implementing operational and administrative systems and related controls to effectively manage a highly decentralized management structure positioned it to pursue an accelerated growth strategy beginning in late 1995. The Company significantly expanded its corporate development and acquisition activities in 1996 and early 1997, thus requiring additions to the corporate infrastructure. During 1996, the Company acquired 38 funeral homes and seven cemeteries for an aggregate consideration of approximately $68 million. During the first six months of 1997, the Company acquired 26 funeral homes and two cemeteries for an aggregate consideration of approximately $66 million.

Upon acquisition, the operations team focuses on increasing historic operating income by improving the merchandising approach, pricing structure and marketing strategy of acquired businesses. These enhancements, complemented by discounts from consolidated purchasing, generally result in improved margins of the acquired businesses within the first 12 months following acquisition.

RESULTS OF OPERATIONS

The following is a discussion of the Company's results of operations for the three and six month periods ended June 30, 1996 and 1997. For purposes of this discussion, funeral homes and cemeteries owned and operated for the entirety of each period being compared are referred to as "existing operations." Operations acquired or opened during either period being compared are referred to as "acquired operations."

FUNERAL HOME SEGMENT. The following table sets forth certain information regarding the net revenues and gross profit of the Company from its funeral home operations for the three and six months ended June 30, 1996 compared to the three and six months ended June 30, 1997.

THREE MONTHS ENDED JUNE 30, 1996 COMPARED TO THREE MONTHS ENDED JUNE 30, 1997

	Three months ended June 30,		Change	
	1996	1997	Amount	Percent
	(dollars in thousands)			
Net revenues:				
Existing operations	$ 7,530	$ 7,184	$ (346)	(4.6)%
Acquired operations	993	8,447	7,454	*
Total net revenues	$ 8,523	$ 15,631	$ 7,108	83.4%

	Three months ended June 30, 1996	1997	Change Amount	Percent
	(dollars in thousands)			
Gross profit:				
Existing operations	$ 1,495	$ 1,611	$ 116	7.8%
Acquired operations	155	2,494	2,339	*
Total gross profit	$ 1,650	$ 4,105	$ 2,455	148.8%

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

	Six months ended June 30, 1996	1997	Change Amount	Percent
	(dollars in thousands)			
Net revenues:				
Existing operations	$ 12,930	$ 12,513	$ (417)	(3.2)%
Acquired operations	2,718	18,406	15,688	*
Total net evenues	$ 15,648	$ 30,919	$ 15,271	97.6%

	Six months ended June 30, 1996	1997	Change Amount	Percent
	(dollars in thousands)			
Gross profit:				
Existing operations	$ 2,704	$ 3,087	$ 383	14.2%
Acquired operations	490	5,686	5,196	*
Total gross profit	$ 3,194	$ 8,773	$ 5,579	174.7%

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* Not meaningful.

Due to the rapid growth of the Company, "existing operations" represented only 46% of the total funeral revenues and only 39% of the total funeral gross profit for the three months ended June 30, 1997 and only 40% of the total funeral revenues and only 35% of the total funeral gross profit for the six months ended June 30, 1997. Total funeral net revenues for the three months ended June 30, 1997 increased $7.1 million or 83.4% over the three months ended June 30, 1996. The higher net revenues reflect an increase of $7.5 million in net revenues from acquired operations and a decrease in net revenues of $346,000 or 4.6% from existing operations. Total funeral net revenues for the six months ended June 30, 1997 increased $15.3 million or 97.6% over the six months ended June 30, 1996. The higher net revenues reflect an increase of $15.7 million in net revenues from acquired operations and a decrease in net revenues of $417,000 or 3.2% from existing operations. The decrease in net revenues for the existing operations for both periods primarily resulted from fewer funeral services being performed, which was partially offset by an increase in the average revenue per funeral service. Fewer services were performed in 1997 primarily due to lower than usual seasonal death rates in certain of the Company's markets, especially in the South Atlantic and East Central regions of the country where the Company has a large number of "existing operations."

Total funeral gross profit for the three months ended June 30, 1997 increased $2.5 million or 148.8% over the comparable three months of 1996. The higher total gross profit reflected an increase of $2.3 million from acquired operations and an increase of $116,000 or 7.8% from existing operations. Total funeral gross profit for the six months ended June 30, 1997 increased $5.6 million or 174.7% over the comparable six months of 1996. The higher total gross profit reflected an increase of $5.2 million from acquired operations and an increase of $383,000 or 14.2% from existing operations. Gross profit for existing operations increased for both periods due to the efficiencies gained by consolidation, cost savings, improved collections experience and the increasing effectiveness of the Company's merchandising strategy, which were partially offset by lower revenues. Total gross margin increased from 19.4% for the second quarter of 1996 to 26.3% for the second quarter of 1997 and from 20.4% for the first six months of 1996 to 28.4% for the first six months of 1997 due to these factors.

CEMETERY SEGMENT. The following table sets forth certain information regarding the net revenues and gross profit of the Company from its cemetery operations for the three and six months ended June 30, 1996 compared to the three and six months ended June 30, 1997.

THREE MONTHS ENDED JUNE 30, 1996 COMPARED TO THREE MONTHS ENDED JUNE 30, 1997

	Three months ended June 30,		Change	
	1996	1997	Amount	Percent
	(dollars in thousands)			
Total net revenues	$ 767	$ 3,430	$ 2,663	347.2%
Total gross profit	$ 69	$ 898	$ 829	1201.4%

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

	Six months ended June 30,		Change	
	1996	1997	Amount	Percent
	(dollars in thousands)			
Total net revenues	$ 1,277	$ 6,131	$ 4,854	380.1%
Total gross profit	$ 195	$ 1,373	$ 1,178	604.1%

Due to the rapid growth of the Company, "existing operations" represented approximately 16% of cemetery revenues and less than 4% of cemetery gross profit for the three months ended June 30, 1997 and approximately 13% of cemetery revenues and less than 5% of cemetery gross profit for the six months ended June 30, 1997. As a result, the Company does not believe it is meaningful to present the results for "existing" and "acquired" operations separately.

Total cemetery net revenues for the three months ended June 30, 1997 increased $2.6 million or 347.2% over the three months ended June 30, 1996 and total cemetery gross profit increased $829,000 or 1201.4% over the comparable three months of 1996. Total cemetery net revenues for the six months ended June 30, 1997 increased $4.9 million or 380.1% over the six months ended June 30, 1996 and total cemetery gross profit increased $1.2 million or 604.1% over the comparable six months of 1996. Total gross margin increased from 9.0% for the three months ended June 30, 1996 to 26.2% for the three months ended June 30, 1997 and from 15.3% for the first six months of 1996 to 22.4% for the first six months of 1997. These increases were due primarily to the Company's acquisition of the Rolling Hills cemetery as part of the CNM Group acquisition in January 1997 and increased preneed marketing efforts.

OTHER

General and administrative expenses for the six months ended June 30, 1997 increased $1.0 million over the first six months of 1996 due primarily to the increased personnel expense necessary to support a higher rate of growth and increased acquisition activity. However, general and administrative expenses as a percentage of net revenues decreased from 6.8% for the first six months of 1996 to 5.9% for the comparable period of 1997, reflecting economies of scale realized by the Company as the expenses were spread over a larger operations revenue base.

Interest expense for the six months ended June 30, 1996 decreased $74,000 over the first six months of 1996. The decrease was primarily attributable to the Company's utilization of the net proceeds from its initial public offering of common stock (the "IPO") and borrowings under a new credit facility to repay its outstanding indebtedness in August 1996. The August 1996 credit facility contains substantially improved terms and reduced interest costs compared to the previous arrangements.

During 1996, the Company issued approximately $18 million of Series D Redeemable Preferred Stock to fund a portion of its acquisition program. Dividends on the majority of this preferred stock range from 6% - 7% per annum. The majority of this preferred stock converted into common stock during the first quarter of 1997. During the first three months of 1997, the Company issued approximately $20 million of Series F Redeemable Preferred Stock. Dividends on this preferred stock are currently 4% per annum. The Series F Redeemable Preferred Stock is considered a common stock equivalent for purposes of computing primary earnings per share. Therefore, only the dividends on the Series D preferred stock of $210,000 are deducted from net income in determining net income attributable to common stockholders for the six months ended June 30, 1997 ($29,000 for the three months ended June 30, 1997).

For the first six months of 1997, the Company provided for income taxes using the federal and state rates anticipated for the full year of approximately 38.5%. This rate includes a 4.5% net benefit for utilization of prior year net operating losses net of other tax reserves. Excluding the 4.5% net benefit, the Company is providing for state and federal income taxes at a rate of 43%.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled $1.9 million at June 30, 1997, representing an increase of $161,000 from December 31, 1996. For the six months ended June 30, 1997, cash provided by operations was $5.9 million as compared to $465,000 for the six months ended June 30, 1996. The increase in net cash provided by operating activities was principally due to an increase in income from operations. Cash used in investing activities was $41.0 million for the six months ended June 30, 1997 compared to $25.1 million for the first six months of 1996, due primarily to the significant increase in acquisitions. In the first six months of 1997, cash flow provided by financing activities amounted to approximately $35.3 million, primarily due to proceeds from long term debt which were used to fund acquisitions.

Historically, the Company has financed its acquisitions with proceeds from debt and the issuance of common and preferred stock. The following table shows the activity in the Series D and Series F Redeemable Preferred Stock for the six months ended June 30, 1997:

	Number of Shares Outstanding at 12/31/96	Issuances	Conversions	Number of Shares Outstanding at 6/30/97
Series D Preferred Stock				
Convertible into Class A Common Stock	1,200,000		(1,200,000)	0
Convertible into Class B Common Stock	16,053,116		(14,370,616)	1,682,500
Series F Preferred Stock				
Convertible into Class A Common Stock	0	19,999,992	(5,388,315)	14,611,677
Totals	17,253,116	19,999,992	(20,958,931)	16,294,177

The following table shows the effect on common shares outstanding from the Redeemable Preferred Stock conversions during the six months ended June 30, 1997:

	Conversions	Conversion Price	Increase in Common Shares Outstanding
Series D Preferred Stock			
Convertible into Class A Common Stock	1,200,000	$ 13.50	88,888
Convertible into Class B Common Stock	14,370,616	$ 13.50	1,064,481
Series F Preferred Stock			
Convertible into Class A Common Stock	5,388,315	$ 15.00	359,221
Totals	20,958,931		1,512,590

The holders of Series D Preferred Stock are entitled to receive annual cash dividends of $.06 - $.07 per share depending upon when such shares were issued. The current conversion rate is $14.50 per share. Commencing on the second anniversary of the completion of the Company's IPO, the Company may, at its option, redeem all or any portion of the shares of Series D Preferred Stock then outstanding at a redemption price of $1.00 per share, together with all accrued and unpaid dividends. Such redemption is subject to the right of each holder of Series D Preferred Stock to convert such holder's shares into shares of Class B Common Stock. On December 31, 2001, the Company must redeem all shares of Series D Preferred Stock then outstanding at a redemption price of $1.00 per share, together with all accrued and unpaid dividends.

The holders of the Series F Preferred Stock are entitled to receive cash dividends at the annual rate initially of $.04 per share, with the annual rate increasing by 5% per year commencing January 1, 1998 until January 1, 2001, at which time the annual rate becomes fixed at $0.0486 per share. The current conversion rate is $16.00 per share. On December 31, 2007, the Company must redeem all shares of Series F Preferred Stock then outstanding at a redemption price of $1.00 per share, together with all accrued and unpaid dividends. The Company does not have the option to redeem any Series F Preferred Stock.

In conjunction with the closing of the IPO, the Company entered into a new credit facility (the "Credit Facility") which provided for a $75 million revolving line of credit with both LIBOR and base rate interest options. The Credit Facility is unsecured with a term of three years and contains customary restrictive covenants, including a restriction on the payment of dividends on common stock, and requires the Company to maintain certain financial ratios, which may effectively limit the Company's borrowing capacity. The Company believes that it was in compliance with all financial covenants and ratios at June 30, 1997. As of June 30, 1997, $67.8 million was outstanding under the line of credit with an average effective interest rate of 7.36%. To facilitate future planned acquisitions, the Company increased its bank line from $75 million to $100 million subsequent to June 30 and is currently reviewing proposals from several financial institutions which would further increase its credit availability and improve its borrowing terms.

The Company issued 475,994 shares of Class A Common Stock and approximately 20,000,000 shares of Series F Preferred Stock and paid $34 million in cash to fund acquisitions during the six months ended June 30, 1997. The Company intends to fund future acquisitions through borrowings under its Credit Facility and additional issuances of Class A Common Stock or additional preferred stock. In March 1997, the Company filed a shelf registration statement relating to 2,000,000 shares of Class A Common Stock to be used to fund acquisitions. The Company has budgeted $125 million for its acquisition program in 1997 of which $66 million had been utilized as of July 29, 1997. As of July 29, 1997, the Company had letters of intent for acquisitions involving an aggregate purchase price of approximately $25 million.

The Company expects to continue to aggressively pursue additional acquisitions of funeral homes and cemeteries to take advantage of the trend toward consolidation occurring in the industry which will require significant levels of funding from various sources. In addition, the Company currently expects to incur less than $8 million of capital expenditures during 1997, primarily for upgrading funeral home facilities. The Company believes that cash flow from operations, borrowings under the Credit Facility and its ability to issue additional debt and equity securities should be sufficient to fund acquisitions and its anticipated capital expenditures and other operating requirements for the remainder of 1997. However, because future cash flows and the availability of financing are subject to a number of variables, such as the number and size of acquisitions made by the Company, there can be no assurance that the Company's capital resources will be sufficient to fund its capital needs. Additional debt and equity financings may be required to continue the Company's acquisition program. The availability and terms of these capital sources will depend on prevailing market conditions and interest rates and the then-existing financial condition of the Company.

SEASONALITY

Although the death care business is relatively stable and fairly predictable, the Company's business can be affected by seasonal fluctuations in the death rate. Generally, death rates are higher during the winter months. In addition the quarterly results of the Company may fluctuate depending on the magnitude and timing of acquisitions.

INFLATION

Inflation has not had a significant impact on the results of operations of the Company.

PART II -- OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

From January 1, 1997 through May 31, 1997, the Company issued an aggregate of 462,994 shares of Class A Common Stock, valued at market prices, to the former owners of acquired funeral homes and cemeteries. Consideration for such shares consisted of ownership interests in funeral home and cemetery businesses. The Company relied on an exemption under Section 4(2) of the Securities Act in effecting these transactions. Beginning in June 1997, the Company began to issue registered shares of Class A Common Stock to former owners of acquired properties under its shelf registration statement on Form S-4.

On January 7, 1997, the Company issued 19,999,992 shares of Series F Preferred Stock, valued at $1.00 per share, to the former owners of acquired funeral homes and cemeteries. Consideration for such shares consisted of ownership interests in funeral home and cemetery businesses. The Company relied on an exemption under Section 4(2) of the Securities Act in effecting these transactions.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 -- Amendment No.2 to the Loan Agreement by and among the Company and NationsBank of Texas, N.A., Provident Services Inc. and Bank One Texas, N.A. dated August 13, 1996.

11.1 -- Statement regarding computation of per share earnings

27.1 -- Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended June 30, 1997.

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.

CARRIAGE SERVICES, INC.

AUGUST 14, 1997
Date

/S/ THOMAS C. LIVENGOOD
Thomas C. Livengood,
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer
and Duly Authorized Officer)

EXHIBIT 10.1

AMENDMENT NO. 2

This Amendment No. 2 dated as of July 25, 1997 ("Agreement"), is among Carriage Services, Inc., a Delaware corporation (the "Borrower"), NationsBank of Texas, N.A., as administrative agent (the "Administrative Agent"), Provident Services, Inc., as documentation agent (together with the Administrative Agent, the "Agents"), and the lenders signatory hereto (the "Lenders").

INTRODUCTION

The Borrower, the Agents, and the Lenders are parties to the Credit Agreement dated as of August 13, 1996 (as modified, the "Credit Agreement"), among the Borrower, the Lenders, and the Agents. The Borrower has requested and the Agents and the Lenders have approved an increase in the Commitments under the Credit Agreement in the amount of $25,000,000, bringing the aggregate Commitments under the Credit Agreement to $100,000,000.

THEREFORE, in connection with the foregoing and for other good and valuable consideration, the Borrower, the Agents, and the Lenders hereby agree as follows:

Section 1. DEFINITIONS; REFERENCES. Unless otherwise defined in this Agreement, each term used in this Agreement which is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement.

Section 2. AMENDMENT.

(a) Each Lender's existing Commitment set forth opposite such Lender's name on the signature pages to the Credit Agreement is hereby amended by increasing such existing Commitment amount to the amount set forth below for such Lender:

LENDER	NEW COMMITMENT
Provident Services, Inc.	$53,333,334
NationsBank of Texas, N.A.	$33,333,333
Bank One, Texas, N.A.	$13,333,333
Total	$100,000,000

(b) Section 6.01 of the Credit Agreement is amended by deleting the reference to "$1,500,000" at the end of subparagraph (e) and replacing such reference with a reference to "$5,000,000" and by deleting the reference to "$1,500,000" at the end of subparagraph (f) and replacing such reference with a reference to "$5,000,000".

Section 3. COMMITMENT INCREASE FEE. The Borrower shall pay to each Lender a commitment increase fee, such commitment increase fee to be due and payable on December 31, 1997; provided, however that if (a) the Borrower terminates the Credit Agreement and establishes a successor credit facility with an amount of credit greater than the Credit Agreement on or before December 31, 1997, (b) such Lender is asked to participate in such successor credit facility, and (c) such Lender is paid a commitment fee greater than the amount of the commitment increase fee due under this Section 3 in connection therewith, then the commitment increase fee due under this Section 3 shall be waived with respect to such Lender.

Section 4. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that (a) the execution, delivery and performance of this Agreement are within the corporate power and authority of the Borrower and have been duly authorized by appropriate proceedings, (b) this Agreement and the Notes issued in connection herewith constitute legal, valid, and binding obligations of the Borrower enforceable in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the rights of creditors generally and general principles of equity, and (c) upon the effectiveness of this Agreement and the amendment of the Credit Documents as provided for herein, no Event of Default shall exist under the Credit Documents and there shall have occurred no event which with notice or lapse of time would become an Event of Default under the Credit Documents, as amended.

Section 5. EFFECT ON CREDIT DOCUMENTS. Except as amended herein, the Credit Agreement and all other Credit Documents remain in full force and effect as originally executed. Nothing herein shall act as a waiver of any Agent's or Lender's rights under the Credit Documents as amended, including the waiver of any default or event of default, however denominated. The Borrower must continue to comply with the terms of the Credit Documents, as amended. This Agreement is a Credit Document for the purposes of the provisions of the other Credit Documents.

Section 6. EFFECTIVENESS. This Agreement shall become effective and the Credit Agreement shall be amended as provided in this Agreement effective on the date first set forth above when the following conditions precedent shall have been satisfied:

(a) the Borrower and the Lenders shall have provided to the Administrative Agent duly executed and delivered originals of this Agreement;

(b) the Borrower shall have provided to the Administrative Agent a duly executed and delivered original Note for each Lender dated as of the date of this Agreement reflecting the increased Commitment of the Lender hereunder;

(c) the Borrower shall have provided to the Administrative Agent a Certificate of Secretary for the Borrower certifying no conflicts with the Articles and Bylaws of the Borrower, resolutions of the Board of Directors of the Borrower, and authorized officers of the Borrower for the execution of this Agreement and the Notes executed in connection herewith in a form and substance satisfactory to the Administrative Agent; and

(d) the Borrower shall have provided to the Administrative Agent an original Reaffirmation of Guaranty, duly executed and delivered by each Subsidiary of the Borrower.

Section 7. MISCELLANEOUS. The miscellaneous provisions of the Credit Agreement apply to this Agreement. This Agreement may be signed in any number of counterparts, each of which shall be an original.

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THIS WRITTEN AGREEMENT AND THE CREDIT DOCUMENTS, AS DEFINED IN THIS AGREEMENT, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first above written.

BORROWER:

CARRIAGE SERVICES, INC.

By:_____________________________________
Thomas C. Livengood
Executive Vice President and
Chief Financial Officer

AGENTS AND LENDERS:

NATIONSBANK OF TEXAS, N.A.,
as Administrative Agent and as a Lender

By:_____________________________________
Albert L. Welch
Vice President

PROVIDENT SERVICES, INC.,
as Documentation Agent and as a Lender

By:_________________________________
Daniel M. Chong
Vice President

BANK ONE, TEXAS, N.A.

By:_________________________________
H. Gale Smith
Vice President

CARRIAGE SERVICES, INC.
COMPUTATION OF PER SHARE EARNINGS
(UNAUDITED AND IN THOUSANDS, EXCEPT PER SHARE DATA)

Loss per share for the three and six month periods ended June 30, 1996 is calculated based on the weighted average number of common and common equivalent shares outstanding during the period using guidance provided by the SEC for companies contemplating an initial public offering. Earnings per share for the three and six month periods ended June 30, 1997 is calculated based on the weighted average number of common and common equivalent shares outstanding during the period as proscribed by APB 15. Earnings (loss) per common and common equivalent share for the three and six month periods ending June 30, 1996 and 1997 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	1996	1997	1996	1997
Net income (loss)	$ (468)	$ 1,489	$ (661)	$ 3,314
Series D preferred stock dividends (a)	91	29	101	210
Net income (loss) attributable to common stockholders	$ (559)	$ 1,460	$ (762)	$ 3,104
Common shares outstanding	2,520	10,485	2,520	9,782
Common equivalent shares:				
Stock options, treasury stock method	23(b)	238	23(b)	280
Assumed conversion of preferred stock	1,973(c)	913	1,969(c)	1,048
Total weighted average number of common and common equivalent shares outstanding	4,516	11,636	4,512	11,110
Net income (loss) per common and common equivalent share attributable to common stockholders	$ (.12)	$ .13	$ (.17)	$ .28

(a) The Company's Series F Preferred Stock is considered a common stock equivalent for purposes of computing earnings per share. Therefore, the dividends applicable to the Series F Preferred Stock are not reflected in the net income (loss) attributable to common stockholders.

(b) In accordance with SEC's Staff Accounting Bulletin No. 83, the loss per share presented assumes that all stock options granted by the Company within one year of the Company's initial public offering were outstanding for the first three months of 1996. The effect of such stock options has been calculated using the "treasury stock" method, using the initial public offering price of $13.50 per share, and was included in the calculation of common equivalent shares outstanding despite the fact that the effect of the assumed exercise of such options is anti-dilutive.

(c) Pursuant to the terms of their respective agreements, the Company's Series A, B and C Preferred Stocks automatically converted to Common Stock upon the Company's initial public offering. Therefore, in accordance with the SEC's position relative to securities with these conversion characteristics, the effect of such conversions has been reflected from the respective dates of issuance of the preferred stocks in common equivalent shares outstanding, despite the fact that the effect of the assumed conversion is anti-dilutive.

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THE FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE COMPANY'S FORM 10-Q FOR THE SIX MONTHS ENDED JUNE 30, 1997
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS
DEC-31-1997
JUN-30-1997
1,873
0
8,645
798
3,123
15,678
73,092
5,555
211,964
7,805
80,599
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16,286
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87,898
211,964
37,050
37,050
26,904
26,904
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0
2,570
5,389
2,075
3,314
0
0
0
3,104
0.28
0.28