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 MARCH 31, 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 [X] No [ ]

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 May 2, 1997 was 5,136,111 and 5,356,650, 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	March 31, 1997 (unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,712	$ 2,727
Accounts receivable --		
Trade, net of allowance for doubtful accounts of $530 in 1996 and $836 in 1997	5,665	7,334
Other	673	1,651
	6,338	8,985
Marketable securities, available for sale	53	53
Inventories and other current assets	3,297	4,356
Total current assets	11,400	16,121
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	9,640	15,769
Buildings and improvements	31,750	41,876
Furniture and equipment	8,817	10,688
	50,207	68,333
Less - accumulated depreciation	(4,095)	(4,778)
	46,112	63,555
CEMETERY PROPERTY, at cost	4,061	22,748
NAMES AND REPUTATIONS, net of accumulated amortization of $2,007 in 1996 and $2,521 in 1997	62,568	87,740
DEFERRED CHARGES AND OTHER NONCURRENT ASSETS	7,167	12,570
	$ 131,308	$ 202,734
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and other current liabilities	$ 2,192	$ 4,337
Accrued liabilities	3,033	3,095
Current portion of long-term debt and obligations under capital leases	1,086	1,564
Total current liabilities	6,311	8,996
PRENEED LIABILITIES, net	3,664	7,045
LONG-TERM DEBT, net of current portion	42,733	74,171
OBLIGATIONS UNDER CAPITAL LEASES, net of current portion	557	484
DEFERRED INCOME TAXES	3,749	10,522
Total liabilities	57,014	101,218
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE PREFERRED STOCK	17,251	16,287
STOCKHOLDERS' EQUITY:		
ClassA Common Stock, $.01 par value; 15,000,000 shares authorized; 3,942,000 and 5,051,000 issued and outstanding in 1996 and 1997, respectively	40	50
Class B Common Stock; $.01 par value; 15,000,000 shares authorized; 4,502,000 and 5,357,000 issued and outstanding in 1996 and 1997, respectively	45	54
Contributed capital	63,966	90,670
Retained deficit	(7,008)	(5,545)
Total stockholders' equity	57,043	85,229
	$ 131,308	$ 202,734

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 March 31, 1996	1997
REVENUES, net		
Funeral	$ 7,125	$ 15,288
Cemetery	510	2,701
	7,635	17,989
COSTS AND EXPENSES		
Funeral	5,581	10,620
Cemetery	384	2,226
	5,965	12,846
Gross profit	1,670	5,143
GENERAL AND ADMINISTRATIVE EXPENSES	549	1,021
Operating income	1,121	4,122
INTEREST EXPENSE, net	1,183	1,154
Income (loss) before income taxes	(62)	2,968
PROVISION FOR INCOME TAXES	131	1,143
NET INCOME (LOSS)	(193)	1,825
Preferred stock dividend requirements	10	181
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (203)	$ 1,644
INCOME (LOSS) PER SHARE:		
Net income (loss) per common and common equivalent share attributable to common stockholders	$ (.05)	$ .16
Weighted average number of common and common equivalent shares outstanding	4,507	10,586

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

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

	For the three months ended March 31, 1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (203)	$ 1,825
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities --		
Depreciation and amortization	822	1,563
Provision for losses on accounts receivable	46	270
Deferred income taxes	52	445
Changes in assets and liabilities net of effects from acquisitions:		
Increase in accounts receivable	(232)	(1,233)
Increase in other deferred charges	(328)	(319)
Increase (decrease) in accounts payable and other current liabilities	(358)	1,442
Decrease in accrued liabilities	(217)	(895)
Other, net	40	(318)
Net cash provided by (used in) operating activities	(378)	2,780
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(8,524)	(33,437)
Purchase of property, plant and equipment	(4,188)	(1,242)
Other, including disposition of assets	569	1,607
Net cash used in investing activities	(12,143)	(33,072)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	7,467	31,969
Payments on long-term debt and obligations under capital leases	--	(327)
Proceeds from sale of preferred stock	3,785	--
Payment of preferred stock dividends	--	(363)
Exercise of stock options	--	28
Payment of deferred debt charges	(34)	--
Net cash provided by financing activities	11,218	31,307
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,303)	1,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,573	1,712
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 6,270	$ 2,727
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid through issuance of new debt	$ 825	$ --
Cash interest paid	$ 970	$ 889
Non-cash consideration for acquisitions	$ 298	$ 25,571

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

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 months ended March 31, 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.

The results of operations for the three months ended March 31, 1997 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 1997.

2. ACQUISITIONS

During the three months ended March 31, 1997, the Company purchased 22 funeral homes and two cemeteries. Nine funeral homes were acquired during the three months ended March 31, 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:

	March 31, 1996	March 31, 1997
	(in thousands)	
Current Assets	$ 398	$ 6,997
Cemetery Property	--	18,845
Property, Plant and Equipment	5,294	17,755
Deferred Charges and Other Noncurrent Assets	240	400
Names and Reputations	7,665	25,685
Current Liabilities	(89)	(4,119)
Other Liabilities	(669)	(6,555)
	12,839	59,008
Redeemable Preferred Stock issued	4,315	20,000
Common Stock issued	--	5,571
Cash used for acquisitions	$ 8,524	$ 33,437

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.

	Three months ended March 31,	
	1996	1997
	(Unaudited and in thousands)	
Revenues, net	$ 11,410	$ 18,999
Net income (loss) before income taxes	(405)	2,959
Net income (loss) attributable to common stockholders	(253)	1,639
Income (loss) per common and common equivalent share	(.06)	.15

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 March 31, 1997, $63.8 million was outstanding under the line of credit with a weighted average interest rate of 7.16%.

4. RECENT ACCOUNTING STANDARD

In 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 March 31,	
	1997 (basic)	1997 (diluted)
Pro forma earnings per share:		
Net income	$ 1,825	$ 1,825
Series D preferred stock dividends	181	--
Series F preferred stock dividends	181	--
Net income attributable to common stockholders	$ 1,463	$ 1,825
Total weighted average number of common and common equivalent shares outstanding	9,072	11,454
Pro forma earnings per share	$ .16	$ .16

Pro forma earnings per share for the three months ended March 31, 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 in 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 3 months of 1997, the Company acquired 22 funeral homes and two cemeteries for an aggregate consideration of approximately $59 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 month periods ended March 31, 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 months ended March 31, 1996 compared to the three months ended March 31, 1997.

	Three Months Ended March 31,		Change	
	1996	1997	Amount	Percent
	(dollars in thousands)			
Net revenues:				
Existing operations	$ 6,701	$ 6,617	$ (84)	(1.3)%
Acquired operations	424	8,671	8,247	*
Total net revenues	$ 7,125	$15,288	$ 8,163	114.6%

	Three Months Ended March 31, 1996	Three Months Ended March 31, 1997	Change Amount	Change Percent
	(dollars in thousands)			
Gross profit:				
Existing operations	$ 1,519	$ 1,712	$ 193	12.7%
Acquired operations	25	2,956	2,931	*
Total gross profit	$ 1,544	$ 4,668	$ 3,124	202.3%

* Not meaningful.

Due to the rapid growth of the Company, "existing operations" for the quarter ended March 31, 1997 represented only 43% of the total funeral revenues and only 37% of the total funeral gross profit. Total funeral net revenues for the three months ended March 31, 1997 increased $8.2 million or 114.6% over the three months ended March 31, 1996. The higher net revenues reflect an increase of $8.2 million in net revenues from acquired operations and a decrease in net revenues of $84,000 or 1.3% from existing operations. The decrease in net revenues for the existing operations 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 unusual, temporary circumstances at four existing locations. Excluding the results at these four locations, net revenues at existing funeral home locations in the first quarter of 1997 increased 5% over the same period in 1996. Management of the Company has taken actions which are expected to improve the operating results at these locations.

Total funeral gross profit for the three months ended March 31, 1997 increased $3.1 million or 202.3% over the comparable three months of 1996. The higher total gross profit reflected an increase of $2.9 million from acquired operations and an increase of $193,000 or 12.7% from existing operations. Excluding the results of the four locations mentioned above, gross profit for existing locations increased by $403,000 or 33.2%. Gross profit for existing operations increased 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 21.7% for the first quarter of 1996 to 30.5% for the first quarter of 1997 due to these factors. Included in the 30.5% gross margin for 1997 is a gain of the sale of property of $276,000, the exclusion of which would reduce funeral gross margin to 28.7% for the first quarter of 1997.

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 months ended March 31, 1996 compared to the three months ended March 31, 1997.

	Three Months Ended March 31, 1996	Three Months Ended March 31, 1997	Change Amount	Change Percent
	(dollars in thousands)			
Total net revenues	$ 510	$ 2,701	$ 2,191	429.6%
Total gross profit	$ 126	$ 475	$ 349	277.0%

Due to the rapid growth of the Company, "existing operations" for the quarter ended March 31, 1997 represented less than 12% of the cemetery revenues and gross profit as the Company had only three cemeteries in operation at the end of the first quarter of 1996 versus 12 at the end of the first quarter of 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 March 31, 1997 increased $2.2 million or 429.6% over the three months ended March 31, 1996 and total cemetery gross profit increased $349,000 or 277.0% over the comparable three months of 1996. 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. Total gross margin decreased from 24.7% for the first quarter of 1996 to 17.6% for the first quarter of 1997. The decrease in gross margin primarily resulted from major management changes at some of the Company's cemeteries. During late 1996 and early 1997, the Company reorganized and refocused its cemetery sales and management organizations which affected sales and margins at its cemeteries.

OTHER

General and administrative expenses for the three months ended March 31, 1997 increased $472,000 over the first quarter 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 7.2% for the first quarter of 1996 to 5.7% 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 three months ended March 31, 1996 decreased $29,000 over the first quarter 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 new credit facility reflects 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 quarter 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 $181,000 are deducted from net income in determining net income attributable to common stockholders.

For the first quarter 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%. For the first quarter of 1996, the Company experienced a net operating loss. The tax benefits associated with this net operating loss carryforward were reserved. The Company continues to analyze the benefits associated with these losses and will adjust the recorded valuation allowance as appropriate in future periods.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled $2.7 million at March 31, 1997, representing an increase of $1.0 million from December 31, 1996. For the three months ended March 31, 1997, cash provided by operations was $2.8 million as compared to cash used in operations of $378,000 for the three months ended March 31, 1996. The increase in net cash provided by operating activities was principally due to an increase in income from operations, which was partially offset by an increase in accounts receivable. Cash used in investing activities was $33.1 million for the three months ended March 31, 1997 compared to $12.1 million for the first three months of 1996, due primarily to the significant increase in acquisitions. In the first three months of 1997, cash flow provided by financing activities amounted to approximately $31.3 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 preferred stock. As of December 31, 1996, the Company had 17,253,616 shares of Series D Preferred Stock issued and outstanding, of which 1,200,000 shares were convertible into Class A Common Stock and 16,053,116 shares were convertible into Class B Common Stock. During the first three months of 1997, holders of 15,570,616 shares of Series D Preferred Stock elected to convert their shares into 88,888 shares of Class A and 1,064,481 shares of Class B Common Stock leaving 1,682,500 shares of Series D Preferred Stock outstanding at March 31, 1997, all of which are convertible into Class B Common Stock at a current conversion rate of $14.50 per share. 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. 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.

In conjunction with the closing of the IPO, the Company entered into a new Credit Facility (the "Credit Facility") which provides 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 March 31, 1997. As of March 31, 1997, $63.8 million was outstanding under the line of credit with an average effective interest rate of 7.16%.

In August 1996, the Company used the proceeds from the IPO along with funding from the new Credit Facility to pay down all previously existing debt from Provident Services, Inc., Texas Commerce Bank N.A., and C. Byron Snyder (one of the Company's directors). In connection with the repayment of this debt, the Company recognized an extraordinary charge of approximately $498,000, net of income tax benefit of approximately $332,000 to reflect the write-off of the deferred loan costs associated with the early retirement of debt.

The Company issued 378,671 shares of Class A Common Stock and approximately 20,000,000 shares of Series F Preferred Stock and paid $29 million in cash to fund acquisitions during the three months ended March 31, 1997. As of March 31, 1997, 5,388,315 shares of Series F Preferred Stock were converted into 359,221 shares of Class A Common Stock. The remaining outstanding 14,611,677 shares of Series F Preferred Stock are convertible into 913,229 shares of Class A Common Stock based on current exercise prices. 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. 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 prior to December 31, 2007.

The balance outstanding under the $75 million Credit Facility as of April 30, 1997 was $64.8 million. The Company has held discussions with various financial institutions that lead it to believe that it has the ability to significantly increase the amount available under the Credit Facility or obtain a replacement facility. 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. As of April 30, 1997, the Company had letters of intent for acquisitions involving an aggregate purchase price of approximately $9 million. 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 $62 million has been spent as of April 30, 1997.

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 $5 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 March 31, 1997, the Company sold an aggregate of 378,671 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.

On January 7, 1997, the Company sold 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. 1 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

The Company filed a Current Report on Form 8-K on January 21, 1997 with respect to its merger with the CNM Group on January 7, 1997. The Company also filed a Current Report on Form 8-K/A on March 14, 1997 to include in the Form 8-K filed on January 21, 1997 the financial statements and pro forma financial information required by Item 7.

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.

MAY 14, 1997	/S/THOMAS C. LIVENGOOD
Date	Thomas C. Livengood, Executive Vice President and Chief Financial Officer (Principal Financial Officer and Duly Authorized Officer)

AMENDMENT NO. 1

This Amendment No. 1 dated as of March 28, 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 (the "Credit Agreement") among the Borrower, the Lenders, and the Agents. The Borrower has requested that the Agents and the Lenders make certain amendments to the Credit Agreement in connection with certain potential Acquisitions contemplated by the Borrower.

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) Section 6.01 of the Credit Agreement is amended by deleting in its entirety subparagraph (e) of such Section and replacing such subparagraph with the following:

> (e) existing on Property acquired by the Borrower or any of its Subsidiaries prior to its acquisition of such Property or existing on Property of a newly acquired Subsidiary prior to the Borrower's or any other Subsidiary's acquisition of stock of such newly acquired Subsidiary; provided, however, that the aggregate principal amount of the indebtedness secured by the Liens permitted by this paragraph (e) shall not, when combined with the aggregate principal amount of indebtedness secured by Liens permitted by paragraph (f) of this Section 6.01, exceed $1,500,000;

(b) Section 6.01 of the Credit Agreement is amended by deleting in its entirety subparagraph (f) of such Section and replacing such subparagraph with the following:

> (f) in connection with any Acquisition permitted under Section 6.07 hereof, purchase money liens or purchase money security interests upon or in any Property acquired or held by the Borrower or any of its Subsidiaries to secure the purchase price of such Property or to secure indebtedness incurred solely for the purpose of financing the acquisition of such Property, provided that the aggregate principal amount of the indebtedness secured by the Liens permitted by this paragraph (f) shall not, when combined with the aggregate principal amount of indebtedness secured by Liens permitted by paragraph (e) of this Section 6.01, exceed $1,500,000;

(c) Exhibit H to the Credit Agreement is deleted therefrom, and Exhibit H attached hereto is substituted in lieu thereof.

Section 3. 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 proceed ings, (b) this Agreement constitutes 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 4. 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. Without limiting the foregoing, any breach of representations, warranties, and covenants under this Agreement may be a default or event of default under the other Credit Documents.

Section 5. 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 Borrower and the Majority Lenders shall have duly and validly executed originals of this Agreement and delivered the same to the Administrative Agent.

Section 6. 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.

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:/s/THOMAS C. LIVENGOOD
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:/s/ALBERT L. WELCH
Albert L. Welch
Vice President

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

By:/s/DANIEL M. CHONG
Daniel M. Chong
Vice President

BANK ONE, TEXAS, N.A.

By:/s/H. GALE SMITH
H. Gale Smith
Vice President

EXHIBIT 11.1

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

Loss per share for the three month period ended March 31, 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 month period ended March 31, 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 month periods ending March 31, 1996 and 1997 was as follows:

	Three Months Ended March 31, 1996	Three Months Ended March 31, 1997
Net income (loss)	$ (193)	$ 1,825
Series D preferred stock dividends (a)	10	181
Net income (loss) attributable to common stockholders	$ (203)	$ 1,644
Common shares outstanding	2,520	9,072
Common equivalent shares:		
Stock options, treasury stock method	23(b)	330
Assumed conversion of preferred stock	1,964(c)	1,184
Total weighted average number of common and common equivalent shares outstanding	4,507	10,586
Net income (loss) per common and common equivalent share attributable to common stockholders	$ (.05)	$ .16

(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 THREE MONTHS ENDED MARCH 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
DEC-31-1997
MAR-31-1997
2,727
53
8,170
836
3,026
16,121
68,333
4,778
202,734
8,996
74,171
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16,287
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85,125
202,734
17,989
17,989
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12,846
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0
1,154
2,968
1,143
1,825
0
0
0
1,644
.16
.16