

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 1-11961

CARRIAGE SERVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	76-0423828 (I.R.S. Employer Identification No.)
1900 Saint James Place, 4th Floor, Houston, TX (Address of principal executive offices)	77056 (Zip Code)

Registrant's telephone number, including area code:

(713) 332-8400

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
Class A Common Stock, \$.01 Par Value
(Title Of Class)

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 /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of Registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. / /

The aggregate market value of the voting stock held by non-affiliates
(affiliates being, for these purposes only, directors, executive officers and
holders of more than 5% of Carriage's Class A Common Stock) of the Registrant as
of March 19, 2001 was approximately \$30,000,000.

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 March 19, 2001 was 14,718,393 and 1,792,720 respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement in connection with the 2001 annual meeting of shareholders,
incorporated in Part III of this Report.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report contains forward-looking statements made by the management of Carriage Services, Inc. (the "Company" or "Carriage"). Such statements are typically identified by terms expressing future expectations or goals. These forward-looking statements, although made in good faith, are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include the following: Carriage's inability to sell businesses and properties held for sale for their carrying value, to maintain or increase free cash flow from operations, or to achieve internal growth from our businesses; adverse changes in economic and financial market conditions, including declining stock prices, increasing interest rates, and restricted credit availability; lower death rates; changing consumer preferences; competition in our markets; Carriage's inability to maintain operating ratios within the limits set out within our financing arrangements; and changes in government regulation of the death care industry. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision of these forward-looking statements. Readers should carefully review the Cautionary Statements described in this and other documents we file from time to time with the Securities and Exchange Commission, including Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed by Carriage throughout 2001.

CAUTIONARY STATEMENTS

The Company cautions readers that the following important factors, among others, in some cases have affected, and in the future could affect, the Company's actual consolidated results and could cause the Company's actual consolidated results in the future to differ materially from the goals and expectations expressed herein and in any other forward-looking statements made by or on behalf of the Company.

- (1) Maintaining or achieving growth in free cash flow from operations depends primarily on achieving anticipated levels of earnings before depreciation, amortization and other non-cash charges, controlling capital expenditures to budgeted levels, collecting accounts receivable and reducing preneed costs.
- (2) Achieving the Company's revenue goals is affected by the volume and prices of the products and services sold, as well as the mix of products and services sold. The annual sales targets set by the Company are aggressive, and the inability of the Company to achieve planned volume or prices could cause the Company not to meet anticipated levels of revenue. In certain markets the Company expects to increase prices, while in other markets prices will be lowered. The ability of the Company to achieve volume or price targets at any location depends on numerous factors, including the capabilities of the local operating staff, the local economy, the local death rate, competition and changes in consumer preferences, including cremations.
- (3) Revenue also is affected by the level of preneed sales in both current and prior periods. The level of preneed sales may be adversely affected by numerous factors, including deterioration in the economy, which causes individuals to have less discretionary income, as well as changes in marketing approach, commission practices and contractual terms. Future revenue will also be affected by the Company's recent decision to eliminate the national preneed sales and marketing organization and to manage future preneed activities at the local business level.
- (4) In addition to the factors discussed above, financial performance may be affected by other important factors, including the following:
 - (a) The ability of the Company to retain or attract key personnel.
 - (b) The amount and rate of growth in the Company's general and administrative expenses.

- (c) Changes in interest rates, which can increase or decrease the amount the Company pays on borrowings with variable rates of interest.
- (d) The ability of the Company to stay within the limits of the credit ratios set out in the debt covenants, such as the debt-to-capital ratio, debt-to-EBITDA ratio, and the fixed charge coverage ratio.
- (e) Availability and related terms of debt and equity financing to fund operating needs.
- (f) The impact on the Company's financial statements of accounting charges that may result from the Company's evaluation of its business strategies, asset valuations and organizational structures as part of the Fresh Start restructuring program.
- (g) The amount of net proceeds actually realized on assets held for sale.
- (h) Changes in government regulations, including tax rates and their effects on corporate structure.
- (i) Changes in inflation and other general economic conditions domestically, affecting financial markets (e.g. marketable security values).
- (j) Unanticipated legal proceedings and unanticipated outcomes of legal proceedings.
- (k) Changes in accounting policies and practices required by generally accepted accounting principles or the Securities and Exchange Commission, such as amortization periods and asset carrying values for long-lived intangible assets.

The Company also cautions readers that it assumes no obligation to update or publicly release any revisions to forward-looking statements made herein or any other forward-looking statements made by, or on behalf of, the Company.

PART I

ITEM 1. BUSINESS

THE COMPANY

Carriage is a leading provider of death care services and products in the United States. As of December 31, 2000, we operated 172 funeral homes and 38 cemeteries in 31 states. Carriage provides a complete range of services relating to funerals, burials and cremations, including the use of funeral homes and motor vehicles, the performance of cemetery interment services and the management and maintenance of cemetery grounds. We also sell related products and merchandise including caskets, burial vaults, garments, cemetery interment rights, stone and bronze memorials, as well as other items. From 1993 to 1999, the Company grew rapidly as a result of a high level of acquisition activity. In 1999, growth slowed and the level of acquisition activity was sharply curtailed to allow Carriage to focus on the improvement of operating results. From 1996 to 2000, net revenues increased from \$40.3 million to \$162.6 million. From 1996 to 1999, operating income increased from \$4.7 million to \$29.8* million, and diluted earnings per common share from continuing operations increased from a loss of \$.09 to earnings of \$.39*. Fiscal 2000 was a transitional year including a decline in operating profitability, the adoption of a substantially changed accounting method for preneed cemetery sales, and the implementation of a multi-element "Fresh Start" restructuring program which is intended to improve financial and operating performance. As a result of these factors, the 2000 earnings per share fell to \$.06* from operations before special charges and cumulative effect of accounting changes to a loss of \$8.23 per share including these special charges and the accounting change. *Financial results, net of tax benefit, pro forma restatement for change in accounting principle and exclude special charges and extraordinary item.

Since Carriage's formation in 1991, we have focused on distinguishing ourselves from our competitors by developing an employee-driven organization that emphasizes: (i) providing the highest level of personalized service to client families, (ii) comprehensive employee training, (iii) a decentralized management structure, and (iv) location management incentive compensation which shares the benefits of location profitability above predetermined levels. Concerns regarding the financial stability and deteriorating fundamentals of the deathcare industry caused a decline in the number of acquisitions and the prices that we were willing to pay for acquisition opportunities beginning in 1999. We acquired 48 funeral homes and 7 cemeteries for consideration of \$159 million in 1998, and 17 funeral homes and 14 cemeteries for consideration of \$45 million in 1999. In 2000, the Company's new business acquisition activities were limited to a long-term agreement to manage a municipal cemetery and the purchase of one additional funeral home.

In response to the changing industry environment, we initiated, in July 2000, a review of our funeral home and cemetery portfolios, operating strategies, organizational structure, and financial covenants under Carriage's credit agreements. As a result, Carriage launched, in September 2000, a multi-faceted, restructuring program called "Fresh Start". During the last two quarters of 2000, we eliminated a large portion of our administrative and general overhead by executing new operating strategies under new leadership. Organizational changes have been implemented in our funeral home operations and Carriage has negotiated new supply arrangements with our major preneed funeral insurance and casket providers. Carriage's preneed funeral strategy has now changed from a national, centralized strategy to a unique, local, decentralized strategy whereby each local business will have a program customized to its needs and managed by the local funeral home manager. The cemetery organization has been substantially streamlined, and there is now singular responsibility and accountability for both sales and operations. Our human resources strategy is to high-grade our personnel, which will include promoting, recruiting, and training top-quality managers and leaders to replace those who are not able to perform up to our Fresh Start standards. We conducted a rigorous review of the businesses we own and stratified the funeral homes and cemeteries into three groups: a

healthy core group, an underperforming group, and a group that we intend to sell. Impairment and other special charges totaling \$102.3 million were recorded in connection with Fresh Start. One critical element of Fresh Start was to modify our financial covenants with our banks and insurance company lenders so that we could execute all elements of our plan, including any expected adjustments to Carriage's cemetery revenues, earnings and net worth resulting from the adoption of the Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements. We believe that implementation of this restructuring program "Fresh Start" will enhance our ability to effectively compete, since our infrastructure is now better suited for a non-acquisition environment.

Carriage was incorporated in Delaware on December 29, 1993, and became a public reporting company in August 1996. Our principal executive office is located at 1900 Saint James Place, 4th Floor, Houston, Texas 77056, and our telephone number is (713) 332-8400.

DEATH CARE INDUSTRY

Death care companies provide products and services to families in three principal areas: (i) ceremony and tribute, generally in the form of a funeral or memorial service; (ii) disposition of remains, either through burial or cremation; and, (iii) memorialization, generally through monuments, markers or inscriptions. The death care industry in the United States is characterized by the following fundamental attributes:

HIGHLY FRAGMENTED OWNERSHIP. A significant majority of death care operators consist of small, family-owned businesses that control one or several funeral homes or cemeteries in a single community. Management estimates that there are approximately 23,000 funeral homes and 9,600 commercial (as opposed to religious, family, fraternal, military or municipal) cemeteries in the United States. Approximately 25% of the 2000 United States death care industry revenues are represented by Carriage and the three largest publicly traded domestic death care companies.

BARRIERS TO ENTRY. Death care businesses have traditionally been transferred to successive generations within a family and in most cases have developed a local heritage and tradition that act as a barrier for those wishing to enter an existing market. Heritage and tradition afford an established funeral home or cemetery a local franchise and provide the opportunity for repeat business. Other difficulties faced by entities desiring to enter a market include local zoning restrictions, substantial capital requirements, increasing regulatory burdens and scarcity of cemetery land in certain urban areas. In addition, established firms' backlog of preneed, prefunded funerals or presold cemetery and mausoleum spaces also makes it difficult for new entrants to gain entry into the marketplace.

STABILITY. The death rates in the United States are relatively stable. The number of deaths in the United States has increased at a compounded rate of approximately 1% since 1980. While the number of deaths typically varies from year to year by 1-2%, industry studies show that the average age of the population is increasing. Because of the relative stability, individual funeral home business failures are uncommon. As a result, ownership of independent funeral home and cemetery businesses generally has not experienced significant turnover and the aggregate number of funeral homes and cemeteries in the United States has remained relatively constant.

CONSOLIDATION. Until 1999, the industry experienced a trend toward consolidation of independent death care operations with a few large, primarily publicly owned death care providers that sought to benefit from economies of scale, improved managerial control and more effective strategic planning and greater financial resources. The trend resulted principally from increased regulation, a desire on the part of small, family operated funeral businesses to address family succession and estate planning issues, and a desire for liquidity. An active acquisition market for funeral homes and cemeteries provided a source of potential liquidity that was not as readily available to individual owners in the past. The consolidation trend has decelerated since 1999, and the number of companies actively

pursuing acquisitions has significantly declined. Some of the consolidators, including Carriage, are now facing financial pressure and high debt levels as a result of paying too much for businesses that are not performing as expected. Each of these consolidators is currently selling selected properties and other assets in order to reduce their debt levels.

CLUSTERED OR COMBINED OPERATIONS. The death care industry has also witnessed a trend by companies to cluster their funeral home and cemetery operations. Clusters refer to funeral homes and/or cemeteries that are grouped together in a geographical region. Clusters can provide a company with the ability to generate cost savings through the sharing of personnel, vehicles and other resources. Firms also are increasingly combining funeral home and cemetery operations at a single site to allow cross-marketing opportunities and for further cost reductions through shared resources. The ability to offer the full range of products and services at one location or to cluster funeral home and cemetery operations and cross-market the full range of death care services is believed to be a cost advantage which tends to increase the profitability of both the funeral home and cemetery.

PRENEED MARKETING. In addition to sales at the time of death or on an "at need" basis, death care products and services are being sold prior to the time of death or on a "preneed" basis by some death care providers who have developed sophisticated marketing organizations to actively promote such products and services. At the same time, consumers are becoming more aware of the benefits of advanced planning, such as the financial assurance and peace of mind achieved by establishing, in advance, a fixed price and type of service, and the elimination of the emotional strain of making death care plans at the time of need. Effective marketing of preneed products and services provides a backlog of future business. We believe sales of preneed products and services, including cemetery and interment rights and prearranged funeral services, are purchased primarily by people between the ages of 50 and 80. In 2000, we modified our preneed funeral sales marketing from a nationwide sales program to a sales program, which is controlled, on a market-by-market basis, and managed by the local funeral home manager.

CREMATION. In recent years, there has been steady, gradual growth in the number of families in the United States that have chosen cremation as an alternative to traditional methods of burial. According to industry studies, cremations represented approximately 26% of the United States burial market in 2000 and are projected at 36% for 2010, as compared to approximately 10% in 1980. Many parts of the Southern and Midwestern United States and many non-metropolitan communities exhibit significantly lower rates of cremation as a result of religious and cultural traditions. Cremation, historically, has been marketed as a less costly alternative to interment. However, cremation is increasingly marketed as part of a complete service package that includes traditional funeral services and memorialization.

BUSINESS STRATEGY

Our business strategy for the near term is to emphasize increasing operating cash flow and growth through strategies that do not require investment of new capital. We plan to systematically reduce our debt, and improve our leverage ratios over the next two years, with net proceeds from dispositions and discretionary operating cash flow.

"FRESH START" RESTRUCTURING PROGRAM. During the third quarter of 2000, Carriage initiated a multi-faceted restructuring program termed "Fresh Start" in response to the changing industry environment and deterioration of the Company's operating results during the year. The program began with a review of the funeral home and cemetery portfolios, operating strategies,

organizational structure, and financial covenants under the Company's credit agreements. Key elements of "Fresh Start" are as follows:

GOALS AND PRINCIPAL ELEMENTS. The two-year goals for the restructuring program, announced in November, 2000, were to (1) restore credibility to our operating and consolidation model; (2) increase and better align our earnings and cash flow; (3) restore market value credibility to our balance sheet; (4) reduce our debt; and (5) re-access the capital markets. The principal elements of "Fresh Start" included the downsizing of our corporate organization, changing our operating leadership, changing our preneed funeral marketing strategy, stratifying by performance the funeral home and cemetery portfolios, implementing action plans to improve underperforming businesses, disposing of some underperforming businesses, reviewing and adjusting the carrying basis of other underperforming businesses, and the modification of financial covenants with lenders to facilitate the execution of the program.

PROGRAM IMPLEMENTATION. Downsizing of our corporate organization was completed in the fourth quarter of 2000 and has resulted in the elimination of a large portion of our operating and administrative overhead. Our infrastructure is now better suited for a non-acquisition environment, and we are executing our new operating strategies under new leadership.

The new operating leadership is widely dispersed from major divisions to individual locations, and we have recruited top-quality managers and leaders to replace those who were not able to perform up to our "Fresh Start" standards. Offering incentives to our new local leadership has become an important part of our Human Resources strategy. We have begun a new Funeral Home Partnership program designed to foster market share growth by establishing realistic short and long-term business plans and performance goals that are balanced with attractive short and long-term rewards.

Our preneed funeral strategy has also changed significantly. We have gone from a national, centralized strategy to a local, decentralized strategy in which each business will have a program customized to its local needs. Accordingly, we have eliminated the national funeral sales organization and consolidated most existing preneed investments with one trustee. This enabled us to substantially downsize the Houston administrative support infrastructure and relocate our smaller corporate staff to more modest facilities.

In reviewing our funeral home and cemetery portfolios, we divided all of our locations into two main groups: a healthy core group, which represents the majority of our revenues and cash flow, and a second underperforming group. There is a smaller third group that consists of businesses that we have targeted for sale. After completing this stratification, we then established new performance standards consistent with our mission of "Becoming the Best". No longer will we allow the success of our best businesses, managers and employees to be unfairly diluted by the underperformance of our weaker businesses. Where there are local market share losses or leadership problems, specific action plans have been designed to deal with underperforming properties. These action plans included the decision to sell the businesses that cannot meet our new standards. During the last two quarters of 2000, Carriage sold properties for a total consideration of \$4.8 million. Additional properties are targeted for sale in 2001. The carrying value of the businesses targeted for sale were written down to the estimated net realizable value.

As the final element of "Fresh Start" we modified the financial covenants with our banks and insurance lenders so that we could execute all elements of the plan. Notwithstanding the difficult industry environment, we received strong support from our lenders for initiating an aggressive, pro-active plan of action.

OPERATING STRATEGY. While our strategies have changed, our mission to become the best funeral and cemetery service organization in the industry has not. Key elements of our operating strategy that complement the restructuring program include the following:

PERSONALIZED SERVICE. We believe that providing personalized service results in increased customer satisfaction, increased market share, more motivated employees and consistently higher levels of profitability. We have placed a great deal of emphasis upon communicating to our employees the linkage between personalized service, customer satisfaction, market share increases and profitability throughout the organization.

EMPLOYEE TRAINING. Beginning in late 1997, we made a significant commitment of financial and human resources to a company-wide training effort. The training is designed to improve the management of and communication among employees and to develop personalized service that will be of value to clients. In training employees to deliver personalized service, we emphasize employee listening and communication skills in working towards the goal of uniquely memorializing the life of an individual. We completed the initial phase of this program in 1999 and have been focusing on integrating the concepts and practices of our training program into our operations. We believe that this long-term investment in our employees will, over time, lead to increased market share, resulting in higher profitability.

ENHANCED INFORMATION SYSTEMS. We utilize an integrated computer system linked to all of our funeral homes to monitor and access critical operating and financial data in order to analyze the performance of individual locations on a timely basis and institute corrective action if necessary. The Internet is used as a medium to internally disseminate information between locations.

HIGH STANDARDS OF PERFORMANCE. We continually establish targets to emphasize and enhance customer service and operational and financial performance. These standards are designed to identify management's expectations for high achievement in these three key performance areas and are communicated to employees through our extensive training programs.

QUALITY REVIEW MANAGEMENT SYSTEMS. We have developed quality based management systems, which operate, within our decentralized management structure. These systems involve quantifiable customer survey input in addition to operational and financial measurement of performance. With the assistance of our training staff, these systems are being implemented at the local level under the direction of our regional vice presidents and regional managers. These leaders provide an additional level of operational support and feedback to our local managers.

INCENTIVE COMPENSATION. We have established a compensation structure that is designed to create and maintain an ownership mentality to align overall compensation to our performance objectives. Local management is awarded meaningful cash bonuses or other rewards for achieving specified service, operational and financial performance objectives. We have also historically had stock option programs, which awarded options to full-time employees based upon the performance of their local businesses. As a result, many management and full-time employees have the opportunity to increase their personal net worth through strong local and corporate performance.

COST SAVINGS AND OPERATING EFFICIENCIES. Our larger size, as compared to local operators, allows favorable pricing and terms to be achieved from vendors through volume discounts on significant expenditures, such as caskets, vaults, memorials and vehicles. In addition, while operational functions and management responsibility are retained at the local level, centralizing certain financial, accounting, legal, administrative and employee benefit functions allow for more efficient and cost-effective operations.

RATIONALIZATION OF OUR PRENEED FUNERAL SALES PROGRAM. We have developed a productive preneed funeral sales program during the last three years that is expected to provide significant benefits for years into the future. This program has not been developed, however, without significant costs. Preneed sales frequently require an immediate cash outlay by the seller to fund commissions and promotional expenditures. Beginning in 2000, we began selling insurance funded

contracts in most markets that allows us to earn commission income and improve our cash flow. Beginning in 2001, we revised our commission structure and have redirected our efforts toward only those markets that we truly believe will benefit from a preneed program, using primarily on-staff funeral directors to market the program.

ACQUISITION STRATEGY. Since 1999, acquisitions by consolidators of independent funeral homes and cemeteries have virtually ceased throughout the deathcare industry, including Carriage Services, as the focus has changed to improving cash flow and operating results. We believe that consolidation can work in this industry, but only if acquisition prices are substantially lower than we experienced during the last few years and we are highly selective in the locations acquired.

Our acquisition strategy, since inception, is demonstrated in the table below:

YEAR	CONSIDERATION	FUNERAL HOMES(1)	CEMETERIES(2)
	(DOLLARS IN THOUSANDS)		
1992.....	\$ 11,832	14	2
1993.....	13,843	11	1
1994.....	9,153	9	1
1995.....	12,191	8	0
1996.....	68,181	38	7
1997.....	118,260	44	10
1998.....	158,661	48	7
1999.....	44,434	17	14
2000.....	1,983	1	1
	-----	---	--
	\$438,538	190	43
	=====	===	==

(1) Eighteen of these funeral homes were subsequently sold or merged with other Carriage operations prior to December 31, 2000.

(2) Carriage subsequently sold five of these cemeteries prior to December 31, 2000.

IMPAIRMENTS AND ASSET DISPOSITION STRATEGY. In connection with Fresh Start, as previously stated, a review was performed of the businesses that we own and those businesses were stratified into three groups: core, underperforming and targeted for sale. Long-term cash flow forecasts were prepared to determine whether we would recover our investment through operations on the underperforming properties. In those instances in which our investment in a business exceeded the estimated future cash flows, the investment was written down, through an impairment charge, to the present value of those future cash flows. Impairment charges totaled \$51 million for the underperforming businesses that we will continue to operate. An estimate of the net realizable value was determined for those businesses targeted for sale to determine whether we could expect to recover our investment from the sale of those businesses. Where the investment exceeded the fair value less costs to sell, an impairment charge was recorded for the deficiency, which totaled approximately \$30 million in the aggregate, reducing our investment in businesses targeted for sale to approximately \$10 million. Sales of businesses during the latter half of 2000 generated \$4.8 million in proceeds.

For the year 2000, the underperforming group generated 31% of funeral home revenue and 28% of field level cash flow; and the targeted for sale group 8% of revenues and 4% of cash flow.

OPERATIONS

Our funeral home operations, cemetery operations and preneed programs are managed by individuals with extensive death care industry experience. Although certain financial management and policy matters are centralized, local funeral home and cemetery managers have substantial autonomy in determining the manner in which their services and products are marketed and delivered and their funeral homes are managed. We believe that this strategy permits each local firm to maintain its unique style of operation and to capitalize on its reputation and heritage while Carriage maintains centralized supervisory controls and provides specialized services at the corporate level. We have a commitment to strong information systems. Systems are linked to all of the funeral homes to monitor and assess critical operating and financial data in order to analyze the performance of individual funeral homes on a timely basis. Management is able to access customer transaction data and other operating information from the Houston support center to ensure the quality of operating performance and to implement any necessary corrective actions.

FUNERAL HOME OPERATIONS. As of December 31, 2000, Carriage operated 172 funeral homes in 30 states. Funeral home revenues accounted for approximately 80% and 78% of our net revenues for each of the years ended December 31, 1999 and 2000, respectively. The funeral home operations are managed by a team of experienced death care industry professionals as well as selected region-level individuals with related experience in other service industries. See Note 14 to the consolidated financial statements for segment data related to funeral home operations.

Our funeral homes offer a complete range of services to meet families' funeral needs, including consultation, the removal and preparation of cremains, the sale of caskets and related funeral merchandise, the use of funeral home facilities for visitation and religious services and transportation services. Most of our funeral homes have a non-denominational chapel on the premises, which permits family visitation and religious services to take place at one location, reducing inconvenience to the family.

CEMETERY OPERATIONS. As of December 31, 2000, we operated 38 cemeteries in 14 states. Cemetery revenues accounted for approximately 20% and 22% of our net revenues for each of the years ended December 31, 1999 and 2000, respectively.

Carriage's cemetery products and services include interment services, the rights to interment in cemetery sites (including gravesites, mausoleum crypts and niches) and related cemetery merchandise such as memorials and vaults. Cemetery operations generate revenues through sales of interment rights, memorials and installation, fees for interment and cremation services, finance charges from installment sales contracts and investment income from preneed cemetery merchandise and perpetual care trusts.

At the beginning of the fourth quarter of 2000 Carriage Services, along with others in the industry, implemented the Securities and Exchange Commission's Staff Accounting Bulletin No. 101--"Revenue Recognition in Financial Statements" (SAB 101). The most significant impact of adopting SAB 101 is the deferral of revenue and related expenses for cemetery merchandise and services until they are delivered instead of recognizing them at the time of sale, as we did previously. Income earned on merchandise and services funds in trust are also deferred until delivery occurs. As a result of the new accounting method, the company now has deferred cemetery revenue of approximately \$100 million as of December 31, 2000, which will be recognized in future periods. Implementation of SAB 101 had the pro forma effect of reducing revenues by \$9.8 million and pre-tax income by \$5.1 million or \$0.21 per diluted share for the full year 2000, compared to \$13.6 million and \$7.4 million or \$0.30 per diluted share for 1999. Included in the Statement of Operations for 2000 is a charge in the amount of \$59.7 million, before taxes, relating to the cumulative effect of the change in accounting principle in connection with the implementation of SAB 101. The SAB 101 accounting changes have had no effect on cash flow. See Note 14 to the consolidated financial statements for segment financial data related to cemetery operations.

PRENEED PROGRAMS. In addition to sales of funeral merchandise and services, cemetery interment rights and cemetery merchandise and services at the time of need, we also market funeral and cemetery services and products on a preneed basis. Preneed funeral or cemetery contracts enable families to establish, in advance, the type of service to be performed, the products to be used and the cost of such products and services, in accordance with prices prevailing at the time the contract is signed, rather than when the products and services are delivered. Preneed contracts permit families to eliminate the emotional strain of making death care plans at the time of need and enable Carriage to establish a portion of our future market share. Proceeds from the sale of preneed funeral contracts are not recognized as revenue until the time the funeral service is performed.

Preneed funeral contracts are usually paid on an installment basis. The performance of preneed funeral contracts is usually secured by placing the funds collected in trust for the benefit of the customer or by the purchase of a life insurance policy, the proceeds of which will pay for such services at the time of need. Insurance policies, intended to fund preneed funeral contracts, cover the original contract price and generally include built-in escalation clauses designed to offset future inflationary cost increases. During the early part of 2000, we shifted our focus from the sale of trust-funded contracts to the sale of insurance funded contracts. The shift toward insurance products will improve the Company's cash flow and reduce the costs associated with the administration of trust accounts.

In addition to preneed funeral contracts, we also offer "preplanned" funeral arrangements whereby a client determines in advance substantially all of the details of a funeral service without any financial commitment or other obligation on the part of the client until the actual time of need. Preplanned funeral arrangements permit a family to avoid the emotional strain of making death care plans at the time of need and enable a funeral home to establish relationships with a client that may eventually lead to an at-need sale.

In the fourth quarter of 2000, Carriage eliminated our national and regional preneed funeral marketing organizations and assigned responsibility for preneed sales to the local funeral home manager. Preneed funeral sales are only emphasized in those markets that are most competitive. Preneed cemetery sales are overseen by the regional operating management. As of December 31, 2000, we employed a staff of 290 advance-planning representatives for the sale of preneed products and services, which represents an increase of 215% since 1996, but a reduction from the 405 employed at the end of 1999.

Carriage sold 9,814 and 8,064 preneed funeral contracts in the years ended December 31, 1999 and 2000, respectively. At December 31, 2000, we had a backlog of 89,391 preneed funeral contracts to be delivered in the future. Preneed cemetery sales are usually financed through interest bearing installment sales contracts, generally with terms of up to five years. Preneed sales of cemetery interment rights are recorded as revenue when 10% of the contract amount has been collected. Merchandise and services revenue is recorded when delivery has occurred. Costs related to the generation of the preneed contracts and delivery of the products and services are recognized concurrent with the related revenue. We always receive an initial payment at the time the contract is signed. Allowances for customer cancellations and refunds are accrued at the date of sale based upon historical experience.

Cemetery revenues that originated from preneed contracts represented approximately 51% and 59% of Carriage's net cemetery revenues for the year 1999 on a pro forma basis assuming the retroactive adoption of the change in accounting method, and the year 2000, respectively.

COMPETITION

The operating and acquisition environment in the death care industry has been highly competitive. Our publicly traded competitors are Service Corporation International, The Loewen Group, Inc. and Stewart Enterprises, Inc. In addition, a number of smaller companies have been active in acquiring

funeral homes and cemeteries. However, as previously discussed, acquisition activity has now virtually ceased as most of the large death care companies, including Carriage, are currently restructuring as a result of high-priced and low-performing acquisitions that created financial difficulties.

Our funeral home and cemetery operations generally face competition in the markets that they serve. Our primary competition in most of our markets is from local independent operators. Market share for funeral homes and cemeteries is largely a function of reputation and heritage, although competitive pricing, professional service and attractive, well-maintained and conveniently located facilities are also important. The sale of preneed funeral services and cemetery property has increasingly been used by many companies as a marketing tool to build market share. Because of the importance of reputation and heritage, market share increases are usually gained over a long period of time.

We also face competition from companies that market products and related information over the Internet, as well as non-traditional casket stores in certain markets. We have felt little impact from these competitors to date.

TRUST FUNDS AND INSURANCE CONTRACTS

GENERAL. We have established a variety of trusts in connection with our funeral home and cemetery operations as required under applicable state law. Such trusts include (i) preneed funeral trusts; (ii) preneed cemetery merchandise and service trusts; and (iii) perpetual care trusts. These trusts are typically administered by independent financial institutions selected by Carriage. We also use independent professional managers to advise us on investment matters.

PRENEED FUNERAL TRUSTS AND INSURANCE CONTRACTS. Preneed funeral sales are facilitated by deposits to a trust or purchase of a third-party insurance product. All preneed funeral sales are deferred until the service is performed. The trust fund income earned and any increase in insurance benefits are also deferred until the service is performed, in order to offset possible inflation in cost when providing the service in the future. Although direct marketing costs and commissions incurred from the sale of preneed funeral contracts are a current use of cash, such costs are also deferred and amortized over the expected timing of the performance of the services related to the preneed funeral sales. The related assets and deferred revenue are reflected on Carriage's balance sheet. In most states, we are not permitted to withdraw principal or investment income from such trusts until the funeral service is performed. Some states, however, allow for the retention of a percentage (generally 10%) of the receipts to offset any administrative and selling expenses, which we defer until the service is provided. The aggregate balance of our preneed funeral contracts held in trust and insurance contracts was approximately \$218.2 million and \$229.5 million as of December 31, 1999 and 2000, respectively.

PRENEED CEMETERY MERCHANDISE AND SERVICE TRUSTS. We are generally required under applicable state laws to deposit a specified amount (which varies from state to state, generally 50% to 100% of selling price) into a merchandise and service trust fund for cemetery merchandise and services sold on a preneed basis. The related trust fund income earned is recognized when the related merchandise and services are delivered. We are permitted to withdraw the trust principal and the accrued income when the merchandise is purchased, when service is provided by us or when the contract is cancelled. The merchandise and service trust fund balances, in the aggregate, were approximately \$33.0 million and \$37.5 million as of December 31, 1999 and 2000, respectively.

PERPETUAL CARE TRUSTS. In certain states, regulations require a portion (generally 10%) of the sale amount of cemetery property and memorials to be placed in trust. These perpetual care trusts provide the funds necessary to maintain cemetery property and memorials in perpetuity. The related trust fund income earned is recognized in current revenues as trust earnings. While we are entitled to

withdraw the income from our perpetual care trust to provide for the maintenance of the cemetery property and memorials, we are not entitled to withdraw any of the principal balance of the trust fund and therefore, none of the principal balance is reflected in Carriage's balance sheet. The perpetual care trust balances were approximately \$30.1 million and \$29.4 million as of December 31, 1999 and 2000, respectively.

For additional information with respect to Carriage's trusts, see Note 1 of the Consolidated Financial Statements.

REGULATION

Our funeral home operations are subject to substantial regulation by the Federal Trade Commission (the "FTC"). Certain regulations contain minimum standards for funeral industry practices, require extensive price and other affirmative disclosures to the customer at the time of sale and impose mandatory itemization requirements for the sale of funeral products and services.

We are subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. The OSHA hazard communication standard, the United States Environmental Protection Agency community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and similar state statutes require us to organize information about hazardous materials used or produced in our operations. Certain of this information must be provided to employees, state and local governmental authorities and local citizens. We are also subject to the Federal Americans with Disabilities Act and similar laws which, among other things, may require that we modify our facilities to comply with minimum accessibility requirements for disabled persons.

Our operations, including our preneed sales and trust funds, are also subject to extensive regulation, supervision and licensing under numerous other Federal, state and local laws and regulations. See "Trust Funds."

We believe that we are in substantial compliance with all such laws and regulations. Federal and state legislatures and regulatory agencies frequently propose new laws, rules and regulations, some of which, if enacted, could have a material adverse effect on Carriage's results of operations. We cannot predict the outcome of any proposed legislation or regulations or the effect that any such legislation or regulations might have on Carriage.

EMPLOYEES

As of December 31, 2000, the Company and its subsidiaries employed 2,186 employees, of whom 1,209 were full-time and 977 part-time. Included in the total number of employees are 290 advance planning representatives. All of our funeral directors and embalmers possess licenses required by applicable regulatory agencies. We believe that our relationship with our employees is good. No employees of Carriage or its subsidiaries are members of a collective bargaining unit.

ITEM 2. PROPERTIES

At December 31, 2000, we operated 172 funeral homes and 38 cemeteries in 31 states. Carriage owns the real estate and buildings for 75% of our funeral homes and leases facilities for the remaining 25%. Carriage owns 33 cemeteries and operates 5 cemeteries under long-term contracts with municipalities at December 31, 2000. Ten funeral homes are operated in combination with cemeteries. The 38 cemeteries operated by Carriage have an inventory of unsold developed lots totaling approximately 129,000 and 111,000 at December 31, 1999 and 2000, respectively. In addition, approximately 750 acres are available for future development. We anticipate having a sufficient inventory of lots to maintain our property sales for the foreseeable future.

The following table sets forth certain information as of December 31, 2000, regarding Carriage's funeral homes and cemeteries by state:

STATE	NUMBER OF FUNERAL HOMES		NUMBER OF CEMETERIES	
	OWNED	LEASED(1)	OWNED	MANAGED
Alabama.....	2	0	0	0
California.....	16	2	4	0
Connecticut.....	6	4	0	0
Florida.....	6	4	6	3
Georgia.....	4	3	0	0
Idaho.....	6	1	3	0
Illinois.....	0	6	1	0
Indiana.....	3	3	2	0
Iowa.....	4	0	0	0
Kansas.....	8	0	0	0
Kentucky.....	11	4	1	0
Maryland.....	0	1	0	0
Massachusetts.....	7	0	0	0
Michigan.....	3	2	0	0
Missouri.....	0	1	0	0
Montana.....	1	0	0	0
Nevada.....	2	0	2	1
New Jersey.....	3	2	0	0
New Mexico.....	1	0	0	0
New York.....	3	1	0	0
North Carolina.....	1	1	1	0
Ohio.....	9	3	0	1
Oklahoma.....	1	0	1	0
Oregon.....	0	0	1	0
Rhode Island.....	4	0	0	0
South Carolina.....	4	0	4	0
Tennessee.....	4	1	0	0
Texas.....	12	1	6	0
Virginia.....	4	1	1	0
Washington.....	3	1	0	0
West Virginia.....	1	1	0	0
Total.....	129	43	33	5
	===	==	==	==

(1) The leases, with respect to these funeral homes, have remaining terms ranging from two to fifteen years, and, generally, we have a right of first refusal on any proposed sale of the property where these funeral homes are located.

Carriage's corporate headquarters occupy approximately 32,500 square feet of leased office space in Houston, Texas.

At December 31, 2000, we operated 704 vehicles, of which 682 are owned and 22 are leased.

The specialized nature of our business requires that our facilities be well maintained. Management believes that this standard is met.

ITEM 3. LEGAL PROCEEDINGS

Carriage and our subsidiaries are parties to a number of legal proceedings that arise from time to time in the ordinary course of business. While the outcome of these proceedings cannot be predicted with certainty, we do not expect these matters to have a material adverse effect on us.

We carry insurance with coverages and coverage limits that we believe to be customary in the funeral home and cemetery industries. Although there can be no assurance that such insurance will be sufficient to protect us against all contingencies, we believe that our insurance protection is reasonable in view of the nature and scope of our operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Carriage's Class A Common Stock is traded on the New York Stock Exchange under the symbol "CSV". The following table presents the quarterly high and low sale prices as reported by the New York Stock Exchange:

1999	HIGH	LOW
-----	-----	-----
First Quarter.....	\$ 29.25	\$13.125
Second Quarter.....	\$ 23.00	\$15.188
Third Quarter.....	\$ 19.00	\$ 7.75
Fourth Quarter.....	\$ 8.375	\$ 4.625
2000		

First Quarter.....	\$6.1875	\$ 3.875
Second Quarter.....	\$ 4.625	\$ 2.625
Third Quarter.....	\$ 3.25	\$1.5625
Fourth Quarter.....	\$2.3125	\$1.0625

As of March 19, 2001, there were 14,718,393 shares of Carriage's Class A Common Stock and 1,792,720 shares of the Class B Common Stock outstanding. The holders of Class A Common Stock are entitled to one vote for each share held on all matters submitted to a vote of Common stockholders. The holders of Class B Common Stock are entitled to ten votes for each share held on all matters submitted to a vote of Common stockholders. The Class A Common Stock shares outstanding are held by approximately 250 stockholders of record. We believe there are approximately 4,000 beneficial owners of the Class A Common Stock.

We have never paid a cash dividend on our Class A or Class B Common Stock. Carriage currently intends to retain earnings to finance the growth and development of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any future change in our dividend policy will be made at the discretion of our Board of Directors in light of the financial condition, capital requirements, earnings and prospects of Carriage and any restrictions under credit agreements, as well as other factors the Board of Directors may deem relevant.

During December 2000, the Company's Board of Directors authorized the issuance of an aggregate of 365,915 shares of our Class A Common Stock to executive officers and other key employees of the Company, as bonus grants in recognition of their performance in 2000, payable in 2001. The Company relied upon the exemption provided by Section 4(2) of the Securities Act of 1933 in issuing the stock.

ITEM 6. SELECTED FINANCIAL DATA

The income statement data presented hereunder for the years 1996 through 1999 was prepared using the accounting principles employed prior to the implementation of SAB 101 which was effective January 1, 2000.

	YEAR ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
(IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA)					
INCOME STATEMENT DATA:					
Revenue, net:					
Funeral.....	\$37,445	\$64,888	\$ 92,965	\$125,264	\$ 127,261
Cemetery.....	2,903	12,533	23,876	43,203	35,345
Total net revenues.....	40,348	77,421	116,841	168,467	162,606
Gross profit:					
Funeral.....	6,804	16,484	28,036	35,539	26,891
Cemetery.....	362	2,899	6,288	10,945	5,285
Total gross profit.....	7,166	19,383	34,324	46,484	32,176
General and administrative expense.....	2,474	5,277	7,581	9,265	10,256
Special and other charges.....	--	--	--	2,500	102,250
Operating income (loss).....	4,692	14,106	26,743	34,719	(80,330)
Interest expense, net.....	(4,347)	(5,889)	(9,720)	(17,358)	(20,705)
Other income.....	--	--	--	2,000	--
Income (loss) before income taxes.....	345	8,217	17,023	19,361	(101,035)
Provision (benefit) for income taxes.....	138	3,726	7,490	8,474	(8,032)
Net income (loss) before extraordinary item and cumulative effect of the change in accounting principle.....	207	4,491	9,533	10,887	(93,003)
Extraordinary item, net.....	(498)	(195)	--	(200)	--
Cumulative effect of the change in accounting, net.....	--	--	--	--	(38,993)
Net income (loss).....	(291)	4,296	9,533	10,687	(131,996)
Preferred stock dividends.....	622	890	606	93	81
Net income (loss) available to common stockholders.....	\$ (913)	\$ 3,406	\$ 8,927	\$ 10,594	\$ (132,077)
Earnings (loss) per share					
Basic:					
Continuing operations.....	\$ (.09)	\$.35	\$.67	\$.68	\$ (5.80)
Extraordinary item.....	(.10)	(.02)	--	(.01)	--
Cumulative effect of the change in accounting principle.....	--	--	--	--	(2.43)
Basic earnings (loss) per share.....	\$ (.19)	\$.33	\$.67	\$.67	\$ (8.23)
Diluted:					
Continuing operations.....	\$ (.09)	\$.34	\$.65	\$.67	\$ (5.80)
Extraordinary item.....	(.10)	(.02)	--	(.01)	--
Cumulative effect of the change in accounting principle.....	--	--	--	--	(2.43)
Diluted earnings (loss) per share.....	\$ (.19)	\$.32	\$.65	\$.66	\$ (8.23)

	YEAR ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000

(IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA)

Pro forma amounts assuming the change in accounting is applied retroactively:

Income (loss) before extraordinary item....	\$ 207	\$ 2,999	\$ 6,673	\$ 6,078	\$ (93,003)
Basic earnings per share.....	\$ (.09)	\$.21	\$.46	\$.38	\$ (5.80)
Diluted earnings per share.....	\$ (.09)	\$.20	\$.44	\$.37	\$ (5.80)
Net income (loss).....	\$ (291)	\$ 2,804	\$ 6,673	\$ 5,878	\$ (131,996)
Basic earnings per share.....	\$ (.19)	\$.19	\$.46	\$.36	\$ (8.23)
Diluted earnings per share.....	\$ (.19)	\$.18	\$.44	\$.36	\$ (8.23)
Weighted average number of common and common equivalent shares outstanding:					
Basic.....	4,869	10,226	13,315	15,875	16,056
Diluted.....	4,869	10,485	13,808	16,136	16,056

OPERATING AND FINANCIAL DATA:

Funeral homes at end of period.....	76	120	166	182	172
Cemeteries at end of period.....	10	20	27	41	38
Funeral services performed during period...	7,181	12,131	16,881	22,869	23,150
Preneed funeral contracts sold.....	3,760	4,020	6,481	9,814	8,031
Backlog of preneed funeral contracts.....	22,925	34,797	57,185	83,754	89,391
Depreciation and amortization.....	\$ 3,629	\$ 7,809	\$ 11,444	\$ 16,992	\$ 21,407
BALANCE SHEET DATA:					
Working capital.....	\$ 5,089	\$ 5,823	\$ 11,546	\$ 22,185	\$ 13,892
Long-term debt, net of current maturities.....	42,733	21,553	212,972	178,942	176,662
Redeemable preferred stock.....	17,251	13,951	1,673	91,026	91,100
Shareholders' equity.....	\$57,043	\$98,565	\$200,394	\$212,009	\$ 77,237

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Carriage is a leading provider of death care services and products in the United States. Our historical focus has been on operational enhancements at facilities currently owned to increase revenues and gross profit, as well as growth through acquisitions (although this activity was curtailed significantly in 2000). That focus has resulted in high standards of service, operational performance, and an infrastructure containing measurement and management systems. The operating focus for 1999 included institutionalizing internal training, internal growth, and making quality initiatives introduced in 1998 an integral part of the culture. In 2000, the operating strategy was dramatically shifted to focus upon increasing operating cash flow. In September 2000, we launched a multi-faceted, restructuring program, called "Fresh Start", which is designed to increase financial and operating performance, improve cash flow, reduce debt, and assist Carriage in fulfilling our mission of being the highest quality funeral and cemetery service organization in the industry. Many elements of this program have already been completed.

The implementation of SAB 101 retroactively effective with the beginning of the year 2000 had a significant impact on our operating results, particularly on the accounting for cemetery revenues and costs. The accounting changes are summarized as follows:

- (1) Preneed sales of interment rights (burial property)--Revenue and all costs are now recognized in accordance with the retail land sales provisions of Statement of Financial Accounting Standards No. 66, "Accounting for Sales of Real Estate". This method provides that revenue is recognized in the period in which the customer's cumulative payments equal or exceeds 10% of the contract

price related to the interment right. Previously, the revenue and costs were recognized at the time of contract execution with the customer.

- (2) Preneed sales of merchandise--Revenue and all costs are now recognized when the merchandise is delivered. Previously, the revenue and costs were recognized at the time of contract execution with the customer.
- (3) Preneed sales of cemetery service fees (primarily openings and closings of burial property and installations of markers)--Revenue and all costs are deferred until the service is performed. Previously, the revenue and costs were recognized at the time of contract execution with the customer.
- (4) Earnings on cemetery merchandise and services trusts--The trust earnings are deferred until the underlying merchandise is delivered or the service is performed. Previously the earnings were recognized as they were earned on the trust investments.
- (5) Preneed cemetery trust funds--Previously, cemetery trust funds were netted against preneed liabilities on the balance sheet. The amount of these trusts, beginning January 1, 2000, are included in the non-current asset section of the balance sheet.
- (6) Preneed funeral contracts and deferred preneed funeral contract revenue--The amount of the preneed funeral contracts receivable, the amount of the funds deposited in trust and the amount of life insurance contracts are recognized as an asset on the balance sheet titled "Preneed funeral contracts". The amount of the preneed funeral contracts is also recognized in the liability section of the balance sheet titled "Deferred preneed funeral contracts revenue". Previously, these assets and liabilities were not recorded on the balance sheet.

The following table presents selected financial data for the years 1996 through 1999 on a pro forma basis assuming the application of the change in accounting principle at the beginning of the earliest year presented:

	PRO FORMA			
	YEAR ENDED DECEMBER 31,			
	1996	1997	1998	1999
	(IN THOUSANDS)			
Revenue, net:				
Funeral.....	\$37,445	\$64,539	\$ 92,184	\$123,921
Cemetery.....	2,903	9,251	16,908	30,975
Total net revenues.....	40,348	73,790	109,092	154,896
Gross profit:				
Funeral.....	6,804	16,184	27,623	34,529
Cemetery.....	362	903	2,301	4,556
Total gross profit.....	7,166	17,087	29,924	39,085
General and administrative expense.....	2,474	5,277	7,581	9,265
Special and other charges.....	--	--	--	2,500
Operating income.....	4,692	11,810	22,343	27,320
Interest expense, net.....	(4,347)	(5,889)	(9,720)	(17,358)
Settlement of Litigation.....	--	--	--	2,000
Income before income taxes.....	345	5,921	12,623	11,962
Provision for income taxes.....	138	2,922	5,950	5,884
Net income before extraordinary item.....	207	2,999	6,673	6,078
Extraordinary item, net.....	(498)	(195)	--	(200)
Income (loss) after extraordinary item.....	(291)	2,804	6,673	5,878
Preferred stock dividends.....	622	890	606	93
Net income (loss) available to common stockholders....	\$ (913)	\$ 1,914	\$ 6,067	\$ 5,785

All of the following 1996 through 1999 amounts, and comparisons thereto in the Overview, Results of Operations and Year Ended December 31, 2000 Compared to Year Ended December 31, 1999 sections, have been adjusted for the pro forma effect of applying the change in accounting to those periods for comparability. The principal reason for the change between the revenues and gross profits when comparing the results for the year ended December 31, 2000, to the historical results for the year ended December 31, 1999 is the implementation of SAB 101.

Income from operations, which we define as earnings before special and other charges, interest and income taxes increased, as a percentage of net revenues, from 11.6% in 1996, to 16.0% in 1997, to 20.5% in 1998, and decreased to 19.3% in 1999. Income from operations, as a percentage of net revenues, for the year ended December 31, 2000, decreased to 13.5%. Gross margins for funeral homes increased from 25.1% in 1997 to 30.0% in 1998 and decreased to 27.9% in 1999 and to 21.1% in 2000. As a percentage of cemetery net revenues, cemetery gross profit increased from 9.8% in 1997, to 13.6% in 1998, to 14.7% in 1999, and to 15.0% in 2000.

We have experienced significant growth since the end of 1996 when we owned 86 facilities. We acquired 54 facilities in 1997, 55 facilities in 1998, 31 facilities in 1999 and two additional facilities in 2000. In a deliberate and managed process, we increased personnel and related infrastructure as a function of the increase in our revenue run-rate. As a consequence, general and administrative expenses increased from \$2.5 million in 1996; to \$5.3 million in 1997; to \$7.6 million in 1998; to \$9.3 million in 1999, excluding the special charge of \$2.5 million; and to \$10.3 million in 2000, excluding the special and other charges totaling \$102.3 million. However, general and administrative expenses, as a percentage of revenues over these periods, were 6.1% in 1996, 7.1% in 1997, 6.9% in 1998, 6.0% in 1999, exclusive of the special charge, and 6.3% in 2000, exclusive of the special and other charges. The additional personnel filled critical roles in expanding the geographic coverage of both operations and preneed sales and marketing activities, as well as the financial, data processing and administrative functions needed to support the growing number of locations operating in a decentralized management fashion with timely financial and management information. During this time we restructured and expanded the preneed funeral and cemetery sales organization significantly. A key element of the "Fresh Start" program was the subsequent downsizing of our corporate organization, which was completed during the fourth quarter of 2000. A significant percentage of this overhead reduction related to the elimination of our national preneed funeral sales organization whose costs had been previously capitalized.

During 1997, we acquired 44 funeral homes and ten cemeteries for an aggregate consideration of approximately \$118 million. We acquired 48 funeral homes and seven cemeteries during 1998 for approximately \$159 million. During 1999, we acquired 17 funeral homes and 14 cemeteries for an aggregate consideration of approximately \$45 million. We funded these acquisitions through cash flow from operations, additional borrowings under our credit facilities and issuance of preferred and common stock. During 1999, we reduced the price we were willing to pay for businesses as compared to the two most recent years, which resulted in a decline in acquisitions and related spending for 1999. In 2000, acquisition activity was limited to one funeral home and a long-term agreement to manage a municipal cemetery.

By the middle of 2000 it became clear that we were losing market share in certain of our markets and costs were not being reduced where we were losing business. As part of our Fresh Start program, a rigorous review of the funeral home and cemetery businesses was conducted during the third and fourth quarter of 2000, and our businesses was stratified into three groups: core, underperforming and targeted for sale. An estimate of the fair value less costs to sell was determined for each of the businesses that are categorized as targeted for sale. Impairment charges aggregating approximately \$29.3 million are included in special and other charges in the 2000 Statement of Operations for those businesses targeted for sale to reduce the carrying value to the estimated fair value less costs to sell. Proceeds on sales of businesses during the second half of 2000 totaled approximately \$4.8 million.

Long-term cash flow forecasts were prepared to evaluate the carrying value for those businesses categorized as underperforming. In those instances in which our investment in the long-lived assets of particular businesses was determined to exceed estimated future cash flows, the investment was written down, through an impairment charge, to the present value of those future cash flows. Impairment charges totaling \$51 million are also included in Special and other charges in the 2000 Statement of Operations for the businesses that are categorized as underperforming.

For the year 2000 in our funeral segment, the core group represented 61% of funeral home revenues and 68% of field level cash flow; the underperforming group 31% of revenues and 28% of cash flow; and the sold and targeted for sale group 8% of revenues and 4% of cash flows.

In the 2000 Statement of Operations, other items included in Special and other charges, that totaled \$18.4 million, consists of costs related to employee termination severance costs as a result of downsizing the corporate organization, accruals for office closures, write-offs of other assets and adjustments to depreciation and amortization that resulted from restructuring actions. Special charges totaling \$7.5 million are included in accrued liabilities at December 31, 2000, substantially all of which are expected to be paid by December 31, 2001.

Because a substantial portion of the impairment charges were recorded against Names and Reputations at the end of the third quarter and the beginning of the fourth quarter, the amount on the balance sheet was reduced from \$229.2 million at June 30, 2000 to \$166.6 million at December 31, 2000. Amortization of Names and Reputations for the fourth quarter was \$1.0 million, or \$.06 per basic and diluted share, versus \$1.5 million or \$.09 per basic and diluted share recorded in each of the first three quarters of 2000.

RESULTS OF OPERATIONS

The following table sets forth certain income statement data for Carriage expressed as a percentage of net revenues for the periods presented:

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
	(PRO FORMA)	(PRO FORMA)	
Total revenues, net.....	100.0%	100.0%	100.0%
Total gross profit.....	27.4	25.2	19.8
General and administrative expenses.....	6.9	6.0	6.3
Operating income, excluding special charges.....	20.5	19.2	13.5
Interest expense, net.....	8.9	11.2	12.7
Net income before extraordinary item, special charges and cumulative effect of the change in accounting principle...	6.1	5.5	0.6

The following table sets forth the number of funeral homes and cemeteries owned and operated by Carriage for the periods presented:

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
Funeral homes at beginning of period.....	120	166	182
Acquisitions.....	48	17	1
Divestitures and merger of existing funeral homes.....	2	1	11
	-----	-----	-----
Funeral homes at end of period.....	166	182	172
	=====	=====	=====
Cemeteries at beginning of period.....	20	27	41
Acquisitions.....	7	14	1
Divestitures.....	--	--	4
	-----	-----	-----
Cemeteries at end of period.....	27	41	38
	=====	=====	=====

The following is a discussion of Carriage's results of operations for 1998, 1999, and 2000. For purposes of this discussion, funeral homes and cemeteries owned and operated for the entirety of each year being compared are referred to as "existing operations". Operations acquired or opened during either year being compared are referred to as "acquired operations".

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

FUNERAL HOME SEGMENT. The following sets forth certain information regarding Carriage's net revenues and gross profit from our funeral home operations during the years ended December 31, 1999 and 2000:

	YEAR ENDED DECEMBER 31,		CHANGE	
	1999 PRO FORMA	2000	AMOUNT	PERCENT
	(DOLLARS IN THOUSANDS)			
Net revenues.....	\$123,921	\$127,261	\$ 3,340	2.7%
	=====	=====	=====	
Gross profit.....	\$ 34,529	\$ 26,891	\$(7,638)	(22.1)%
	=====	=====	=====	

Existing operations performed 504 (2.5%) fewer services in 2000, compared to 1999, at an average price that was \$12 higher than 1999, resulting in a decrease in revenue of \$2,481,000 from 2000 to 1999. Acquired operations provided an increase in revenue of \$5,869,000, and there was a decrease in revenue in comparing 2000 to 1999 of \$1,245,000 because of businesses that were sold or discontinued during the period.

The impact on field level revenues by the three groups was as follows:

2000 INCREASE (DECREASE) AS COMPARED TO 1999	NUMBER OF SERVICES	AVERAGE REVENUE PER SERVICE	REVENUES (IN 000'S)	
	%	%	\$	%
Core.....	1.8	0.9	1,688	2.7
Underperforming.....	(9.0)	0.5	(3,208)	(8.5)
Targeted for sale.....	(6.9)	(6.0)	(961)	(12.9)

Gross profit decreased from 1999 to 2000 primarily because of the operating results of the underperforming and targeted for sale groups and higher operating costs that were not passed through in way of higher prices to the consumer. Within our existing businesses, the decline in gross profit was very pronounced in the underperforming and targeted for sale groups. Higher operating costs occurred in the form of casket and merchandise price increases, insurance increases, as well as general inflation

in salaries and wages. Additionally, depreciation and amortization were higher in 2000, compared to 1999.

CEMETERY SEGMENT. The following sets forth certain information regarding Carriage's net revenues and gross profit from cemetery operations for the years ended December 31, 1999 and 2000:

	YEAR ENDED DECEMBER 31,		CHANGE	
	1999 PRO FORMA	2000	AMOUNT	PERCENT
	(DOLLARS IN THOUSANDS)			
Net revenues.....	\$30,975	\$35,345	\$4,370	14.1%
	=====	=====	=====	
Gross profit.....	\$ 4,556	\$ 5,285	\$ 729	16.0%
	=====	=====	=====	

Cemeteries acquired in 1999 and 2000 contributed additional revenues of approximately \$4 million and attributed to the majority of the increase in gross profit.

OTHER

General and administrative expenses for the year ended December 31, 2000, increased \$1.0 million or 10.7% over 1999. As a percentage of net revenues, general and administrative expenses increased from 6.0% in 1999 to 6.3% in 2000.

Interest expense for the year ended December 31, 2000, increased \$3.3 million or 19.3% over 1999 resulting from higher financing costs and interest rates, and higher debt levels resulting from the prior year acquisitions.

Special and other charges for the year ended December 31, 2000 were \$102.3 million as discussed in the previous Overview section compared to \$2.5 million for the year ended December 31, 1999. The 1999 Special and other charges related to compensation charges in connection with contract extensions to certain top executive officers.

Other income in 1999 relates to the reduction of a previously estimated liability related to a lawsuit which was settled. There was no other income recorded during 2000.

Preferred dividends of \$93,000 for 1999 and \$81,000 for 2000 were subtracted from net income in computing earnings attributable to common stockholders for purposes of computing basic and diluted earnings per common share.

Carriage provided for income taxes and tax benefits on income before income taxes and extraordinary item at a combined state and federal tax rate of 43.8% and 7.9% for the years ended December 31, 1999 and 2000, respectively. Amortization of names and reputations related to certain acquisitions, which is nondeductible, is the primary cause of our effective rate exceeding the combined federal and state statutory income tax rates in 1999. The sale of properties in 2000 generated substantial losses for income tax purposes. The low tax rate for the year 2000 is due to the limitation on the tax benefit, of those losses, to the amount that can reasonably be expected to be refunded in the foreseeable future from carrybacks of the tax loss.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

FUNERAL HOME SEGMENT. The following table sets forth certain information regarding Carriage's net revenues and gross profit from our funeral home operations during the years ended December 31, 1998 and 1999:

	YEAR ENDED DECEMBER 31,		CHANGE	
	1998	1999	AMOUNT	PERCENT
(DOLLARS IN THOUSANDS)				
Net revenues:				
Existing operations.....	\$79,954	\$ 82,993	\$ 3,039	3.8%
Acquired operations.....	13,011	42,271	29,260	*
Total net revenues.....	\$92,965	\$125,264	\$32,299	34.7%
Gross profit:				
Existing operations.....	\$23,767	\$ 23,387	\$ (380)	(1.6)%
Acquired operations.....	4,269	12,152	7,883	*
Total gross profit.....	\$28,036	\$ 35,539	\$ 7,503	26.8%

* Not meaningful.

As a result of Carriage's rapid growth, existing operations represented only 66% of the total funeral revenues and only 66% of the total funeral gross profit for the year ended December 31, 1999.

Total funeral net revenues for the year ended December 31, 1999, increased \$32.3 million or 34.7% over 1998. The higher net revenues reflect an increase of \$29.3 million in net revenues from acquired operations and an increase in net revenues of \$3.0 million or 3.8% from existing operations. For existing operations there was a 2.6% increase in the average revenue per funeral service, and a 1.2% increase in the number of funeral services performed.

Total funeral gross profit for the year ended December 31, 1999, increased \$7.5 million or 26.8% over 1998. The higher total gross profit reflected an increase of \$7.9 million from acquired operations and a slight decrease from existing operations. Gross profit for existing operations decreased primarily due to the increase in the percent of funeral services which involved cremations compared to the prior year, as well as a higher portion of incentive compensation payable in cash rather than in stock options. Total gross margin decreased from 30.2% for 1998 to 28.4% for 1999.

CEMETERY SEGMENT. The following table sets forth certain information regarding Carriage's net revenues and gross profit from cemetery operations for the years ended December 31, 1998 and 1999:

	YEAR ENDED DECEMBER 31,		CHANGE	
	1998	1999	AMOUNT	PERCENT
(DOLLARS IN THOUSANDS)				
Net revenues:				
Existing operations.....	\$20,518	\$20,760	\$ 242	1.2%
Acquired operations.....	3,358	22,443	19,085	*
Total net revenues.....	\$23,876	\$43,203	\$19,327	80.9%
Gross profit:				
Existing operations.....	\$ 5,888	\$ 5,080	\$ (808)	(13.7)%
Acquired operations.....	400	5,865	5,465	*
Total gross profit.....	\$ 6,288	\$10,945	\$ 4,657	74.1%

* Not meaningful.

As a result of Carriage's rapid growth, existing operations represented approximately 48.1% of cemetery revenues and approximately 46.4% of cemetery gross profit for the year ended December 31, 1999.

Total cemetery net revenues for the years ended December 31, 1999 increased \$19.3 million or 80.9% over 1998 and total cemetery gross profit increased \$4.7 million or 74.1% over 1998. The higher net revenues reflect an increase of \$19.1 million in net revenues from acquired operations and a moderate increase in revenues from existing operations. Total gross margin decreased slightly from 26.3% for the year ended December 31, 1998 to 25.3% for the year ended December 31, 1999. The decrease in gross margin was due primarily to our acquisition of 14 cemeteries during 1999, and increased preneed marketing expenditures.

OTHER

During 1999, the Board of Directors authorized new five-year contracts to certain top executive officers. A special compensation charge in the amount of \$2.5 million was recorded in general and administration expenses in connection with the contract extensions.

General and administrative expenses for the year ended December 31, 1999, increased \$4.2 million or 55.2% over 1998. The increase was \$1.7 million or 22.2% without the special compensation charge. As a percentage of net revenues, general and administrative expenses decreased, without including the special compensation charge, as the expenses were spread over a larger volume of revenue.

Interest expense for the year ended December 31, 1999, increased \$7.6 million or 79% over 1998 due to higher financing costs and interest rates and increased borrowings for acquisitions.

All of the Series F redeemable preferred stock, or approximately \$20 million, were converted to Class A common stock by December 31, 1998. Dividends on this preferred stock were 4% per annum. Preferred dividends of \$606,000 for 1998 and \$93,000 for 1999 were subtracted from net income in computing earnings attributable to common stockholders, for purposes of computing basic and diluted earnings per common share. The reduction in preferred stock dividends from 1998 to 1999 was due to conversions of preferred stock to common stock during the year.

Carriage provided for income taxes on income before income taxes and extraordinary item at a combined state and federal tax rate of 44% and 43.8% for the years ended December 31, 1998 and 1999, respectively. Amortization of names and reputations related to certain acquisitions, which is nondeductible, is the primary cause of our effective rate exceeding the combined federal and state statutory income tax rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled \$3.2 million at December 31, 2000, representing an increase of \$693,000 from December 31, 1999. For the year ended December 31, 2000, cash provided by operations was \$27.1 million as compared to \$17.0 million for the year ended December 31, 1999. The increase in net cash provided by operations was principally a result of a decrease in the growth of receivables, inventory and preneed funeral costs. Cash used in investing activities was \$18.5 million for the year ended December 31, 2000 compared to \$66.7 million in 1999, primarily due to a slowing in the number of acquisitions in 2000 as compared to the number in 1999. In 2000, cash flow used by financing activities amounted to approximately \$8.0 million, primarily due to the payments to prior owners on acquisition related obligations incurred in prior years, and the fees associated with the modification of our financial covenants, a critical element in our "Fresh Start" restructuring program. At December 31, 2000, the Company had additional obligations of contingent payments to prior owners outstanding totaling up to \$11.0 million. Approximately half of these obligations are anticipated to be due in the second quarter of 2001 with the remainder due in the first quarter of 2002. Aside from these obligations, for the next two years the Company currently intends to utilize the majority of free cash flow and proceeds from the sale of assets to reduce the amount of debt outstanding and thereby improve credit ratios.

On June 3, 1999, the Company's subsidiary, Carriage Services Capital Trust, completed the sale of 1,875,000 units of 7% convertible preferred securities, with a maturity in 30 years, resulting in approximately \$90 million in net proceeds to the Company, of which \$77.4 million was used to repay outstanding indebtedness under the Company's credit facility, with the remaining \$12.6 million used for general corporate purposes.

On July 1, 1999, the Company issued \$110 million in senior debt notes and used the proceeds to reduce the amount outstanding under the Company's revolving line of credit. The notes are unsecured, mature in tranches of \$25 million in five, \$60 million in seven and \$25 million in nine years and bear interest at the fixed rates of 7.73%, 7.96% and 8.06%, respectively.

Historically, we have financed our acquisitions with proceeds from debt and the issuance of common and preferred stock. As of December 31, 1999 and 2000, we had 1,182,500 shares of Series D Preferred Stock issued and outstanding. The Series D Preferred Stock is convertible into Class B Common Stock. The holders of Series D Preferred Stock are entitled to receive cash dividends at an annual rate of \$.06 to \$.07 per share depending upon when such shares were issued. 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, we 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. During the twelve months ended December 31, 2000, holders of Series D Preferred Stock converted no shares into shares of Class A Common Stock.

At December 31, 1999, the Company had a credit facility with a group of banks for a \$260 million revolving line of credit. On November 6, 2000, we finalized our modified credit agreement to include a reduction in our bank revolving credit facility from \$260 million to \$100 million. The reduction in the revolving credit capacity reflected our intention to not make any additional large acquisitions and, therefore we did not wish to continue paying a commitment fee for availability that was not going to be used. With \$51.5 million available under our revolving credit facility at March 15, 2001, the Company is currently positioned with adequate financial liquidity. We have no significant maturities until 2004 and expect to have sufficient free cash flow to satisfy or refinance our scheduled maturities as they occur. At December 31, 2000, the Company's debt to total capitalization was 52.7%.

The Company's credit facility and Senior Notes modifications included new covenants containing the following: (1) flexibility in the minimum net worth requirement to allow for restructuring charges; (2) the addition of a limit on the maximum ratio of debt to earnings before interest, taxes, depreciation and amortization, which becomes more restrictive over time; and (3) the addition of a provision limiting acquisitions above a certain size without prior approval. While the Company projects that we will be able to stay within our financial covenants, there is no assurance that we will be successful in doing so.

Similar modifications to the Senior Notes agreements additionally require that a significant portion of any proceeds from the sales of assets be offered to the note holders as prepayment of the amounts outstanding. At December 31, 2000, there was \$110 million in principle amount outstanding under these notes. In the first quarter of 2001 prepayments were made in the amount of \$1.8 million related to the \$2.6 million proceeds from the sales of assets in the fourth quarter of 2000.

During 2000 the Company modified its approach to marketing preneed funeral contracts to: (1) emphasize insurance products over trust products; (2) eliminate the national and regional overhead management structure; and (3) outsource a significant portion of the administration. These changes significantly reduced the cash investment that has historically been required to generate this backlog of business. In 1999, \$49.1 million of preneed funeral sales were generated for a cash outlay of \$9.5 million. In 2000, \$37.9 million of preneed funeral sales were generated for a cash outlay of \$6.0 million. In 2001, it is anticipated that both the level of preneed funeral sales and the related cash outlay will be further reduced.

During the twelve months ended December 31, 2000, the Company incurred approximately \$10.5 million in capital expenditures, primarily related to constructing new funeral home facilities at a number of our locations. The Company believes that cash flow from operations and borrowings under the credit facility should be sufficient to fund any acquisitions and anticipated capital expenditures as well as other ongoing operating requirements. During 2000, the Company spent approximately \$2 million for the acquisition of a cemetery municipal agreement, one funeral home and other acquisition related activity. Acquisition spending during 2001 is anticipated to be less than the amounts during either of the two preceding years. The Company anticipates that the capital expenditures in 2001 will primarily be limited to those that are required to maintain the revenue capability of its existing businesses. It does not anticipate making significant capital expenditures to grow or enhance new revenue streams or acquire new businesses. Because future cash flows and the availability of financing are subject to a number of variables 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 in the future. 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.

ACCOUNTING CHANGES

In December 1999, the Securities and Exchange Commission (the "Commission") issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, which, as amended, was implemented for the fourth quarter of 2000, and applied retroactively to the first three quarters of this fiscal year, to provide guidance related to recognizing revenue in circumstances in which no specific authoritative literature exists. Members of the death care industry, in consultation with the Commission, have agreed to certain changes in the manner in which cemetery preneed sales and costs are recorded. The change that is most meaningful to the Company is a change from recording cemetery merchandise and service revenue and their related costs at the time the contract is executed, to the period in which they are delivered. These accounting changes do not result in a material change in net cash flows nor the amount of revenues we ultimately expect to realize.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting For Derivative Instruments and Hedging Activities", for which the effective date was deferred to years beginning after June 15, 2000 by SFAS No. 137, and amended by SFAS No. 138 to establish accounting and financial reporting standards for certain derivative instruments and certain hedging activities. The key provisions of SFAS No. 133, as amended, are that every derivative will be recognized as an asset or liability at its fair value and that later changes in fair value are generally reported in earnings or other comprehensive income. The Company is currently engaged in interest rate swaps that have a notional amount of \$30 million to hedge against rising interest rates on its variable rate long-term debt. The swaps, which had a fair value of \$2.2 million and \$2,341 at December 31, 1999 and December 31, 2000, respectively, are currently carried off-balance sheet, but will be reflected on the balance sheet at fair value when the Company implements SFAS 133 effective January 1, 2001.

POTENTIAL ACCOUNTING CHANGE

The Financial Accounting Standards Board has issued an exposure draft, which would change certain aspects in the manner in which businesses account for business combinations. We expect these changes to be prospective in the nature of adoption. The most significant of the proposed changes to Carriage would be the elimination of the amortization of Names and Reputations, which would have an estimated pre-tax impact of approximately \$4 million or \$.21 per diluted share per year, and testing to determine impairments, if any, for long-lived assets. The final pronouncement may change from the exposure draft.

SEASONALITY

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

INFLATION

Inflation has not had a significant impact on the results of Carriage's operations during the last three years.

ITEM 7A. QUANTITATIVE AND QUALITATIVE MARKET RISK DISCLOSURE

Carriage is exposed to market risk primarily related to potential adverse changes in interest rates as discussed below. Management is actively involved in monitoring exposure to market risk and developing and utilizing appropriate risk management techniques. We are not exposed to any other significant market risks including commodity price risk, nor foreign currency exchange risk.

Carriage is currently exposed to market risk from changes in interest rates. Our variable rate long-term borrowings primarily consist of the \$48.5 million outstanding under our \$100 million floating rate line of credit maturing in 2004. Any change in the floating rate will cause a change in interest expense. We seek to minimize the risk that interest rates will increase by entering into interest rate swap transactions. As of December 31, 2000, we were engaged in two interest rate swaps in which we exchange the floating rate payments for fixed rate payments at 90-day intervals. The interest rate swaps have a combined notional amount of \$30 million, mature in 2003, and have a weighted average fixed rate of 6.048% and a fair value of \$2,341 at December 31, 2000. Any decrease in market interest rates, assuming all other things being equal, causes the fair value of our interest rate swaps to decrease. The remainder of Carriage's long-term debt and leases consist of non-interest bearing notes and fixed rate instruments. Any increase in market interest rates causes the fair value of those liabilities to decrease.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this Item 8 are incorporated under Item 14 in Part IV of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 is incorporated by reference to the Registrant's definitive proxy statement relating to its 2001 annual meeting of shareholders, which proxy statement will be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), within 120 days after the end of the last fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference to the Registrant's definitive proxy statement relating to its 2001 annual meeting of shareholders, which proxy statement will be filed pursuant to Regulation 14A of the Exchange Act within 120 days after the end of the last fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is incorporated by reference to the Registrant's definitive proxy statement relating to its 2001 annual meeting of shareholders, which proxy statement will be filed pursuant to Regulation 14A of the Exchange Act within 120 days after the end of the last fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated by reference to the Registrant's definitive proxy statement relating to its 2001 annual meeting of shareholders, which proxy statement will be filed pursuant to Regulation 14A of the Exchange Act within 120 days after the end of the last fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A) 1 FINANCIAL STATEMENTS

The following financial statements and the Report of Independent Public Accountants are filed as a part of this report on the pages indicated:

	PAGE

Report of Independent Public Accountants.....	35
Consolidated Balance Sheets as of December 31, 1999 and 2000.....	36
Consolidated Statements of Income for the Years Ended December 31, 1998, 1999 and 2000.....	37
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 1998, 1999 and 2000.....	38
Consolidated Statements of Cash Flows for the Years Ended December 31, 1998, 1999 and 2000.....	39
Notes to Consolidated Financial Statements.....	40

(A) 2 FINANCIAL STATEMENT SCHEDULES

The following Financial Statement Schedule and the Report of Independent Accountants on Financial Statement Schedule are included in this report on the pages indicated:

	PAGE

Report of Independent Public Accountants on Financial Statement Schedule.....	62
Financial Statement Schedule II--Valuation and Qualifying Accounts.....	63

All other schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(A) 3 EXHIBITS

The exhibits to this report have been included only with the copies of this report filed with the Securities and Exchange Commission. Copies of individual exhibits will be furnished to stockholders upon written request to Carriage Services, Inc. and payment of a reasonable fee.

EXHIBIT NO.	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation, as amended, of the Company. Incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1996.
3.2	Certificate of Amendment dated May 7, 1997. Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 1997.
3.3	Certificate of Decrease, reducing the authorized Series D Preferred Stock. Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 1997.
3.4	Certificate of Decrease, reducing the authorized Series F Preferred Stock. Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 1997.
3.5	Certificate of Elimination of the Series F Preferred Stock. Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended June 30, 1999.
3.6	Certificate of Designation of the Company's Series G Junior Participating Preferred Stock. Incorporated by reference to Exhibit C to the Rights Agreement with American Stock Transfer & Trust Company dated December 18, 2000, which is attached as Exhibit 1 to the Company's Form 8-A filed December 29, 2000.
3.7	Amended and Restated Bylaws of the Company. Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-05545).
*3.8	Amendments to the Bylaws of the Company effective December 18, 2000.
4.1	Certificate of Trust of Carriage Services Capital Trust. Incorporated by reference to Exhibit 4.6 to the Company's Form S-3 Registration Statement No. 333-84141.
4.2	Amended and Restated Declaration of Trust of Carriage Services Capital Trust, dated June 3, 1999 among the Company, Wilmington Trust Company, Wilmington Trust Company, and Mark W. Duffey, Thomas C. Livengood and Terry E. Sanford. Incorporated by reference to Exhibit 4.7 to the Company's Form S-3 Registration Statement No. 333-84141.
4.3	Indenture for the Convertible Junior Subordinated Debentures due 2029 dated June 3, 1999 between the Company and Wilmington Trust Company. Incorporated by reference to Exhibit 4.8 to the Company's Form S-3 Registration Statement No. 333-84141.
4.4	Form of Carriage Services Capital Trust 7% Convertible Preferred Securities. Incorporated by reference to Exhibit 4.10 to the Company's Form S-3 Registration Statement No. 333-84141.
4.5	Form of the Company's Convertible Junior Subordinated Debentures due 2029. Incorporated by reference to Exhibit 4.11 to the Company's Form S-3 Registration Statement No. 333-84141.
4.6	Preferred Securities Guarantee dated June 3, 1999 between the Company and Wilmington Trust Company. Incorporated by reference to Exhibit 4.12 to the Company's Form S-3 Registration Statement No. 333-84141.

EXHIBIT NO.
-----DESCRIPTION

- 4.7 Common Securities Guarantee, dated June 3, 1999 by Carriage Services, Inc. as Guarantor. Incorporated by reference to Exhibit 4.13 to the Company's Form S-3 Registration Statement No. 333-84141.
- 4.8 Amendment No. 1 to Amended and Restated Declaration of Trust of Carriage Services Capital Trust. Incorporated by reference to Exhibit 4.14 to the Company's Form S-3 Registration Statement No. 333-84141.
- 4.9 Rights Agreement with American Stock Transfer & Trust Company dated December 18, 2000. Incorporated by reference to Exhibit 1 to the Company's Form 8-A filed December 29, 2000.
- 10.1 Credit Agreement among the Company, Bank of America, N.A. and the other lenders named therein dated June 14, 1999. Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended June 30, 1999.
- 10.2 Registration Rights Agreement, dated June 3, 1999, by and among Carriage Services Capital Trust, Carriage Services, Inc. and Credit Suisse First Boston Corporation. (10.1)
- 10.3 Amendment No. 1 to Credit Agreement among the Company, Bank of America, N.A. and the other lenders named therein dated July 1, 1999. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its quarter ended September 30, 1999.
- 10.4 Amendment No. 2 to Credit Agreement among the Company, Bank of America, N.A. and the other lenders named therein dated September 20, 1999. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its quarter ended September 30, 1999.
- 10.5 Amendment No. 3 to Credit Agreement among the Company, Bank of America, N.A. and the other lenders named therein dated September 15, 2000. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its quarter ended September 30, 2000.
- 10.6 Note Purchase Agreement dated July 1, 1999, for Senior Notes Issuable in Series. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its quarter ended September 30, 1999.
- 10.7 Amendment No. 1 to Note Purchase Agreement dated November 6, 2000. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its quarter ended September 30, 2000.
- 10.8 Amended and Restated 1995 Stock Incentive Plan. Incorporated herein by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1996.
- 10.9 Amendment No. 2 to 1995 Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to the Company's Form S-8 Registration Statement No. 333-85961.
- 10.10 Amended and Restated 1996 Stock Option Plan. Incorporated herein by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1996.
- 10.11 Amendment No. 2 to 1996 Stock Option Plan. Incorporated by reference to Exhibit 10.2 to the Company's Form S-8 Registration Statement No. 333-85961.
- 10.12 Amended and Restated 1996 Directors' Stock Option Plan. Incorporated herein by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1996.

EXHIBIT NO.
-----DESCRIPTION

10.13 Amendment No. 1 to 1996 Directors' Stock Option Plan. Incorporated by reference to Exhibit 10.3 to the Company's Form S-8 Registration Statement No. 333-85961.

10.14 Amendment No. 2 to 1996 Directors' Stock Option Plan. Incorporated by reference to Exhibit 10.4 to the Company's Form S-8 Registration Statement No. 333-85961.

10.15 1998 Stock Option Plan for Consultants. Incorporated by reference to Exhibit 10.1 to the Company's Form S-8 Registration Statement No. 333-62593.

10.16 Employment Agreement with Melvin C. Payne, dated November 8, 1999. Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1999.

10.17 Employment Agreement with Mark W. Duffey, dated November 8, 1999. Incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1999.

10.18 Employment Agreement with Thomas C. Livengood, dated November 8, 1999. Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1999.

10.19 Employment Agreement with Russell W. Allen, dated November 8, 1999. Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1999.

*10.20 Indemnity Agreement with Melvin C. Payne dated December 18, 2000.

*10.21 Indemnity Agreement with Mark W. Duffey dated December 18, 2000.

*10.22 Indemnity Agreement with Thomas C. Livengood dated December 18, 2000.

*10.23 Indemnity Agreement with Jay D. Dodds dated December 18, 2000.

*10.24 Indemnity Agreement with Mark F. Wilson dated December 18, 2000.

*10.25 Indemnity Agreement with Greg M. Brudnicki dated December 18, 2000.

*10.26 Indemnity Agreement with Stuart W. Stedman dated December 18, 2000.

*10.27 Indemnity Agreement with Ronald A. Erickson dated December 18, 2000.

*10.28 Indemnity Agreement with Vincent D. Foster dated December 18, 2000.

*10.29 Indemnity Agreement with C. Byron Snyder dated December 18, 2000.

*10.30 Employment Agreement with Mark F. Wilson dated January 1, 2001.

*10.31 Employment Agreement with Greg M. Brudnicki dated January 1, 2001.

*10.32 Employment Agreement with Jay D. Dodds dated November 8, 1999.

*10.33 Separation Agreement and Release with Mark W. Duffey dated December 30, 2000.

*10.34 Consulting Agreement with Mark W. Duffey dated January 1, 2001.

*10.35 Exclusive Development Agreement with Mark W. Duffey dated December 30, 2000.

*10.36 Separation Agreement and Release with Russell W. Allen dated

December 28, 2000.

- *10.37 Stock Purchase Agreement with Russell W. Allen dated December 18, 2000.
- *11.1 Statement regarding computation of per share earnings.
- *12 Calculation of Ratio of Earnings to Fixed Charges.
- *21.1 Subsidiaries of the Company.
- *23.1 Consent of Arthur Andersen LLP.

- - - - -
(*) Filed herewith.

(B) REPORTS ON FORM 8-K

Carriage filed a Current Report on Form 8-K on December 29, 2000, with respect to the adoption of a shareholder rights plan.

Carriage filed a Current Report on Form 8-K on March 28, 2001, with respect to the correspondence to the Securities and Exchange Commission regarding Staff Accounting Bulletin No. 101.

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report on its behalf by the undersigned, thereunto duly authorized on March 28, 2001.

CARRIAGE SERVICES, INC.

By: /s/ MELVIN C. PAYNE

 Melvin C. Payne
 CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE
 OFFICER, AND PRESIDENT

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and on the dates indicated.

NAME ----	TITLE -----	DATE ----
/s/ MELVIN C. PAYNE ----- Melvin C. Payne	Chairman of the Board, Chief Executive Officer, President and Director (Principal Executive Officer)	March 28, 2001
/s/ THOMAS C. LIVENGOOD ----- Thomas C. Livengood	Executive Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 28, 2001
/s/ MARK F. WILSON ----- Mark F. Wilson	Senior Vice President and Director	March 28, 2001
/s/ GREG M. BRUDNICKI ----- Greg M. Brudnicki	Senior Vice President and Director	March 28, 2001
/s/ VINCENT D. FOSTER ----- Vincent D. Foster	Director	March 28, 2001
/s/ STUART W. STEDMAN ----- Stuart W. Stedman	Director	March 28, 2001
/s/ RONALD A. ERICKSON ----- Ronald A. Erickson	Director	March 28, 2001

CARRIAGE SERVICES, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE

CONSOLIDATED FINANCIAL STATEMENTS:	
Report of Independent Public Accountants.....	F-2
Consolidated Balance Sheets as of December 31, 1999 and 2000.....	F-3
Consolidated Statements of Operations for the Years Ended December 31, 1998, 1999 and 2000.....	F-4
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 1998, 1999 and 2000.....	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 1998, 1999 and 2000.....	F-6
Notes to Consolidated Financial Statements.....	F-7

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Carriage Services, Inc.

We have audited the accompanying consolidated balance sheets of Carriage Services, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1999 and 2000 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Carriage Services, Inc., and subsidiaries as of December 31, 1999 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

As explained in Note 2 to the consolidated financial statements, the Company changed effective January 1, 2000 its method of accounting for revenue and costs related to sales of cemetery interment rights, together with the associated merchandise and services, and the related trust earnings, as well as the balance sheet presentation of preneed cemetery and funeral contracts to conform to the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements".

ARTHUR ANDERSEN LLP

Houston, Texas
February 28, 2001

CARRIAGE SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1999	2000
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 2,517	\$ 3,210
Accounts receivable		
Trade, net of allowance for doubtful accounts of \$6,058 in 1999 and \$4,572 in 2000.....	23,585	16,167
Other.....	4,941	3,828
	-----	-----
	28,526	19,995
Assets held for sale, net.....	--	10,018
Inventories and other current assets.....	13,302	9,152
	-----	-----
Total current assets.....	44,345	42,375
	=====	=====
Property, plant and equipment, at cost net of accumulated depreciation of \$17,250 in 1999 and \$19,156 in 2000.....	153,347	119,252
Cemetery property, at cost.....	65,920	61,529
Names and reputations, net of accumulated amortization of \$14,339 in 1999 and \$17,984 in 2000.....	231,393	166,585
Deferred charges and other non-current assets.....	44,585	58,506
Preneed funeral contracts.....	--	231,874
Preneed cemetery trust funds.....	--	30,164
	-----	-----
Total assets.....	\$539,590	\$710,285
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 4,726	\$ 4,240
Accrued liabilities.....	11,938	21,007
Current portion of long-term debt and obligations under capital leases.....	5,496	3,236
	-----	-----
Total current liabilities.....	22,160	28,483
Deferred cemetery revenue and preneed liabilities.....	9,099	99,623
Deferred preneed funeral contracts revenue.....	--	231,874
Long-term debt, net of current portion.....	178,942	176,662
Obligations under capital leases, net of current portion....	3,333	5,306
Deferred income taxes.....	23,021	--
	-----	-----
Total liabilities.....	236,555	541,948
	-----	-----
Commitments and contingencies		
Redeemable preferred stock.....	1,172	1,172
Company-obligated mandatorily redeemable convertible preferred securities of Carriage Services Capital Trust...	89,854	89,928
Stockholders' equity:		
Class A Common Stock, \$.01 par value; 40,000,000 shares authorized; 13,912,000 and 14,302,000 issued and outstanding in 1999 and 2000, respectively.....	139	143
Class B Common Stock; \$.01 par value; 10,000,000 shares authorized; 2,030,000 and 1,845,000 issued and outstanding in 1999 and 2000, respectively.....	20	18
Contributed capital.....	195,931	193,234
Retained earnings (deficit).....	15,919	(116,158)
	-----	-----
Total stockholders' equity.....	212,009	77,237
	-----	-----
Total liabilities and stockholders' equity.....	\$539,590	\$710,285
	=====	=====

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

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

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Revenues, net			
Funeral.....	\$92,965	\$ 125,264	\$ 127,261
Cemetery.....	23,876	43,203	35,345
	116,841	168,467	162,606
Costs and expenses			
Funeral.....	64,929	89,725	100,370
Cemetery.....	17,588	32,258	30,060
	82,517	121,983	130,430
Gross profit.....	34,324	46,484	32,176
General and administrative expenses.....	7,581	9,265	10,256
Special and other charges.....	--	2,500	102,250
Operating income (loss).....	26,743	34,719	(80,330)
Interest expense, net.....	(9,720)	(13,566)	(14,052)
Financing costs of company-obligated mandatorily redeemable convertible preferred securities of Carriage Services Capital Trust.....	--	(3,792)	(6,653)
Settlement of litigation.....	--	2,000	--
Income (loss) before income taxes, extraordinary item and cumulative effect of the change in accounting principle...	17,023	19,361	(101,035)
Provision (benefit) for income taxes.....	7,490	8,474	(8,032)
Net income (loss) before extraordinary item and cumulative effect of the change in accounting principle.....	9,533	10,887	(93,003)
Extraordinary item--loss on early extinguishment of debt, net of income tax benefit of \$151.....	--	(200)	--
Cumulative effect on prior years of the change in accounting principle, net of income tax benefit of \$20,755.....	--	--	(38,993)
Net income (loss).....	9,533	10,687	(131,996)
Preferred stock dividend requirements.....	606	93	81
Net income (loss) available to common stockholders.....	\$ 8,927	\$ 10,594	\$(132,077)
Basic earnings (loss) per share:			
Net income (loss) before extraordinary item and cumulative effect of the change in accounting principle.....	\$.67	\$.68	\$ (5.80)
Extraordinary item.....	--	(.01)	--
Cumulative effect on prior years of the change in accounting, net.....	--	--	(2.43)
Net income (loss).....	\$.67	\$.67	\$ (8.23)
Diluted earnings (loss) per share:			
Net income (loss) before extraordinary item and cumulative effect of the change in accounting principle.....	\$.65	\$.67	\$ (5.80)
Extraordinary item.....	--	(.01)	--
Cumulative effect on prior years of the change in accounting, net.....	--	--	(2.43)
Net income (loss).....	\$.65	\$.66	\$ (8.23)
Pro forma amounts assuming the change in accounting principle is applied retroactively:			
Income (loss) before extraordinary item.....	\$ 6,673	\$ 6,078	\$ (93,003)
Basic earnings (loss) per share.....	\$.46	\$.38	\$ (5.80)
Diluted earnings (loss) per share.....	\$.44	\$.37	\$ (5.80)
Net income (loss).....	\$ 6,673	\$ 5,878	\$(131,996)
Basic earnings (loss) per share.....	\$.46	\$.36	\$ (8.23)
Diluted earnings (loss) per share.....	\$.44	\$.36	\$ (8.23)

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

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	SHARES	COMMON STOCK	CONTRIBUTED CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL
	-----	-----	-----	-----	-----
			(IN THOUSANDS)		
BALANCE--DECEMBER 31, 1997.....	11,145	\$111	\$102,056	\$ (3,602)	\$ 98,565
Net income--1998.....	--	--	--	9,533	9,533
Issuance of common stock.....	3,943	40	81,339	--	81,379
Conversion of redeemable preferred stock to common stock.....	722	7	12,271	--	12,278
Purchase and retirement of treasury stock.....	(78)	(1)	(1,822)	--	(1,823)
Exercise of stock options.....	75	1	1,067	--	1,068
Preferred stock dividends.....	--	--	--	(606)	(606)
	-----	-----	-----	-----	-----
BALANCE--DECEMBER 31, 1998.....	15,807	158	194,911	5,325	200,394
Net income--1999.....	--	--	--	10,687	10,687
Issuance of common stock.....	85	1	193	--	194
Conversion of redeemable preferred stock to common stock.....	35	--	500	--	500
Exercise of stock options.....	15	--	780	--	780
Preferred stock dividends.....	--	--	--	(93)	(93)
Other.....	--	--	(453)	--	(453)
	-----	-----	-----	-----	-----
BALANCE--DECEMBER 31, 1999.....	15,942	159	195,931	15,919	212,009
Net loss--2000.....	--	--	--	(131,996)	(131,996)
Issuance of common stock.....	250	2	669	--	671
Purchase and retirement of treasury stock.....	(46)	--	(69)	--	(69)
Payment of acquisition-related obligations.....	--	--	(3,297)	--	(3,297)
Preferred stock dividends.....	--	--	--	(81)	(81)
	-----	-----	-----	-----	-----
BALANCE--DECEMBER 31, 2000.....	16,146	\$161	\$193,234	\$(116,158)	\$ 77,237
	=====	=====	=====	=====	=====

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

CARRIAGE SERVICES, INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1999	2000
	(IN THOUSANDS)		
Cash flows from operating activities:			
Net income (loss).....	\$ 9,533	\$ 10,687	\$(131,996)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of the change in accounting principle, net of tax benefit.....	--	--	38,993
Depreciation and amortization.....	11,444	16,992	21,407
Loss on early extinguishment of debt, net of income taxes.....	--	200	--
Loss on sale of business assets.....	--	--	5,676
Impairment of assets.....	--	--	86,095
Provision for losses on accounts receivable.....	1,670	3,977	5,737
Deferred income taxes (benefit).....	1,732	7,068	(6,289)
Settlement of litigation.....	--	(2,000)	--
Changes in assets and liabilities, net of effects from acquisitions:			
(Increase) in accounts receivable.....	(10,959)	(11,484)	(8,960)
(Increase) decrease in inventories and other current assets.....	(726)	(4,422)	2,978
(Increase) decrease in deferred charges and other.....	(662)	(1,243)	2
(Increase) in preneed cemetery trust funds.....	--	--	(15,827)
Increase (decrease) in accounts payable.....	1,869	(1,727)	(385)
Increase (decrease) in accrued liabilities.....	(528)	3,382	8,549
Increase (decrease) in deferred revenue and preneed liabilities.....	(1,509)	(4,475)	21,164
Net cash provided by operating activities.....	11,864	16,955	27,144
Cash flows from investing activities:			
Preneed funeral and cemetery costs.....	(5,239)	(7,570)	(10,218)
Purchase of note receivable.....	--	--	(566)
Acquisitions, net of cash acquired.....	(136,389)	(41,715)	(1,983)
Proceeds from sale of business assets.....	--	--	4,846
Capital expenditures.....	(17,098)	(17,426)	(10,547)
Net cash used in investing activities.....	(158,726)	(66,711)	(18,468)
Cash flows from financing activities:			
Proceeds from long-term debt.....	129,330	142,058	38,199
Payments on long-term debt and obligations under capital leases.....	(52,942)	(181,323)	(40,712)
Proceeds from sale of interest rate swap.....	--	--	650
Payment of acquisition-related obligations.....	--	--	(3,297)
Proceeds from issuance of common stock.....	68,922	194	671
Payment of debt modification fees.....	(373)	(2,089)	(3,275)
Proceeds from issuance of company-obligated mandatorily redeemable convertible preferred securities.....	--	89,854	--
Payment of preferred stock dividends.....	(606)	(93)	(81)
Exercise of stock options.....	1,068	780	--
Purchase and retirement of treasury stock.....	(1,771)	--	(69)
Other.....	--	--	(69)
Net cash provided (used) by financing activities.....	143,628	49,381	(7,983)
Net increase (decrease) in cash and cash equivalents.....	(3,234)	(375)	693
Cash and cash equivalents at beginning of year.....	6,126	2,892	2,517
Cash and cash equivalents at end of year.....	\$ 2,892	\$ 2,517	\$ 3,210
Supplemental disclosure of cash flow information:			
Cash paid for interest.....	\$ 9,879	\$ 15,996	\$ 20,331
Cash paid for income taxes.....	\$ 5,641	\$ 8,002	\$ 678
Non-cash consideration for acquisitions.....	\$ 23,810	\$ 2,774	\$ 2,650

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

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Carriage Services, Inc. ("Carriage" or the "Company") was founded in 1991 and incorporated under the laws of the State of Delaware on December 29, 1993. We own and operate funeral homes and cemeteries throughout the United States. We provide professional services related to funerals and interments at our funeral homes and cemeteries. Prearranged funerals and preneed cemetery property are marketed in the geographic markets served by Carriage's locations.

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The financial statements include the consolidated financial statements of Carriage Services, Inc. and its subsidiaries. In consolidation, all significant intercompany balances and transactions have been eliminated. Certain prior year amounts in the consolidated financial statements have been reclassified to conform to current year presentation.

The accounting policies and procedures reflected herein have been consistently followed during the periods presented, except for the change in accounting principle discussed in Note 2. The discussion included in the summary of significant accounting policies reflects our current policies and principles for year 2000 as a result of the Company's application of the Securities and Exchange Commission Staff Accounting Bulletin No. 101--"Revenue Recognition in Financial Statements" (SAB 101), which was adopted effective January 1, 2000. Prior periods presented are not required to be restated for such change in accounting principle. See Note 2 for a discussion of the accounting principle change and its cumulative effect as of January 1, 2000, and our discussion of the nature of the accounting principle change compared to principles applied in years prior to 2000.

FUNERAL AND CEMETERY OPERATIONS

We record the sales of funeral merchandise and services upon performance of the funeral service. Sales of cemetery interment rights are recorded as revenue in accordance with the retail land sales provisions of Statement of Financial Accounting Standards No. 66, Accounting for Sales of Real Estate. This method provides for the recognition of revenue in the period in which the customer's cumulative payments exceed 10% of the contract price related to the real estate. Costs related to the sales of interment rights, which include property and other costs related to cemetery development activities, are charged to operations using the specific identification method in the period in which the sale of the interment right is recognized as revenue. Revenue from the sales of cemetery merchandise and services are recognized in the period in which the merchandise is delivered or the service is performed. Allowances for customer cancellations, refunds and bad debts are provided at the date of sale based on the historical experience of Carriage. When preneed funeral services and merchandise are funded through third-party insurance policies, the Company earns a commission on the sale of the policies. Insurance commissions are recognized as revenues at the point at which the commission is no longer subject to refund. Accounts receivable--Trade, net consists of approximately \$11.7 million and \$11.6 million of funeral receivables and approximately \$11.9 million and \$8.0 million of current cemetery receivables at December 31, 1999 and 2000, respectively. Non-current cemetery receivables, those payable after one year, are included in Deferred charges and other non-current assets on the consolidated balance sheets. The non-current cemetery accounts receivable balances were approximately \$22.4 million and \$20.4 at December 31, 1999 and 2000, respectively (see Note 5).

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

PRENEED FUNERAL CONTRACTS

Preneed funeral sales are affected by deposits to a trust or purchase of a third-party insurance product. Pursuant to SAB 101 implementation, unperformed guaranteed prearranged funeral contracts are included in the consolidated balance sheets as Preneed funeral contracts. The balance in this asset account represents amounts due from customer receivables and third-party insurance companies, and the amounts deposited with the trustee and the accumulated earnings on these deposits. A corresponding credit is recorded to Deferred preneed funeral contracts revenue. The funeral revenue is not recorded until the service is performed. The trust income earned and the increases in insurance benefits on the insurance products are also deferred until the service is performed, in order to offset inflation in cost to provide the service in the future. The preneed insurance products totaled approximately \$106.3 million and \$138.0 million and the preneed funeral trust assets were approximately \$110.8 million and \$91.4 million at December 31, 1999 and 2000, respectively, which in the opinion of management, exceeds the future obligations under such arrangements. The types of instruments in which the trusts may invest are regulated by state agencies.

The components of Preneed funeral contracts in the consolidated balance sheet at December 31 are as follows (in thousands):

	2000

Receivables from customers.....	\$ 25,649
Due from insurance companies.....	137,959
Preneed funeral trust funds.....	91,350
Less-amounts included in Assets held for sale, net.....	(23,084)

	\$231,874
	=====

The following summary reflects the composition of the assets held in trust to satisfy Carriage's future obligations under preneed funeral arrangements. The cost basis includes interest and dividends that have been earned on the trust assets. Fair value includes unrealized gains and losses on trust assets.

	COST BASIS	FAIR VALUE
	-----	-----
	(IN THOUSANDS)	
As of December 31, 1999:		
Cash and cash equivalents.....	\$ 37,979	\$ 37,979
Fixed income investment contracts.....	30,696	30,696
Mutual funds and stocks.....	17,684	18,734
Annuities.....	24,493	24,493
	-----	-----
Total.....	\$110,852	\$111,902
	=====	=====
As of December 31, 2000:		
Cash and cash equivalents.....	\$ 37,819	\$ 37,819
Fixed income investment contracts.....	21,088	21,088
Mutual funds and stocks.....	15,081	15,256
Annuities.....	17,362	17,362
	-----	-----
Total.....	\$ 91,350	\$ 91,525
	=====	=====

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

DEFERRED PRENEED FUNERAL CONTRACTS REVENUE

Deferred preneed funeral contracts revenue represents the original contract price, trust earnings and increasing insurance benefits on unperformed guaranteed preneed funeral contracts. The amount of unperformed preneed funeral contracts to be funded by trust or third-party insurance companies are included in Deferred preneed funeral contracts revenue in the consolidated balance sheets.

CEMETERY MERCHANDISE AND SERVICE TRUST

Carriage is also generally required, by certain states, to deposit a specified amount into a merchandise and service trust fund for cemetery merchandise and service contracts sold on a preneed basis. The principal and accumulated earnings of the trust may be withdrawn by us upon maturity (generally, the death of the purchaser) or cancellation of the contracts. Trust fund investment income is recorded to deferred revenue as trust earnings accrue in the trusts, and recognized in current revenues in the period the service is performed or merchandise delivered. Merchandise and service trust fund balances, in the aggregate, were approximately \$32.2 million and \$37.1 million (including \$7.0 million in Assets held for sale, net) at December 31, 1999 and 2000, respectively.

	COST BASIS	FAIR VALUE
	-----	-----
	(IN THOUSANDS)	
As of December 31, 1999:		
Cash and cash equivalents.....	\$ 8,218	\$ 8,218
Fixed income investment contracts.....	15,895	15,895
Mutual funds and stocks.....	8,131	8,930
	-----	-----
Total.....	\$32,244	\$33,043
	=====	=====
As of December 31, 2000:		
Cash and cash equivalents.....	\$ 3,931	\$ 3,931
Fixed income investment contracts.....	21,571	21,571
Mutual funds and stocks.....	11,641	11,979
	-----	-----
Total.....	\$37,143	\$37,481
	=====	=====

PERPETUAL AND MEMORIAL CARE TRUST

In accordance with respective state laws, we are required to deposit a specified amount into perpetual and memorial care trust funds for each interment/entombment right and memorial sold. Income from the trust fund is used to provide care and maintenance for the cemeteries and mausoleums and is periodically distributed to Carriage and recognized as revenue upon distribution. The perpetual and memorial care trust assets were approximately \$30.1 million and \$29.4 million at December 31, 1999 and 2000, respectively, which, in the opinion of management, will cover future obligations to provide care and maintenance for our cemeteries and mausoleums. We do not have the right to withdraw any of the principal balances of these funds and, accordingly, these trust fund balances are not reflected in the accompanying Consolidated Balance Sheets.

DEFERRED OBTAINING COSTS

Deferred obtaining costs consist of sales commissions and other direct marketing costs applicable to preneed sales. These costs are deferred and amortized in funeral and cemetery costs and expenses

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

over the expected timing of the performance of the services or delivery of the merchandise covered by the preneed contracts (see Note 5).

CASH AND CASH EQUIVALENTS

Carriage considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

DERIVATIVE FINANCIAL SECURITIES

Carriage enters into interest rate swap agreements to reduce the impact of changes in interest rates on our floating rate debt. The swap agreements are agreements to exchange floating rates for fixed interest payments periodically over the life of the agreements without the exchange of the underlying notional amounts. Carriage's current accounting practice does not provide that interest rate swaps are recognized on the consolidated balance sheets. The differential paid or received is recognized as an adjustment to interest expense. We do not hold or issue financial instruments for trading purposes.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting For Derivative Instruments and Hedging Activities", for which the effective date was deferred to years beginning after June 15, 2000 by SFAS No. 137, and amended by SFAS No. 138 to establish accounting and financial reporting standards for certain derivative instruments and certain hedging activities. The key provisions of SFAS No. 133, as amended, are that every derivative will be recognized as an asset or liability at its fair value and that later changes in fair value are generally reported in earnings or other comprehensive income. The Company is currently engaged in interest rate swaps which have a notional amount of \$30 million to hedge against rising interest rates on its variable rate long-term debt. The swaps, which have a fair value of \$2.2 million and approximately \$2,000 at December 31, 1999 and December 31, 2000, respectively, are currently carried off-balance sheet, but will be recorded as an asset when the Company implements SFAS 133 during the first quarter of 2001. Carriage believes that the future impact of SFAS 133 will be dependent on how dramatically and in which direction interest rates change in the future.

INVENTORY

Inventory is recorded at the lower of its cost basis (determined by the specific identification method) or net realizable value.

NAMES AND REPUTATIONS

The excess of the purchase price over the fair value of net identifiable assets acquired, as determined by management in transactions accounted for as purchases, is recorded as Names and Reputations. Such amounts are amortized over 40 years using the straight-line method. Many of our acquired funeral homes have provided high quality service to families for generations. The resulting loyalty often represents a substantial portion of the value of a funeral business. Carriage reviews the carrying value of Names and Reputations at least quarterly on a location-by-location basis to determine if facts and circumstances exist which would suggest that this intangible asset might be impaired or that the amortization period needs to be modified. If indicators are present which indicate impairment may be present, we will prepare a projection of the undiscounted cash flows of the location to determine if the intangible assets, as well as the investment in other long-lived assets, are recoverable based on

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

these undiscounted cash flows. If impairment is indicated, then an adjustment will be made to reduce the carrying amount of Names and Reputations and other long-lived assets to their fair value. During the year ended December 31, 2000, approximately \$61.6 million of impairments were recorded against Names and Reputations (see Note 8).

The Financial Accounting Standards Board has issued an exposure draft, which would change certain aspects in the manner in which businesses account for business combinations. We expect these changes to be prospective in the nature of adoption. The most significant of the proposed changes to Carriage would be the elimination of the amortization of Names and Reputations, and the testing for and recording of impairments on intangible assets. The final pronouncement may change from the exposure draft.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. The costs of ordinary maintenance and repairs are charged to operations as incurred, while renewals and betterments are capitalized. Capitalized interest was approximately \$697,000 and \$621,000 in 1999 and 2000, respectively. Depreciation of property, plant and equipment is computed based on the straight-line method over the following estimated useful lives of the assets:

	YEARS -----
Buildings and improvements.....	15 to 40
Furniture and fixtures.....	7 to 10
Machinery and equipment.....	5 to 10
Automobiles.....	5 to 7

	1999	2000
	-----	-----
	(IN THOUSANDS)	
Property, plant and equipment, at cost:		
Land.....	\$ 34,061	\$ 32,849
Buildings and improvements.....	106,613	102,900
Furniture and equipment.....	29,923	30,200
	-----	-----
	170,597	165,949
Less-accumulated depreciation, net of amounts included in		
Assets held for sale, net.....	(17,250)	(19,156)
	-----	-----
	153,347	146,793
Less-amounts included in Assets held for sale, net.....	--	(27,541)
	-----	-----
	\$153,347	\$119,252
	=====	=====

INCOME TAXES

Carriage Services, Inc. and its subsidiaries file a consolidated U.S. federal income tax return. Carriage records deferred taxes for temporary differences between the tax basis and financial reporting basis of assets and liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

COMPUTATION OF EARNINGS PER COMMON SHARE

Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares consist of stock options and convertible preferred stock (see Note 13).

FAIR VALUE OF FINANCIAL INSTRUMENTS

Carriage believes that carrying value approximates fair value for cash and cash equivalents. Additionally, our floating rate credit facility approximates its fair value. Management also believes that the carrying value of our fixed rate debt and redeemable preferred stock approximates fair value. Management estimates that the fair value of the company-obligated mandatorily redeemable convertible preferred securities of Carriage Services Capital Trust at December 31, 2000 is approximately \$38 million based on available broker quotes.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. NEW ACCOUNTING PRONOUNCEMENT AND ACCOUNTING PRINCIPLE CHANGE

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101--"Revenue Recognition in Financial Statements" (SAB 101). This SAB deals with various revenue recognition issues; certain ones of which are pertinent to the death care industry. As a result, we have changed our method of recognizing preneed revenues and certain related costs of originating preneed cemetery contracts. SAB 101 was effective as of the beginning of 2000, but because of extensions to allow for implementation, we implemented the changes beginning with the fourth quarter of 2000 and have restated quarters 1 through 3 in Note 15, QUARTERLY FINANCIAL DATA. Fiscal years prior to 2000 were not required to be restated.

Previously, we had recognized sales of cemetery interment rights, together with associated merchandise and services as revenues at the time contracts were signed. Costs related to the sales of interment rights were charged to operations using the specific identification method. The costs for cemetery merchandise and services sold, but not delivered, was previously accrued as an expense at the time the cemetery revenue was recognized. Similarly, trust income on cemetery merchandise and service trusts was previously recognized when earned by the trust.

Under the new accounting principle, we follow Statement of Financial Accounting Standards No. 66, "Accounting for Sales of Real Estate", in recognizing the revenue from the sales of cemetery interment rights. This method is generally characterized by recognizing the sale in the period when the customer's payments equal or exceed 10% of the contract price related to the interment right. Costs related to the sales of interment rights are charged to operations using the specific identification method in the period in which the sale of the interment right is recognized as revenue. Revenues and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. NEW ACCOUNTING PRONOUNCEMENT AND ACCOUNTING PRINCIPLE CHANGE (CONTINUED)

costs related to the sales of cemetery merchandise and services, and earnings from the related trust funds, are deferred until the period in which the merchandise is delivered or the service is provided.

The Company recorded a non-cash charge of approximately \$39.0 million, after reduction for income taxes of approximately \$20.8 million, or \$2.43 per share, to reflect the cumulative effect of the change in accounting principle as of the beginning of the year. The effect of this change on the year ended December 31, 2000, before the cumulative effect of the accounting change was to decrease net income \$4.7 million, or \$.29 per diluted share. If the new accounting principle had been in effect in 1999 and 1998, net income would have been \$5.9 million, or \$.36 per diluted share, and \$6.7 million, \$.44 per diluted share, respectively. The revenue not recognized is included in the consolidated balance sheet in the caption "Deferred cemetery revenue and preneed liabilities".

The amount of the preneed funeral contracts receivable, the amount of the funds deposited in trust and the amount of life insurance contracts are recognized on the balance sheet as Preneed funeral contracts and Deferred preneed funeral contracts revenue. Prior to the implementation of the SAB, these preneed funeral accounts were maintained off-balance sheet. Previously, cemetery trust funds were netted against preneed liabilities on the balance sheet. The amount of these trusts, beginning January 1, 2000 are included in the non-current asset section of the consolidated balance sheet.

3. ACQUISITIONS

During 2000, we acquired 1 funeral home and 1 cemetery through the purchase of stock and assets. In 1999, we acquired 17 funeral homes and 14 cemeteries through the purchase of stock and assets. These transactions have been accounted for utilizing the purchase method of accounting and the results of operations of the acquired businesses have been included in our operating results from the respective dates of acquisition.

In accordance with APB Opinion 16, purchase prices were allocated to the net assets acquired based on our estimate of the fair value of the acquired assets and liabilities at the date of acquisition. Many of our acquired funeral homes have provided high quality service to families for generations. The resulting loyalty often represents a substantial portion of the value of a funeral business. As a result, the excess of the consideration paid over the fair value of net tangible and other identifiable intangible assets is allocated to Names and Reputations. Future adjustments to the allocation of the purchase price may be made during the 12 months following the date of acquisition due to resolution of uncertainties existing at the acquisition date, which may include obtaining additional information regarding asset and liability valuations.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. ACQUISITIONS (CONTINUED)

The effect of the above acquisitions on the consolidated balance sheets at December 31, 1999 and 2000 was as follows:

	1999	2000
	-----	-----
	(IN THOUSANDS)	
Current Assets.....	\$ 8,347	\$ 137
Cemetery Property.....	4,214	0
Property, Plant and Equipment.....	11,956	1,375
Deferred Charges and Other Non-current Assets.....	1,139	260
Names and Reputations.....	26,225	5,256
Current Liabilities.....	(3,240)	(1,849)
Debt.....	(1,684)	(290)
Other Liabilities.....	(2,468)	(256)
	-----	-----
	44,489	4,633
Consideration:		
Debt.....	(2,774)	(2,650)
Cash acquired in acquisitions.....	--	--
Common stock issued.....	--	--
	-----	-----
Cash used for acquisitions.....	\$41,715	\$ 1,983
	=====	=====

The following table reflects, on an unaudited pro forma basis, the combined operations of Carriage and the businesses acquired during 1999 as if such acquisitions had taken place at the beginning of 1999. The 2000 acquisitions were not material. Appropriate adjustments have been made to reflect the accounting basis used in recording these acquisitions. 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 combination been in effect on the date indicated, that have resulted since the respective dates of acquisition or that may result in the future.

	1999

	(UNAUDITED AND IN THOUSANDS)
Revenues, net.....	\$179,109
Income before income taxes and extraordinary item.....	19,567
Net income available to common stockholders.....	10,625
Earnings per share:	
Basic.....	\$.67
Diluted.....	.66

In 1999, as part of the purchase price consideration in the acquisition of certain funeral homes and cemeteries, we issued shares of Class A Common Stock and guaranteed the stock would trade at certain agreed-upon levels during defined future periods ranging from one to three years. Should the stock not trade at these levels, then we would makeup the difference by issuing additional shares or paying the seller additional cash during the years 2000 through 2002. The present value of these price guarantees has been recorded as part of the purchase price of these acquisitions. During 2000, we paid \$3,297,000 in satisfaction of the guarantee obligations that matured in 2000. Using the December 31, 2000 closing price of the stock, the remaining obligations would have a value of approximately \$11 million.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ASSETS HELD FOR SALE

During the latter half of 2000, management identified certain businesses and other assets to be sold as part of the Company's Fresh Start initiative. The carrying value of the net assets of those businesses and other assets has been reduced to management's estimate of fair value less estimated costs to sell by providing a charge for impairment in the amount of \$29.3 million. In estimating fair value, management considered, among other things, the range of preliminary prices being discussed with potential buyers. At December 31, 2000, Assets held for sale, net represents the net assets of 26 funeral homes, 13 cemeteries and 14 parcels of real estate. A summary of the net assets included in the category is as follows:

	2000

	(IN THOUSANDS)
Accounts receivable, net.....	\$ 3,630
Inventories and other current assets.....	682
Property, plant and equipment, net.....	23,760
Cemetery property.....	4,470
Names and reputations, net.....	15,275
Preneed cemetery and funeral trust funds and other assets...	35,280

Total assets.....	83,097
Current liabilities.....	8,087
Deferred cemetery and funeral revenue.....	33,412
Long-term debt.....	2,303

Total liabilities.....	43,802
Net assets held for sale.....	39,295
Allowance for impairment.....	(29,277)

Assets held for sale, net.....	\$ 10,018
	=====

The operating results of the businesses held for sale included in the statement of operations for each of the three years in the period ended December 31, 2000 were as follows:

	1998	1999	2000
	-----	-----	-----
	(IN THOUSANDS)		
Funeral revenues, net.....	\$8,320	\$10,168	\$9,029
Cemetery revenues, net.....	2,960	6,019	3,598
Net income before income taxes.....	1,316	2,424	702

5. DEFERRED CHARGES AND OTHER NON-CURRENT ASSETS

Deferred charges and other non-current assets at December 31, 1999 and 2000 were as follows:

	1999	2000
	-----	-----
	(IN THOUSANDS)	
Agreements not to compete, net of accumulated amortization of \$3,535 and \$2,532, respectively.....	\$ 4,928	\$ 2,325
Non-current cemetery and notes receivable.....	23,006	20,383
Deferred obtaining costs, net of accumulated amortization of \$1,871 and \$3,324, respectively.....	14,120	26,312
Other.....	2,531	9,486
	-----	-----
	\$44,585	\$58,506
	=====	=====

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. DEFERRED CHARGES AND OTHER NON-CURRENT ASSETS (CONTINUED)

The cost of agreements not to compete with former owners of businesses acquired is amortized over the term of the respective agreements, ranging from four to ten years. Deferred debt expense (included in "Other" above) is being amortized over the term of the related debt. Non-current cemetery receivables result from the multi-year payment terms in the underlying contracts.

6. LONG-TERM DEBT AND RELATED DERIVATIVES

LONG-TERM DEBT

Carriage's long-term debt consisted of the following at December 31:

	1999	2000
	-----	-----
	(IN THOUSANDS)	
Credit Facility, unsecured floating rate \$100 million line, interest is due on a quarterly basis for prime borrowings and on the maturity dates of the LIBOR borrowings at the LIBOR rate plus 1.0% to 2.0% (weighted average interest rate was 8.192% at December 31, 2000), matures in September 2004.....	\$ 50,125	\$ 49,000
Senior Notes.....	110,000	110,000
Acquisition debt.....	17,956	15,921
Other.....	6,204	6,112
Less: current portion.....	(5,343)	(2,583)
	-----	-----
	178,942	178,450
Less: assets held for sale, non-current portion (see Note 4).....	--	(1,788)
	-----	-----
	\$178,942	\$176,662
	=====	=====

At December 31, 1999, the Company had a credit facility with a group of banks for a \$260 million revolving line of credit. On November 6, 2000, modifications to the credit facility and Senior Notes, which included a reduction in our bank revolving credit facility from \$260 million to \$100 million, were finalized. We decided to reduce our revolving credit capacity because we no longer intended to use our excess credit to make large acquisitions and did not want to continue to pay a commitment fee for availability that was not going to be used. The credit facility contains customary restrictive covenants, including a restriction on the payments of dividends on common stock and requires Carriage to maintain certain financial ratios. In connection with the repayment and refinancing of the credit facility in June 1999, we recognized an extraordinary loss of approximately \$200,000 net of income tax benefit of approximately \$151,000, for the write-off of the deferred loan costs associated with the early retirement of the debt.

During July 1999, Carriage issued \$110 million in senior debt notes ("the Senior Notes") and used the proceeds to reduce the amount outstanding under our revolving line of credit. The unsecured notes mature in tranches of five, seven and nine years and bear interest at the fixed rates of 7.73%, 7.96% and 8.06%, respectively. The Senior Notes contain restrictive covenants similar to the credit facility (described above) and additionally require that a significant portion of any proceeds from the sales of assets be offered to the note holders as prepayment of the amounts outstanding.

Acquisition debt consists of deferred purchase prices payable to sellers. The deferred purchase price notes bear interest at 0%, discounted at imputed interest rates ranging from 6% to 8%, with maturities from three to 15 years.

The aggregate maturities of long-term debt for the year ended December 31, 2001 and for the subsequent four years are approximately \$3,377,000, \$2,702,000, \$2,593,000, \$76,392,000 and \$2,256,000, respectively and \$93,713,000 thereafter.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT AND RELATED DERIVATIVES (CONTINUED)

OFF BALANCE SHEET DERIVATIVE FINANCIAL INSTRUMENTS

Carriage entered into interest rate swap agreements with financial institutions to manage interest costs. Interest on our debt is primarily floating. To manage the risk that interest rates will rise, we agree to exchange the floating rate payments for fixed rate payments, at 90-day intervals, calculated by reference to agreed-upon notional principal amounts. The following presents information for the interest rate swaps at December 31, 2000:

(IN THOUSANDS)

Notional amount.....	\$30,000
Weighted average fixed rate.....	6.048%
Maturity.....	2003
Fair value.....	\$ 2

7. COMPANY OBLIGATED MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES OF CARRIAGE SERVICES CAPITAL TRUST

During June 1999, Carriage, through its wholly-owned subsidiary, Carriage Services Capital Trust, completed the sale of 1,875,000 units of 7% convertible preferred securities, resulting in approximately \$90 million in net proceeds to the Company. The convertible preferred securities have a liquidation amount of \$50 per unit, and are convertible into Carriage's Class A Common Stock at the equivalent conversion price of \$20.4375 per share of Class A Common Stock. The securities mature in 2029 and are guaranteed on a subordinated basis by the Company. Distributions are payable quarterly, but may be deferred at our option for up to twenty consecutive quarters.

8. SPECIAL AND OTHER CHARGES

In connection with the Company's Fresh Start initiative (a multi-element restructuring program which is intended to improve financial and operating performance) in the second half of 2000, decisions were made to sell certain businesses and assets, to evaluate the carrying value of underperforming businesses, and to implement certain organizational changes to downsize or eliminate certain corporate functions, including the termination of 40 employees in corporate development, preneed sales and marketing, and administration. Long-term cash flow forecasts were prepared to determine whether we would recover our investment through operations for the underperforming businesses. In those instances in which our investment in a business exceeded the estimated undiscounted future cash flows, the investment was written down, through an impairment charge, to the present value of those future cash flows. Impairment charges totaled \$51 million for the underperforming businesses that we will continue to operate. An estimate of the fair value less costs to sell was determined for those businesses targeted for sale to determine whether the investment in the business would be recovered through its sale. Where the investment exceeded the fair value less costs to sell, impairment charges were recorded totaling approximately \$29.3 million (see Note 4). Charges related to this initiative include impairments

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. SPECIAL AND OTHER CHARGES (CONTINUED)

totalling approximately \$61.6 million related to Names and Reputations, and are included in the statement of operations in the caption titled "Special and other charges" and are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2000
	----- (IN THOUSANDS)
Impairment charges on businesses held for use.....	\$ 51,000
Impairment charges on businesses and other assets held for sale.....	29,277
Loss on sale of businesses and other assets held for sale and other asset impairments as a result of Fresh Start....	11,614
Employee termination severance costs, office closings and other accruals as a result of Fresh Start.....	10,359

Total.....	\$102,250 =====

Special and other charges totaling \$7.5 million are included in Accrued liabilities at December 31, 2000, substantially all of which are expected to be paid by December 31, 2001.

New five-year contracts were granted to the top executives during 1999. A special compensation charge in the amount of \$2.5 million was recorded during 1999 in connection with these contracts.

9. COMMITMENTS AND CONTINGENCIES

LEASES

Carriage leases certain office facilities, vehicles and equipment under operating leases for terms ranging from one to 15 years. Certain of these leases provide for an annual adjustment. Rent expense was approximately \$2,161,000, \$3,359,000 and \$4,819,000 for 1998, 1999 and 2000, respectively.

Assets acquired under capital leases are included in property, plant and equipment in the amount of \$6,445,000 in 1999, and \$1,075,000 in 2000, net of accumulated depreciation. Related obligations are included in current and long-term debt.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

At December 31, 2000, future minimum lease payments were as follows:

	FUTURE MINIMUM LEASE PAYMENTS	
	OPERATING LEASES	CAPITAL LEASES
	(IN THOUSANDS)	
Years ended December 31,		
2001.....	\$ 1,990	\$ 490
2002.....	1,862	465
2003.....	1,741	451
2004.....	1,538	454
2005.....	1,097	450
Thereafter.....	4,007	11,003
	-----	-----
Total future minimum lease payments.....	\$12,235	\$13,313
	=====	
Less--amount representing interest.....		(7,411)
Less--current portion of obligations under capital leases...		(81)
Less--amounts in Assets held for sale, net.....		(515)

Long-term obligations under capital leases.....		\$ 5,306
		=====

AGREEMENTS AND EMPLOYEE BENEFITS

Carriage has entered into various agreements not to compete with former owners of businesses acquired. Payments for such agreements are generally not made in advance. These agreements are generally for one to 10 years and provide for future payments annually, quarterly or monthly. The aggregate payments due under these agreements for the next five years, are approximately \$1,783,000, \$1,547,000, \$1,434,000, \$1,280,000 and \$934,000, respectively and \$1,219,000 thereafter. The aggregate minimum payments required under these contracts for the next five years are approximately \$465,000 for the years 2001 through 2003 and \$387,500 for 2004.

We sponsor a defined contribution plan (401k) and an employee stock purchase plan for the benefit of our employees. The expense for these plans has not been significant for the periods presented. In addition, we do not offer any other post-retirement or post-employment benefits.

LITIGATION

Certain of the funeral homes located in California that were acquired by Carriage in early 1997, along with other death care providers, have been defendants in litigation in the state of California alleging that a flight service contracted to dispose of cremains failed to properly carry out its duties. We, with the advice of legal counsel, have been of the opinion that there have been adequate insurance coverages, indemnities and reserves such that the results of this litigation would not have a material effect on our consolidated financial position or results of operations. Subsequent to December 31, 1999, the litigation was settled. The amount paid in the settlement was fully covered by the Company's insurance. As a result of the settlement, we reduced the estimated liability previously recorded for the matter and credited Other Income in the amount of \$2 million, effective December 31, 1999.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Additionally, we are, from time to time, subject to routine litigation arising in the normal course of our business. We, with the advice of legal counsel, similarly believe that the results of any such routine litigation or other pending legal proceedings will not have a material effect on our consolidated financial position or results of operations.

10. INCOME TAXES

The provision (benefit) for income taxes for 1998, 1999 and 2000 consisted of:

	1998	1999	2000
	-----	-----	-----
	(IN THOUSANDS)		
Current:			
U.S. Federal.....	\$4,801	\$ 818	\$(2,009)
State.....	957	588	266
	-----	-----	-----
Total current provision (benefit).....	5,758	1,406	(1,743)
	-----	-----	-----
Deferred:			
U.S. Federal.....	1,197	6,061	(5,846)
State.....	535	1,007	(443)
	-----	-----	-----
Total deferred provision (benefit).....	1,732	7,068	(6,289)
	-----	-----	-----
Total income tax provision (benefit).....	\$7,490	\$8,474	\$(8,032)
	=====	=====	=====

A reconciliation of taxes to the U.S. federal statutory rate to those reflected in the Consolidated Statements of Operations for 1998, 1999 and 2000 is as follows:

	1998	1999	2000
	-----	-----	-----
Federal statutory rate.....	35.0%	35.0%	(35.0)%
Effect of state income taxes, net of federal benefit.....	4.8	4.8	0.2
Effect of non-deductible expenses and other, net.....	4.8	3.5	10.4
Effect of valuation allowance.....	(0.6)	0.5	16.5
	-----	-----	-----
	44.0%	43.8%	(7.9)%
	====	====	=====

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant deferred tax assets and liabilities at December 31, 1999 and 2000 were as follows:

	1999	2000
	-----	-----
	(IN THOUSANDS)	
Deferred tax assets:		
Net operating loss carryforwards.....	\$ 920	\$ 1,270
Reserves not currently deductible.....	350	--
Accrued liabilities and other.....	338	3,707
Amortization of non-compete agreements.....	1,414	2,296
Amortization and depreciation.....	--	5,640
Prenet liabilities, net.....	--	9,010
	-----	-----
	3,022	21,923
Valuation allowance.....	(523)	(17,165)
	-----	-----
Total deferred tax assets.....	\$ 2,499	\$ 4,758
	=====	=====
Deferred tax liability:		
Amortization and depreciation.....	\$(18,550)	\$ --
Prenet assets, net.....	(6,536)	--
	-----	-----
Total deferred tax liabilities.....	\$(25,086)	\$ --
	=====	=====
Net deferred tax (liability) asset.....	\$(22,587)	\$ 4,758
	=====	=====
Current net deferred asset.....	\$ 434	\$ --
Non-current net deferred (liability) asset.....	(23,021)	4,758
	-----	-----
	\$(22,587)	\$ 4,758
	=====	=====

The non-current net deferred tax asset is included in Deferred charges and other non-current assets at December 31, 2000.

Carriage has recorded a valuation allowance to reflect the estimated amount of deferred tax assets for which realization is uncertain. We review the valuation allowance at the end of each quarter and make adjustments if it is determined that it is more likely than not that the NOLs will be realized. At December 31, 2000, we had approximately \$25 million of state NOL carryforwards that will expire between the years 2001 and 2020, if not utilized. Deferred tax liabilities were recorded during the year ended December 31, 1999, in the approximate amount of \$176,000, and no deferred tax assets or liabilities were recorded with respect to purchase accounting transactions during the year ended December 31, 2000.

11. STOCKHOLDERS' EQUITY

COMMON STOCK VOTING CLASSES

In connection with the initial public offering on August 8, 1996, we performed a recapitalization of our Common Stock into two classes of Common Stock (Class A and Class B), provided separate voting rights to each class and converted existing Common Stock to Class B Common Stock. The holders of Class A Common Stock are entitled to one vote for each share held on all matters submitted to a vote

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. STOCKHOLDERS' EQUITY (CONTINUED)

of common stockholders. The holders of Class B Common Stock are entitled to ten votes for each share held on all matters submitted to a vote of common stockholders.

STOCK OPTION PLANS

Carriage has four stock option plans currently in effect under which future grants may be issued: the 1995 Stock Incentive Plan (the "1995 Plan"), the 1996 Stock Option Plan (the "1996 Plan"), the 1996 Directors' Stock Option Plan (the "Directors' Plan") and the 1998 Stock Option Plan for Consultants (the "Consultants' Plan"). Substantially all of the options granted under the four stock option plans have ten-year terms.

All options granted under the 1995 Plan prior to the IPO vest immediately, while substantially all of those issued in conjunction with and after the IPO vest over a period of two to four years. Options issued under this plan, prior to Carriage's IPO, are satisfied with shares of Class B Common Stock, but options issued after that date are satisfied with shares of Class A Common Stock.

During 1999, approximately 2,459,000 shares then outstanding under these plans, including all outstanding options issued to executive officers and directors at that time, were voluntarily canceled by the holders.

Options under each of the plans and those outstanding at December 31, 2000 are as follows (in thousands):

	RESERVED -----	OUTSTANDING -----
1995 Plan.....	1,450	883
1996 Plan.....	1,300	822
Directors' Plan.....	350	215
Consultants' Plan.....	100	8

We account for stock options issued to employees under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with SFAS No. 123, "Accounting for Stock Based Compensation", our net income and income per share would have been the following pro forma amounts:

	YEAR ENDED DECEMBER 31, -----		
	1998	1999	2000

	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net income (loss) available to common stockholders:			
As reported.....	\$8,927	\$10,594	\$(132,077)
Pro forma.....	7,034	9,906	(133,522)
Net income (loss) per share available to common stockholders:			
Basic			
As reported.....	.67	.67	(8.23)
Pro forma.....	.53	.62	(8.32)
Diluted			
As reported.....	.65	.66	(8.23)
Pro forma.....	.51	.61	(8.32)

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Each of the plans is administered by a stock option committee appointed by the Board of Directors. The plans allow for options to be granted as non-qualified options, incentive stock options, reload options, alternative appreciation rights and stock bonus options. As of December 31, 2000 only non-qualified options and incentive stock options have been issued. The options are granted with an exercise price equal to or greater than the then fair market value of Carriage's Common Stock as determined by the Board of Directors.

A summary of the status of the plans at December 31, 1999 and 2000 and changes during the year ended is presented in the table and narrative below:

	YEAR ENDED DECEMBER 31,			
	1999		2000	
	SHARES (000)	WTD. AVG. EX PRICE	SHARES (000)	WTD. AVG. EX PRICE
Outstanding at beginning of period.....	1,696	\$16.73	414	\$15.30
Granted.....	1,187	13.62	1,619	2.00
Exercised.....	(10)	12.79	--	--
Canceled.....	(2,459)	15.52	(105)	13.47
Outstanding at end of year.....	414	15.30	1,928	3.73
Exercisable at end of year.....	147	15.70	944	3.82
Weighted average fair value of options granted.....	\$ 6.04		\$ 0.92	

All of the options outstanding at December 31, 2000 have exercise prices between \$1.19 and \$27.50, with a weighted average exercise price of \$3.73 and a weighted average remaining contractual life of 9.3 years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1999 and 2000, respectively: risk-free interest rates of 5.13% and 4.74%; expected dividend yield of 0% for each year; expected lives of five years; expected volatility of 42% and 56%.

EMPLOYEE STOCK PURCHASE PLAN

Beginning in 1998, Carriage provided all employees the opportunity to purchase Class A Common Stock through payroll deductions. Purchases are made quarterly, the price is 85% of the lower of the price on the grant date or the purchase date. During 1999, employees purchased a total of 106,282 shares at a weighted average price of \$8.99 per share. In 2000, employees purchased a total of 214,581 shares at a weighted average price of \$2.34 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. REDEEMABLE PREFERRED STOCK

Carriage has 20,000,000 authorized shares of Series D Preferred Stock with a par value of \$.01 per share, of which approximately 1,182,500 shares were issued and outstanding at December 31, 1999 and 2000. As of December 31, 2000, these shares can be converted into Class A Common Stock at a conversion price equal to the average market price for the ten days preceding the date of delivery of notice of conversion. At December 31, 2000, the conversion price was \$1.3813, yielding a total of 856,078 shares of Class B Common Stock that would be issuable upon conversion of the 1,182,500 shares. The holders of Series D Preferred Stock are entitled to receive preferential dividends at an annual rate ranging from \$0.06 to \$0.07 per share, payable quarterly, as long as the stock is outstanding. The Series D Preferred Stock is redeemable, in whole or in part, at the option of Carriage, at any time during the period commencing with the second anniversary of our IPO (August 8, 1998) and ending December 31, 2001. On December 31, 2001, we 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.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of the basic and diluted earnings per share for 1998, 1999 and 2000:

	1998	1999	2000
	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Numerator:			
Net income (loss) before extraordinary item and cumulative effect on prior years of the change in accounting principle.....	\$ 9,533	\$10,887	\$ (93,003)
Extraordinary item.....	--	(200)	--
Cumulative effect on prior years of the change in accounting principle.....	--	--	(38,993)
	-----	-----	-----
Net income (loss).....	9,533	10,687	(131,996)
Preferred stock dividends.....	606	93	81
	-----	-----	-----
Numerator for basic earnings (loss) per share--net income (loss) available to common stockholders.....	\$ 8,927	\$10,594	\$(132,077)
	-----	-----	-----
Effect of dilutive securities:			
Preferred stock dividends.....	--	93	--
	-----	-----	-----
Numerator for diluted earnings (loss) per share--net income (loss) available to common stockholders after assumed conversions.....	\$ 8,927	\$10,687	\$(132,077)
	-----	-----	-----
Denominator:			
Denominator for basic earnings (loss) per share--weighted average shares.....	13,315	15,875	16,056
Effect of dilutive securities:			
Series D convertible preferred stock.....	--	235	--
Stock options.....	493	26	--
	-----	-----	-----
Denominator for diluted earnings (loss) per share--adjusted weighted average shares and assumed conversions.....	13,808	16,136	16,056
	-----	-----	-----
Basic earnings (loss) per share:			
Net income (loss) before extraordinary item and cumulative effect on prior years of the change in accounting principle.....	\$.67	\$.68	\$ (5.80)
Extraordinary item.....	--	(.01)	--
Cumulative effect on prior years of the change in accounting principle.....	--	--	(2.43)
	-----	-----	-----
Net income (loss).....	\$.67	\$.67	\$ (8.23)
	=====	=====	=====
Diluted earnings (loss) per share:			
Net income (loss) before extraordinary item and cumulative effect on prior years of the change in accounting principle.....	\$.65	\$.67	\$ (5.80)
Extraordinary item.....	--	(.01)	--
Cumulative effect on prior years of the change in accounting principle.....	--	--	(2.43)
	-----	-----	-----
Net income (loss).....	\$.65	\$.66	\$ (8.23)
	=====	=====	=====

Common stock equivalents are excluded in the calculation of weighted average shares outstanding when a company reports a net loss for a period. The number of potentially antidilutive shares excluded from the calculation of fully diluted earnings per share was .8 million for the year ended December 31, 2000, because of the net loss for the year.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. MAJOR SEGMENTS OF BUSINESS

Carriage conducts funeral and cemetery operations only in the United States.

	FUNERAL	CEMETERY	CORPORATE	CONSOLIDATED
	(IN THOUSANDS, EXCEPT NUMBER OF OPERATING LOCATIONS)			
External revenues:				
2000.....	\$127,261	\$ 35,345	\$ --	\$162,606
1999.....	125,264	43,203	--	168,467
1998.....	92,965	23,876	--	116,841
Profit (loss) before extraordinary item and cumulative effect of the change in accounting principle:				
2000.....	\$ 14,984	\$ 3,140	\$(17,152)	\$ 972
Less-special and other charges, net of tax(a).....				(93,975)

				\$(93,003)
1999.....	19,586	7,412	(16,111)	10,887
1998.....	15,700	3,521	(9,688)	9,533
Total assets:				
2000.....	\$547,430	\$156,194	\$ 6,661	\$710,285
1999.....	397,835	130,650	11,105	539,590
1998.....	351,996	107,973	6,175	466,144
Depreciation and amortization:				
2000.....	\$ 13,673	\$ 3,890	\$ 3,844	\$ 21,407
1999.....	12,525	3,562	905	16,992
1998.....	8,750	2,157	537	11,444
Capital expenditures:				
2000.....	\$ 1,301	\$ 304	\$ 1,305	\$ 2,910
1999.....	20,035	4,699	3,355	28,089
1998.....	43,921	4,793	2,026	50,740
Number of operating locations at year end:				
2000.....	172	38	--	210
1999.....	182	41	--	223
1998.....	166	27	2	195
Interest expense:				
2000.....	\$ 1,488	\$ 283	\$ 18,934	\$ 20,705
1999.....	1,751	115	15,492	17,358
1998.....	1,388	69	8,263	9,720
Income tax expense (benefits):				
2000.....	\$ 10,419	\$ 1,862	\$(12,038)	\$ 243
Less-tax benefits on special charges(a).....				(8,275)

				\$(8,032)
1999.....	14,769	4,829	(11,124)	8,474
1998.....	12,336	2,767	(7,613)	7,490

(a) A substantial portion of the special and other charges relate to the funeral segment of the business.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The tables below sets forth consolidated operating results by fiscal quarter for the years ended December 31, 1999 and 2000, in thousands, except earnings per share. The first, second and third quarters of the fiscal year 2000 have been restated for the accounting change discussed in Note 2, which was implemented at the beginning of the fourth quarter of 2000, but retroactive to January 1, 2000.

	FIRST QUARTER 1999 (A)	SECOND QUARTER 1999 (A)
	-----	-----
Revenues, net.....	\$41,871	\$42,470
Gross profit.....	13,625	11,668
Net income before extraordinary item.....	4,377	3,097
Extraordinary item.....	--	(200)
Preferred stock dividend requirements.....	29	27
Net income.....	4,348	2,870
Basic earnings per common share:		
Continuing operations.....	\$.28	\$.19
Extraordinary item.....	--	(.01)
Net income.....	\$.28	\$.18
Diluted earnings per common share:		
Continuing operations.....	\$.27	\$.19
Extraordinary item.....	--	(.01)
Net income.....	\$.27	\$.18

	THIRD QUARTER 1999 (A)	FOURTH QUARTER 1999 (A)
	-----	-----
Revenues, net.....	\$40,470	\$43,656
Gross profit.....	10,038	11,153
Net income before extraordinary item.....	1,737	1,676
Extraordinary item.....	--	--
Preferred stock dividend requirements.....	22	15
Net income.....	1,715	1,661
Basic earnings per common share:		
Continuing operations.....	\$.11	\$.10
Extraordinary item.....	--	--
Net income.....	\$.11	\$.10
Diluted earnings per common share:		
Continuing operations.....	\$.11	\$.10
Extraordinary item.....	--	--
Net income.....	\$.11	\$.10

(a) Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly per share amounts does not equal the total computed for the year due to stock transactions which occurred during the periods presented.

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. QUARTERLY FINANCIAL DATA (UNAUDITED) (CONTINUED)

	FIRST QUARTER 2000 (A)		SECOND QUARTER 2000 (A)	
	AS ORIGINALLY REPORTED	RESTATED	AS ORIGINALLY REPORTED	RESTATED
Revenues, net.....	\$48,373	\$ 45,211	\$ 41,132	\$ 38,280
Gross profit.....	13,131	11,368	8,070	6,630
Net income (loss) before cumulative effect of the change in accounting principle.....	2,906	1,760	166	(770)
Cumulative effect of the change in accounting principle, net.....	--	(38,993)	--	--
Preferred stock dividend requirements.....	21	21	20	20
Net income (loss).....	2,885	(37,254)	146	(790)
Basic earnings (loss) per common share:				
Continuing operations.....	\$.18	\$.11	\$.01	\$ (.05)
Cumulative effect of the change in accounting principle, net.....	--	(2.44)	--	--
Net income (loss).....	\$.18	\$ (2.33)	\$.01	\$ (.05)
Diluted earnings (loss) per common share:				
Continuing operations.....	\$.18	\$.11	\$.01	\$ (.05)
Cumulative effect of the change in accounting principle, net.....	--	(2.44)	--	--
Net income (loss).....	\$.18	\$ (2.33)	\$.01	\$ (.05)

	THIRD QUARTER 2000 (A)		FOURTH QUARTER 2000 (A)
	AS ORIGINALLY REPORTED	RESTATED	
Revenues, net.....	\$ 40,024	\$ 38,103	\$ 41,012
Gross profit.....	6,626	5,711	8,467
Net income (loss) before cumulative effect of the change in accounting principle.....	(11,051)	(12,290)	(81,703)
Cumulative effect of the change in accounting principle, net.....	--	--	--
Preferred stock dividend requirements.....	20	20	20
Net income (loss).....	(11,071)	(12,310)	(81,723)
Basic earnings (loss) per common share:			
Continuing operations.....	\$ (.69)	\$ (.77)	\$ (5.07)
Cumulative effect of the change in accounting principle, net.....	--	--	--
Net income (loss).....	\$ (.69)	\$ (.77)	\$ (5.07)
Diluted earnings (loss) per common share:			
Continuing operations.....	\$ (.69)	\$ (.77)	\$ (5.07)
Cumulative effect of the change in accounting principle, net.....	--	--	--
Net income (loss).....	\$ (.69)	\$ (.77)	\$ (5.07)

(a) Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly per share amounts does not equal the total computed for the year due to stock transactions which occurred during the periods presented.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To Carriage Services, Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Carriage Services, Inc. and subsidiaries included in this Form 10-K, and have issued our report thereon dated February 28, 2001. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Part IV, Item 14 (a)(2) for Carriage Services, Inc. and subsidiaries is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Houston, Texas
February 28, 2001

CARRIAGE SERVICES, INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BEGINNING OF YEAR	ACQUISITION RESERVES	CHARGED TO COSTS AND EXPENSES	DIVESTITURES	DEDUCTION	BALANCE END OF YEAR
-----	-----	-----	-----			-----
			(IN THOUSANDS)			
YEAR ENDED DECEMBER 31, 1998:						
Allowance for bad debts and contract cancellations.....	\$1,291	\$2,818	\$1,670		\$2,344	\$3,435
Litigation Reserves.....	\$2,700				\$ 270	\$2,430
Environmental remediation reserves.....		\$ 450				\$ 450
YEAR ENDED DECEMBER 31, 1999:						
Allowance for bad debts and contract cancellations.....	\$3,435	\$4,647	\$3,977		\$6,001	\$6,058
Litigation Reserves.....	\$2,430				\$2,250	\$ 180
Environmental remediation reserves.....	\$ 450	\$ 85				\$ 535
YEAR ENDED DECEMBER 31, 2000:						
Allowance for bad debts and contract cancellations.....	\$6,058	\$1,543	\$4,665	\$ 237	\$7,457	\$4,572
Litigation Reserves.....	\$ 180					\$ 180
Environmental remediation reserves.....	\$ 535				\$ 10	\$ 525
Employee severance accruals.....			\$5,371		\$1,577	\$3,794
Office closing and other Fresh Start accruals.....			\$4,988		\$1,315	\$3,673

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

Earnings per share for 1998, 1999 and 2000 is calculated based on the weighted average number of common and common equivalent shares outstanding during each year as proscribed by SFAS 128. The following table sets forth the computation of the basic and diluted earnings per share for 1998, 1999 and 2000:

	1998	1999	2000
	-----	-----	-----
Net income (loss), before extraordinary item and cumulative effect of the change in accounting principle.....	\$9,533	\$10,887	\$ (93,003)
Extraordinary item.....	--	(200)	--
Cumulative effect of the change in accounting principle, net.....	--	--	(38,993)
	-----	-----	-----
Net income (loss).....	9,533	10,687	(131,996)
Preferred stock dividends.....	(606)	(93)	(81)
	-----	-----	-----
Net income (loss) available to common stockholders for basic EPS computation.....	8,927	10,594	(132,077)
Effect of dilutive securities.....	--	93	--
	-----	-----	-----
Net income (loss) available to common stockholders for diluted EPS computation.....	\$8,927	\$10,687	\$(132,077)
	=====	=====	=====
Weighted average number of common shares outstanding for basic EPS computation.....	13,315	15,875	16,056
Effect of dilutive securities:			
Series D convertible preferred stock.....	--	235	--
Stock options.....	493	26	--
	-----	-----	-----
Weighted average number of common and common equivalent shares outstanding for diluted EPS computation.....	13,808	16,136	16,056
	-----	-----	-----
Basic earnings per share:			
Net income (loss), before extraordinary item and cumulative effect of the change in accounting principle.....	\$.67	\$.68	\$ (5.80)
Extraordinary item.....	--	(.01)	--
Cumulative effect of the change in accounting principle, net.....	--	--	(2.43)
	-----	-----	-----
Net income (loss).....	\$.67	\$.67	\$ (8.23)
	=====	=====	=====
Diluted earnings per share:			
Net income (loss), before extraordinary item and cumulative effect of the change in accounting principle.....	\$.65	\$.67	\$ (5.80)
Extraordinary item.....	--	(.01)	--
Cumulative effect of the change in accounting principle, net.....	--	--	(2.43)
	-----	-----	-----
Net income (loss).....	\$.65	\$.66	\$ (8.23)
	=====	=====	=====

Common stock equivalents are excluded in the calculation of weighted average shares outstanding when a company reports a net loss for a period. The number of potentially antidilutive shares excluded from the calculation of fully diluted earnings per share was .8 million for the year ended December 31, 2000, because of the net loss for the year.

CARRIAGE SERVICES, INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (UNAUDITED AND IN THOUSANDS)

	1996*	1997	1998	1999	2000**
Fixed charges:					
Interest expense.....	\$4,347	\$ 5,889	\$ 9,720	\$17,358	\$ 20,705
Amortization of capitalized expenses related to debt.....	150	200	150	242	1,026
Rental expense.....	308	629	720	876	1,606
Total fixed charges before capitalized interest and preferred stock dividends.....	4,805	6,718	10,590	18,476	23,337
Capitalized interest.....	250	450	600	686	770
Total fixed charges.....	5,055	7,168	11,190	19,162	24,107
Preferred stock dividends.....	1,037	1,627	1,082	167	88
Total fixed charges plus preferred dividends.....	6,092	8,795	12,272	19,329	24,195
Earnings (loss) available for fixed charges:					
Earnings (loss) before income taxes, extraordinary item and cumulative effect of change in accounting principle.....	345	8,217	17,023	19,361	(101,035)
Add fixed charges before capitalized interest and preferred stock dividends.....	4,805	6,718	10,590	18,476	23,337
Total earnings (loss) available for fixed charges.....	\$5,150	\$14,935	\$27,613	\$37,837	\$(77,698)
Ratio of earnings (loss) to fixed charges(1)...	1.02	2.08	2.47	1.97	(3.22)
Ratio of earnings (loss) to fixed charges plus dividends(1).....	0.85	1.70	2.25	1.96	(3.21)

(1) For purposes of computing the ratios of earnings to fixed charges and earnings to fixed charges plus dividends: (i) earnings consist of income before provision for income taxes plus fixed charges (excluding capitalized interest) and (ii) "fixed charges" consist of interest expensed and capitalized, amortization of debt discount and expense relating to indebtedness and the portion of rental expense representative of the interest factor attributable to leases for rental property. There were no dividends paid or accrued on the Company's Common Stock during the periods presented above.

* Earnings were inadequate to cover fixed charges. The coverage deficiency was \$942,000 for 1996.

** Earnings were inadequate to cover fixed charges. The coverage deficiency was \$101,893,000 for 2000.

AMENDMENTS TO THE BYLAWS
OF
CARRIAGE SERVICES, INC.

December 18, 2000

The following amendments to the Amended and Restated Bylaws of Carriage Services, Inc., a Delaware corporation (the "Corporation"), originally adopted on July 2, 1996 (the "Bylaws"), were adopted by the Board of Directors of the Corporation on December 18, 2000:

1. Section 2.3 of the Bylaws is hereby amended in its entirety so that, as amended, said Section 2.3 shall read as follows:

"2.3 Place of Meetings. An annual meeting of stockholders may be held at any place within or without the State of Delaware designated by the board of directors. A special meeting of stockholders may be held at any place within or without the State of Delaware designated in the notice of the meeting or a duly executed waiver of notice of such meeting. The board of directors, in its sole discretion, may determine that meetings of stockholders be held by means of remote communication, provided that the Corporation implement reasonable measures to (i) verify the attendance and eligibility of remote participants, (ii) provide participants a reasonable opportunity to participate and vote, and (iii) record the votes and other actions taken by remote participants during the meeting."

2. Section 2.4 of the Bylaws is hereby amended in its entirety so that, as amended, said Section 2.4 shall read as follows:

"2.4 Notice. Written or printed notice stating the place, day, and time of each meeting of the stockholders, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered not less than ten nor more than 60 days before the date of the meeting, whether personally, by mail, or by a form of electronic transmission to each stockholder of record entitled to vote at such meeting. If such notice is to be sent by mail, it shall be directed to such stockholder at his address as it appears on the records of the Corporation, unless he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, in which case it shall be directed to him at such other address. Notice sent by a form of electronic transmission shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice, (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network together with a separate notice to the stockholder

of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; or (iv) if by any other form of electronic transmission, when directed to the stockholder. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy and shall not, at the beginning of such meeting, object to the transaction of any business because the meeting is not lawfully called or convened, or who shall, either before or after the meeting, submit a proper waiver of notice. Proper waiver of notice shall either be in writing and signed by the person entitled to notice, or transmitted electronically by the person entitled to notice."

3. Section 2.5 of the Bylaws is hereby amended in its entirety so that, as amended, said Section 2.5 shall read as follows:

"2.5 Voting List. At least ten days before each meeting of stockholders, the Secretary or other officer of the Corporation who has charge of the Corporation's stock ledger, either directly or through another officer appointed by him or through a transfer agent appointed by the board of directors, shall prepare a complete list of stockholders entitled to vote thereat, arranged in alphabetical order and showing the address of each stockholder and number of shares registered in the name of each stockholder. For a period of at least 10 days prior to such meeting, such list shall be open to examination either (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with notice of the meeting, or (ii) at the principal place of business of the Corporation during ordinary business hours. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with notice of the meeting. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation."

4. Section 2.6 of the Bylaws is hereby amended in its entirety so that, as amended, said Section 2.6 shall read as follows:

"2.6 Quorum. The holders of a majority of the outstanding shares entitled to vote on a matter, present in person or by proxy, shall constitute a quorum at any meeting of stockholders, except as otherwise provided by law, the certificate of incorporation of the Corporation, or these by-laws. For the purposes of these bylaws, a stockholder or proxy holder not physically present at a meeting of stockholders may be deemed present in person at that meeting by means of remote communication, provided that the Corporation implement reasonable measures to verify his or her attendance and eligibility. If a quorum shall not be present, in person or by proxy, at any meeting of stockholders, the stockholders entitled to vote thereat who are

present, in person or by proxy, or, if no stockholder entitled to vote is present, any officer of the Corporation may adjourn the meeting from time to time, without notice other than announcement at the meeting (unless the board of directors, after such adjournment, fixes a new record date for the adjourned meeting), until a quorum shall be present, in person or by proxy. At any adjourned meeting at which a quorum shall be present, in person or by proxy, any business may be transacted which may have been transacted at the original meeting had a quorum been present; provided that, if the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting."

5. Section 2.8 of the Bylaws is hereby amended in its entirety so that, as amended, said Section 2.8 shall read as follows:

"2.8 Method of Voting; Proxies. At any meeting of stockholders, every stockholder having the right to vote may vote either in person or by a proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact. If authorized by the board of directors, such requirement of a written ballot shall be satisfied by a ballot submitted by electronic transmission, provided that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder or proxy holder. Each such proxy shall be filed with the Secretary or an Assistant Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after three years from the date of its execution, unless otherwise provided in the proxy. If no date is stated in a proxy, such proxy shall be presumed to have been executed on the date of the meeting at which it is to be voted. Each proxy shall be revocable unless expressly provided therein to be irrevocable and coupled with an interest sufficient in law to support an irrevocable power or unless otherwise made irrevocable by law."

6. Section 5.1 of the Bylaws is hereby amended in its entirety so that, as amended, said Section 5.1 shall read as follows:

"5.1 Method. Whenever by statute, the certificate of incorporation of the Corporation, or these by-laws, notice is required to be given to any committee member, director, or stockholder and no provision is made as to how such notice shall be given, personal notice shall not be required and any such notice may be given (a) in writing, by mail, postage prepaid, addressed to such committee member, director, or stockholder at his address as it appears on the books (or in the case of a stockholder, the stock transfer records of the Corporation), (b) by a form of electronic transmission, or (c) by any other method permitted by law (including but not limited to overnight courier service or telegram). Any notice required or permitted to be given by mail shall be deemed to be delivered and given upon the time when the same is deposited in the United States; provided that, with respect to any notice given to a director by mail, the Corporation shall telefax or send by overnight courier a copy of such notice (the "Concurrent Mail Notice"), on the same day that such notice

is deposited in the mail, to a fax number or street address previously provided by a director in writing to the Corporation; and provided further, however, that failure of a director to receive the Concurrent Mail Notice shall not affect the validity of the notice given by mail. Any notice given by a form of electronic transmission, including but not limited to facsimile telecommunication, electronic mail, or posting on an electronic network, shall be deemed to be delivered if consented to by the stockholder to whom notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Such consent shall be deemed revoked if the Corporation is unable to deliver two consecutive notices by electronic transmission, and such inability becomes known to the Corporation or its transfer agent. Any notice required or permitted to be given by overnight courier service shall be deemed to be delivered and given upon the time delivered to such service with all charges prepaid and addressed as aforesaid; provided that, with respect to any notice given to a director by overnight courier service, the Corporation shall telefax a copy of such notice (the "Concurrent Courier Notice"), on the same day that such notice is deposited with the courier service, to a fax number previously provided by a director in writing to the Corporation; and provided further, however, that failure of a director to receive the Concurrent Courier Notice shall not affect the validity of the notice given by overnight courier service. Any notice required or permitted to be given by telegram, telex, or telefax to be delivered and given upon the time transmitted as aforesaid."

7. Section 5.2 of the Bylaws is hereby amended in its entirety so that, as amended, said Section 5.2 shall read as follows:

"5.2 Waiver. Whenever any notice is required to be given to any stockholder, director, or committee member of the Corporation by statute, the certificate of incorporation of the Corporation, or these by-laws, a waiver thereof either (i) in writing and signed by the person or person entitled to such notice, or (ii) by a form of electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a stockholder, director, or committee member at a meeting shall constitute a waiver of notice of such meeting, except where such person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened."

8. Section 8.8 of the Bylaws is hereby amended in its entirety so that, as amended, said Section 8.8 shall read as follows:

"8.8 Meetings by Remote Communication. Stockholders (acting for themselves or through a proxy), members of the board of directors, and members of a committee of the board of directors may participate in and hold a meeting of such stockholders, board of directors, or committee by means of remote communication, including but not limited to a conference telephone, videoconference transmission, internet chat room, or similar communications capability, provided that the Corporation implement reasonable measures to (i) verify the attendance and

eligibility of remote participants, (ii) provide participants a reasonable opportunity to participate and vote, and (iii) record the votes and other actions taken by remote participants during the meeting. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened."

9. Section 8.9 of the Bylaws is hereby amended in its entirety so that, as amended, said Section 8.9 shall read as follows:

"8.9 Action Without a Meeting. Unless otherwise restricted by the certificate of incorporation of the Corporation or by these by-laws, any action required or permitted to be taken at a meeting of the stockholders of the Corporation, the board of directors, or of any committee of the board of directors, may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by the number of stockholders required by law or the certificate of incorporation of the Corporation, all the directors or all the committee members, as the case may be, entitled to vote with respect to the subject matter thereof, and such consent shall have the same force and effect as a vote of such stockholders, directors or committee members, as the case may be, and may be stated as such in any certificate or document filed with the Secretary of State of the State of Delaware or in any certificate delivered to any person. Such consent or consents shall be filed with the minutes of proceedings of the stockholders, board or committee, as the case may be. An electronic transmission, including but not limited to a telegram, cablegram, or facsimile telecommunication, shall be deemed to be written, signed, and dated for the purposes of this section, provided that any such transmission is delivered with information from which the Corporation can determine (a) that the transmission was transmitted by the stockholder or proxy holder or by a person or persons authorized to act on his or her behalf, and (b) the date on which the transmission was transmitted, as that date shall be deemed to be the date on which the consent was signed. However, for an electronic transmission to be deemed a valid consent, such transmission must be (i) reproduced in paper form and (ii) delivered to the registered office of the Corporation in the State of Delaware, its principal place of business, or to an officer or agent of the Corporation having custody of its minute books. Any copy, facsimile, or other reliable reproduction of the entire original written consent may be used in lieu of the original writing."

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Melvin C. Payne ("Indemnatee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnatee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnatee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Services to the Company. Indemnitee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Thomas C. Livengood,
Executive Vice President

Melvin C. Payne
Address: 1922 North Blvd.
Houston, Texas 77098

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Mark W. Duffey ("Indemnitee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Services to the Company. Indemnitee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnatee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnatee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnatee or the amount of judgments or fines against Indemnatee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Melvin C. Payne,
Chief Executive Officer

Mark W. Duffey
Address: 597 Piney Point Road
Houston, Texas 77024

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Thomas C. Livengood ("Indemnitee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Services to the Company. Indemnitee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnatee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnatee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnatee or the amount of judgments or fines against Indemnatee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnatee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnatee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnatee (unless Indemnatee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnatee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnatee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnatee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnatee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnatee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnatee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnatee is entitled to indemnification under this Agreement if Indemnatee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Melvin C. Payne,
Chief Executive Officer

Thomas C. Livengood
Address: 8002 Hertfordshire Circle
Spring, Texas 77379

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Jay D. Dodds ("Indemnitee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Services to the Company. Indemnitee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnatee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnatee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnatee or the amount of judgments or fines against Indemnatee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnatee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnatee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnatee (unless Indemnatee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnatee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnatee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnatee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnatee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnatee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnatee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnatee is entitled to indemnification under this Agreement if Indemnatee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Melvin C. Payne,
Chief Executive Officer

Jay D. Dodds
Address: 18611 Walden Forest Drive
Humble, Texas 77346

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Mark F. Wilson ("Indemnitee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Services to the Company. Indemnitee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Melvin C. Payne,
Chief Executive Officer

Mark F. Wilson
Address: 5354 Stonehurst Drive
Martinez, CA 94553

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Greg M. Brudnicki ("Indemnitee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnatee do hereby covenant and agree as follows:

1. Services to the Company. Indemnatee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnatee is duly elected or appointed or until Indemnatee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnatee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnatee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnatee or the amount of judgments or fines against Indemnatee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnatee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnatee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnatee (unless Indemnatee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnatee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnatee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnatee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnatee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnatee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnatee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnatee is entitled to indemnification under this Agreement if Indemnatee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Melvin C. Payne,
Chief Executive Officer

Greg M. Brudnicki
Address: 2720 Tracy Lane
Panama City, FL 32405

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Stuart W. Stedman ("Indemnitee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnatee do hereby covenant and agree as follows:

1. Services to the Company. Indemnatee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnatee is duly elected or appointed or until Indemnatee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnatee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnatee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnatee or the amount of judgments or fines against Indemnatee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and received for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Melvin C. Payne,
Chief Executive Officer

Stuart W. Stedman
Address: 3431 Overbrook
Houston, TX 77027

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Ronald A. Erickson ("Indemnatee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnatee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnatee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Services to the Company. Indemnitee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Melvin C. Payne,
Chief Executive Officer

Ronald A. Erickson
Address: 5123 Lake Ridge Road
Edina, MN 55436

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Vincent D. Foster ("Indemnitee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnatee do hereby covenant and agree as follows:

1. Services to the Company. Indemnatee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnatee is duly elected or appointed or until Indemnatee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnatee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnatee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnatee (unless Indemnatee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnatee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnatee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnatee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnatee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnatee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnatee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnatee is entitled to indemnification under this Agreement if Indemnatee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and received for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Melvin C. Payne,
Chief Executive Officer

Vincent D. Foster
Address: 675 Strey Lane
Houston, Texas 77024

INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of the 18th day of December, 2000 by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and C. Byron Snyder ("Indemnatee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Amended and Restated Bylaws of the Company ("Bylaws") require indemnification of the officers and directors of the Company. Indemnatee may also be entitled to indemnification pursuant to the Delaware General Corporation Law ("DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnatee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Services to the Company. Indemnitee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long, as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning, of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(iii) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(iv) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below) which such person is or was serving at the request of the Company.

(v) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnatee.

(vi) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnatee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(vii) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnatee or the amount of judgments or fines against Indemnatee.

(viii) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, which imposes duties on, or involves services by, such director, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with

respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(ix) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving, at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(x) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by

or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnatee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court of Chancery shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding, or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnatee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnatee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding, by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6 Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify Indemnatee to the fullest extent permitted by law if Indemnatee is a party to or threatened

to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, Judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, Judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(c) For purposes of Sections 7(a) and 7(b), the meaning, of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which one may indemnify its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) except as otherwise provided in Sections 13 (d)-(f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the expenses incurred by Indemnitee in connection with any Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable

Expenses incurred pursuing, an action to enforce this right of advancement, including, Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application to indemnify Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(b), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to

indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the, Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been received, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination

prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining, or evaluating, of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement

of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 45 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 1.3 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this

Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(f) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company under the Agreement or any other agreement or provision of the Company's Certificate of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

14. Non-exclusivity; Survival of Rights, Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnification, or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company, or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Section 13 Proceeding).

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law, (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto, and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding, or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify, the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and accepted for by the party to whom said notice or other communication shall have been directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: President

or to any other address as may have been furnished to Indemnitee in writing by the Company.

21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company

and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, The Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding, against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

CARRIAGE SERVICES, INC.

INDEMNITEE

By: _____
Melvin C. Payne,
Chief Executive Officer

C. Byron Snyder
Address: 3920 Willowick
Houston, Texas 77019

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made effective as of the 1st day of January, 2001, is between CARRIAGE SERVICES, INC., a Delaware corporation (the "Company"), and MARK F. WILSON, a resident of Contra Costa County, California (the "Employee").

1. Employment Term. The Company hereby continues the employment of the Employee for a term commencing effective on the date first above written and, subject to earlier termination as provided in Section 7 hereof, continuing until December 31, 2003 (such term being herein referred to as the "term of this Agreement"). The Employee agrees to accept such employment and to perform the services specified herein, all upon the terms and conditions hereinafter stated.

2. Duties. The Employee shall serve the Company and shall report to, and be subject to the general direction and control of, the Chief Executive Officer of the Company or any other executive officer designated by him. The Employee shall perform the management and administrative duties of Senior Vice President of Cemetery Operations of the Company. It is anticipated that the Employee shall be primarily responsible for the Company's cemetery operations in the Western Region. The Employee shall also serve as Senior Vice President of Operations of any subsidiary of the Company as requested by the Company, and the Employee shall perform such other duties as are from time to time assigned to him by the Chief Executive Officer as are not inconsistent with the provisions hereof. It is also anticipated that Employee will retain his title as President of Carriage Funeral Services of California, Inc.

3. Extent of Service. The Employee shall devote his full business time and attention 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 require services on the part of the Employee which would in any way impair the performance of his duties under this Agreement.

4. Compensation. During the term of this Agreement, the Company shall pay the Employee a salary of \$12,500.00 per full calendar month of service completed, appropriately prorated for partial months at the commencement and end of the term of this Agreement. The salary set forth herein shall be payable in bi-weekly installments in accordance with the payroll policies of the Company in effect from time to time during the term of this Agreement. The Company shall have the right to deduct from any payment of all compensation to the Employee hereunder (x) any federal, state or local taxes required by law to be withheld with respect to such payments, and (y) any other amounts specifically authorized to be withheld or deducted by the Employee.

5. Benefits. In addition to the base salary under Section 4, the Employee shall be entitled to participate in the following benefits during the term of this Agreement:

(a) Consideration for an annual performance-based bonus within the sole discretion of the Company, as may be recommended by the Chief Executive Officer and, if applicable, approved by the Compensation Committee of the Company's Board of Directors.

(b) Eligibility for consideration of incentive stock options under the terms of one or more of the Company's stock option plans.

(c) An automobile allowance, pursuant to which Company shall provide Employee with the use of a vehicle chosen by the Employee and reasonably acceptable to the Company, with replacements no less frequently than every two years, and with optional equipment selected by Employee, and the Company shall pay all operating expenses of such automobile and procure and maintain an automobile liability insurance policy with coverage in amounts reasonably acceptable to Employee and the Company.

(d) An expense allowance, pursuant to which Company shall, in accordance with its policies and procedures, promptly reimburse Employee for reasonable expenses incurred by Employee in connection with Company's business, including, without limitation, travel expenses, food and lodging while away from home, which expenses shall be allocated to the Company and to Carriage based upon the nature of the Employee's duties in connection therewith.

(e) A club membership, pursuant to which Company shall pay all membership dues and expenses of Employee for one club of his choosing in accordance with historical practice.

(f) Such other employee benefits as are available generally to employees of the Company.

6. Certain Additional Matters. The Employee agrees that at all times during the term of this Agreement and for the two-year period specified in Section 8:

(a) The Employee will not knowingly or intentionally do or say any act or thing which will or may impair, damage or destroy the goodwill and esteem for the Company of its suppliers, employees, patrons, customers and others who may at any time have or have had business relations with the Company.

(b) The Employee will not reveal to any third person any difference of opinion, if there be such at any time, between him and the management of the Company as to its personnel, policies or practices.

(c) The Employee will not knowingly or intentionally do any act or thing detrimental to the Company or its business.

7. 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 his estate except that the Company shall pay the Employee's estate that portion of the Employee's base salary under Section 4 accrued through the date on which the Employee's death occurred. Such payment of base salary to the Employee's estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not died.

(b) Disability. If during the term of this Agreement, the Employee shall be prevented from performing his duties hereunder by reason of disability, and such disability shall continue for a period of six months, then the Company may terminate this Agreement at any time after the expiration of such six-month period. For purposes of this Agreement, the Employee shall be deemed to have become disabled when the Company, upon the advice of a qualified physician, shall have determined that the Employee has become physically or mentally incapable (excluding infrequent and temporary absences due to ordinary illness) of performing his duties under this Agreement. In the event of a termination pursuant to this paragraph (b), the Company shall be relieved of all its obligations under this Agreement, except that the Company shall pay to the Employee (or his estate in the event of his subsequent death) the Employee's base salary under Section 4 through the date on which such termination shall have occurred, reduced during such period by the amount of any benefits received under any disability policy maintained by the Company. All such payments to the Employee or his estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not become disabled.

(c) Discharge for Cause. Prior to the end of the term of this Agreement, the Company may discharge the Employee for Cause and terminate this Agreement. In such case this Agreement shall automatically terminate and the Company shall have no further obligation to the Employee or his estate other than to pay to the Employee (or his estate in the event of his subsequent death) that portion of the Employee's salary accrued through the date of termination. For purposes of this Agreement, the Company shall have "Cause" to discharge the Employee or terminate the Employee's employment hereunder upon (i) the Employee's commission of any felony or any other crime involving moral turpitude, (ii) the Employee's failure or refusal to perform all of his duties, obligations and agreements herein contained or imposed by law, including his fiduciary duties, to the reasonable satisfaction of the Company, (iii) the Employee's commission of acts amounting to gross negligence or willful misconduct to the material detriment of the Company, or (iv) the Employee's breach of any provision of this Agreement or uniformly applied provisions of the Company's employee handbook.

(d) Discharge Without Cause. Prior to the end of the term of this Agreement, the Company may discharge the Employee without Cause (as defined in paragraph (c) above)

and terminate this Agreement. In such case this Agreement shall automatically terminate and the Company shall have no further obligation to the Employee or his estate, except that the Company shall continue to pay to the Employee (or his estate in the event of his subsequent death) the Employee's base salary under Section 4, and shall continue to include the Employee in any group health and hospitalization insurance program on the same terms as other employees of the Company, for the remainder of the term of this Agreement. All such payments to the Employee or his estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not been discharged.

8. Restrictive Covenants. If the employment of the Employee is terminated for any reason (including voluntary resignation), then the Employee agrees that for a period of two (2) years thereafter, he will not, directly or indirectly:

(i) alone or for his own account, or as a officer, director, shareholder, partner, member, trustee, employee, consultant, advisor, agent or any other capacity of any corporation, partnership, joint venture, trust, or other business organization or entity, encourage, support, finance, be engaged in, interested in, or concerned with (x) any of the companies and entities described on Schedule I hereto, except to the extent that any activities in connection therewith are confined exclusively outside the Continental United States, or (y) any other funeral, cemetery or other death care business having an office or being conducted within a radius of fifty (50) miles of any funeral home, cemetery or other death care business owned or operated by the Company or any of its subsidiaries at the time of such termination;

(ii) induce or assist anyone in inducing in any way any employee of the Company or any of its subsidiaries to resign or sever his or her employment or to breach an employment contract with the Company or any such subsidiary; or

(iii) own, manage, advise, encourage, support, finance, operate, join, control, or participate in the ownership, management, operation, or control of or be connected in any manner with any business which is or may be in the funeral, mortuary, crematory, cemetery or burial insurance business or in any business related thereto (x) as part of any of the companies or entities listed on Schedule I, or (ii) otherwise within a radius of fifty (50) miles of any funeral home, cemetery or other death care business owned or operated by the Company or any of its subsidiaries at the time of such termination.

Notwithstanding the foregoing, the above covenants shall not prohibit the passive ownership of not more than one percent (1%) of the outstanding voting securities of any entity. The foregoing covenants shall not be held invalid or unenforceable because of the scope of the territory or actions subject hereto or restricted hereby, or the period of time within which such covenants respectively are operative, but the maximum territory, the action subject to such covenants and the period of time they are enforceable are subject to any determination by a final judgment of any court which has jurisdiction over the parties and subject matter.

9. Confidential Information. The Employee acknowledges that in the course of his employment by the Company he has received and will continue to receive certain trade secrets, lists of customers, management methods, operating techniques, prospective acquisitions, employee lists, training manuals and procedures, personnel evaluation procedures, financial reports and other confidential information and knowledge concerning the business of the Company and its affiliates (hereinafter collectively referred to as "Information") which the Company desires to protect. The Employee understands that the Information is confidential and he agrees not to reveal the Information to anyone outside the Company so long as the confidential or secret nature of the Information shall continue. The Employee further agrees that he will at no time use the Information in competing with the Company. Upon termination of this Agreement, the Employee shall surrender to the Company all papers, documents, writings and other property produced by his or coming into his possession by or through his employment or relating to the Information and the Employee agrees that all such materials will at all times remain the property of the Company. The Employee acknowledges that a remedy at law for any breach or attempted breach of the foregoing provisions of this Section 9 or under Section 8 above will be inadequate, and 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.

10. 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 three business days after the date mailed, postage prepaid, by certified mail, return receipt requested, or when sent by telex or telecopy and receipt is confirmed, if addressed to the respective parties as follows:

If to the Employee: Mr. Mark Wilson
 5354 Stonehurst Drive
 Martinez, CA 94553

If to the Company: Carriage Services, Inc.
 1900 St. James Place, 4th Floor
 Houston, Texas 77056
 Attn: President

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

11. 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 invalid under applicable law, such provision shall be ineffective to the extent of such provision or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

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

13. Binding Effect. Subject to the provisions of Section 12 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.

14. 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.

15. Complete Agreement. This Agreement represents the entire agreement between the parties concerning the subject hereof and supersedes all prior agreements and arrangements between the parties concerning the subject thereof. Without limiting the generality of the foregoing, this Agreement supersedes and replaces the Employment Agreement dated effective January 7, 1997 between the Employee and Carriage Funeral Services of California, Inc.

16. Governing Law. A substantial portion of the Employee's duties under this Agreement shall be performed at the Company's corporate headquarters in Houston, Texas, and this Agreement has been substantially negotiated and is being executed and delivered in the State of Texas. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Texas.

17. 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 one and the same instrument.

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

CARRIAGE SERVICES, INC.

By: _____
MELVIN C. PAYNE, Chief Executive Officer

MARK F. WILSON

SCHEDULE I
TO
EMPLOYMENT AGREEMENT
(MARK F. WILSON)

1. The following entities, together with all Affiliates thereof:

Service Corporation International
The Loewen Group Inc.
Stewart Enterprises, Inc.
Keystone Group Holdings, Inc.
Meridian Mortuary Group, Inc.
Cornerstone Family Services, Inc.
Prime Succession, Inc.
Hamilton Group, Inc.
Century Group
Saber Group
Thomas Pierce & Co.

For purposes of the foregoing, an "Affiliate" of an entity is a person that directly or indirectly controls, is under the control of or is under common control with such entity.

2. Any new entity which may hereafter be established which acquires any combination of ten or more funeral homes and/or cemeteries from any of the entities described in 1. above.
3. Any funeral home, cemetery or other death care enterprise which is managed by any entity described in 1. or 2. above.

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made effective as of the 1st day of January, 2001, is between CARRIAGE SERVICES, INC., a Delaware corporation (the "Company"), and GREG M. BRUDNICKI, a resident of Bay County, Florida (the "Employee").

1. Employment Term. The Company hereby continues the employment of the Employee for a term commencing effective on the date first above written and, subject to earlier termination as provided in Section 7 hereof, continuing until December 31, 2003 (such term being herein referred to as the "term of this Agreement"). The Employee agrees to accept such employment and to perform the services specified herein, all upon the terms and conditions hereinafter stated.

2. Duties. The Employee shall serve the Company and shall report to, and be subject to the general direction and control of, the Chief Executive Officer of the Company or any other executive officer designated by him. The Employee shall perform the management and administrative duties of Senior Vice President of Cemetery Operations of the Company. It is anticipated that the Employee shall be primarily responsible for the Company's cemetery operations in the Eastern Region. The Employee shall also serve as Senior Vice President of Operations of any subsidiary of the Company as requested by the Company, and the Employee shall perform such other duties as are from time to time assigned to him by the Chief Executive Officer as are not inconsistent with the provisions hereof.

3. Extent of Service. The Employee shall devote his full business time and attention 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 require services on the part of the Employee which would in any way impair the performance of his duties under this Agreement.

4. Compensation. During the term of this Agreement, the Company shall pay the Employee a salary of \$12,500.00 per full calendar month of service completed, appropriately prorated for partial months at the commencement and end of the term of this Agreement. The salary set forth herein shall be payable in bi-weekly installments in accordance with the payroll policies of the Company in effect from time to time during the term of this Agreement. The Company shall have the right to deduct from any payment of all compensation to the Employee hereunder (x) any federal, state or local taxes required by law to be withheld with respect to such payments, and (y) any other amounts specifically authorized to be withheld or deducted by the Employee.

5. Benefits. In addition to the base salary under Section 4, the Employee shall be entitled to participate in the following benefits during the term of this Agreement:

(a) Consideration for an annual performance-based bonus within the sole discretion of the Company, as may be recommended by the Chief Executive Officer and, if applicable, approved by the Compensation Committee of the Company's Board of Directors.

(b) Eligibility for consideration of incentive stock options under the terms of one or more of the Company's stock option plans.

(c) Such other employee benefits as are available generally to employees of the Company.

6. Certain Additional Matters. The Employee agrees that at all times during the term of this Agreement and for the two-year period specified in Section 8:

(a) The Employee will not knowingly or intentionally do or say any act or thing which will or may impair, damage or destroy the goodwill and esteem for the Company of its suppliers, employees, patrons, customers and others who may at any time have or have had business relations with the Company.

(b) The Employee will not reveal to any third person any difference of opinion, if there be such at any time, between him and the management of the Company as to its personnel, policies or practices.

(c) The Employee will not knowingly or intentionally do any act or thing detrimental to the Company or its business.

7. 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 his estate except that the Company shall pay the Employee's estate that portion of the Employee's base salary under Section 4 accrued through the date on which the Employee's death occurred. Such payment of base salary to the Employee's estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not died.

(b) Disability. If during the term of this Agreement, the Employee shall be prevented from performing his duties hereunder by reason of disability, and such disability shall continue for a period of six months, then the Company may terminate this Agreement at any time after the expiration of such six-month period. For purposes of this Agreement, the Employee shall be deemed to have become disabled when the Company, upon the advice of a qualified physician, shall have determined that the Employee has become physically or mentally incapable (excluding infrequent and temporary absences due to ordinary illness) of performing his duties under this Agreement. In the event of a termination pursuant to this

paragraph (b), the Company shall be relieved of all its obligations under this Agreement, except that the Company shall pay to the Employee (or his estate in the event of his subsequent death) the Employee's base salary under Section 4 through the date on which such termination shall have occurred, reduced during such period by the amount of any benefits received under any disability policy maintained by the Company. All such payments to the Employee or his estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not become disabled.

(c) Discharge for Cause. Prior to the end of the term of this Agreement, the Company may discharge the Employee for Cause and terminate this Agreement. In such case this Agreement shall automatically terminate and the Company shall have no further obligation to the Employee or his estate other than to pay to the Employee (or his estate in the event of his subsequent death) that portion of the Employee's salary accrued through the date of termination. For purposes of this Agreement, the Company shall have "Cause" to discharge the Employee or terminate the Employee's employment hereunder upon (i) the Employee's commission of any felony or any other crime involving moral turpitude, (ii) the Employee's failure or refusal to perform all of his duties, obligations and agreements herein contained or imposed by law, including his fiduciary duties, to the reasonable satisfaction of the Company, (iii) the Employee's commission of acts amounting to gross negligence or willful misconduct to the material detriment of the Company, or (iv) the Employee's breach of any provision of this Agreement or uniformly applied provisions of the Company's employee handbook.

(d) Discharge Without Cause. Prior to the end of the term of this Agreement, the Company may discharge the Employee without Cause (as defined in paragraph (c) above) and terminate this Agreement. In such case this Agreement shall automatically terminate and the Company shall have no further obligation to the Employee or his estate, except that the Company shall continue to pay to the Employee (or his estate in the event of his subsequent death) the Employee's base salary under Section 4, and shall continue to include the Employee in any group health and hospitalization insurance program on the same terms as other employees of the Company, for the remainder of the term of this Agreement. All such payments to the Employee or his estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not been discharged.

8. Restrictive Covenants. If the employment of the Employee is terminated for any reason (including voluntary resignation), then the Employee agrees that for a period of two (2) years thereafter, he will not, directly or indirectly:

(i) alone or for his own account, or as a officer, director, shareholder, partner, member, trustee, employee, consultant, advisor, agent or any other capacity of any corporation, partnership, joint venture, trust, or other business organization or entity, encourage, support, finance, be engaged in, interested in, or concerned with (x) any of the companies and entities described on Schedule I hereto, except to the extent that any activities

in connection therewith are confined exclusively outside the Continental United States, or (y) any other funeral, cemetery or other death care business having an office or being conducted within a radius of fifty (50) miles of any funeral home, cemetery or other death care business owned or operated by the Company or any of its subsidiaries at the time of such termination;

(ii) induce or assist anyone in inducing in any way any employee of the Company or any of its subsidiaries to resign or sever his or her employment or to breach an employment contract with the Company or any such subsidiary; or

(iii) own, manage, advise, encourage, support, finance, operate, join, control, or participate in the ownership, management, operation, or control of or be connected in any manner with any business which is or may be in the funeral, mortuary, crematory, cemetery or burial insurance business or in any business related thereto (x) as part of any of the companies or entities listed on Schedule I, or (ii) otherwise within a radius of fifty (50) miles of any funeral home, cemetery or other death care business owned or operated by the Company or any of its subsidiaries at the time of such termination.

Notwithstanding the foregoing, the above covenants shall not prohibit the passive ownership of not more than one percent (1%) of the outstanding voting securities of any entity. The foregoing covenants shall not be held invalid or unenforceable because of the scope of the territory or actions subject hereto or restricted hereby, or the period of time within which such covenants respectively are operative, but the maximum territory, the action subject to such covenants and the period of time they are enforceable are subject to any determination by a final judgment of any court which has jurisdiction over the parties and subject matter.

9. Confidential Information. The Employee acknowledges that in the course of his employment by the Company he has received and will continue to receive certain trade secrets, lists of customers, management methods, operating techniques, prospective acquisitions, employee lists, training manuals and procedures, personnel evaluation procedures, financial reports and other confidential information and knowledge concerning the business of the Company and its affiliates (hereinafter collectively referred to as "Information") which the Company desires to protect. The Employee understands that the Information is confidential and he agrees not to reveal the Information to anyone outside the Company so long as the confidential or secret nature of the Information shall continue. The Employee further agrees that he will at no time use the Information in competing with the Company. Upon termination of this Agreement, the Employee shall surrender to the Company all papers, documents, writings and other property produced by his or coming into his possession by or through his employment or relating to the Information and the Employee agrees that all such materials will at all times remain the property of the Company. The Employee acknowledges that a remedy at law for any breach or attempted breach of the foregoing provisions of this Section 9 or under Section 8 above will be inadequate, and 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.

10. 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 three business days after the date mailed, postage prepaid, by certified mail, return receipt requested, or when sent by telex or telecopy and receipt is confirmed, if addressed to the respective parties as follows:

If to the Employee: Mr. Greg M. Brudnicki
2720 Tracy Lane
Panama City, Florida 32405

If to the Company: Carriage Services, Inc.
1900 St. James Place, 4th Floor
Houston, Texas 77056
Attn: President

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

11. 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 invalid under applicable law, such provision shall be ineffective to the extent of such provision or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

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

13. Binding Effect. Subject to the provisions of Section 12 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.

14. 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.

15. Complete Agreement. This Agreement represents the entire agreement between the parties concerning the subject hereof and supersedes all prior agreements and arrangements between the parties concerning the subject thereof. Without limiting the generality of the foregoing, this Agreement supersedes and replaces the Employment Agreement dated effective November 21, 1997 between the Employee and Carriage Services of Florida, Inc.

16. Governing Law. A substantial portion of the Employee's duties under this Agreement shall be performed at the Company's corporate headquarters in Houston, Texas, and this Agreement has been substantially negotiated and is being executed and delivered in the State of Texas. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Texas.

17. 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 one and the same instrument.

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

CARRIAGE SERVICES, INC.

By: _____
MELVIN C. PAYNE, Chief Executive Officer

GREG M. BRUDNICKI

SCHEDULE I
TO
EMPLOYMENT AGREEMENT
(GREG M. BRUDNICKI)

1. The following entities, together with all Affiliates thereof:

Service Corporation International
The Loewen Group Inc.
Stewart Enterprises, Inc.
Keystone Group Holdings, Inc.
Meridian Mortuary Group, Inc.
Cornerstone Family Services, Inc.
Prime Succession, Inc.
Hamilton Group, Inc.
Century Group
Saber Group
Thomas Pierce & Co.

For purposes of the foregoing, an "Affiliate" of an entity is a person that directly or indirectly controls, is under the control of or is under common control with such entity.

2. Any new entity which may hereafter be established which acquires any combination of ten or more funeral homes and/or cemeteries from any of the entities described in 1. above.
3. Any funeral home, cemetery or other death care enterprise which is managed by any entity described in 1. or 2. above.

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made effective as of the 8th day of November, 1999, is between CARRIAGE SERVICES, INC., a Delaware corporation (the "Company"), and JAY D. DODDS, a resident of Harris County, Texas (the "Employee").

1. Employment Term. The Company hereby continues the employment of the Employee for a term commencing effective November 8, 1999 and, subject to earlier termination as provided in Section 7 hereof, continuing for a period of five (5) years thereafter (such term being herein referred to as the "term of this Agreement"). The Employee agrees to accept such employment and to perform the services specified herein, all upon the terms and conditions hereinafter stated.

2. Duties. The Employee shall serve the Company and shall report to, and be subject to the general direction and control of, the Chief Executive Officer of the Company or any other executive officer designated by him. The Employee shall perform the management and administrative duties of a member of the Operations Group of the Company. The Employee shall also serve as Senior Vice President of Operations of any subsidiary of the Company as requested by the Company, and the Employee shall perform such other duties as are from time to time assigned to him by the Executive Vice President of Operations of the Company or any other member of the Executive Committee referred to in Section 5 below, and as are not inconsistent with the provisions hereof.

3. Extent of Service. The Employee shall devote his full business time and attention 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 require services on the part of the Employee which would in any way impair the performance of his duties under this Agreement.

4. Compensation. During the term of this Agreement, the Company shall pay the Employee a salary of \$12,500.00 per full calendar month of service completed, appropriately prorated for partial months at the commencement and end of the term of this Agreement. The salary set forth herein shall be payable in bi-weekly installments in accordance with the payroll policies of the Company in effect from time to time during the term of this Agreement. The Company shall have the right to deduct from any payment of all compensation to the Employee hereunder (x) any federal, state or local taxes required by law to be withheld with respect to such payments, and (y) any other amounts specifically authorized to be withheld or deducted by the Employee.

5. Benefits. In addition to the base salary under Section 4, the Employee shall be entitled to participate in the following benefits during the term of this Agreement:

(a) An annual performance-based bonus in the amount of not less than \$40,000.00 for each fiscal year during the term of this Agreement, commencing with the fiscal year ending December 31, 2000, payable annually within 45 days following expiration of each such fiscal year. Such bonus shall be payable according to a bonus criteria to be mutually established between the Employee and the Company's Executive Committee (consisting of its Chief Executive Officer, President, Chief Financial Officer and Executive Vice President of Operations) at or about the commencement of each fiscal year of the Company. To be eligible for such annual bonus, the Employee must be employed at least 180 days of the fiscal year, and if he is employed for at least 180 days but less than the full fiscal year, the bonus will be prorated based upon the number of days completed. A bonus for 1999 performance was in the amount of \$80,000 and was paid to the Employee on or about November 8, 1999.

(b) Eligibility for consideration of incentive stock options under the terms of the Company's 1995 Stock Incentive Plan.

(c) Such other employee benefits as are available generally to employees of the Company.

6. Certain Additional Matters. The Employee agrees that at all times during the term of this Agreement and for the two-year period specified in Section 8:

(a) The Employee will not knowingly or intentionally do or say any act or thing which will or may impair, damage or destroy the goodwill and esteem for the Company of its suppliers, employees, patrons, customers and others who may at any time have or have had business relations with the Company.

(b) The Employee will not reveal to any third person any difference of opinion, if there be such at any time, between him and the management of the Company as to its personnel, policies or practices.

(c) The Employee will not knowingly or intentionally do any act or thing detrimental to the Company or its business.

7. 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 his estate except that the Company shall pay the Employee's estate that portion of the Employee's base salary under Section 4 accrued through the date on which the Employee's death occurred. Such payment of base salary to the Employee's estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not died.

(b) Disability. If during the term of this Agreement, the Employee shall be prevented from performing his duties hereunder by reason of disability, and such disability

shall continue for a period of six months, then the Company may terminate this Agreement at any time after the expiration of such six-month period. For purposes of this Agreement, the Employee shall be deemed to have become disabled when the Company, upon the advice of a qualified physician, shall have determined that the Employee has become physically or mentally incapable (excluding infrequent and temporary absences due to ordinary illness) of performing his duties under this Agreement. In the event of a termination pursuant to this paragraph (b), the Company shall be relieved of all its obligations under this Agreement, except that the Company shall pay to the Employee (or his estate in the event of his subsequent death) the Employee's base salary under Section 4 through the date on which such termination shall have occurred, reduced during such period by the amount of any benefits received under any disability policy maintained by the Company. All such payments to the Employee or his estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not become disabled.

(c) Discharge for Cause. Prior to the end of the term of this Agreement, the Company may discharge the Employee for Cause and terminate this Agreement. In such case this Agreement shall automatically terminate and the Company shall have no further obligation to the Employee or his estate other than to pay to the Employee (or his estate in the event of his subsequent death) that portion of the Employee's salary accrued through the date of termination. For purposes of this Agreement, the Company shall have "Cause" to discharge the Employee or terminate the Employee's employment hereunder upon (i) the Employee's commission of any felony or any other crime involving moral turpitude, (ii) the Employee's failure or refusal to perform all of his duties, obligations and agreements herein contained or imposed by law, including his fiduciary duties, to the reasonable satisfaction of the Company, (iii) the Employee's commission of acts amounting to gross negligence or willful misconduct to the material detriment of the Company, or (iv) the Employee's breach of any provision of this Agreement or uniformly applied provisions of the Company's employee handbook.

(d) Discharge Without Cause. Prior to the end of the term of this Agreement, the Company may discharge the Employee without Cause (as defined in paragraph (c) above) and terminate this Agreement. In such case this Agreement shall automatically terminate and the Company shall have no further obligation to the Employee or his estate, except that the Company shall continue to pay to the Employee (or his estate in the event of his subsequent death) the Employee's base salary under Section 4, and shall continue to include the Employee in any group health and hospitalization insurance program on the same terms as other employees of the Company, for the remainder of the term of this Agreement. All such payments to the Employee or his estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not been discharged.

8. Restrictive Covenants. If the employment of the Employee is terminated for any reason (including voluntary resignation), then the Employee agrees that for a period of two (2) years thereafter, he will not, directly or indirectly:

(i) alone or for his own account, or as a partner, member, employee, advisor, or agent of any partnership or joint venture, or as a trustee, officer, director, shareholder,

employee, advisor, or agent of any corporation, trust, or other business organization or entity, encourage, support, finance, be engaged in, interested in, or concerned with any business having an office or being conducted within a radius of fifty (50) miles of any funeral home or cemetery business owned or operated by the Company or any of its subsidiaries at the time of such termination, which business is directly or indirectly in competition with the business of the Company or any such subsidiary;

(ii) induce or assist anyone in inducing in any way any employee of the Company or any of its subsidiaries to resign or sever his or her employment or to breach an employment contract with the Company or any such subsidiary; or

(iii) own, manage, advise, encourage, support, finance, operate, join, control, or participate in the ownership, management, operation, or control of or be connected in any manner with any business which is or may be in the funeral, mortuary, crematory, cemetery or burial insurance business or in any business related thereto within a radius of fifty (50) miles of any funeral home or cemetery business owned or operated by the Company or any of its subsidiaries at the time of such termination.

The foregoing covenants shall not be held invalid or unenforceable because of the scope of the territory or actions subject hereto or restricted hereby, or the period of time within which such covenants respectively are operative, but the maximum territory, the action subject to such covenants and the period of time they are enforceable are subject to any determination by a final judgment of any court which has jurisdiction over the parties and subject matter.

9. Confidential Information. The Employee acknowledges that in the course of his employment by the Company he has received and will continue to receive certain trade secrets, lists of customers, management methods, operating techniques, prospective acquisitions, employee lists, training manuals and procedures, personnel evaluation procedures, financial reports and other confidential information and knowledge concerning the business of the Company and its affiliates (hereinafter collectively referred to as "Information") which the Company desires to protect. The Employee understands that the Information is confidential and he agrees not to reveal the Information to anyone outside the Company so long as the confidential or secret nature of the Information shall continue. The Employee further agrees that he will at no time use the Information in competing with the Company. Upon termination of this Agreement, the Employee shall surrender to the Company all papers, documents, writings and other property produced by him or coming into his possession by or through his employment or relating to the Information and the Employee agrees that all such materials will at all times remain the property of the Company. The Employee further agrees to maintain as confidential, and to not disclose to any other person (including other employees of the Company), the terms of this Agreement (including the compensation and benefits described in Sections 4 and 5), except that such terms may be disclosed to the Company's payroll clerk responsible for paying the Employee's compensation, appropriate taxing authorities, and otherwise as authorized by the Company. The Employee acknowledges that a remedy at law for any breach or attempted breach of the foregoing provisions of this Section 9 or under Section 8 above will be inadequate, and 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.

10. 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 three business days after the date mailed, postage prepaid, by certified mail, return receipt requested, or when sent by telex or telecopy and receipt is confirmed, if addressed to the respective parties as follows:

If to the Employee: Mr. Jay D. Dodds
18611 Walden Forest Drive
Humble, Texas 77346

If to the Company: Carriage Services, Inc.
1300 Post Oak Boulevard, Suite 1500
Houston, Texas 77056
Attn: President

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

11. 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 invalid under applicable law, such provision shall be ineffective to the extent of such provision or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

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

13. Binding Effect. Subject to the provisions of Section 12 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.

14. 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.

15. Complete Agreement. This Agreement represents the entire agreement between the parties concerning the subject hereof and supersedes all prior agreements and arrangements between the parties concerning the subject thereof. Without limiting the generality of the foregoing, this Agreement supersedes and replaces the Employment Agreement dated effective January 1999 between the Employee and the Company.

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

17. 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 one and the same instrument.

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

CARRIAGE SERVICES, INC.

By: _____
MELVIN C. PAYNE, Chief Executive Officer

JAY D. DODDS

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release is between MARK W. DUFFEY, a resident of Harris County, Texas (the "Employee"), and CARRIAGE SERVICES, INC., a Delaware corporation (the "Company").

The Employee and the Company agree as follows:

1. The Employee's full-time employment with the Company and/or one or more of its subsidiaries (the Company, together with its subsidiaries, being hereafter collectively referred to as "Carriage") will terminate effective as of December 31, 2000 (the "Transition Date") by the voluntary resignation of the Employee. The Employee shall be entitled to receive all base compensation, benefits and accrued vacation through the Transition Date.

2. Simultaneously with the parties' execution of this Agreement, the Employee shall tender his resignation, effective as of the Transition Date, as a member of the Board of Directors and as President of, together with any and all other positions he may hold with, the Company. He shall also tender his resignation as director and officer of or any other capacity with all other Carriage entities of which he may serve in any such capacity. Notwithstanding the foregoing, the Employee shall not resign as officer or director of Carriage Life Events, Inc., a Delaware corporation ("Carriage Life Events"), which the Employee acknowledges is 100% owned by the Company and as to which the Employee shall have no contractual rights except for those specifically mentioned herein and in the exhibits attached hereto.

3. This Agreement and the exhibits hereto collectively supersede and extinguish the Executive Employment Agreement between the parties dated November 8, 1999 ("Prior Employment Agreement"), as well as any other employment agreement and/or bonus or incentive compensation plan or arrangement, if any, entered into between the Employee and Carriage. Employee shall cease to be eligible to participate in any of Carriage's employee benefit plans as of the Transition Date except as otherwise expressly provided in this Agreement or the exhibits hereto. Without limiting the generality of the foregoing, the Employee shall thereupon cease to be eligible to participate in the Carriage Services 401(k) Plan, but (i) the Company shall direct the plan administrator to cause the Employee to be 100% vested in such Plan, if he is not already, and (ii) the Company shall coordinate with the Employee and the plan administrator to permit the Employee to roll-over his benefits in such plan to a new plan or individual retirement account of the Employee's choice, as provided by applicable law.

4. Simultaneously with the execution and delivery of this Agreement, the Company and the Employee have executed and delivered to one another (i) a Consulting Agreement of even date herewith, substantially in the form of Exhibit A hereto, which shall become effective as of January 1, 2001, respecting the Employee's continued status with the Company as a consultant on an independent contractor basis (the "Consulting Agreement"), and (ii) a Exclusive Development

Agreement of even date herewith, substantially in the form of Exhibit B hereto, which shall become effective as of January 1, 2001, respecting Employee's participation in the E-Commerce Venture (as hereafter defined) (the "Exclusive Development Agreement"). The parties understand that the Consulting Agreement and the Exclusive Development Agreement shall not become binding until this Agreement has become final and binding on the parties and the Company shall have received the Non-Revocation Statement referred to in Section 16 below, and in the event that the Employee revokes this Agreement pursuant to Section 16 hereof, the Consulting Agreement and the Exclusive Development Agreement shall each thereupon become void ab initio as if never entered into.

5. In lieu of any performance bonus for the year 2000, the Company shall pay the Employee a bonus under the circumstances described in this Section 5 (in addition to any bonus that might be earned in accordance with the Consulting Agreement). If (but only if) the E-Commerce Venture (as hereafter defined) receives on or before June 30, 2001 a Cash Equity Infusion (as hereafter defined) of at least \$10,000,000, then the Company shall either (i) assign to the Employee an amount equal to ten percent (10%) of the Company's equity ownership interest in the E-Commerce Venture, after giving effect to the transactions which have resulted in the Cash Equity Infusion triggering the bonus payment under this Section 5, or (ii) pay to the Employee an amount in cash, less applicable withholdings, equal to the value of such 10% of the Company's equity ownership interest. Such election shall be at the Company's sole and absolute discretion. If payment is made pursuant to clause (i) above, the Employee shall either pay the amount of his withholding obligation associated therewith in cash to the Company, or else the Company shall withhold an appropriate portion of such equity interest sufficient to pay for such withholding obligation. In determining the value of the Company's equity ownership interest in the E-Commerce Venture for purposes of clause (ii) above, the same valuations shall be used as applied in the Cash Equity Infusion, with appropriate consideration given to any preferential rights or other differences between the new investors and the Company. The parties acknowledge that the Company is currently the 100% owner of the E-Commerce Venture, and it is understood that the terms and conditions under which the Company will agree to any transaction involving a Cash Equity Infusion, including any dilution which the Company will suffer as a result thereof, will be at the Company's sole and absolute discretion, and the Company will have no liability or responsibility to the Employee if the Company declines to permit such a transaction to occur. For purposes of this Agreement:

"E-Commerce Venture" means one or more business ventures, in whatever form (whether corporation, limited liability company, general or limited partnership, joint venture, business trust or otherwise), in which the Company or its affiliates or their successors and assigns has a financial interest, if such venture is primarily engaged in acting as a portal, or distribution channel, primarily (but not exclusively) through electronic means (such as via the Internet), for consumers to plan, finance and/or fulfill major life events and celebrations, which may include but will not necessarily be limited to death care and memorialization. An E-Commerce Venture specifically excludes a business or firm that is engaged in the traditional delivery of funeral or cemetery services. The parties acknowledge that the Company has heretofore engaged Electronic Data Systems Corporation to provide certain services toward the development of such a venture, in connection with which certain intellectual property rights have been created (including but not limited to certain confidential business plans), all of which are the exclusive property of the Company, and any

business venture which arises from such intellectual property rights and concepts is specifically intended to be encompassed with the definition of "E-Commerce Venture." In addition, the parties acknowledge that Carriage Life Events has been formed for the specific purpose of developing such rights and concepts and that it constitutes an E-Commerce Venture for purposes hereof. On the other hand, neither Lifetime Reflections nor Legacy Management Partners shall be deemed E-Commerce Ventures. The parties acknowledge that the idea or concept of rating businesses or firms (other than in the death care industry) according to quality or other criteria is not intellectual property of Carriage for purposes hereof.

"Cash Equity Infusion" means funds provided by one or more investors in exchange for the issuance to such investors of equity interests in the E-Commerce Venture. Such funds shall constitute part of the Cash Equity Infusion if they are advanced for, or in connection with, the E-Commerce Venture's issuance of common stock, convertible preferred stock, or options or warrants convertible or exercisable into such common or convertible preferred stock. By way of example only, Cash Equity Infusion will include funds advanced through subordinated notes issued in conjunction with warrants to purchase common stock. The amount of the Cash Equity Infusion shall include the net cash proceeds actually received by the E-Commerce Venture, after deducting all commissions, fees and expenses (including legal and accounting fees) associated with the transaction in which the Cash Equity Infusion is made. The term "Cash Equity Infusion" specifically excludes services rendered or to be rendered in exchange for an equity interest in the E-Commerce Venture.

6. Provided the Employee does not revoke this Agreement as provided in Section 16 hereof, the Company shall pay the Employee the payments hereafter described in paragraphs (a) and (b) of this Section 6, less applicable withholdings, grant the Employee the options described in paragraph (c) of this Section 6, and provide to the Employee and his eligible dependents the benefits described in paragraph (d) of this Section 6 (collectively, the "Severance Payments"). Payment and provision of the Severance Payments, as well as all other obligations of the Company described in this Agreement and the exhibits hereto, shall in all respects be subject to the Company's receipt from the Employee of a properly completed and signed Non-Revocation Statement in the form attached as Exhibit C hereto (the "Non-Revocation Statement"). The parties understand that the Company's obligations to pay and provide the Severance Payments, and the effectiveness of all of the other agreements of the parties described herein, shall not become effective until the Company's receipt of the properly completed and signed Non-Revocation Statement, and in the event that the Employee revokes this Agreement pursuant to Section 16 hereof, all such agreements shall thereupon become void ab initio as if never entered into.

(a) The Company shall pay the Employee the sum of \$783,500, in installments ("Fixed Severance Payments"), as hereafter provided in this paragraph (a).

(i) The first installment shall be in the amount of \$200,000 and shall be due on or before three business days following the Company's receipt of the Non-Revocation Statement.

(ii) The next six installments shall be payable monthly, each in the amount of \$15,666.67, and shall be due on or before the last day of January through June 2001.

(iii) The final thirty (30) installments shall also be payable monthly, each in the amount of \$16,316.67, and shall be due on or before the last day of July 2001 through December 2003.

(iv) Notwithstanding the foregoing, if while any Fixed Severance Payments remain due and payable by the Company, the Employee sells all or any portion of the equity ownership interests owned by him or his affiliates in the E- Commerce Venture (as defined in Section 5 above), then the Net Sale Proceeds (as hereafter defined) from such transaction shall be deducted from all Fixed Severance Payments which become due after the date on consummation of such sale. For purposes of the foregoing, an affiliate of the Employee includes (i) the Employee's spouse and minor children, (ii) any trust (whether revocable or irrevocable) in which a majority in interest of the beneficiaries include one or more of the Employee, his spouse and his minor children, (iii) any corporation, general or limited partnership or other business entity that either (A) is controlled by the Employee or (B) a majority of the voting securities of which are owned directly or indirectly by the Employee, his spouse or his minor children, or (iv) any executor or custodian for the estate or person of the Employee. "Net Sale Proceeds" means the amount of all consideration received in the transaction, including the amount of all cash or cash equivalents, face amount of notes or deferred consideration, market value of marketable securities and fair market value of any other property received, and includes consideration allocated to no-compete covenants but excludes any amount allocated for bona fide services rendered or to be rendered.

(v) The Company, at its option and in its sole discretion, may elect at any time to prepay all or any portion of any remaining Fixed Severance Payments due under this Section 6(a). In such event, such remaining Fixed Severance Payments shall be discounted to present value based upon a discount rate of eight percent (8%) per annum, compounded monthly. To exercise such option, the Company shall provide written notice to such effect to the Employee, together with tender of payment of the amount prepaid as discounted in accordance herewith.

(b) In addition to Fixed Severance Payments, the Company shall pay the Employee the amount, if any, by which Employee's Earned Income (as hereafter defined) in any of the three calendar years commencing January 1, 2001 and ending December 31, 2003 ("Transition Years") is less than \$150,000. The amounts payable by the Company under this paragraph (b) ("Stop-Gap Payments") shall initially be payable on a monthly basis, subject to reconciliation at the conclusion of each Transition Year. Such monthly Stop-Gap Payments shall be paid by the Company on or before the tenth day following the end of each month, with the first payment due by February 10, 2001. Initially, each monthly Stop-Gap payment shall be in the amount of \$12,500. If Employee has any Earned Income in any

month, he shall so notify the Company at least five business days prior to the date fixed for payment (provided that, in the absence of bad faith, Employee's failure to timely so notify the Company shall not constitute a breach of this Agreement), and the monthly Stop-Gap Payment for that month will be reduced by the amount of such Earned Income. By no later than April 15 of the year after each Transition Year, Employee will furnish the Company with a true and correct copy of his federal income tax return for such Transition Year, and specifically including all Forms W-2, 1099 and other written documents relating to Earned Income received by Employee during such Transition Year. The Company will have the right to review the information furnished by Employee and conduct a reasonable inspection of his records, but only to the extent reasonably necessary to verify the amount of Earned Income received during the Transition Year. To the extent that the sum of Employee's Earned Income for the Transition Year plus the cumulative monthly Stop-Gap Payments paid in such Transition Year exceeds \$150,000, Employee shall immediately pay to the Company the amount of the difference, up to (but not exceeding) the amount of such cumulative monthly Stop-Gap Payments. If such difference is not immediately paid, the Company shall be entitled to offset such difference against Fixed Severance Payments and Stop-Gap Payments under this paragraph (b). To the extent the sum of such Earned Income plus such cumulative monthly Stop-Gap Payments in a Transition Year is less than \$150,000, the Company shall immediately pay the amount of the difference to the Employee. Notwithstanding the foregoing, if Employee's Earned Income in any Transition Year exceeds \$150,000, then the amount of the excess shall be carried forward and included in Earned Income for subsequent Transition Years, it being the intention of the parties that the Company's maximum obligation hereunder over the three Transition Years shall not exceed \$450,000 less the amount of Employee's total Earned Income over those three Transition Years. Payments under this paragraph (b) shall not be subject to offset for Net Sale Proceeds as described in paragraph (a) above. For purposes hereof, "Earned Income" includes the gross amount (before deduction for applicable withholdings) of all base compensation and bonuses (whether or not discretionary) for services rendered by the Employee, including salary and consulting fees, compensation for no-compete payments, and director's fees, from any and all sources (including but not limited to the E-Commerce Venture). Earned Income includes property received as compensation for services, but specifically excludes incentive stock options, non-statutory stock options and stock appreciation rights issued at a strike price equal to fair market value of the underlying security, and participation in employee stock purchase and other employee benefit plans. Consulting Fees for "Required Services" under the Consulting Agreement are excluded from Earned Income. The Company's obligation to make Fixed Severance Payments under paragraph (a) above shall survive Employee's death, but its obligation to pay Stop-Gap Payments under this paragraph (b) shall terminate upon Employee's death (subject to reconciliation through the date of death in accordance with the above provisions).

(c) Effective as of December 29, 2000, while the Employee shall still be considered an employee of the Company, the Company shall cause to be issued to the Employee non-qualified options under the Company's 1995 Stock Incentive Plan to purchase up to 50,000 shares of the Company's Class A Common Stock, \$.01 par value, at an exercise price of \$2-7/8 per share, expiring ten years from the date of grant, and vesting 25% per year

during the first four years of the term of the options, all subject to the terms and conditions of such Plan and the Nonqualified Stock Option Agreement to be issued thereunder evidencing such options. There shall be no conditions to the vesting of such options other than the passage of time, subject to termination of unvested options upon the Employee's death and the limited survival of vested options for exercise by his estate in the manner provided in such Plan; provided, however, that all unvested options shall become fully vested upon the occurrence of a "Change in Control" (as defined in such Plan).

(d) For a period beginning January 1, 2001 and (subject to the remainder of this paragraph (d)) ending December 31, 2004, the Company shall cause the Employee and his eligible dependents to be included in Carriage's group medical benefits plan from time to time in effect and extended to Carriage's employees (or another plan providing substantially the same benefits), on substantially the same terms and conditions extended by Carriage to executive employees of the Company, until such time (if prior to December 31, 2004) that the Employee becomes eligible to participate in any other similar plan which might become available to the Employee and his dependents.

(e) The Company's obligation to pay the Severance Payments is subject to Employee's compliance with his covenants in this Agreement and with the absence of a discharge for Cause pursuant to the Consulting Agreement. In the event of a discharge for Cause under the Consulting Agreement, or Employee's material breach of this Agreement and his failure to cure such breach (if the same is capable of being cured) within 30 days after the Company's written notice of such breach, then the Company shall be entitled to suspend payment of Severance Payments and to offset its damages arising from any breach by Employee of this Agreement or the Consulting Agreement against such Severance Payments.

7. In consideration for the Severance Payments, and for the further consideration of the other commitments made by the Company herein and in the exhibits hereto, the Employee hereby discharges and releases Carriage and Carriage's stockholders, directors, officers, employees, agents, successors and assigns (collectively, "Released Parties") from any claim, demand, and/or cause of action whatsoever, whether vicarious, derivative, or direct, presently known or unknown, whether sounding in contract, tort or otherwise, under common law or by statute or regulation, that is based upon facts arising prior to the date hereof with respect to any matter or action related to the Employee's employment with, termination from, and/or affiliation with Carriage, or in connection with any statements made or actions taken in connection with such employment relationship or its termination, including, but not limited to, any claims under the Age Discrimination in Employment Act of 1967, the Civil Rights Act of 1964 (Title VII), as amended, the Civil Rights Act of 1991, the Pregnancy Discrimination Act, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Security Act of 1974, the Americans With Disabilities Act of 1990, the Fair Labor Standards Act, the Fair Credit Reporting Act, the Worker Adjustment and Retraining Notification Act of 1988, the Texas Commission on Human Rights Act, the Texas Wage Payment Statute or the Texas Labor Code, all as amended and in effect on the date hereof, and all claims based on the existence of any contract; breach of any duty or covenant of good faith and fair dealing; slander; defamation; invasion of privacy; detrimental reliance; intentional or negligent infliction of emotional distress; duress; promissory estoppel; negligent misrepresentation; intentional

misrepresentation or fraud; assault; battery; conspiracy; negligent hiring, retention, or supervision; any alleged act of harassment or intimidation or any other claim arising under employment-related statutes, laws, rules and regulations; provided that the Employee does not release Carriage from its obligations hereunder or in the exhibits hereto.

8. In consideration for the releases and other commitments made by the Employee herein and in the exhibits hereto, the Company, for itself and on behalf of all Carriage entities, hereby discharges and releases the Employee and his heirs and assigns from any claim, demand, and/or cause of action whatsoever, whether vicarious, derivative, or direct, presently known or unknown, whether sounding in contract, tort or otherwise, under common law or by statute or regulation, that is based upon facts arising prior to the date hereof with respect to any matter or action related to the Employee's employment with, termination from, and/or affiliation with Carriage, or in connection with any statements made or actions taken in connection with such employment relationship or its termination; provided that the Company does not release the Employee from its obligations hereunder or in the exhibits hereto.

9. This Agreement is not a suggestion of or an admission of any wrongdoing or liability on the part of any party. The Employee does not waive any rights or claims that may arise after the date hereof.

10. The Employee agrees and covenants not to sue or participate in any suit, charge or proceeding of any kind against Carriage or any of the other Released Parties, based upon any claim, demand, and/or cause of action whatsoever, presently known or unknown, that is based upon facts arising prior to the date hereof with respect to any matter or action related to the Employee's employment, termination from, and/or affiliation with Carriage, or in connection with any statements made or actions taken in connection with such employment relationship or its termination.

11. The parties shall issue, or have issued, a press release in the form attached as Exhibit D hereto. Provided the Employee does not revoke this Agreement, the parties agree not to make any public statements regarding the nature of the Employee's separation from the Company which are inconsistent with the statements set forth in such press release.

12. This Agreement contains the entire agreement between the Employee and the Company and cannot be changed, modified, or amended without a written agreement signed by the Employee and the Company.

13. This Agreement is made and shall be enforced pursuant to the laws of the State of Texas.

14. Should any part of this Agreement be found to be void, that determination will not affect the remainder of the Agreement.

15. The offer made by the Company herein will expire at 12:01 a.m. on the forty-fifth day following the date of the offer made herein. The Employee may accept this offer at any time prior to the expiration by signing this Agreement.

16. This Agreement has been entered into voluntarily and not as a result of coercion, duress, or undue influence, economic or otherwise. The Employee acknowledges that he has read and fully understands the terms of this Agreement, has been advised to consult with an attorney before executing this Agreement, and the Severance Payments recited in Section are in excess of that to which the Employee might otherwise be entitled to receive from the Company. The Employee represents that he has been given up to forty-five (45) days to consider the terms of the separation as described herein. Following the date of this Agreement, the Employee shall have a period of seven (7) days to revoke this Agreement by delivering to the Company, at its address shown opposite its signature below, a written notice revoking this Agreement and specifically referring to the right to do so under this Section 16. If the Employee desires not to so revoke, the Employee will deliver the Non-Revocation Notice after expiration of such seven-day period. Failure to deliver any notice within such seven-day period shall constitute a lapse of the Employee's right to revoke, but the Company's obligation to pay and provide the Severance Payments shall nonetheless remain subject to receipt from the Employee of the signed Non-Revocation Statement. If the Employee revokes this Agreement as aforesaid, the Employee shall forfeit all rights hereunder, including any right to receive the Severance Payments. In addition, in the event of such revocation (i) the Consulting Agreement and the Exclusive Development Agreement shall be rendered void ab initio as if never entered into, and (ii) the provisions of the Prior Employment Agreement (including Paragraph 6 - Restrictive Covenants) shall thereupon be reinstated.

Address:

597 Piney Point Road
Houston, Texas 77024

MARK W. DUFFEY

Date

1900 St. James Place - 4th Floor
Houston, Texas 77056

CARRIAGE SERVICES, INC.

By: _____
Melvin C. Payne, Chief Executive Officer

Date

Exhibits

- A - Consulting Agreement
- B - Exclusive Development Agreement
- C - Non-Revocation Statement
- D - Press Release

NON-REVOCATION STATEMENT

I, MARK W. DUFFEY, acknowledge that at least seven (7) days has expired since the execution of the Separation Agreement and Release between me and Carriage Services, Inc., a Delaware corporation, on the ____ day of _____, 2000, and I knowingly and voluntarily elect not to revoke this Separation Agreement and Release.

EXECUTED this ____ day of _____, 2000.

MARK W. DUFFEY

CONSULTING AGREEMENT

THIS AGREEMENT, made effective as of the 1st day of January, 2001, is between CARRIAGE SERVICES, INC., a Delaware corporation (the "Company"), and MARK W. DUFFEY, a resident of Harris County, Texas (the "Consultant").

W I T N E S S E T H:

WHEREAS, the Consultant has heretofore been a full-time employee of the Company and one or more of its subsidiaries (collectively, "Carriage") as President of the Company and most of its subsidiaries, pursuant to the terms of the Executive Employment Agreement dated November 8, 1999 between the Company and the Consultant (the "Prior Employment Agreement"); and

WHEREAS, pursuant to the Separation Agreement and Release dated December 30, 2000 (the "Separation Agreement") the parties have mutually agreed to convert the Consultant's status from that of an employee to that of a consultant, and the Company recognizes that the Consultant's experience, knowledge, reputation and contacts in the death care industry will continue to be of great value to the Company and therefore desires to continue to retain his services, on the terms and conditions hereafter set forth;

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

1. Term. The Company hereby engages the Consultant for a term commencing on the date hereof and, subject to Section 5 hereof, ending on December 31, 2004 (the "term of this Agreement"), to consult with and advise the Company as hereinafter provided. The Consultant agrees to accept such engagement and to perform the services specified herein, all upon the terms and conditions hereinafter stated. This Agreement is expressly made subject to the Consultant not revoking the Separation Agreement, and in the event of such revocation, this Agreement shall thereupon become void ab initio, as if never entered into.

2. Duties.

(a) During the term of this Agreement, the Consultant shall serve the Company in a consultative capacity and shall report to the Board of Directors of the Company or its Chief Executive Officer. The Consultant's services hereunder shall include providing advice and consultation regarding the following:

(i) The Company's e-commerce strategies, including its investment in Lifetime Reflections, L.P., and other exploitation of opportunities involving the Company through Internet-based technologies; it is understood, however, that the Consultant's involvement in Carriage Life Events, Inc. or any other E-Commerce

Venture (as defined in the Separation Agreement) shall not be covered by this Agreement;

(ii) The Company's relationship with former owners of funeral homes and cemeteries which have affiliated with the Company; and

(iii) Any other areas involving the Company and its business and operations as may be mutually identified by the parties.

(b) From January 1, 2001 through June 30, 2001, the Consultant shall render services to the Company, if and when requested by the Company in writing, up to 24 hours per month. For each month thereafter throughout the remainder of the term of this Agreement, the Consultant shall render services to the Company, if and when requested by the Company in writing, up to 8 hours per month. The services so required to be rendered by Consultant hereunder are referred to as "Required Services." The Company may request that Consultant render services above the level of Required Services described above, which the Consultant may accept or reject in his sole discretion.

(c) Consultant shall render services hereunder at times reasonably convenient to him, but this Section 2 shall not be construed so as to prevent Consultant from accepting employment on a full-time basis with any other person, subject to the covenants described in Sections 6 and Section 7 hereof. Consultant shall take reasonable precautions to ensure that this Agreement does not conflict with any terms or conditions of any new employment which he may obtain. It shall not be necessary for Consultant to render Required Services or any other services at the Company's corporate offices or any other Carriage location, but rather such services may be rendered at locations of Consultant's choice and may include services provided electronically, such as by phone, fax or over the Internet, it being the intention of the parties that Consultant's services hereunder do not interfere with any new position which Consultant may accept elsewhere (subject to such covenants).

(d) The Consultant agrees that at all times during the term of this Agreement:

(i) The Consultant will not knowingly or intentionally do or say any act in bad faith which is intended to impair, damage or destroy the goodwill and esteem for Carriage of its suppliers, employees, patrons, customers and others who may at any time have or have had business relations with Carriage.

(ii) The Consultant will not directly encourage, recommend or approve the use at any time of the services of any competitor of Carriage. This clause (ii) is not intended to (x) restrict an E-Commerce Venture of which the Consultant may become associated from networking and otherwise contracting with funeral homes, cemeteries and other death care businesses, including those which may be

competitors of Carriage or (y) prevent Consultant from privately making recommendations to family, friends and personal acquaintances.

(iii) The Consultant will not reveal to any third person any difference of opinion, if there be such at any time, between him and the management of the Company as to its personnel, policies or practices.

3. Compensation.

(a) Consulting Fees. As compensation for the Required Services, the Company shall pay to the Consultant a consulting fee of (i) \$1,000.00 per month for the period January 2001 through June 2001, and (ii) \$250.00 per month for the remainder of the term of this Agreement, in each case payable on or before the last day of each month. It is understood, however, that the foregoing fees are for only for the Required Services. If the Company requests any additional services from Consultant and Consultant agrees to provide such services, then the Company shall pay Consultant such additional consulting fees, at such rates and at such times and in such manner as the parties mutually agree.

(b) Out-of-Pocket Expenses. The Company shall reimburse the Consultant for all reasonable out-of-pocket expenses incurred by him in rendering services hereunder, provided that the same are in accordance with the Company's expense reimbursement policy from time to time in effect and the Company has approved each and every such expense in advance and in writing.

4. Independent Contractor. The Consultant is retained and engaged by the Company only for the purposes and to the extent set forth herein, and the Consultant's relation to the Company shall, during the term of this Agreement, be that of an independent contractor and not that of an employee. In rendering his services hereunder, the Consultant shall not, without the prior written consent of the Company, represent that he has the right or authority to bind the Company in any respect.

5. Termination.

(a) Death. If the Consultant dies during the term of this Agreement, this Agreement shall automatically terminate and the Company shall have no further obligation to the Consultant or his estate under this Agreement except that the Company shall pay the Consultant's estate that portion of any consulting fee which may have become earned as of the date of death but not yet paid in accordance with Section 3(a) hereof. Consultant's death shall not affect the Company's obligations under the Separation Agreement or any other exhibit thereto except to the extent expressly provided therein.

(b) Discharge for Cause. Prior to the end of the term of this Agreement, the Company may discharge the Consultant for Cause and terminate this Agreement. In such

case this Agreement shall automatically terminate and the Company shall have no further obligation to the Consultant or his estate other than to pay to the Consultant or his estate in the event of his subsequent death any consulting fee which may have become earned through the date of termination but not yet paid in accordance with Section 3(a) hereof. For purposes of this Agreement, the Company shall have "Cause" to discharge the Consultant or terminate the Consultant's services hereunder upon (i) the Consultant's failure to cure, after reasonable notice of not less than thirty (30) days, a material breach of any of the terms of this Agreement; (ii) the Consultant's conviction of a felony involving moral turpitude, fraud, theft, embezzlement, assault, battery, rape or other violent act or another crime; or (iii) the Consultant having engaged in willful misconduct in the performance of the Required Services that has a material adverse effect on the Company; provided, however, no act or failure to act shall be deemed "willful" if due primarily to an error in judgment or negligence or if made in good faith and with reasonable belief that such act is in the best interest of the Company. Neither Consultant's failure to render the required number of hours of Required Services in a particular month, nor the quality or nature of such services, will by itself constitute "Cause" hereunder. On the other hand, a violation of Section 2(d), 6 or 7 of this Agreement may, subject to the above qualifications, constitute "Cause."

(c) Discharge Without Cause. Prior to the end of the term of this Agreement, the Company may discharge the Consultant without Cause (as defined in paragraph (b) above) and terminate this Agreement. In such case this Agreement shall automatically terminate and the Company shall have no further obligation to the Consultant or his estate, except that the Company shall (i) continue to pay the consulting fees for Required Services pursuant to Section 3(a) hereof for the remainder of the four-year term of this Agreement, subject to his continued compliance with Sections 6 and 7 hereof, in the same manner and at the same times as they would have been paid to the Consultant had he not been discharged; and (ii) pay any consulting fees due for services rendered beyond the Required Services prior to the effective date of termination. A discharge of the Consultant without Cause shall not affect the Company's obligations under the Separation Agreement or any other exhibit thereto.

(d) Survival. The provisions of Sections 6 and 7 hereof survive any termination of this Agreement.

6. Restrictive Covenants.

(a) Non-Competition. The Consultant acknowledges that in the course of his employment with the Company as a member of the Company's senior executive and management team, and during the term of his consultancy hereunder, he has had and may continue to have access to confidential and proprietary business information of Carriage, and has developed and may hereafter continue to develop, through such employment and/or consultancy, valuable business systems, methods of doing business, and contacts within the death care industry, all of which have helped to identify him with the business and goodwill of Carriage. Consequently, it is important that Carriage protect its interests in regard to such

matters from unfair competition. During the full four-year term of this Agreement, the Consultant agrees that he will not, directly or indirectly:

(i) become a director, officer, employee, proprietor, consultant, advisor or agent of, or own beneficially or of record more than one percent (1%) of the fully diluted equity securities (including options, warrants or other securities convertible into equity securities) of, or otherwise derive any active income from, any Conflicting Organization (as hereafter defined); or

(ii) induce or assist anyone in inducing in any way any employee of Carriage to resign or sever his or her employment or to breach an employment contract with Carriage.

The covenant under clause (i) above restricts the Consultant's activities only insofar as they relate to the operations of the Conflicting Organizations within the Continental United States, and any activities devoted to business transacted exclusively outside the Continental United States shall not be restricted hereby. Clause (i) covers all roles or positions involving the Conflicting Organizations, including but in no way limited to corporate development. For purposes hereof, a "Conflicting Organization" means (x) any of the firms and organizations listed on Schedule I hereto, and (y) any other firm or organization, however structured, which owns or operates one or more funeral homes, cemeteries or other businesses in the death care industry anywhere within the Continental United States, whether now existing or hereafter arising during the four-year term of this Agreement.

(b) E-Commerce Venture. In no event shall an E-Commerce Venture (as defined in the Separation Agreement) constitute a Conflicting Organization for purposes of this Agreement. The covenant under clause (ii) of paragraph (a) above does not apply to Michael S. Lade or Vicki McArthur, regardless of whether their employment is in connection with an E-Commerce Venture or any other firm or organization with which the Consultant may become associated.

(c) Term of Covenants. The covenants in this Section 6 shall continue for the full four-year term of this Agreement, notwithstanding that a discharge with or without Cause may sooner occur pursuant to Section 5. On the other hand, such covenants shall not extend past such four-year term, except for the duration of any period in which the Consultant is in material breach of such covenants. It is specifically understood that the Consultant shall not have the right or option to forgo any compensation or benefits under this Agreement or the Separation Agreement in order to be relieved of his covenants hereunder.

(d) Reformation. The foregoing covenants shall not be held invalid or unenforceable because of the scope of the territory or actions subject hereto or restricted hereby, or the period of time within which such covenants respectively are operative, but the

maximum territory, the action subject to such covenants and the period of time they are enforceable are subject to any determination by a final judgment of any court which has jurisdiction over the parties and subject matter.

(e) Remedies. Both parties recognize that the services to be rendered under this Agreement by the Consultant are special, unique, and of extraordinary character, and that in the event of the breach by the Consultant of the covenants contained in this Section 6 or Section 7 below, the Company shall be entitled, if it so elects, to suspend (if applicable) any payments due under this Agreement and the Separation Agreement and/or to institute and prosecute proceedings in any court of competent jurisdiction to enforce through injunctive relief such covenants. Consultant acknowledges and agrees that there is no adequate remedy at law for his violation of such covenants and that in light of the numerous years and the scope of his responsibilities with the Company, the restrictions as to time, geographic scope and scope of activities restrained in paragraph (a) above are both reasonable and necessary to protect the goodwill and other legitimate business interests of the Company. Indeed, the Consultant acknowledges that the payments and commitments made by the Company in this Agreement and in the Separation Agreement are in significant part provided by the Company to secure the Consultant's agreement to such covenants. The Consultant agrees to waive and hereby waives any requirement for the Company to secure any bond in connection with the obtaining of such injunction or other equitable relief.

7. Confidential Information. The Consultant acknowledges that in the course of his affiliation with Carriage he has received, and in the course of his consultancy hereunder he may continue to have access to, certain trade secrets, lists of customers, management methods, operating techniques, prospective acquisitions, employee lists, training manuals and procedures, personnel evaluation procedures, financial reports and other confidential information and knowledge concerning the business of Carriage (hereinafter collectively referred to as "Information") which the Company desires to protect. The Consultant understands that the Information is confidential and he agrees not to reveal the Information to anyone outside of Carriage so long as the confidential or secret nature of the Information shall continue; provided, however, that Consultant may disclose E- Commerce Rights (as defined in the Exclusive Development Agreement between Consultant and the Company of even date herewith) to the extent necessary to develop the E-Commerce Venture pursuant to the terms of such Agreement. The Consultant further agrees that he will at no time use any Information in competing with Carriage. Consultant represents that upon his transition from employee to Consultant hereunder, he has surrendered to the Company, and has not kept any copies of, all papers, documents, writings and other property produced by his or coming into his possession by or through his employment with Carriage or relating to the Information, which the Consultant acknowledges to be and will remain at all times remain the property of Carriage, except insofar as the Company and the Consultant have specifically identified as necessary to enable the Consultant to render services hereunder, and upon termination of the consultancy hereunder, all remaining papers, documents, writings and other property shall similarly be surrendered to the Company, without any copies thereof retained by Consultant. Notwithstanding the foregoing, Consultant may

retain so-called Board books, encompassing materials which Consultant has heretofore received in his capacity as a director of the Company.

8. 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 three business days after the date mailed, postage prepaid, by certified mail, return receipt requested, or when sent by telex or telecopy and receipt is confirmed, if addressed to the respective parties as follows:

If to the Consultant: Mr. Mark W. Duffey
597 Piney Point Road
Houston, Texas 77024

If to the Company: Carriage Services, Inc.
1900 St. James Place, 4th Floor
Houston, Texas 77056
Attn: Chief Executive Officer

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

9. 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 invalid under applicable law, such provision shall be ineffective to the extent of such provision or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

10. Assignment. This Agreement may not be assigned by the Consultant. Neither the Consultant nor his estate shall have any right to commute, encumber or dispose of any right to receive payments hereunder, it being agreed that such payments and the right thereto are nonassignable and nontransferable.

11. Binding Effect. Subject to the provisions of Section 10 of this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties hereto, the Consultant's heirs and personal representatives, and the successors and assigns of the Company.

12. 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.

13. Complete Agreement. This Agreement represents the entire agreement between the parties concerning the subject hereof and supersedes all prior agreements and arrangements between the parties concerning the subject thereof. Without limiting the generality of the foregoing, this Agreement upon the effective date hereof will supersede and replace the Prior Employment

Agreement (subject to reinstatement if this Agreement is rendered void as described in Section 1 hereof), as well as any other prior agreements respecting or relating to the Consultant's employment with or compensation from Carriage.

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

15. 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 one and the same instrument.

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

CARRIAGE SERVICES, INC.

By: _____
MELVIN C. PAYNE, Chief Executive Officer

MARK W. DUFFEY

SCHEDULE I
TO
CONSULTING AGREEMENT
(MARK W. DUFFEY)

Conflicting Organization

For purposes of clause (x) of Section 6(a) of this Agreement, the term "Conflicting Organization" specifically includes each of the following:

Service Corporation International
The Loewen Group Inc.
Stewart Enterprises, Inc.
Keystone Group Holdings, Inc.
Meridian Mortuary Group, Inc.
Cornerstone Family Services, Inc.
Prime Succession, Inc.
Hamilton Group, Inc.
Century Group
Saber Group
Thomas Pierce & Co.

The above listing is not intended to be in limitation of the generality of clause (y) of Section 6(a).

EXCLUSIVE DEVELOPMENT AGREEMENT

THIS AGREEMENT, dated as of the 30th day of December, 2000, between MARK W. DUFFEY, a resident of Harris County, Texas ("Duffey"), and CARRIAGE SERVICES, INC., a Delaware corporation ("Carriage");

W I T N E S S E T H:
- - - - -

WHEREAS, Carriage, through its subsidiaries, owns and operates funeral homes, cemeteries and related businesses within the death care industry;

WHEREAS, Carriage has, directly and through the EDS Development Rights (as defined below), acquired, developed, and improved certain proprietary rights and interests, referred to below as "E-Commerce Rights", with the intent of further developing and then exploiting the same in connection with a possible E-Commerce Venture (as hereafter defined); and

WHEREAS, Duffey has been Carriage's President since December 1996 and was one of Carriage's founders, and in such capacity he has been instrumental in developing and arranging for the development of such rights and interests for and on behalf of Carriage; and

WHEREAS, pursuant to the Separation Agreement and Release dated December 30, 2000 between Duffey and Carriage (the "Separation Agreement"), the parties have mutually agreed to convert Duffey's status from that of an employee to that of a consultant; and

WHEREAS, Carriage Life Events, Inc., a Delaware corporation ("Carriage Life Events"), has been formed as a wholly owned subsidiary of Carriage in order to continue to pursue development of the E-Commerce Rights and as a possible vehicle for attracting investment from third parties; and

WHEREAS, in connection with such further development, the parties desire that Duffey continue to remain involved in the development of the E-Commerce Rights, and that Duffey have the exclusive right to continue such development, on the terms and subject to the conditions hereafter specified;

NOW, THEREFORE, the parties agree as follows:

1. Defined Terms. The following terms, when used in this Agreement, shall have the meanings assigned to them below:

(a) "E-Commerce Business" means a portal, or distribution channel, conducted primarily (but not necessarily exclusively) through electronic means (such as via the Internet), for consumers to plan, finance and/or fulfill major life events and celebrations, which may include but will not necessarily be limited to death care and memorialization. An E-Commerce Business specifically excludes any business that is engaged in the traditional delivery of funeral or cemetery services.

(b) "E-Commerce Rights" means, collectively, the following, whether in existence on the date of this Agreement or hereafter arising: (i) all EDS Development Rights; (ii) all other trade secrets, know-how, intellectual property, methodologies, ideas, concepts, processes, technologies, confidential or proprietary information, algorithms, software and computer programs (which includes input and output formats, source and object codes, program listings, data models, flow charts, outlines, narrative descriptions, operating instructions and supporting documentation, together with the tangible media upon which such programs and documentation are recorded), and development tools, and all rights and interests in the foregoing, however arising, whether or not registered, including patents, patent applications, copyrights, trademarks and service marks, and other similar rights, and any licenses covering any of the foregoing, all to the extent the same have been developed by or for Carriage and its affiliates in connection with the development of an E-Commerce Business; and (iii) all confidentiality, development and other contracts and agreements associated with Carriage's development of an E-Commerce Business.

(c) "E-Commerce Venture" means one or more business ventures, in whatever form (whether corporation, limited liability company, general or limited partnership, joint venture, business trust or otherwise), in which Carriage or its affiliates or their successors and assigns has a financial interest, if such venture is primarily engaged in the E-Commerce Business. Any business venture which arises from EDS Development Rights is specifically intended to be encompassed with the definition of "E-Commerce Venture." In addition, the parties acknowledge that Carriage Life Events has been formed for the specific purpose of developing such rights and concepts and that it constitutes an E-Commerce Venture for purposes hereof. On the other hand, neither Lifetime Reflections nor Legacy Management Partners shall be deemed E-Commerce Ventures. The parties acknowledge that the idea or concept of rating businesses or firms (other than in the death care industry) according to quality or other criteria is not intellectual property of Carriage for purposes hereof.

(d) "EDS" means, collectively, Electronic Data Systems Corporation, a Delaware corporation, EDS Information Services L.L.C., a Delaware limited liability company, and any affiliate of the foregoing from which Carriage or its affiliates acquire any EDS Development Rights.

(e) "EDS Development Rights" means all proprietary rights, including copyrights, trademark rights, patent rights and other rights, which have been acquired by Carriage or its affiliate, by ownership under work for hire, by license, or otherwise, from EDS, in connection

with Carriage's development of an E-Commerce Business and the E-Commerce Venture. EDS Development Rights specifically include rights created and acquired under the letter agreements between Carriage and EDS dated March 29, 2000 and October 23, 2000.

2. Carriage Life Events. On or prior to the date of this Agreement, Carriage has organized Carriage Life Events, which is and shall remain a wholly owned subsidiary of Carriage, subject to Section 5 below. In connection with the capitalization of Carriage Life Events, Carriage shall transfer and contribute to Carriage Life Events all of Carriage's right, title and interest in the E-Commerce Rights. It is understood, however, that Carriage shall retain all management and control over the operation of Carriage Life Events and the E-Commerce Rights and the development of an E-Commerce Venture, whether through Carriage Life Events or otherwise, and nothing in this Agreement prevents or restricts Carriage from transferring or assigning all or any part of any E-Commerce Rights to any other vehicle acting as an E-Commerce Venture, or to change the corporate structure, management or other aspects of the development of the E-Commerce Business as Carriage may choose in its sole and absolute discretion, subject to the other terms and conditions of this Agreement.

3. Duffey Transition. As provided in the Separation Agreement, Duffey shall cease to be an employee of Carriage as of December 31, 2000. He shall thereafter become a consultant to Carriage under the terms of the Consulting Agreement referred to in the Separation Agreement ("Consulting Agreement"), but his activities as such shall be separate and apart from his involvement in any E-Commerce Venture as described in this Agreement.

(a) Relation to Carriage Life Events. It is the parties' intention that Carriage Life Events will continue to develop the E-Commerce Business and associated E-Commerce Rights while at the same time seeking out equity financing as described in Section 5. It is understood that until any equity funding transaction described in Section 5, Carriage Life Events will remain 100% owned by Carriage. Duffey may continue to seek out equity financing for the E-Commerce Venture, but Duffey will not take or permit anyone under his supervision or control to take any major action involving Carriage Life Events or the E-Commerce Business without the unanimous approval of the Board of Directors of Carriage Life Events, including the following: (A) any contract or commitment with EDS which calls for the expenditure (or agreement to expend) any money, (B) any transfer, assignment, license, encumbrance or other disposition of any E-Commerce Rights, (C) the issuance of any equity or other ownership interests, (D) the incurrence of any obligation for borrowed money (other than advances from Duffey as described in paragraph (b) of Section 4 below), or (E) any transaction, contract or commitment outside the ordinary course of Carriage Life Events' business, which the parties acknowledge to be limited to the continued development of the E-Commerce Business and seeking equity funding. The selection and appointment of a financial advisor, broker or other similar intermediary in seeking such financing shall similarly require such unanimous approval. The entering into of confidentiality agreements with possible affiliation partners or equity sources does not require such approval.

(b) Office Space and Infrastructure. From January 1, 2001 through June 30, 2001, Carriage will make available to Carriage Life Events (or any successor E-Commerce Venture) office space at Carriage's corporate offices, and related administrative support (in the form of the use of existing staff, provided such use does not unreasonably interfere with Carriage's other operations, as well as office equipment and normal office supplies), in such manner as Carriage may reasonably determine from time to time. Such support shall specifically include access to Carriage's phones, including reasonable long-distance, fax, and computer (including Internet) use, consistent with prior practice.

(c) Certain Personnel Issues. The parties acknowledge that it is Duffey's present intention to offer to include Michael S. Lade and Vicki McArthur to remain involved in the E-Commerce Venture, following the cessation of their association with Carriage effective December 31, 2000. The terms of any severance between Carriage and such individuals have been separately negotiated between the applicable parties. It is understood, however, that their involvement in the E-Commerce Venture shall not constitute a violation of any non-competition covenants to which either of them may be bound with Carriage.

(c) Confidentiality. Duffey acknowledges the importance of maintaining the confidentiality of the E-Commerce Rights and agrees that he will maintain the confidentiality thereof in the same manner and to the same degree that he will maintain the confidentiality of other Carriage information as provided in Section 7 of his Consulting Agreement with Carriage, which is hereby incorporated herein by reference.

4. E-Commerce Venture Interim Funding.

(a) Carriage Funding. Except as hereafter provided, the parties acknowledge that Carriage's funding of the E-Commerce Business and the E-Commerce Venture shall cease as of December 31, 2000. Items which Carriage will not fund after such date specifically include, but are not necessarily limited to, the following: development fees, service fees, consulting fees and similar fees and costs under any now existing or hereafter arising contract with EDS or any other third-party provider relating to the development of E-Commerce Rights; compensation, benefits and other costs of employment (not including severance costs or payments under the Separation Agreement) to Duffey or any other individual, including Michael S. Lade or Vicki McArthur; travel, food and lodging; and legal fees and expenses for work performed after such date. Notwithstanding the foregoing, Carriage will be responsible for funding any legal fees and expenses for work performed on behalf of Carriage's own interests, and if Carriage receives on or before December 31, 2001 one or more commitment letters or letters of intent in form acceptable to Carriage containing terms and conditions for equity funding of the E-Commerce Venture as accepted by Carriage pursuant to Section 5, then Carriage will fund the legal fees and expenses associated with the preparation, negotiation, execution and delivery of the formal definitive documentation associated with such equity funding transactions, through legal counsel of Carriage's choice.

(b) Duffey/Third Party Funding. Duffey may, in his sole discretion but without any obligation to do so, provide funding to Carriage Life Events (or any successor E-Commerce Venture organized by Carriage), in order to finance the continued development of E-Commerce Rights and the pursuit of funding sources for an equity financing to be sought as described in Section 5. Any such funding so provided by Duffey shall be deemed contingent advances by him subject in all respects to the successful completion of equity funding of the E-Commerce Venture on terms acceptable to Carriage. Such funding by Duffey shall not entitle him to any equity interest in Carriage Life Events or any other E-Commerce Venture, except that in connection with any such equity funding, Carriage, Duffey and any equity investors may negotiate to permit Duffey to either be repaid such advances or to convert the same into equity interests in the E-Commerce Venture, on terms mutually acceptable to the parties. Duffey may also propose to obtaining outside interim financing for the E-Commerce Venture for the foregoing purposes, but the terms of such interim financing must in all respects be acceptable to Carriage in its sole discretion. In no event shall there be recourse against Carriage or any of its subsidiaries for any advances made pursuant to this paragraph (b).

(c) Retention of Ownership. Notwithstanding any funding provided by Duffey or any third party as described in paragraph (b) above, Carriage (whether directly or through Carriage Life Events or any other E-Commerce Venture) shall retain full and exclusive ownership over all E-Commerce Rights and all ownership in Carriage Life Events and any other E-Commerce Venture, and any such funding by Duffey or any other party shall not, unless otherwise specifically agreed to in writing by an authorized officer of Carriage, constitute a claim, interest, lien or other right of any kind in any of the E-Commerce Rights or the E-Commerce Venture.

(d) No Rights as Member of Consolidated Group. Until consummation of an equity funding pursuant to Section 5, Carriage Life Events shall be a member of the consolidated group of corporations of which Carriage is the corporate parent. However, it is specifically intended that no persons associated or affiliated with Carriage Life Events (including but not limited to Duffey, Michael S. Lade and Vicki McArthur) shall be eligible to participate in any plans or benefits normally available to employees of Carriage's subsidiaries (such as medical benefits, retirement plans, stock option and stock purchase plans, and other similar rights and benefits), subject to any separate agreement expressly conferring those benefits as severance, and Duffey shall not cause or permit anyone under his supervision or control to participate in Carriage Life Events or any other E-Commerce Venture in such a way that any such person becomes eligible for any such rights or benefits.

5. Equity Funding. It is the parties' intention that an E-Commerce Venture (whether Carriage Life Events or another vehicle) will obtain financing from one or more third party investors, at which time the capital of the E-Commerce Venture will be restructured in a way that involves (i) the investors acquiring economic and voting control over the E-Commerce Venture, (ii) Duffey and other proposed members of an E-Commerce Venture management team acquiring substantial financial interests therein, which may include any combination of conversion of any advances made by Duffey under

Section 4(b), new investment, or management stock options, and (iii) Carriage retaining a substantial financial interest in the E-Commerce Venture. The parties acknowledge that the precise terms and conditions of the financing for and ultimate capital structure resulting from such a transaction cannot now be determined with any precision, although the parties acknowledge that third-party investment may be made by any combination of purchases of common or preferred securities, subordinated debt with related warrants, convertible notes, or any other funding mechanisms, and that in some circumstances, equity interests may be issued in exchange for services rendered or to be rendered. However, all of the terms, provisions and conditions of any and all such equity funding transactions, as well as the form and substance of all documentation related thereto, will be subject to the approval of Carriage, which it may grant or withhold in its sole discretion. It is anticipated that Duffey will take the leadership role in pursuing such equity funding, but Duffey shall keep Carriage reasonably informed of his efforts in that regard, and in particular any discussions or negotiations concerning the proposed terms, provisions and conditions associated with any proposed or possible equity funding transaction.

6. Exclusivity. It is the parties' intention that Duffey be given a period of one year in which he may pursue the further development of the E-Commerce Business for Carriage and seek out equity funding for the E-Commerce Venture as contemplated in Section 5. Consequently, Carriage grants Duffey the exclusive right to pursue equity funding for an E-Commerce Venture, subject to Section 5 above. Such right shall commence on January 1, 2001 and end on the earlier to occur of December 31, 2001 or the date on which Duffey has suspended active efforts to continue the development of the E-Commerce Business and to pursue such equity funding (the "Exclusivity Period"). Neither Duffey's rendering of services under his Consulting Agreement with Carriage, nor his employment with any other party, shall by itself be evidence that Duffey has suspended such active efforts, unless Duffey becomes bound by a written commitment which would conflict with his ability to continue such efforts or to remain involved after equity funding in the E-Commerce Venture on a full-time executive level. During the Exclusivity Period, Carriage may (in coordination with Duffey) itself pursue equity funding sources for an E-Commerce Venture, but any equity funding transaction consummated during the Exclusivity Period must be on terms reasonably acceptable to Duffey.

7. Stock Options. If (but only if) the E-Commerce Venture receives on or before December 31, 2001 a Cash Equity Infusion (as defined in the Separation Agreement) of at least \$10,000,000, then Carriage shall cause to be issued to Duffey non-qualified options under Carriage's 1995 Stock Incentive Plan to purchase up to 50,000 shares of Carriage's Class A Common Stock, \$.01 par value. The exercise price shall be the closing price of Carriage's Class A Common Stock, as reported on the New York Stock Exchange, on the date of grant. Such options shall be fully vested upon the grant date and shall expire ten years from such date, and shall otherwise be subject to the terms and conditions of such Plan and the option agreement evidencing such grant.

8. Non-Revocation. This Agreement is expressly made subject to Duffey not revoking the Separation Agreement, and in the event of such revocation, this Agreement shall thereupon become void ab initio, as if never entered into.

9. Notices. All notices, requests, consents and other communications hereunder shall be given in writing and shall be deemed given if personally delivered or when mailed, first class, registered or certified mail, return receipt requested, as follows:

If to Duffey: Mr. Mark W. Duffey
 597 Piney Point Road
 Houston, Texas 77024

If to Carriage: Carriage Services, Inc.
 1900 St. James Place, 4th Floor
 Houston, Texas 77056
 Attn: Chief Executive Officer

Either party may change his, her or its address upon written notice of such change delivered to the other parties hereto.

10. Assignment; Binding Effect. This Agreement is unique and personal to the parties and may not be assigned by either party without the prior written consent of the other party hereto. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto, Duffey's heirs and personal representatives, and the successors and assigns of Carriage.

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

12. Entire Agreement; Amendment. This Agreement, together with the Separation Agreement and the other exhibits thereto, embody the entire agreement and understanding among the parties concerning the subject matter hereof and thereof, and supersede any and all prior agreements and arrangements between the parties concerning such subject matter. This Agreement may be amended only by a written instrument signed by or on behalf of the parties hereto.

13. 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.

14. 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 one and the same instrument.

[the remainder of this page intentionally left blank]

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

CARRIAGE SERVICES, INC.

By: _____
MELVIN C. PAYNE, Chief Executive Officer

MARK W. DUFFEY

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release is between RUSSELL W. ALLEN, a resident of Montgomery County, Texas (the "Employee"), and CARRIAGE SERVICES, INC., a Delaware corporation (the "Company").

The Employee and the Company agree as follows:

1. The Employee's full-time employment with the Company and/or one or more of its subsidiaries (the Company, together with its subsidiaries, being hereafter collectively referred to as "Carriage") will terminate effective as of December 31, 2000 (the "Transition Date") by the voluntary resignation of the Employee. The Employee shall be entitled to receive all base compensation, benefits and accrued vacation through the Transition Date.

2. Provided the Employee does not revoke this Agreement as provided in Section 16 hereof, the Company shall pay the Employee a total \$60,000.00, less applicable withholdings (the "Severance Payments"). Subject to the Company's receipt from the Employee of a properly completed and signed Non-Revocation Statement in the form attached as Exhibit A hereto (the "Non-Revocation Statement"), the Severance Payments shall be paid to the Employee commencing with the first payroll period in January 2001 and shall continue thereafter through the last payroll period in April 2001 until all of the Severance Payments have been paid in full.

3. Simultaneously with the parties' execution of this Agreement, the Company and the Employee are entering into a Stock Purchase Agreement of even date herewith (the "Stock Purchase Agreement"), under which the Company is purchasing from the Employee 46,392 shares of the Company's Class A Common Stock, in consideration for the partial release of the Employee's debt to the Company. The parties understand that the Stock Purchase Agreement shall not become

effective until the Company's receipt of the properly completed and signed Non-Revocation Statement, and in the event that the Employee revokes this Agreement pursuant to Section 16 hereof, the Stock Purchase Agreement shall thereupon become void ab initio as if never entered into.

4. In consideration for the Severance Payments, and for the further consideration of the other commitments made by the Company herein and under the Stock Purchase Agreement, the Employee hereby discharges and releases Carriage and Carriage's stockholders, directors, officers, employees, agents, successors and assigns (collectively, "Released Parties") from any claim, demand, and/or cause of action whatsoever, whether vicarious, derivative, or direct, presently known or unknown, whether sounding in contract, tort or otherwise, under common law or by statute or regulation, that is based upon facts arising prior to the date hereof with respect to any matter or action related to the Employee's employment with, termination from, and/or affiliation with Carriage, or in connection with any statements made or actions taken in connection with such employment relationship or its termination, including, but not limited to, any claims under the Age Discrimination in Employment Act of 1967, the Civil Rights Act of 1964 (Title VII), as amended, the Civil Rights Act of 1991, the Pregnancy Discrimination Act, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Security Act of 1974, the Americans With Disabilities Act of 1990, the Fair Labor Standards Act, the Fair Credit Reporting Act, the Worker Adjustment and Retraining Notification Act of 1988, the Texas Commission on Human Rights Act, the Texas Wage Payment Statute or the Texas Labor Code, all as amended and in effect on the date hereof, and all claims based on the existence of any contract; breach of any duty or covenant of good faith and fair dealing; slander; defamation; invasion of privacy; detrimental reliance; intentional or negligent infliction of emotional distress; duress; promissory estoppel; negligent misrepresentation; intentional misrepresentation or fraud; assault; battery; conspiracy; negligent hiring, retention, or supervision; any alleged act of harassment or intimidation or any other claim arising under employment-related statutes, laws, rules and regulations.

5. This Agreement is not a suggestion of or an admission of any wrongdoing or liability on the part of any party. The Employee does not waive any rights or claims that may arise after the date hereof.

6. This Agreement supersedes and extinguishes the Executive Employment Agreement between the parties dated November 8, 1999 ("Prior Employment Agreement"), as well as any other employment agreement and/or bonus or incentive compensation plan or arrangement, if any, entered into between the Employee and Carriage. Without limiting the generality of the foregoing, the restrictive covenants contained in Paragraph 6 of the Prior Employment Agreement shall terminate upon effectiveness of this Agreement, provided that the Employee agrees that from the date hereof through December 31, 2001, he will not, without the consent of the Company's Chief Executive Officer, cause or induce any executive-level employee of the Company to leave the Company to accept employment elsewhere. Notwithstanding the foregoing, Paragraph 5 of the Prior Employment Agreement - Covenant of Secrecy, shall survive such termination and continue in effect thereafter.

7. The Company has heretofore tendered his resignation as an executive officer of the Company effective November 3, 2000, which was accepted by the Board of Directors. Simultaneously with the parties' execution of this Agreement, the Employee shall tender his resignation, effective as of the Transition Date, as an officer of any other Carriage entity of which he is presently an officer.

8. The Employee agrees and covenants not to sue or participate in any suit, charge or proceeding of any kind against Carriage or any of the other Released Parties, based upon any claim, demand, and/or cause of action whatsoever, presently known or unknown, that is based upon facts arising prior to the date hereof with respect to any matter or action related to the Employee's employment, termination from, and/or affiliation with Carriage, or in connection with any statements made or actions taken in connection with such employment relationship or its termination.

9. Group health insurance benefits will continue only through the Transition Date. After the Transition Date, the Employee is entitled to continue the Employee's group health insurance coverage at his own expense, in accordance with applicable law.

10. The Employee hereby agrees for the consideration exchanged herein that he will not file any requests for unemployment compensation benefits.

11. The Employee agrees not to disclose or cause to be disclosed the terms of this Agreement, or the fact that this Agreement exists, except to the Employee's attorneys and/or tax advisors or to the extent otherwise required by law.

12. This Agreement contains the entire agreement between the Employee and the Company and cannot be changed, modified, or amended without a written agreement signed by the Employee and the Company.

13. This Agreement is made and shall be enforced pursuant to the laws of the State of Texas.

14. Should any part of this Agreement be found to be void, that determination will not affect the remainder of the Agreement.

15. The offer made by the Company herein will expire at 12:01 a.m. on the forty-fifth day following the date of the offer made herein. The Employee may accept this offer at any time prior to the expiration by signing this Agreement.

16. This Agreement has been entered into voluntarily and not as a result of coercion, duress, or undue influence, economic or otherwise. The Employee acknowledges that he has read and fully understands the terms of this Agreement, has been advised to consult with an attorney before executing this Agreement, and the Severance Payments constitute recited in Section are in excess of that to which the Employee might otherwise be entitled to receive from the Company. The Employee represents that he has been given up to forty-five (45) days to consider the terms of the separation as described herein. Following the date of this Agreement, the Employee shall have a

period of seven (7) days to revoke this Agreement by delivering to the Company, at its address shown opposite its signature below, a written notice revoking this Agreement and specifically referring to the right to do so under this Section 16. If the Employee desires not to so revoke, the Employee will deliver the Non-Revocation Notice after expiration of such seven-day period. Failure to deliver any notice within such seven-day period shall constitute a lapse of the Employee's right to revoke, but the Company's obligation to pay the Severance Payments shall nonetheless remain subject to receipt from the Employee of the signed Non-Revocation Statement. If the Employee revokes this Agreement as aforesaid, the Employee shall forfeit all rights hereunder, including any right to receive the Severance Payments. In addition, in the event of such revocation (i) the Stock Purchase Agreement shall be rendered void ab initio as if never entered into, and (ii) the provisions of the Prior Employment Agreement (including Paragraph 6 - Restrictive Covenants) shall thereupon be reinstated.

Address:

11301 Lake Forest Drive
Conroe, Texas 77384

RUSSELL W. ALLEN

Date

1900 St. James Place - 4th Floor
Houston, Texas 77056

CARRIAGE SERVICES, INC.

By: _____
Melvin C. Payne, Chief Executive
Officer

Date

NON-REVOCATION STATEMENT

I, RUSSELL W. ALLEN, acknowledge that at least seven (7) days has expired since the execution of the Separation Agreement and Release between me and Carriage Services, Inc., a Delaware corporation, on the ____ day of _____, 2000, and I knowingly and voluntarily elect not to revoke this Separation Agreement and Release.

EXECUTED this ____ day of _____, 2000.

RUSSELL W. ALLEN

STOCK PURCHASE AGREEMENT

THIS AGREEMENT, dated as of December 18, 2000, between RUSSELL W. ALLEN, a resident of Montgomery County, Texas (the "Seller"), and CARRIAGE SERVICES, INC., a Delaware corporation (the "Company");

W I T N E S E T H:
- - - - -

WHEREAS, the Seller is the owner and holder of 46,392 shares (the "Shares") of Class B Common Stock, \$.01 par value ("Common Stock"), of the Company; and

WHEREAS, the original certificates representing the Shares are currently held by the Company under a pledge created under the Amended and Restated Security Agreement - Pledge dated March 31, 2000 between the Seller and the Company (the "Pledge Agreement"), securing the Seller's obligations under his Promissory Note dated March 31, 2000 payable to the Company in the original principal amount of \$1,068,416.62 (the "Note"); and

WHEREAS, the parties desire that the Company purchase the Shares from the Seller in partial satisfaction of the Seller's obligations under the Note, on the terms and conditions herein specified;

NOW, THEREFORE, the parties agree as follows:

1. Purchase and Sale of the Shares.

1.1. Purchase of the Shares. The Seller agrees to sell and transfer to the Company, and the Company agrees to purchase and accept from the Seller, the Shares, free and clear of any and all security interests, pledges, liens, encumbrances or restrictions whatsoever ("Liens").

1.2. Consideration for the Shares. The consideration for the Shares shall be \$1.50 per share, or \$69,588.00 in the aggregate (the "Purchase Price"). All of the Purchase Price shall be payable by the Company's cancellation of a portion of the Seller's indebtedness under the Note equal to the full amount of the Purchase Price. Such cancellation shall be applied first to accrued and unpaid interest from the date of the Note through the Closing Date referred to in Section 2, and then to the principal balance. At the same time, all of the pledges and other Liens under the Pledge Agreement shall thereupon be released, and the Pledge Agreement shall be terminated. At any time after the effectiveness of this Agreement, the Company will, at the Seller's request, provide evidence to the Seller of the Company's cancellation of such portion of the Note and termination of the Pledge Agreement in a manner consistent with this Section 1.2.

1.3. Effectiveness. The purchase and sale of the Shares shall be consummated at the Closing set forth in Section 2 and shall be deemed effective on the Closing Date therein specified. However, it is understood that this Agreement is expressly made subject to the Seller not revoking the Separation Agreement and Release of even date herewith between the Seller and the Company, and in the event of such revocation, this Agreement (and the purchase and sale of the Shares hereby and the partial cancellation of the Note accomplished in payment of the Purchase Price therefor) shall thereupon become void ab initio, as if never entered into.

1.4. Further Assurances. The Seller agrees to execute and deliver from time to time after the Closing, at the request of the Company, and without further consideration, such additional instruments of conveyance and transfer, and to take such other action as the Company may reasonably require to effectively convey, assign, transfer and deliver the Shares to the Company and carry out the other transactions contemplated hereunder.

2. The Closing. The closing of the transactions contemplated under this Agreement (the "Closing") shall occur at the offices of Thompson & Knight, L.L.P., 1200 Smith, Suite 3600, Houston, Texas, at 9:00 a.m. on December 18, 2000, or at such other date, time or place as may be mutually agreed upon by the parties, but in no event later than December 31, 2000. The date and time of the Closing is herein called the "Closing Date", and shall be deemed to have occurred as of the commencement of business on the Closing Date. At the Closing, the Seller shall deliver all certificates representing the Shares, duly endorsed or accompanied by duly executed stock powers. All action to be taken at the Closing as hereinafter set forth, and all documents and instruments executed and delivered, and all payments made with respect thereto, shall be considered to have been taken, delivered or made simultaneously, and no such action or delivery or payment shall be considered as complete until all action incident to the Closing has been completed.

3. Representations and Warranties of the Seller. The Seller hereby represents and warrants to and agrees with the Company that:

3.1. Authority. The Seller has the full right, capacity and authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby. This Agreement constitutes the legal, valid and binding obligation of the Seller enforceable against him in accordance with its terms. Neither the execution, delivery nor performance of this Agreement nor the consummation of the transactions contemplated hereby will result in a violation or breach of any term or provision of or constitute a default or acceleration under any contract, agreement, lease, license or other commitment to which the Seller is a party or by which he or his assets or properties are bound, nor violate any statute or any order, writ, injunction or decree of any court, administrative agency or governmental body.

3.2. Title to the Shares. The Seller has good and marketable title to the Shares, free and clear of any and all Liens other than under the Pledge Agreement, and the Seller has the absolute and unrestricted right, power, authority and capacity to sell the Shares to the

Company as provided in this Agreement. Upon delivery of the Shares to the Company, the Company will receive from the Seller good and marketable title thereto, free and clear of any and all Liens.

4. Representations and Warranties of the Company. The Company represents and warrants to and agrees with the Seller that:

4.1. Organization and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

4.2. Authority. The execution, delivery and performance by the Company of this Agreement have been duly authorized and approved by the Board of Directors of the Company, and all action required by law and the Company's Certificate of Incorporation and bylaws to authorize the execution, delivery and performance by the Company of this Agreement has been duly and properly taken. This Agreement is valid and binding on the Company enforceable against it in accordance with its terms. The execution and delivery by the Company of this Agreement do not, and the issuance of the Shares will not, violate or constitute a breach under any provision of the Certificate of Incorporation or bylaws of the Company or any contract, lease, license or commitment to which the Company is a party or by which it or its properties are bound, nor violate any statute, regulation or law or any order, writ, injunction or decree of any court, administrative agency or governmental body.

4.3. Adequate Capital. As of the Closing, the capital of the Company will not be impaired, and the Company's purchase of the Shares from the Seller will not cause any impairment of the capital of the Company, within the meaning of Section 160 of the General Corporation Law of the State of Delaware.

5. Miscellaneous.

5.1. Survival of Representations and Warranties. Regardless of any investigation made at any time by or on behalf of any party hereto, all covenants, agreements, representations and warranties made hereunder or pursuant hereto or in connection with the transactions contemplated hereby and thereby shall not terminate but shall survive the Closing and continue in effect thereafter.

5.2. Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been given if personally delivered or mailed, first class, registered or certified mail, postage prepaid, as follows:

(i) if to the Company:

Carriage Services, Inc.
1900 St. James Place - 4th Floor
Houston, Texas 77056
Attn: Chief Executive Officer

(ii) if to the Seller:

Mr. Russell W. Allen
11301 Lake Forest Drive
Conroe, Texas 77384

5.3. Assignment; Binding Effect. This Agreement may not be assigned by either party hereto without the prior written consent of the other party. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs and personal representatives.

5.4. Section and Paragraph Headings. The section and paragraph headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

5.5. Amendment. This Agreement may be amended only by an instrument in writing executed by the parties hereto.

5.6. Entire Agreement. This Agreement and the other documents referred to herein constitute the entire agreement of the parties hereto, and supersede all prior understandings with respect to the subject matter hereof and thereof.

5.7. Governing Law. This Agreement shall be construed and enforced under and in accordance with and governed by the law of the State of Texas.

5.8. Construction. As the context requires or permits: pronouns used herein shall include the masculine, the feminine and neuter; terms used in plural shall include the singular, and singular terms shall include the plural; "hereof", "herein", "hereunder" and "hereto" shall refer to this Agreement; and section and paragraph references, when not expressly referring to another agreement or document, shall mean sections or paragraphs in this Agreement.

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

IN WITNESS WHEREOF, this Agreement has been executed and delivered
as of the date first above written.

THE SELLER:

RUSSELL W. ALLEN

THE COMPANY:

CARRIAGE SERVICES, INC.

By _____
MELVIN C. PAYNE, Chief Executive
Officer

EXHIBIT 11.1

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

Earnings per share for 1998, 1999 and 2000 is calculated based on the weighted average number of common and common equivalent shares outstanding during each year as proscribed by SFAS 128. The following table sets forth the computation of the basic and diluted earnings per share for 1998, 1999 and 2000:

	1998	1999	2000
	-----	-----	-----
Net income (loss), before extraordinary item and cumulative effect of the change in accounting principle	\$ 9,533	\$ 10,887	\$ (93,003)
Extraordinary item	--	(200)	--
Cumulative effect of the change in accounting principle, net	--	--	(38,993)
	-----	-----	-----
Net income (loss)	9,533	10,687	(131,996)
Preferred stock dividends	(606)	(93)	(81)
	-----	-----	-----
Net income (loss) available to common stockholders for basic EPS computation	8,927	10,594	(132,077)
Effect of dilutive securities	--	93	--
	-----	-----	-----
Net income (loss) available to common stockholders for diluted EPS computation	\$ 8,927	\$ 10,687	\$ (132,077)
	=====	=====	=====
Weighted average number of common shares outstanding for basic EPS computation	13,315	15,875	16,056
Effect of dilutive securities:			
Series D convertible preferred stock	--	235	--
Stock options	493	26	--
	-----	-----	-----
Weighted average number of common and common equivalent shares outstanding for diluted EPS computation	13,808	16,136	16,056
	=====	=====	=====
Basic earnings per share:			
Net income (loss), before extraordinary item and cumulative effect of the change in accounting principle	\$.67	\$.68	\$ (5.80)
Extraordinary item	--	(.01)	--
Cumulative effect of the change in accounting principle, net	--	--	(2.43)
	-----	-----	-----
Net income (loss)	\$.67	\$.67	\$ (8.23)
	=====	=====	=====
Diluted earnings per share:			
Net income (loss), before extraordinary item and cumulative effect of the change in accounting principle	\$.65	\$.67	\$ (5.80)
Extraordinary item	--	(.01)	--
Cumulative effect of the change in accounting principle, net	--	--	(2.43)
	-----	-----	-----
Net income (loss)	\$.65	\$.66	\$ (8.23)
	=====	=====	=====

CARRIAGE SERVICES, INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (UNAUDITED AND IN THOUSANDS)

	1996*	1997	1998	1999	2000**
Fixed charges:					
Interest expense	\$ 4,347	\$ 5,889	\$ 9,720	\$ 17,358	\$ 20,705
Amortization of capitalized expenses related to debt	150	200	150	242	1,026
Rental expense	308	629	720	876	1,606
Total fixed charges before capitalized interest and preferred stock dividends	4,805	6,718	10,590	18,476	23,337
Capitalized interest	250	450	600	686	770
Total fixed charges	5,055	7,168	11,190	19,162	24,107
Preferred stock dividends	1,037	1,627	1,082	167	88
Total fixed charges plus preferred dividends	6,092	8,795	12,272	19,329	24,195
Earnings (loss) available for fixed charges:					
Earnings (loss) before income taxes, extraordinary item and cumulative effect of change in accounting principle	345	8,217	17,023	19,361	(101,035)
Add fixed charges before capitalized interest and preferred stock dividends	4,805	6,718	10,590	18,476	23,337
Total earnings (loss) available	\$ 5,150	\$ 14,935	\$ 27,613	\$ 37,837	\$ (77,698)
Ratio of earnings (loss) to fixed charges (1)	1.02	2.08	2.47	1.97	(3.22)
Ratio of earnings (loss) to fixed charges plus dividends (1)	0.85	1.70	2.25	1.96	(3.21)

(1) For purposes of computing the ratios of earnings to fixed charges and earnings to fixed charges plus dividends: (i) earnings consist of income before provision for income taxes plus fixed charges (excluding capitalized interest) and (ii) "fixed charges" consist of interest expensed and capitalized, amortization of debt discount and expense relating to indebtedness and the portion of rental expense representative of the interest factor attributable to leases for rental property. There were no dividends paid or accrued on the Company's Common Stock during the periods presented above.

* Earnings were inadequate to cover fixed charges. The coverage deficiency was \$942,000 for 1996.

** Earnings were inadequate to cover fixed charges. The coverage deficiency was \$101,893,000 for 2000.

CARRIAGE SERVICES, INC.

SUBSIDIARIES AS OF MARCH 1, 2001

Name -----	Jurisdiction of Incorporation -----
Carriage Funeral Holdings, Inc.	Delaware
CFS Funeral Services, Inc.	Delaware
Carriage Holding Company, Inc.	Delaware
Carriage Funeral Services of Michigan, Inc.	Michigan
Carriage Funeral Services of Kentucky, Inc.	Kentucky
Carriage Funeral Services of California, Inc.	California
Carriage Cemetery Services of Idaho, Inc.	Idaho
Wilson & Kratzer Mortuaries	California
Rolling Hills Memorial Park	California
Carriage Services of Connecticut, Inc.	Connecticut
CHC Insurance Agency of Ohio, Inc.	Ohio
Barnett, Demrow & Ernst, Inc.	Kentucky
Carriage Services of New Mexico, Inc.	New Mexico
Carriage Cemetery Services, Inc.	Texas
Carriage Services of Oklahoma, L.L.C.	Oklahoma
Carriage Services of Massachusetts, Inc.	Massachusetts
Carriage Services of Nevada, Inc.	Nevada
Hubbard Funeral Home, Inc.	Maryland
Carriage Services Capital Trust	Delaware
Carriage Team California (Cemetery), LLC	Delaware
Carriage Team California (Funeral), LLC	Delaware
Carriage Team Florida (Cemetery), LLC	Delaware
Carriage Team Florida (Funeral), LLC	Delaware
Carriage Team Ohio, LLC	Delaware
Carriage Team Kansas, LLC	Delaware
Carriage Municipal Cemetery Services of Nevada, Inc.	Nevada
Carriage Cemetery Services of California, Inc.	California
Carriage Insurance Agency of Massachusetts, Inc.	Massachusetts
Carriage Internet Strategies, Inc.	Delaware
Carriage Investments, Inc.	Delaware
Carriage Management, L.P.	Texas
Cochrane's Chapel of the Roses, Inc.	California
Horizon Cremation Society, Inc.	California
Carriage Life Events, Inc.	Delaware
Wallis-Wilbanks Funeral Home, LLC	Georgia

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 28, 2001 included in this Form 10-K, into Carriage Services, Inc.'s previously filed Registration Statement File Nos. 333-85961.

ARTHUR ANDERSEN LLP

Houston, Texas
March 30, 2001