UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ____________

Commission File Number: 1-11961

CARRIAGE SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0423828**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

3040 Post Oak Boulevard, Suite 300
Houston, Texas, 77056
(Address of principal executive offices)
(713) 332-8400
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $.01 per share	CSV	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's Common Stock, $.01 par value per share, outstanding as of May 1, 2023 was 14,934,211.

CARRIAGE SERVICES, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED BALANCE SHEET
(unaudited and in thousands, except share data)

	December 31, 2022	March 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,170	$ 1,293
Accounts receivable, net	24,458	23,887
Inventories	7,613	9,533
Prepaid and other current assets	4,733	8,988
Total current assets	37,974	43,701
Preneed cemetery trust investments	95,065	86,459
Preneed funeral trust investments	104,553	101,366
Preneed cemetery receivables, net	26,672	26,690
Receivables from preneed funeral trusts, net	19,976	20,346
Property, plant and equipment, net	278,106	289,313
Cemetery property, net	104,170	113,298
Goodwill	410,137	423,749
Intangible and other non-current assets, net	32,930	37,254
Operating lease right-of-use assets	17,060	17,486
Cemetery perpetual care trust investments	66,307	65,322
Total assets	$ 1,192,950	$ 1,224,984
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt and lease obligations	$ 3,172	$ 3,455
Accounts payable	11,675	11,429
Accrued and other liabilities	30,621	34,910
Total current liabilities	45,468	49,794
Acquisition debt, net of current portion	3,438	3,404
Credit facility	188,836	211,880
Senior notes	395,243	395,406
Obligations under finance leases, net of current portion	4,743	4,641
Obligations under operating leases, net of current portion	17,315	17,395
Deferred preneed cemetery revenue	51,746	61,297
Deferred preneed funeral revenue	32,029	32,248
Deferred tax liability	48,820	48,642
Other long-term liabilities	3,065	938
Deferred preneed cemetery receipts held in trust	95,065	86,459
Deferred preneed funeral receipts held in trust	104,553	101,366
Care trusts' corpus	65,495	64,352
Total liabilities	1,055,816	1,077,822
Commitments and contingencies:		
Stockholders' equity:		
Common stock, $0.01 par value; 80,000,000 shares authorized and 26,359,876 and 26,562,368 shares issued, respectively and 14,732,058 and 14,934,550 shares outstanding, respectively	264	266
Additional paid-in capital	238,780	239,962
Retained earnings	176,843	185,687
Treasury stock, at cost; 11,627,818 shares	(278,753)	(278,753)
Total stockholders' equity	137,134	147,162
Total liabilities and stockholders' equity	$ 1,192,950	$ 1,224,984

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except per share data)

	Three months ended March 31,	
	2022	**2023**
Revenue:		
Service revenue	$ 49,737	$ 48,207
Property and merchandise revenue	41,612	40,011
Other revenue	6,812	7,296
	98,161	95,514
Field costs and expenses:		
Cost of service	22,104	23,477
Cost of merchandise	29,325	29,734
Cemetery property amortization	1,332	1,201
Field depreciation expense	3,297	3,357
Regional and unallocated funeral and cemetery costs	6,347	5,437
Other expenses	1,278	1,253
	63,683	64,459
Gross profit	34,478	31,055
Corporate costs and expenses:		
General, administrative and other	8,560	10,180
Net loss on divestitures, disposals and impairments charges	767	241
Operating income	25,151	20,634
Interest expense	5,542	8,539
(Gain) loss on property damage, net of insurance claims	(1,899)	271
Other, net	24	(522)
Income before income taxes	21,484	12,346
Expense for income taxes	5,704	3,568
Tax adjustment related to discrete items	(622)	(66)
Total expense for income taxes	5,082	3,502
Net income	$ 16,402	$ 8,844
Basic earnings per common share:	$ 1.07	$ 0.59
Diluted earnings per common share:	$ 1.00	$ 0.57
Dividends declared per common share:	$ 0.1125	$ 0.1125
Weighted average number of common and common equivalent shares outstanding:		
Basic	15,244	14,758
Diluted	16,369	15,468

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Three months ended March 31,	
	2022	**2023**
Cash flows from operating activities:		
Net income	$ 16,402	$ 8,844
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,783	4,769
Provision for credit losses	837	699
Stock-based compensation expense	1,607	2,141
Deferred income tax expense (benefit)	76	(178)
Amortization of intangibles	318	321
Amortization of debt issuance costs	122	174
Amortization and accretion of debt	121	127
Net loss on divestitures, disposals and impairment charges	767	241
(Gain) loss on property damage, net of insurance claims	(1,899)	271
Gain on sale of real property	—	(530)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts and preneed receivables	(504)	120
Inventories, prepaid and other current assets	2,913	884
Intangible and other non-current assets	(340)	(1,277)
Preneed funeral and cemetery trust investments	(201)	5,356
Accounts payable	(987)	(246)
Accrued and other liabilities	(9,999)	1,924
Deferred preneed funeral and cemetery revenue	628	8,132
Deferred preneed funeral and cemetery receipts held in trust	1,157	(5,903)
Net cash provided by operating activities	15,801	25,869
Cash flows from investing activities:		
Acquisitions of businesses and real property	(2,575)	(44,000)
Proceeds from divestitures and sale of other assets	1,026	1,275
Proceeds from insurance claims	676	421
Capital expenditures	(6,883)	(4,982)
Net cash used in investing activities	(7,756)	(47,286)
Cash flows from financing activities:		
Borrowings from the credit facility	70,700	51,700
Payments against the credit facility	(51,900)	(28,800)
Payments on acquisition debt and obligations under finance leases	(100)	(127)
Proceeds from the exercise of stock options and employee stock purchase plan contributions	663	526
Taxes paid on restricted stock vestings and exercise of stock options	(289)	(98)
Dividends paid on common stock	(1,725)	(1,661)
Purchase of treasury stock	(25,655)	—
Net cash provided by (used in) financing activities	(8,306)	21,540
Net increase (decrease) in cash and cash equivalents	(261)	123
Cash and cash equivalents at beginning of period	1,148	1,170
Cash and cash equivalents at end of period	$ 887	$ 1,293

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited and in thousands)

	Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance – December 31, 2021	15,332	$ 263	$ 236,809	$ 135,462	$ (244,519)	$ 128,015
Net income	—	—	—	16,402	—	16,402
Issuance of common stock from employee stock purchase plan	13	—	603	—	—	603
Issuance of common stock to directors and board advisor	3	—	147	—	—	147
Exercise of stock options	9	—	(22)	—	—	(22)
Cancellation and surrender of restricted common stock	(5)	—	(207)	—	—	(207)
Stock-based compensation expense	—	—	1,460	—	—	1,460
Dividends on common stock	—	—	(1,725)	—	—	(1,725)
Treasury stock acquired	(490)	—	—	—	(26,010)	(26,010)
Other	27	—	1,358	—	—	1,358
Balance – March 31, 2022	14,889	$ 263	$ 238,423	$ 151,864	$ (270,529)	$ 120,021

	Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance – December 31, 2022	14,732	$ 264	$ 238,780	$ 176,843	$ (278,753)	$ 137,134
Net income	—	—	—	8,844	—	8,844
Issuance of common stock from employee stock purchase plan	22	—	526	—	—	526
Issuance of common stock to directors and board advisor	4	—	112	—	—	112
Issuance of common stock to former executive	30	—	826	—	—	826
Issuance of restricted common stock	142	2	(2)	—	—	—
Exercise of stock options	1	—	(21)	—	—	(21)
Cancellation and surrender of common and restricted stock	(4)	—	(77)	—	—	(77)
Stock-based compensation expense	—	—	1,203	—	—	1,203
Dividends on common stock	—	—	(1,661)	—	—	(1,661)
Other	8	—	276	—	—	276
Balance – March 31, 2023	14,935	$ 266	$ 239,962	$ 185,687	$ (278,753)	$ 147,162

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Carriage Services, Inc. (“Carriage,” the “Company,” “we,” “us,” or “our”) is a leading provider of funeral and cemetery services and merchandise in the United States. Our operations are reported in two business segments: Funeral Home Operations, which currently accounts for approximately 70% of our total revenue and Cemetery Operations, which currently accounts for approximately 30% of our total revenue. At March 31, 2023, we operated 173 funeral homes in 26 states and 32 cemeteries in 11 states.

Our funeral home operations are principally service businesses that generate revenue from sales of burial and cremation services and related merchandise, such as caskets and urns. Funeral services include consultation, the removal and preparation of remains, the use of funeral home facilities for visitation and memorial services and transportation services. We provide funeral services and products on both an “atneed” (time of death) and “preneed” (planned prior to death) basis.

Our cemetery operations generate revenue primarily through sales of cemetery interment rights (primarily grave sites, lawn crypts, mausoleum spaces and niches), related cemetery merchandise (such as memorial markers, outer burial containers and monuments) and services (interments, inurnments and installation of cemetery merchandise). We provide cemetery services and products on both an atneed and preneed basis.

Principles of Consolidation and Interim Condensed Disclosures

Our unaudited consolidated financial statements include the Company and its subsidiaries. All intercompany balances and transactions have been eliminated. Our interim consolidated financial statements are unaudited but include all adjustments, which consist of normal, recurring accruals, that are necessary for a fair presentation of our financial position and results of operations as of and for the interim periods presented.

There have been no material changes in our accounting policies previously disclosed in Part II, Item 8 “Financial Statements and Supplementary Data” in Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2022. In addition, our unaudited consolidated financial statements have been prepared in a manner consistent with the accounting principles described in our Annual Report on Form 10-K for the year ended December 31, 2022 unless otherwise disclosed herein, and should be read in conjunction therewith.

Use of Estimates

The preparation of our Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, we evaluate our critical estimates and judgments, which include those related to the impairment of goodwill and the fair value measurements used in business combinations. These policies are considered critical because they may result in fluctuations in our reported results from period to period due to the significant judgments, estimates and assumptions about complex and inherently uncertain matters and because the use of different judgments, assumptions or estimates could have a material impact on our financial condition or results of operations. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change. Historical performance should not be viewed as indicative of future performance because there can be no assurance the margins, operating income and net earnings, as a percentage of revenue, will be consistent from period to period.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory consists primarily of caskets, outer burial containers and cemetery monuments and markers and is recorded at the lower of its cost basis or net realizable value. Inventory is relieved using specific identification in fulfillment of performance obligations on our contracts.

Deferred Revenue

During the three months ended March 31, 2023, we withdrew $7.0 million of realized capital gains and earnings from our preneed cemetery trust investments. In certain states, we are allowed to make these withdrawals prior to the delivery of preneed merchandise and service contracts. The realized capital gains and earnings withdrawn increase our cash flow from operations, but are not recognized as revenue in our Consolidated Statements of Operations, however, they reduce our *Preneed cemetery trust investment* and increase *Deferred preneed cemetery revenue.*

Property, Plant and Equipment

Property, plant and equipment is comprised of the following (in thousands):

	December 31, 2022	March 31, 2023
Land	$ 84,405	$ 85,845
Buildings and improvements	251,778	261,203
Furniture, equipment and automobiles	70,522	73,374
Property, plant and equipment, at cost	406,705	420,422
Less: accumulated depreciation	(128,599)	(131,109)
Property, plant and equipment, net	$ 278,106	$ 289,313

During the three months ended March 31, 2023, we acquired $12.6 million of property, plant and equipment related to our 2023 business combination, described in Note 3 to the Consolidated Financial Statements.

During the three months ended March 31, 2022, we acquired real property for $2.6 million. We also divested two funeral homes that had a carrying value of property, plant and equipment of $0.7 million, which was included in the loss on the sale of divestitures and recorded in *Net loss on divestitures, disposals and impairment charges.*

Our growth and maintenance capital expenditures totaled $4.6 million and $2.9 million for the three months ended March 31, 2022 and 2023, respectively, for property, plant and equipment. In addition, we recorded depreciation expense of $3.4 million and $3.5 million for the three months ended March 31, 2022 and 2023, respectively.

Cemetery Property

Cemetery property was $104.2 million and $113.3 million, net of accumulated amortization of $59.0 million and $59.8 million at December 31, 2022 and March 31, 2023, respectively. When cemetery property is sold, the value of the cemetery property (interment right costs) is expensed as amortization using the specific identification method in the period in which the sale of the interment right is recognized as revenue. Our growth capital expenditures for cemetery property development totaled $2.3 million and $2.1 million for the three months ended March 31, 2022 and 2023, respectively. We recorded amortization expense for cemetery interment rights of $1.3 million and $1.2 million for the three months ended March 31, 2022 and 2023, respectively.

During the three months ended March 31, 2023, we acquired cemetery property for $9.0 million related to our 2023 business combination, described in Note 3 to the Consolidated Financial Statements. We also divested two cemeteries that had a carrying value of cemetery property of $0.8 million, which was included in the loss on the sale of divestitures and recorded in *Net loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations.

Income Taxes

Income tax expense was $5.1 million and $3.5 million for the three months ended March 31, 2022 and 2023, respectively. Our operating tax rate before discrete items was 26.5% and 28.9% for the three months ended March 31, 2022 and 2023, respectively.

Subsequent Events

We have evaluated events and transactions during the period subsequent to March 31, 2023 through the date the financial statements were issued for potential recognition or disclosure in the accompanying financial statements covered by this report.

2. RECENTLY ISSUED ACCOUNTING STANDARDS

Credit Losses - Vintage Disclosures

In March 2022, the FASB issued ASU, *Financial Instruments - Credit Losses* ("Topic 326") to make the requirement to disclose gross write-offs by class of financing receivable and major security type consistent for all public business entities. The amendment in this update provides specific guidance on the disclosure for current period write-offs by year of origination for financing receivables. This amendment is effective for fiscal years beginning after December 15, 2022, and therefore was effective for us beginning January 1, 2023. Our adoption of these amendments had no impact on our consolidated financial statements.

3. BUSINESS COMBINATIONS

Tangible and intangible assets acquired and liabilities assumed are recorded at fair value and goodwill is recognized for any difference between the price of the acquisition and fair value. We recognize the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at the fair value as of that date. Acquisition related costs are recognized separately from the acquisition and are expensed as incurred. We customarily estimate related transaction costs known at closing. To the extent that information not available to us at the closing date subsequently becomes available during the measurement period, we may adjust goodwill, intangible assets, assets or liabilities associated with the acquisition.

On March 22, 2023, we acquired a business consisting of three funeral homes, two cemeteries and one cremation focused business in the Bakersfield, California area for $44.0 million in cash. We acquired substantially all of the assets and assumed certain operating liabilities of this business.

The pro forma impact of this acquisition on prior periods is not presented, as the impact is not significant to our reported results. The results of the acquired business are reflected in our Consolidated Statements of Operations from the date of acquisition.

The measurement period to determine the fair values of acquired identifiable assets and assumed liabilities will end at the earlier of 12 months from the date of the acquisition or as soon as we receive the information we are seeking about facts and circumstances that existed as of the acquisition date. We recorded provisional estimates for the assets and liabilities acquired as our valuations have not been finalized at March 31, 2023.

Estimated fair values of the assets acquired and liabilities assumed in this transaction as of the closing date are as follows (in thousands):

	Estimated Fair Values
Current assets	$ 7,087
Property, plant & equipment	12,577
Cemetery property	9,035
Goodwill	13,612
Intangible and other non-current assets	3,763
Assumed liabilities	(300)
Deferred revenue	(1,774)
Purchase price	$ 44,000

The intangible and other non-current assets relate to the fair value of tradenames and right-of-use operating lease assets. The assumed liabilities relate to operating lease obligations. We did not estimate a fair value for cemetery perpetual care assets and liabilities for this acquisition as this information was not yet available. However, these trust assets and liabilities offset in our Consolidated Balance Sheet.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed for this business (in thousands):

Acquisition Date	Type of Business	Market	Assets Acquired (Excluding Goodwill)	Goodwill Recorded	Liabilities and Debt Assumed
March 22, 2023	Three Funeral Homes, Two Cemeteries and One Cremation Focused Business	Bakersfield, CA	$ 32,462	$ 13,612	$ (2,074)

We did not acquire any businesses during the three months ended March 31, 2022.

4. GOODWILL

The following table presents changes in goodwill in the accompanying Consolidated Balance Sheet (in thousands):

	December 31, 2022	March 31, 2023
Goodwill at the beginning of the period	$ 391,972	$ 410,137
Increase in goodwill related to acquisitions	19,511	13,612
Decrease in goodwill related to divestitures	(901)	—
Decrease in goodwill related to assets held for sale	(445)	—
Goodwill at the end of the period	$ 410,137	$ 423,749

During the three months ended March 31, 2023, we recognized $13.6 million in goodwill related to our 2023 business combination; $5.7 million was allocated to our cemetery segment and $7.9 million was allocated to our funeral home segment.

5. DIVESTED OPERATIONS

During the three months ended March 31, 2023, we sold one funeral home and two cemeteries for an aggregate of $0.8 million. During the three months ended March 31, 2022, we sold two funeral homes for an aggregate of $0.9 million.

The operating results of these divested funeral homes and cemeteries are reflected on our Consolidated Statements of Operations as shown in the table below (in thousands):

	Three months ended March 31,	
	2022	2023
Revenue	$ 137	$ 66
Operating income	2	26
Loss on divestitures[1]	(703)	(82)
Income tax benefit	186	16
Net loss from divested operations, after tax	$ (515)	$ (40)

(1) Loss on divestitures is recorded in *Net loss on divestitures, disposals and impairments charges* on our Consolidated Statements of Operations.

6. RECEIVABLES

Accounts Receivable

Our funeral receivables are recorded in *Accounts receivable, net* and primarily consist of amounts due for funeral services already performed.

Atneed cemetery receivables and preneed cemetery receivables with payments expected to be received within one year from the balance sheet date are also recorded in *Accounts receivable, net.* Preneed cemetery receivables with payments expected to be received beyond one year from the balance sheet date are recorded in *Preneed cemetery receivables, net.*

Accounts receivable is comprised of the following (in thousands):

	March 31, 2023			
	Funeral	Cemetery	Corporate	Total
Trade and financed receivables	$ 8,441	$ 14,753	$ —	$ 23,194
Other receivables	598	699	470	1,767
Allowance for credit losses	(299)	(775)	—	(1,074)
Accounts receivable, net	$ 8,740	$ 14,677	$ 470	$ 23,887

	December 31, 2022			
	Funeral	Cemetery	Corporate	T
Trade and financed receivables	$ 9,518	$ 14,429	$ —	$ 23,9
Other receivables	643	833	48	1,5
Allowance for credit losses	(311)	(702)	—	(1,0
Accounts receivable, net	$ 9,850	$ 14,560	$ 48	$ 24,4

Other receivables include supplier rebates, commissions due from third party insurance companies and perpetual care income receivables. We do not provide an allowance for credit losses for these receivables as we have historically not had any collectability issues nor do we expect any in the foreseeable future.

The following table summarizes the activity in our allowance for credit losses by segment (in thousands):

	January 1, 2023	Provision for Credit Losses	Write Offs	Recoveries	March 31, 2023
Trade and financed receivables:					
Funeral	$ (311)	$ (295)	$ 621	$ (314)	$ (299)
Cemetery	(702)	(152)	79	—	(775)
Total allowance for credit losses on Trade and financed receivables	$ (1,013)	$ (447)	$ 700	$ (314)	$ (1,074)

Balances due on undelivered preneed funeral trust contracts have been reclassified to reduce *Deferred preneed funeral revenue* on our Consolidated Balance Sheet of $8.9 million and $10.4 million at December 31, 2022 and March 31, 2023, respectively. As these performance obligations are to be completed after the date of death, we cannot quantify the recognition of revenue in future periods. However, we estimate an average maturity period of ten years for preneed funeral contracts.

Preneed Cemetery Receivables

Our preneed cemetery receivables are comprised of the following (in thousands):

	December 31, 2022	March 31, 2023
Interment rights	$ 45,351	$ 45,875
Merchandise and services	8,585	8,828
Unearned finance charges	4,894	4,912
Preneed cemetery receivables	$ 58,830	$ 59,615

The components of our preneed cemetery receivables are as follows (in thousands):

	December 31, 2022	March 31, 2023
Preneed cemetery receivables	$ 58,830	$ 59,615
Less: unearned finance charges	(4,894)	(4,912)
Preneed cemetery receivables, at amortized cost	$ 53,936	$ 54,703
Less: allowance for credit losses	(1,985)	(2,165)
Less: balances due on undelivered cemetery preneed contracts	(11,552)	(11,870)
Less: amounts in accounts receivable	(13,727)	(13,978)
Preneed cemetery receivables, net	$ 26,672	$ 26,690

The following table summarizes the activity in our allowance for credit losses for *Preneed cemetery receivables, net* (in thousands):

	January 1, 2023	Provision for Credit Losses	Write Offs	March 31, 2023
Total allowance for credit losses on *Preneed cemetery receivables, net*	$ (1,283)	$ (252)	$ 145	$ (1,3

The amortized cost basis of our preneed cemetery receivables by year of origination at March 31, 2023 is as follows (in thousands):

	2023	2022	2021	2020	2019	Prior	T
Total preneed cemetery receivables, at amortized cost	$ 7,754	$ 23,937	$ 11,623	$ 6,185	$ 3,092	$ 2,112	$ 54,7

The aging of past due preneed cemetery receivables at March 31, 2023 is as follows (in thousands):

	31-60 Past Due	61-90 Past Due	91-120 Past Due	>120 Past Due	Total Past Due	Current	Total
Recognized revenue	$ 874	$ 399	$ 277	$ 2,254	$ 3,804	$ 39,029	$ 42,833
Deferred revenue	220	114	56	1,080	1,470	15,312	16,782
Total contracts	$ 1,094	$ 513	$ 333	$ 3,334	$ 5,274	$ 54,341	$ 59,615

Balances due on undelivered preneed cemetery contracts have been reclassified to reduce *Deferred preneed cemetery revenue* on our Consolidated Balance Sheet. The transaction price allocated to preneed merchandise and service performance obligations that were unfulfilled were $11.6 million and $11.9 million at December 31, 2022 and March 31, 2023, respectively. As these performance obligations are to be completed after the date of death, we cannot quantify the recognition of revenue in future periods. However, we estimate an average maturity period of eight years for preneed cemetery contracts.

7. FAIR VALUE MEASUREMENTS

We evaluated our financial assets and liabilities for those that met the criteria of the disclosure requirements and fair value framework. The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate the fair values of those instruments due to the short-term nature of the instruments. The fair values of our receivables on preneed cemetery contracts are impracticable to estimate because of the lack of a trading market and the diverse number of individual contracts with varying terms. Our acquisition debt and Credit Facility (as defined in Note 11) and Senior Notes (as defined in Note 12) are classified within Level 2 of the Fair Value Measurements hierarchy.

At March 31, 2023, the carrying value and fair value of our Credit Facility was $213.6 million. We believe that our Credit Facility bears interest at a rate that approximates prevailing market rates for instruments with similar characteristics and therefore, the carrying value of our Credit Facility approximates fair value. We estimate the fair value of our acquisition debt utilizing an income approach, which uses a present value calculation to discount payments based on current market rates as of the reporting date. At March 31, 2023, the carrying value of our acquisition debt was $4.0 million, which approximated its fair value. The fair value of our Senior Notes was $328.2 million at March 31, 2023 based on the last traded or broker quoted price.

We identified investments in fixed income securities, common stock and mutual funds presented within the preneed and perpetual care trust investments categories on our Consolidated Balance Sheet as having met the criteria for fair value measurement. Where quoted prices are available in an active market, investments held by the trusts are classified as Level 1 investments pursuant to the three-level valuation hierarchy. Our Level 1 investments include cash, U.S. treasury debt, common stock and equity mutual funds. Where quoted market prices are not available for the specific security, then fair values are estimated by using quoted prices of similar securities in active markets or inputs other than quoted prices that can corroborate observable market data. These investments are fixed income securities, including U.S. agency obligations, foreign debt, corporate debt, preferred stocks, certificates of deposit and fixed income mutual funds and other investments, all of which are classified within Level 2 of the valuation hierarchy.

In addition, we have an investment in a limited partnership fund, whose fair value has been estimated using the net asset value per share practical expedient described in ASC 820-10-35-59, *Fair Value Measurement of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* and therefore, has not been classified in the fair value hierarchy. The value of the investments in this fund cannot be redeemed because the investments include restrictions that do not allow for redemption within the first 12 months after acquisition. Our unfunded commitment for this investment at March 31, 2023 is $10.0 million.

Our receivables from preneed funeral trusts represent assets in trusts which are controlled and operated by third parties in which we do not have a controlling financial interest (less than 50%) in the trust assets. We account for these investments at cost. See Notes 8 and 9 to our Consolidated Financial Statements for the fair value hierarchy levels of our trust investments.

8. TRUST INVESTMENTS

Preneed trust investments represent trust fund assets that we are generally permitted to withdraw as the services and merchandise are provided to customers. Preneed funeral and cemetery contracts are secured by payments from customers, less amounts not required by law to be deposited into trust. These earnings are recognized in *Other revenue* on our Consolidated Statements of Operations, when a service is performed or merchandise is delivered. Trust management fees charged by CSV RIA are included as revenue in the period in which they are earned. Our investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We do not intend to sell and it is likely that we will not be required to sell the securities prior to their anticipated recovery.

Cemetery perpetual care trust investments represent a portion of the proceeds from the sale of cemetery property interment rights that we are required by various state laws to deposit into perpetual care trust funds. The income earned from these perpetual care trusts offsets maintenance expenses for cemetery property and memorials. This trust fund income is recognized in *Other revenue*.

Changes in the fair value of our trust fund assets (*Preneed funeral, cemetery and perpetual care trust investments*) are offset by changes in the fair value of our trust fund liabilities (*Deferred preneed funeral and cemetery receipts held in trust* and *Care trusts' corpus*) and reflected in *Other, net*. There is no impact on earnings until such time the services are performed or the merchandise is delivered, causing the contract to be withdrawn from the trust in accordance with state regulations and the gain or loss is allocated to the contract.

We rely on our trust investments to provide funding for the various contractual obligations that arise upon maturity of the underlying preneed contracts. Because of the long-term relationship between the establishment of trust investments and the required performance of the underlying contractual obligations, the impact of current market conditions that may exist at any given time is not necessarily indicative of our ability to generate profit on our future performance obligations.

Preneed Cemetery Trust Investments

The components of *Preneed cemetery trust investments* on our Consolidated Balance Sheet are as follows (in thousands):

	December 31, 2022	March 31, 2023
Preneed cemetery trust investments, at market value	$ 98,269	$ 89,473
Less: allowance for contract cancellation	(3,204)	(3,014)
Preneed cemetery trust investments	$ 95,065	$ 86,459

The cost and market values associated with preneed cemetery trust investments at March 31, 2023 are detailed below (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 4,677	$ —	$ —	$ 4,677
Fixed income securities:					
U.S. agency obligations	2	803	—	(55)	748
Foreign debt	2	11,679	728	(703)	11,704
Corporate debt	2	15,241	168	(5,260)	10,149
Preferred stock	2	12,012	438	(1,701)	10,749
Certificates of deposit	2	79	—	(8)	71
Common stock	1	39,861	4,811	(7,491)	37,181
Limited partnership fund		3,730	10	—	3,740
Mutual funds:					
Equity	1	572	—	(72)	500
Fixed income	2	11,803	11	(3,029)	8,785
Trust securities		$ 100,457	$ 6,166	$ (18,319)	$ 88,304
Accrued investment income		$ 1,169			$ 1,169
Preneed cemetery trust investments					$ 89,473
Market value as a percentage of cost					87.9%

The estimated maturities of the fixed income securities (excluding mutual funds) included above are as follows (in thousands):

Due in one year or less	$ 1,291
Due in one to five years	9,682
Due in five to ten years	4,285
Thereafter	18,163
Total fixed income securities	$ 33,421

The cost and market values associated with preneed cemetery trust investments at December 31, 2022 are detailed below (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 10,434	$ —	$ —	$ 10,434
Fixed income securities:					
U.S. agency obligations	2	803	—	(72)	731
Foreign debt	2	12,241	910	(644)	12,507
Corporate debt	2	15,066	104	(4,139)	11,031
Preferred stock	2	12,560	436	(1,789)	11,207
Certificate of deposit	2	79	—	(8)	71
Common stock	1	42,929	5,102	(6,228)	41,803
Mutual funds:					
Equity	1	362	—	(33)	329
Fixed income	2	12,324	10	(3,310)	9,024
Trust Securities		$ 106,798	$ 6,562	$ (16,223)	$ 97,137
Accrued investment income		$ 1,132			$ 1,132
Preneed cemetery trust investments					$ 98,269
Market value as a percentage of cost					91.0%

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed cemetery trust investments in an unrealized loss position at March 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	March 31, 2023					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. agency obligations	$ —	$ —	$ 748	$ (55)	$ 748	$ (55)
Foreign debt	3,899	(309)	1,649	(394)	5,548	(703)
Corporate debt	4,032	(566)	3,084	(4,694)	7,116	(5,260)
Preferred stock	4,460	(974)	4,794	(727)	9,254	(1,701)
Certificates of deposit	—	—	71	(8)	71	(8)
Total fixed income securities with an unrealized loss	$ 12,391	$ (1,849)	$ 10,346	$ (5,878)	$ 22,737	$ (7,727)

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed cemetery trust investments in an unrealized loss position at December 31, 2022, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	December 31, 2022					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. agency obligations	$ 732	$ (72)	$ —	$ —	$ 732	$ (72)
Foreign debt	5,394	(308)	744	(336)	6,138	(644)
Corporate debt	8,037	(3,922)	563	(217)	8,600	(4,139)
Preferred stock	7,146	(1,271)	2,517	(518)	9,663	(1,789)
Certificates of deposit	71	(8)	—	—	71	(8)
Total fixed income securities with an unrealized loss	$ 21,380	$ (5,581)	$ 3,824	$ (1,071)	$ 25,204	$ (6,652)

Preneed cemetery trust investment security transactions recorded in *Other, net* on our Consolidated Statements of Operations are as follows (in thousands):

	Three months ended March 31, 2022	2023
Investment income	$ 491	$ 590
Realized gains	2,023	1,273
Realized losses	(63)	(877)
Unrealized gains (losses), net	6,877	(12,153)
Expenses and taxes	(364)	(306)
Net change in deferred preneed cemetery receipts held in trust	(8,964)	11,473
	$ —	$ —

Purchases and sales of investments in the preneed cemetery trusts are as follows (in thousands):

	Three months ended March 31, 2022	2023
Purchases	$ (1,315)	$ (6,354)
Sales	200	3,045

Preneed Funeral Trust Investments

Preneed funeral trust investments represent trust fund assets that we are permitted to withdraw as services and merchandise are provided to customers. Preneed funeral contracts are secured by payments from customers, less retained amounts not required to be deposited into trust.

The components of *Preneed funeral trust investments* on our Consolidated Balance Sheet are as follows (in thousands):

	December 31, 2022	March 31, 2023
Preneed funeral trust investments, at market value	$ 107,995	$ 104,795
Less: allowance for contract cancellation	(3,442)	(3,429)
Preneed funeral trust investments	$ 104,553	$ 101,366

The cost and market values associated with preneed funeral trust investments at March 31, 2023 are detailed below (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 23,031	$ —	$ —	$ 23,031
Fixed income securities:					
U.S treasury debt	1	484	—	(35)	449
Foreign debt	2	11,219	709	(661)	11,267
Corporate debt	2	13,980	156	(4,787)	9,349
Preferred stock	2	11,084	426	(1,621)	9,889
Common stock	1	36,620	4,625	(6,688)	34,557
Limited partnership fund		3,633	11	—	3,644
Mutual funds:					
Equity	1	431	—	(64)	367
Fixed income	2	10,247	11	(2,667)	7,591
Other investments	2	3,556	—	—	3,556
Trust securities		$ 114,285	$ 5,938	$ (16,523)	$ 103,700
Accrued investment income		$ 1,095			$ 1,095
Preneed funeral trust investments					$ 104,795
Market value as a percentage of cost					90.7%

The estimated maturities of the fixed income securities (excluding mutual funds) included above are as follows (in thousands):

Due in one year or less	$ 1,204
Due in one to five years	8,770
Due in five to ten years	4,022
Thereafter	16,958
Total fixed income securities	$ 30,954

The cost and market values associated with preneed funeral trust investments at December 31, 2022 are detailed below (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 29,641	$ —	$ —	$ 29,641
Fixed income securities:					
U.S. treasury debt	1	484	—	(45)	439
Foreign debt	2	10,851	818	(555)	11,114
Corporate debt	2	12,735	89	(3,443)	9,381
Preferred stock	2	10,730	391	(1,564)	9,557
Common stock	1	36,478	4,485	(5,187)	35,776
Mutual funds:					
Equity	1	326	—	(30)	296
Fixed income	2	9,907	9	(2,691)	7,225
Other investments	2	3,592	—	—	3,592
Trust securities		$ 114,744	$ 5,792	$ (13,515)	$ 107,021
Accrued investment income		$ 974			$ 974
Preneed funeral trust investments					$ 107,995
Market value as a percentage of cost					93.3%

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed funeral trust investment in an unrealized loss position at March 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	March 31, 2023					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. treasury debt	$ —	$ —	$ 449	$ (35)	$ 449	$ (35)
Foreign debt	3,749	(302)	1,520	(359)	5,269	(661)
Corporate debt	3,904	(550)	2,548	(4,237)	6,452	(4,787)
Preferred stock	3,888	(899)	4,545	(722)	8,433	(1,621)
Total fixed income securities with an unrealized loss	$ 11,541	$ (1,751)	$ 9,062	$ (5,353)	$ 20,603	$ (7,104)

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed funeral trust investment in an unrealized loss position at December 31, 2022, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	December 31, 2022					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. treasury debt	$ 439	$ (45)	$ —	$ —	$ 439	$ (45)
Foreign debt	4,766	(274)	626	(281)	5,392	(555)
Corporate debt	6,742	(3,248)	506	(195)	7,248	(3,443)
Preferred stock	5,908	(1,099)	2,261	(465)	8,169	(1,564)
Total fixed income securities with an unrealized loss	$ 17,855	$ (4,666)	$ 3,393	$ (941)	$ 21,248	$ (5,607)

Preneed funeral trust investment security transactions recorded in *Other, net* on the Consolidated Statements of Operations are as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Investment income	$ 366	$ 486
Realized gains	1,743	1,240
Realized losses	(58)	(837)
Unrealized gains (losses), net	6,527	(10,585)
Expenses and taxes	(215)	(192)
Net change in deferred preneed funeral receipts held in trust	(8,363)	9,888
	$ —	$ —

Purchases and sales of investments in the preneed funeral trusts are as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Purchases	$ (590)	$ (6,063)
Sales	500	2,943

Cemetery Perpetual Care Trust Investments

Care trusts' corpus on our Consolidated Balance Sheet represent the corpus of those trusts plus undistributed income. The components of *Care trusts' corpus* are as follows (in thousands):

	December 31, 2022	March 31, 2023
Cemetery perpetual care trust investments, at market value	$ 66,307	$ 65,322
Obligations due from trust	(812)	(970)
Care trusts' corpus	$ 65,495	$ 64,352

The following table reflects the cost and market values associated with the trust investments held in cemetery perpetual care trust funds at March 31, 2023 (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 2,703	$ —	$ —	$ 2,703
Fixed income securities:					
Foreign debt	2	8,926	514	(583)	8,857
Corporate debt	2	11,344	180	(4,030)	7,494
Preferred stock	2	10,004	309	(1,357)	8,956
Common stock	1	28,291	3,469	(5,319)	26,441
Limited partnership fund		2,637	8	—	2,645
Mutual funds:					
Equity	1	419	—	(54)	365
Fixed Income	2	9,188	30	(2,240)	6,978
Trust securities		$ 73,512	$ 4,510	$ (13,583)	$ 64,439
Accrued investment income		$ 883			$ 883
Cemetery perpetual care investments					$ 65,322
Market value as a percentage of cost					87.7%

The estimated maturities of the fixed income securities (excluding mutual funds) included above are as follows (in thousands):

Due in one year or less	$ 817
Due in one to five years	6,400
Due in five to ten years	3,243
Thereafter	14,847
Total fixed income securities	$ 25,307

The following table reflects the cost and market values associated with the trust investments held in cemetery perpetual care trust funds at December 31, 2022 (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 5,326	$ —	$ —	$ 5,326
Fixed income securities:					
Foreign debt	2	8,746	600	(470)	8,876
Corporate debt	2	10,540	118	(2,961)	7,697
Preferred stock	2	9,831	287	(1,374)	8,744
Common stock	1	28,625	3,443	(4,297)	27,771
Mutual funds:					
Equity	1	345	2	(22)	325
Fixed income	2	9,046	26	(2,310)	6,762
Trust securities		$ 72,459	$ 4,476	$ (11,434)	$ 65,501
Accrued investment income		$ 806			$ 806
Cemetery perpetual care investments					$ 66,307
Market value as a percentage of cost					90.4%

The following table summarizes our fixed income securities (excluding mutual funds) within our cemetery perpetual care trust investment in an unrealized loss position at March 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	March 31, 2023					
	In Loss Position Less than 12 months		**In Loss Position Greater than 12 months**		**Total**	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
Foreign debt	$ 3,204	$ (273)	$ 1,300	$ (310)	$ 4,504	$ (583)
Corporate debt	2,930	(410)	2,098	(3,620)	5,028	(4,030)
Preferred stock	3,862	(812)	4,037	(545)	7,899	(1,357)
Total fixed income securities with an unrealized loss	$ 9,996	$ (1,495)	$ 7,435	$ (4,475)	$ 17,431	$ (5,970)

The following table summarizes our fixed income securities (excluding mutual funds) within our perpetual care trust investment in an unrealized loss position at December 31, 2022, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	December 31, 2022					
	In Loss Position Less than 12 months		**In Loss Position Greater than 12 months**		**Total**	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
Foreign debt	$ 4,123	$ (218)	$ 554	$ (252)	$ 4,677	$ (470)
Corporate debt	5,413	(2,818)	371	(143)	5,784	(2,961)
Preferred stock	6,066	(1,032)	1,659	(342)	7,725	(1,374)
Total fixed income securities with an unrealized loss	$ 15,602	$ (4,068)	$ 2,584	$ (737)	$ 18,186	$ (4,805)

Cemetery perpetual care trust investment security transactions recorded in *Other, net* on our Consolidated Statements of Operations are as follows (in thousands):

	Three months ended March 31,	
	2022	**2023**
Realized gains	$ 250	$ 160
Realized losses	(8)	(177)
Unrealized gains (losses), net	4,728	(9,073)
Net change in care trusts' corpus	(4,970)	9,090
Total	$ —	$ —

Cemetery perpetual care trust investment security transactions recorded in *Other revenue* are as follows (in thousands):

	Three months ended March 31,	
	2022	**2023**
Investment income	$ 2,762	$ 3,197
Realized losses, net	(346)	(456)
Total	$ 2,416	$ 2,741

Purchases and sales of investments in the cemetery perpetual care trusts are as follows (in thousands):

	Three months ended March 31,	
	2022	**2023**
Purchases	$ (131)	$ (4,401)
Sales	—	2,210

9. RECEIVABLES FROM PRENEED FUNERAL TRUSTS

Our receivables from preneed funeral trusts represent assets in trusts which are controlled and operated by third parties in which we do not have a controlling financial interest (less than 50%) in the trust assets. We account for these investments at cost. Receivables from preneed funeral trusts are as follows (in thousands):

	December 31, 2022	March 31, 2023
Preneed funeral trust funds, at cost	$ 20,594	$ 20,975
Less: allowance for contract cancellation	(618)	(629)
Receivables from preneed funeral trusts, net	$ 19,976	$ 20,346

The following summary reflects the composition of the assets held in trust and controlled by third parties to satisfy our future obligations related to the underlying preneed funeral contracts at December 31, 2022 and March 31, 2023. The cost basis includes reinvested interest and dividends that have been earned on the trust assets. Fair value includes unrealized gains and losses on trust assets.

The composition of the preneed funeral trust funds at March 31, 2023 is as follows (in thousands):

	Historical Cost Basis	Fair Value
Cash and cash equivalents	$ 6,191	$ 6,191
Fixed income investments	12,031	12,031
Mutual funds and common stocks	2,750	2,518
Annuities	3	3
Total	$ 20,975	$ 20,743

The composition of the preneed funeral trust funds at December 31, 2022 is as follows (in thousands):

	Historical Cost Basis	Fair Value
Cash and cash equivalents	$ 6,071	$ 6,071
Fixed income investments	11,795	11,795
Mutual funds and common stocks	2,725	2,440
Annuities	3	3
Total	$ 20,594	$ 20,309

10. INTANGIBLE AND OTHER NON-CURRENT ASSETS

Intangible and other non-current assets are as follows (in thousands):

	December 31, 2022	March 31, 2023
Tradenames	$ 25,610	$ 29,074
Capitalized commissions on preneed contracts, net of accumulated amortization of $2,990 and $3,179, respectively	4,048	4,161
Prepaid agreements not-to-compete, net of accumulated amortization of $3,515 and $3,646, respectively	1,877	1,750
Internal-use software, net of accumulated amortization of $200 and $262, respectively	1,271	1,966
Other	124	303
Intangible and other non-current assets, net	$ 32,930	$ 37,254

Tradenames

During the three months ended March 31, 2023, we increased the value of our tradenames by $3.6 million related to our 2023 business combination, described in Note 3 to the Consolidated Financial Statements.

Capitalized Commissions

We capitalize sales commissions and other direct selling costs related to preneed cemetery merchandise and services and preneed funeral trust contracts as these costs are incremental and recoverable costs of obtaining a contract with a customer. Our capitalized commissions on preneed contracts are amortized on a straight-line basis over the average maturity period of ten years for our preneed funeral trust contracts and eight years for our preneed cemetery merchandise and services contracts.

Amortization expense was $170,000 and $189,000 for the three months ended March 31, 2022 and 2023, respectively.

Prepaid Agreements

Prepaid agreements not-to-compete are amortized over the term of the respective agreements, generally ranging from one to ten years. Amortization expense was $148,000 and $131,000 for the three months ended March 31, 2022 and 2023, respectively.

Internal-use Software

Internal-use software is amortized on a straight-line basis typically over three to five years. Amortization expense was $56,000 and $62,000 for the three months ended March 31, 2022 and 2023, respectively.

The aggregate amortization expense for our capitalized commissions, prepaid agreements and internal-use software as of March 31, 2023 is as follows (in thousands):

	Capitalized Commissions	Prepaid Agreements	Internal-use Software
Years ending December 31,			
Remainder of 2023	$ 729	$ 415	$ 194
2024	715	424	297
2025	650	377	386
2026	584	262	374
2027	518	142	373
Thereafter	965	130	342
Total amortization expense	$ 4,161	$ 1,750	$ 1,966

11. CREDIT FACILITY AND ACQUISITION DEBT

At March 31, 2023, our senior secured revolving credit facility (the "Credit Facility") was comprised of: (i) a $250.0 million revolving credit facility, including a $15.0 million subfacility for letters of credit and a $10.0 million swingline, and (ii) an accordion or incremental option allowing for future increases in the facility size by an additional amount of up to $75.0 million in the aggregate in the form of increased revolving commitments or incremental term loans. The final maturity of the Credit Facility will occur on May 13, 2026.

Our obligations under the Credit Facility are unconditionally guaranteed on a joint and several basis by the same subsidiaries which guarantee the Senior Notes (as defined in Note 12) and certain of our subsequently acquired or organized domestic subsidiaries (collectively, the "Subsidiary Guarantors").

The Credit Facility contains customary affirmative covenants, including, but not limited to, covenants with respect to the use of proceeds, payment of taxes and other obligations, continuation of the Company's business and the maintenance of existing rights and privileges, the maintenance of property and insurance, amongst others.

In addition, the Credit Facility also contains customary negative covenants, including, but not limited to, covenants that restrict (subject to certain exceptions) the ability of the Company and the Subsidiary Guarantors to incur indebtedness, grant liens, make investments, engage in mergers and acquisitions, and pay dividends and other restricted payments, and certain financial maintenance covenants. At March 31, 2023, we were subject to the following financial covenants under our Credit Facility: (A) a Total Leverage Ratio not to exceed 6.00 to 1.00 and (B) a Fixed Charge Coverage Ratio (as defined in the Credit Facility) of not less than 1.20 to 1.00 as of the end of any period of four consecutive fiscal quarters. These financial maintenance covenants are calculated for the Company and its subsidiaries on a consolidated basis. We were in compliance with all of the covenants contained in our Credit Facility as of March 31, 2023.

Our Credit Facility and acquisition debt consisted of the following (in thousands):

	December 31, 2022	March 31, 2023
Credit Facility	$ 190,700	$ 213,600
Debt issuance costs, net of accumulated amortization of $1,926 and $2,064, respectively	(1,864)	(1,720)
Total Credit Facility	$ 188,836	$ 211,880
Acquisition debt	$ 3,993	$ 3,971
Less: current portion	(555)	(567)
Total acquisition debt, net of current portion	$ 3,438	$ 3,404

At March 31, 2023, we had outstanding borrowings under the Credit Facility of $213.6 million. We also had one letter of credit for $2.3 million under the Credit Facility. The letter of credit will expire on November 27, 2023 and is expected to automatically renew annually and secures our obligations under our various self-insured policies. At March 31, 2023, we had $34.1 million of availability under the Credit Facility.

Outstanding borrowings under our Credit Facility bear interest at a prime rate or the Bloomberg Short-Term Bank Yield Index (“BSBY”) rate, plus an applicable margin based on our leverage ratio. At March 31, 2023, the prime rate margin was equivalent to 2.375% and the BSBY rate margin was 3.375%. The weighted average interest rate on our Credit Facility was 2.1% and 7.9% for the three months ended March 31, 2022 and 2023, respectively.

The interest expense and amortization of debt issuance costs related to our Credit Facility are as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Credit Facility interest expense	$ 847	$ 3,811
Credit Facility amortization of debt issuance costs	88	138

Acquisition debt consists of deferred purchase price and promissory notes payable to sellers. A majority of the deferred purchase price and notes bear no interest and are discounted at imputed interest rates ranging from 7.3% to 10.0%. Original maturities range from nine to twenty years.

The imputed interest expense related to our acquisition debt is as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Acquisition debt imputed interest expense	$ 80	$ 71

12. SENIOR NOTES

The carrying value of our 4.25% senior notes due 2029 (the “Senior Notes”) is reflected on our Consolidated Balance Sheet as follows (in thousands):

	December 31, 2022	March 31, 2023
Long-term liabilities:		
Principal amount	$ 400,000	$ 400,000
Debt discount, net of accumulated amortization of $794 and $921, respectively	(3,706)	(3,579)
Debt issuance costs, net of accumulated amortization of $226 and $262, respectively	(1,051)	(1,015)
Carrying value of the Senior Notes	$ 395,243	$ 395,406

At March 31, 2023, the fair value of the Senior Notes, which are Level 2 measurements, was $328.2 million.

The Senior Notes were issued under an indenture, dated as of May 13, 2021 (the “Indenture”), among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association, as trustee. The Senior Notes are unsecured, senior obligations and are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally by each of the Subsidiary Guarantors. The Senior Notes mature on May 15, 2029, unless earlier redeemed or purchased and bear interest at 4.25% per year, which is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2021.

The Indenture contains restrictive covenants limiting our ability and our Restricted Subsidiaries (as defined in the Indenture) to, among other things, incur additional indebtedness or issue certain preferred shares, create liens on certain assets to secure debt, pay dividends or make other equity distributions, purchase or redeem capital stock, make certain investments, sell assets, agree to certain restrictions on the ability of Restricted Subsidiaries to make payments to us, consolidate, merge, sell or otherwise dispose of all or substantially all assets, or engage in transactions with affiliates. The Indenture also contains customary events of default.

The interest expense and amortization of debt discount and debt issuance costs related to our Senior Notes are as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Senior Notes interest expense	$ 4,250	$ 4,250
Senior Notes amortization of debt discount	121	127
Senior Notes amortization of debt issuance costs	34	36

The debt discount and the debt issuance costs are being amortized using the effective interest method over the remaining term of approximately 74 months of the Senior Notes. The effective interest rate on the unamortized debt discount and the unamortized debt issuance costs for the Senior Notes for both the three months ended March 31, 2022 and 2023 was 4.42% and 4.30%, respectively.

13. LEASES

Our lease obligations consist of operating and finance leases related to real estate, equipment and vehicles. The components of lease cost are as follows (in thousands):

		Three months ended March 31,	
	Income Statement Classification	2022	2023
Operating lease cost	Facilities and grounds expense(1)	$ 848	$ 875
Short-term lease cost	Facilities and grounds expense(1)	102	94
Variable lease cost	Facilities and grounds expense(1)	7	58
Finance lease cost:			
Depreciation of leased assets	Depreciation and amortization(2)	$ 108	$ 108
Interest on lease liabilities	*Interest expense*	113	105
Total finance lease cost		221	213
Total lease cost		$ 1,178	$ 1,240

(1) Facilities and grounds expense is included within *Cost of service* and *General, administrative and other* on our Consolidated Statements of Operations.

(2) Depreciation and amortization expense is included within *Field depreciation* expense and *General, administrative and other* on our Consolidated Statements of Operations.

Supplemental cash flow information related to our leases is as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Cash paid for operating leases included in operating activities	$ 897	$ 951
Cash paid for finance leases included in financing activities	213	223

Right-of-use assets obtained in exchange for new leases is as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 178	$ 908
Right-of-use assets obtained in exchange for new finance lease liabilities	—	—

Supplemental balance sheet information related to leases is as follows (in thousands):

Lease Type	Balance Sheet Classification	December 31, 2022	March 31, 2023
Operating lease right-of-use assets	*Operating lease right-of-use assets*	$ 17,060	$ 17,486
Finance lease right-of-use assets	*Property, plant and equipment, net*	$ 6,770	$ 6,770
Accumulated depreciation	*Property, plant and equipment, net*	(2,881)	(2,989)
Finance lease right-of-use assets, net		$ 3,889	$ 3,781
Operating lease current liabilities	*Current portion of operating lease obligations*	$ 2,203	$ 2,477
Finance lease current liabilities	*Current portion of finance lease obligations*	414	411
Total current lease liabilities		$ 2,617	$ 2,888
Operating lease non-current liabilities	*Obligations under operating leases, net of current portion*	$ 17,315	$ 17,395
Finance lease non-current liabilities	*Obligations under finance leases, net of current portion*	4,743	4,641
Total non-current lease liabilities		$ 22,058	$ 22,036
Total lease liabilities		$ 24,675	$ 24,924

The average lease terms and discount rates at March 31, 2023 are as follows:

	Weighted-average remaining lease term (years)	Weighted-average discount rate
Operating leases	8.5	8.1 %
Finance leases	11.3	8.1 %

The aggregate future lease payments for non-cancelable operating and finance leases at March 31, 2023 are as follows (in thousands):

	Operating	Finance
Lease payments due:		
Remainder of 2023	$ 2,938	$ 647
2024	3,895	791
2025	3,604	736
2026	3,490	746
2027	3,349	746
Thereafter	9,996	4,063
Total lease payments	27,272	7,729
Less: Interest	(7,400)	(2,677)
Present value of lease liabilities	$ 19,872	$ 5,052

At March 31, 2023, we had no significant operating or finance leases that had not yet commenced.

14. STOCKHOLDERS' EQUITY

Restricted Stock

Restricted stock activity is as follows (in thousands, except shares):

	Three months ended March 31,			
	2022		2023	
	Shares	Fair Value	Shares	Fair Value
Granted[(1)]	—	$ —	142,020	$ 4,634
Returned for payroll taxes	4,185	$ 207	1,434	$ 49
Cancelled	1,000	$ 31	2,400	$ 79

(1) Restricted stock granted during the three months ended March 31 2023 vests over a three-year period, if the employee has remained continuously employed by us during the vesting period, at a weighted average stock price of $32.63.

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for restricted stock awards of $57,000 and $178,000, for the three months ended March 31, 2022 and 2023, respectively.

Common Stock

Common stock activity is as follows (in thousands, except shares):

	Three months ended March 31,			
	2022		2023	
	Shares	Fair Value	Shares	Fair Value
Granted[(1)]	—	$ —	30,000	$ 826
Returned for payroll taxes	—	$ —	1,001	$ 28

(1) During the three months ended March 31, 2023, we issued 30,000 shares of common stock to C. Benjamin Brink (former executive) at a stock price of $27.54, in accordance with his Separation and Release agreement pertaining to his resignation from his position as the Company's Executive Vice President, Chief Financial Officer & Treasurer (Principal Financial Officer) effective January 2, 2023.

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for common stock awards of $826,000, for the three months ended March 31, 2023.

Stock Options

Stock option grants and cancellations are as follows (in thousands, except shares):

	Three months ended March 31,			
	2022		2023	
	Shares	Fair Value	Shares	Fair Value
Granted[(1)]	58,500	$ 959	214,191	$ 2,506
Granted[(2)]	310,000	$ 5,388	—	$ —
Cancelled	7,000	$ 71	92,440	$ 1,231

(1) Stock options granted during the three months ended March 31, 2022 and 2023 had a weighted average price of $49.48 and $32.69, respectively. The fair value of these options was calculated using the Black-Scholes option pricing model. The options granted in 2022 vest over a five-year period and have a ten-year term. The options granted in 2023 vest over a three-year period and have a ten-year term. These options will vest if the employee has remained continuously employed by us through the vesting period.

(2) Stock options granted during the three months ended March 31, 2022 had a weighted average price of $49.48. The fair value of these options was calculated using the Black-Scholes option pricing model and vest over a seven-year period and have a ten-year term. These options will vest if the employee has remained continuously employed by us through the vesting period.

The fair value of the options granted during the three months ended March 31, 2023 was estimated using the Black-Scholes option pricing model with the following assumptions:

Grant Date	**February 22, 2023**
Expected holding period (years)	4.00
Awards granted	214,191
Dividend yield	1.38%
Expected volatility	43.68%
Risk-free interest rate	4.27%
Black-Scholes value	$11.70

Additional stock option activity is as follows (in thousands, except shares):

	Three months ended March 31,			
	2022		2023	
	Shares	Cash	Shares	Cash
Exercised[(1)]	18,736	N/A	12,000	N/A
Returned for option price[(2)]	8,125	$ 60	10,145	$ —
Returned for payroll taxes[(3)]	1,601	$ 82	729	$ 21

(1) Stock options exercised during the three months ended March 31, 2022 and 2023 had a weighted average exercise price of $25.88 and $25.43, respectively, with an aggregate intrinsic value of $0.5 million and $0.1 million, respectively.

(2) Represents shares withheld/cash received for the payment of the option price.

(3) Represents shares withheld/cash paid for the payment of payroll taxes.

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for stock options of $638,000 and $710,000, for the three months ended March 31, 2022 and 2023, respectively.

Performance Awards

Performance award activity is as follows (in thousands, except shares):

	Three months ended March 31,					
	2022			2023		
	Shares		Fair Value	Shares		Fair Value
Granted	3,750	$	162	—	$	—
Cancelled	6,987	$	67	40,804	$	1,119

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for performance awards of $566,000 and $63,000 for the three months ended March 31, 2022 and 2023, respectively.

Employee Stock Purchase Plan

ESPP activity is as follows (in thousands, except shares):

	Three months ended March 31,					
	2022			2023		
	Shares		Price	Shares		Price
ESPP	13,293	$	45.33	21,656	$	24.28

The fair value of the right (option) to purchase shares under the ESPP is estimated at the date of purchase with the four quarterly purchase dates using the following assumptions:

	2023
Dividend yield	1.30%
Expected volatility	53.51%
Risk-free interest rate	4.53%, 4.77%, 4.75%, 4.72%
Expected life (years)	0.25, 0.50, 0.75, 1.00

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses and Regional and unallocated funeral and cemetery costs*, for the ESPP totaling $199,000 and $252,000 for the three months ended March 31, 2022 and 2023, respectively.

Good To Great Incentive Program

During the three months ended March 31, 2023, we issued 8,444 shares of our common stock to certain employees, which were valued at $0.3 million at a grant date stock price of $32.69. During the three months ended March 31, 2022, we issued 27,448 shares of our common stock to certain employees, which were valued at $1.4 million at a grant date stock price of $49.48.

Non-Employee Director and Board Advisor Compensation

Non-Employee Director and Board Advisor common stock activity is as follows (in thousands, except shares):

	Three months ended March 31,					
	2022			2023		
	Shares		Fair Value	Shares		Fair Value
Board of Directors	2,669	$	142	3,518	$	107
Advisor to the Board	93	$	5	163	$	5

(1) Common stock granted during the three months ended March 31, 2022 and 2023 had a weighted average price of $53.33 and $30.52, respectively.

We recorded compensation expense, which is included in *General, administrative and other expenses*, related to annual retainers, including the value of stock granted to non-employee Directors and an advisor to our Board, of $201,000 and $166,000 for the three months ended March 31, 2022 and 2023, respectively.

Share Repurchase

Share repurchase activity is as follows (dollar value in thousands):

	Three months ended March 31	
	2022	2023
Number of Shares Repurchased[(1)]	490,000	—
Average Price Paid Per Share	$ 53.08	$ —
Dollar Value of Shares Repurchased[(1)]	$ 26,010	$ —

(1) During the three months ended March 31, 2022, 52,242 shares settled in April 2022, which had a cost of $2.8 million.

Our shares were purchased in the open market at times and in amounts as management determined appropriate based on factors such as market conditions, legal requirements and other business considerations. Shares purchased pursuant to the repurchase program are currently held as treasury stock. At March 31, 2023, our share repurchase program had $48.9 million authorized for repurchases.

Cash Dividend

Our Board declared the following dividends payable on the dates below (in thousands, except per share amounts):

2023	Per Share	Dollar Value
March 1st	$ 0.1125	$ 1,661
2022	**Per Share**	**Dollar Value**
March 1st	$ 0.1125	$ 1,725

15. EARNINGS PER SHARE

The following table sets forth the computation of the basic and diluted earnings per share (in thousands, except per share data):

	Three months ended March 31,	
	2022	2023
Numerator for basic and diluted earnings per share:		
Net income	$ 16,402	$ 8,844
Less: Earnings allocated to unvested restricted stock	(15)	(71)
Income attributable to common stockholders	$ 16,387	$ 8,773
Denominator:		
Denominator for basic earnings per common share - weighted average shares outstanding	15,244	14,758
Effect of dilutive securities:		
Stock options	409	99
Performance awards	716	611
Denominator for diluted earnings per common share - weighted average shares outstanding	16,369	15,468
Basic earnings per common share:	$ 1.07	$ 0.59
Diluted earnings per common share:	$ 1.00	$ 0.57

For the three months ended March 31, 2023, 1,129,210 stock options were excluded from the computation of diluted earnings per share because the inclusion of such stock options would result in an antidilutive effect. For the three months ended March 31, 2022, no stock options were excluded from the computation of diluted earnings per share.

Our performance awards are considered to be contingently issuable shares because their issuance is contingent upon the satisfaction of certain performance and service conditions. At March 31, 2023, we had satisfied certain performance criteria for the first, second and third predetermined growth targets of our performance awards to be considered outstanding. Therefore, we included these awards in the computation of diluted earnings per share as of the beginning of the reporting period.

16. SEGMENT REPORTING

Revenue, disaggregated by major source for each of our reportable segments was as follows (in thousands):

Three months ended March 31, 2023

	Funeral		Cemetery		To[illegible]	
Services	$	43,602	$	4,605	$	48,2[illegible]
Merchandise		22,969		3,934		26,9[illegible]
Cemetery property		—		13,108		13,1[illegible]
Other revenue		3,514		3,782		7,2[illegible]
Total	$	70,085	$	25,429	$	95,5[illegible]

Three months ended March 31, 2022

		Funeral		Cemetery		Total
Services	$	45,516	$	4,221	$	49,737
Merchandise		25,285		3,101		28,386
Cemetery property		—		13,226		13,226
Other revenue		3,554		3,258		6,812
Total	$	74,355	$	23,806	$	98,161

The following table presents operating income (loss), income (loss) before income taxes and total assets (in thousands):

		Funeral		Cemetery		Corporate		Consolidated
Operating income (loss):								
Three months ended March 31, 2023	$	22,192	$	8,613	$	(10,171)	$	20,634
Three months ended March 31, 2022		25,463		8,218		(8,530)		25,151
Income (loss) before income taxes:								
Three months ended March 31, 2023	$	22,333	$	8,672	$	(18,659)	$	12,346
Three months ended March 31, 2022		27,209		8,259		(13,984)		21,484
Total assets:								
March 31, 2023	$	795,205	$	412,342	$	17,437	$	1,224,984
December 31, 2022		779,500		396,389		17,061		1,192,950

17. SUPPLEMENTARY DATA

Balance Sheet

The following table presents the detail of certain balance sheet accounts (in thousands):

	December 31, 2022	March 31, 2023
Prepaid and other current assets:		
Prepaid expenses	$ 4,077	$ 3,582
Federal income taxes receivable	507	—
Other current assets	149	5,406
Total prepaid and other current assets	$ 4,733	$ 8,988
Current portion of debt and lease obligations:		
Acquisition debt	$ 555	$ 567
Finance lease obligations	414	411
Operating lease obligations	2,203	2,477
Total current portion of debt and lease obligations	$ 3,172	$ 3,455
Accrued and other liabilities:		
Incentive compensation	$ 12,140	$ 5,348
Insurance	3,051	4,265
Unrecognized tax benefit	3,294	3,316
Vacation	3,430	3,538
Interest	2,329	6,713
Salaries and wages	2,263	3,875
Employee meetings and award trips	746	798
Commissions	743	640
Income tax payable	459	3,380
Ad valorem and franchise taxes	455	1,165
Perpetual care trust payable	222	532
Other accrued liabilities	1,489	1,340
Total accrued and other liabilities	$ 30,621	$ 34,910
Other long-term liabilities:		
Incentive compensation	$ 2,541	$ 552
Other long-term liabilities	524	386
Total other long-term liabilities	$ 3,065	$ 938

Cash Flow

The following information is supplemental disclosure for the Consolidated Statements of Cash Flows (in thousands):

	Three months ended March 31,	
	2022	2
Cash paid for interest	$ 927	$ 3,7
Cash paid for taxes	1,540	2
Unsettled share repurchases	2,784	

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q contains certain statements and information that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical information, should be deemed to be forward-looking statements. Words such as “may”, “will”, “estimate”, “intend”, “believe”, “expect”, “seek”, “project”, “forecast”, “foresee”, “should”, “would”, “could”, “plan”, “anticipate” and other similar words or expressions may be used to identify forward-looking statements; however, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements include, but are not limited to, statements regarding any projections of earnings, revenue, cash flow, investment returns, capital allocation, debt levels, equity performance, death rates, market share growth, overhead, including talent recruitment, field and corporate incentive compensation, or other financial items; any statements of the plans, strategies and objectives of management for future operations or financing activities, including, but not limited to, capital allocation, the ability to obtain credit or financing, organizational performance, anticipated integration, performance and other benefits of recently completed and anticipated acquisitions, and cost and debt reductions; any statements of the plans, timing and objectives of management for acquisition and divestiture activities; any statements regarding future economic and market conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing and are based on our current expectations and beliefs concerning future developments and their potential effect on us. While we believe these assumptions concerning future events are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenue and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to:

- our ability to find and retain skilled personnel;
- the effects of our talent recruitment efforts, incentive and compensation plans and programs, including such effects on our Standards Operating Model and the Company’s operational and financial performance;
- our ability to execute our growth strategy;
- our ability to execute and meet the objectives of our High Performance and Credit Profile Restoration Plan, if at all;
- the execution of our Standards Operating, 4E Leadership and Strategic Acquisition Models;
- the effects of competition;
- changes in the number of deaths in our markets;
- changes in consumer preferences and our ability to adapt to or meet those changes;
- our ability to generate preneed sales, including implementing our cemetery portfolio sales strategy, product development and optimization plans;
- the investment performance of our funeral and cemetery trust funds;
- fluctuations in interest rates;
- the effects of inflation on our operational and financial performance, including the increased overall costs for our goods and services, the impact on customer preferences as a result of changes in discretionary income, and our ability, if at all, to mitigate such effects;
- our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;
- our ability to meet the timing, objectives and expectations related to our capital allocation framework, including our forecasted rates of return, planned uses of free cash flow and future capital allocation, including share repurchases, potential strategic acquisitions, internal growth projects, dividend increases, or debt repayment plans;
- our ability to meet the projected financial and equity performance goals to our updated full year outlook, if at all;
- the timely and full payment of death benefits related to preneed funeral contracts funded through life insurance contracts;
- the financial condition of third-party insurance companies that fund our preneed funeral contracts;
- increased or unanticipated costs, such as merchandise, goods, insurance or taxes, and our ability to mitigate or minimize such costs, if at all;
- our level of indebtedness and the cash required to service our indebtedness;
- changes in federal income tax laws and regulations and the implementation and interpretation of these laws and regulations by the Internal Revenue Service;

- effects of the application of other applicable laws and regulations, including changes in such regulations or the interpretation thereof;
- the potential impact of epidemics and pandemics, such as the COVID-19 coronavirus, including any new or emerging public health threats, on customer preferences and on our business;
- government, social, business and other actions that have been and will be taken in response to pandemics and epidemics, such as the COVID-19 coronavirus, including potential responses to any new or emerging public health threats;
- effects and expense of litigation;
- consolidation of the funeral and cemetery industry;
- our ability to identify and consummate strategic acquisitions, if at all, and successfully integrate acquired businesses with our existing businesses, including expected performance and financial improvements related thereto;
- economic, financial and stock market fluctuations;
- interruptions or security lapses of our information technology, including any cybersecurity or ransomware incidents,
- adverse developments affecting the financial services industry;
- acts of war or terrorists acts and the governmental or military response to such acts;
- our failure to maintain effective control over financial reporting; and
- other factors and uncertainties inherent in the funeral and cemetery industry.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see (i) Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q and (ii) Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022.

Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

General

Carriage Services, Inc. ("Carriage," the "Company," "we," "us," or "our") was incorporated in the State of Delaware in December 1993 and is a leading provider of funeral and cemetery services and merchandise in the United States. We operate in two business segments: Funeral Home Operations, which currently accounts for approximately 70% of our total revenue, and Cemetery Operations, which currently accounts for approximately 30% of our total revenue.

At March 31, 2023, we operated 173 funeral homes in 26 states and 32 cemeteries in 11 states. We compete with other publicly held, privately held and independent operators of funeral and cemetery companies.

Funeral home and cemetery businesses 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. Our funeral homes offer a complete range of services to meet a family's funeral needs, including consultation, the removal and preparation of remains, the sale of caskets and related funeral merchandise, the use of funeral home facilities for visitation and memorial services and transportation services. Most of our funeral homes have a non-denominational chapel on the premises, which permits family visitation and services to take place at one location and thereby reduces transportation costs and inconvenience to the family.

Our cemeteries provide interment rights (primarily grave sites, lawn crypts, mausoleum spaces and niches), related cemetery merchandise (such as memorial markers, outer burial containers and monuments) and services (interments, inurnments and installation of cemetery merchandise).

We provide funeral and cemetery services and products on both an "atneed" (time of death) and "preneed" (planned prior to death) basis.

Recent Developments

Board of Directors

On February 22, 2023, the Board of Directors (the "Board") of the Company elected Carlos R. Quezada, President and Chief Operating Officer, to serve as a Class II director, effective that same date, until the Company's 2025 annual meeting of stockholders. The Board also appointed Mr. Quezada to serve as Vice Chairman of the Board. Mr. Quezada will serve as a non-independent member of the Board, and the Board does not expect to appoint Mr. Quezada to any of its standing committees. Following the appointment of Mr. Quezada, the Board is now comprised of six directors, including four independent directors.

Code of Business Conduct and Ethics

On February 22, 2023, our Board, on the recommendation of the Board's Audit Committee, approved various amendments to the Company's Code of Business Conduct and Ethics (the "Code"), which applies to all directors, officers and employees of the Company and its subsidiaries. In addition to making certain technical and administrative updates, the amendments to the Code include, among other things, summarizing and clarifying the Company's existing compliance requirements and also identifies and expands upon certain policies, including those related to bribery and kickbacks, antitrust, political activity and improper influence on auditors. As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, copies of the Code, as amended, are posted on our website under "Investors - Corporate Governance."

Leadership Changes

Effective March 13, 2023, L. Kian Granmayeh was appointed to serve as the Company's Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer).

Acquisitions

On March 22, 2023, we acquired three funeral homes, two cemeteries and a cremation focused business in the Bakersfield, California area for $44.0 million.

Divestitures

During the three months ended March 31, 2023, we sold one funeral home and two cemeteries for $0.8 million for a loss of $0.1 million.

Business Impacts of COVID-19

The overall macroeconomic impact from the pandemic to the funeral and cemetery industry may provide varying results as compared to other industries. Our industry's revenues are impacted by various factors, including for example, fluctuations in the death rate, the number of funeral services performed, the average price for a service and the mix of traditional burial versus cremation contracts. During the three months ended March 31, 2023, deaths directly attributable from COVID-19 now have minimal direct impact on the overall death rate, although the overall death rate remains slightly higher than the pre-pandemic period, and we are unable to predict or forecast the duration or variation of this increased death rate with any certainty. As a result, we experienced lower volumes, revenues, earnings and margins when compared to the first quarter of 2022, but overall financial performance remains at or above prior reporting periods during and prior to the pandemic. Although we expect these death rate trends to continue, we will continue to assess these impacts, including the potential impacts of any emerging or new public health threats, and implement appropriate procedures, plans, strategies, and issue any disclosures that may be required, as the situation evolves. Regardless of these recent trends, our businesses have remained focused on being innovative and resourceful, providing families immediate service as part of the grieving process.

Within our financial reporting environment, we have considered the impact of COVID-19 on the assumptions and estimates used in preparing our consolidated financial statements. In the opinion of management, all material adjustments necessary for a fair presentation of the Company's financial results for the quarter have been made, but are complicated by our inability to predict or forecast the duration or variation of the increased death rate with any certainty. We do not believe we are particularly vulnerable to concentrations, with respect to geographic area, revenue for specific products or our relationships with our vendors. To date, we have not experienced any material supply chain impacts or disruptions from our vendors attributable to COVID-19 and we continue to receive reliable service.

We believe our access to capital, the cost of our capital, and the sources and uses of our cash should be relatively consistent in the near term. While the expected duration and potential future impacts of the pandemic are unknown, we have not currently experienced any material negative impacts to our liquidity position, access to capital, or cash flows as a result of COVID-19. For additional information related to our liquidity position, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources.

Inflationary Trends

During the three months ended March 31, 2023, we continued to experience modest cost increases and surcharges from our vendors and suppliers on merchandise and goods due to broader inflationary, raw material cost increases, and global supply chain impacts. For example, we experienced higher costs related to full-time hourly base rates, utilities, funeral supplies, merchandise costs and insurance. Although we have taken steps to mitigate these cost increases and we expect these impacts to continue throughout the current year, the ultimate scope and duration of these impacts are unknown at this time. More broadly, the U.S. economy continues to experience higher rates of inflation, which has impacted a wide variety of industries and sectors, with consumers facing rising prices. Such inflation may negatively impact consumers or discretionary spending, including the amount that consumers are able to spend on our services, although we have not experienced such impacts to date and our industry has been largely resilient to similar adverse economic and market environments in the past. Although we expect these trends to continue throughout the current year, we will continue to assess these impacts and take the appropriate steps, if necessary, to mitigate these cost increases, if possible.

Funeral Home Operations

Our funeral homes offer a complete range of high value personal services to meet a family's funeral needs, including consultation, the removal and preparation of remains, the sale of caskets and related funeral merchandise, the use of funeral home facilities for visitation and remembrance services and transportation services. Factors affecting our funeral operating results include, but are not limited to: demographic trends relating to population growth and average age, which impact death rates and number of deaths; establishing and maintaining leading market share positions supported by strong local heritage and relationships; effectively responding to increasing cremation trends by selling complementary services and merchandise; controlling salary and merchandise costs; and exercising pricing leverage to increase average revenue per contract.

Cemetery Operations

Our cemeteries provide interment rights (grave sites and mausoleum spaces) and related merchandise, such as markers and outer burial containers both on an atneed and preneed basis. Factors affecting our cemetery operating results include, but are not limited to: the size and success of our sales organization; local perceptions and heritage of our cemeteries; our ability to adapt to changes in the economy and consumer confidence; and our response to fluctuations in capital markets and interest rates, which affect investment earnings on trust funds, finance charges on installment contracts and our securities portfolio within the trust funds.

Business Strategy

Our business strategy is based on strong, local leadership with entrepreneurial principles that is focused on sustainable long term market share, revenue, and profitability growth in each local business. We believe Carriage has the most innovative operating model in the funeral and cemetery industry, which we are able to achieve through a decentralized, high-performance culture and operating framework linked with incentive compensation programs that attract top quality industry talent to our organization. We also believe that Carriage provides a unique consolidation and operating framework that offers a highly attractive succession planning solution for independent funeral home owners who want their legacy family business to remain operationally prosperous in their local communities.

Our **Mission Statement** states that “we are committed to being the most professional, ethical and highest quality funeral and cemetery service organization in our industry” and our **Guiding Principles** state our core values, which are comprised of:

- Honesty, integrity and quality in all that we do;
- Hard work, pride of accomplishment, and shared success through employee ownership;
- Belief in the power of people through individual initiative and teamwork;
- Outstanding service and profitability go hand-in-hand; and
- Growth of the Company is driven by decentralization and partnership.

Our five **Guiding Principles** collectively embody our **Being The Best** high-performance culture and operating framework. Our operations and business strategy are built upon the execution of the following three models:

- Standards Operating Model;
- 4E Leadership Model; and
- Strategic Acquisition Model.

Standards Operating Model

Our Standards Operating Model is focused on growing local market share, providing personalized high-value services to our client families and guests, and operating financial metrics that drive long-term, sustainable revenue growth and improved earning power of our portfolio of businesses by employing leadership and entrepreneurial principles that fit the nature of our high-value personal service business. Standards Achievement is the measure by which we judge the success of each business and incentivize our local managers and their teams. Our Standards Operating Model is not designed to produce maximum short-term earnings because we believe such performance is unsustainable and will ultimately stress the business, which very often leads to declining market share, revenue and earnings.

4E Leadership Model

Our 4E Leadership Model requires strong local leadership in each business to grow an entrepreneurial, decentralized, high-value, personal service and sales business at sustainable profit margins. Our 4E Leadership Model is based upon principles established by Jack Welch during his tenure at General Electric, and is based upon 4E qualities essential to succeed in a high performance culture: *Energy* to get the job done; the ability to *Energiz*e others; the *Edge* necessary to make difficult decisions; and the ability to *Execute* and produce results. To achieve a high level within our Standards in a business year after year, we require our local Managing Partners that have the 4E Leadership skills to entrepreneurially grow the business by hiring, training and developing highly motivated and productive local teams.

Strategic Acquisition Model

Our Standards Operating Model led to the development of our Strategic Acquisition Model, which guides our acquisition strategy. We believe that both models, when executed effectively, will drive long-term, sustainable increases in market share, revenue, earnings and cash flow. We believe a primary driver of higher revenue and profits in the future will be the execution of our Strategic Acquisition Model using strategic ranking criteria to assess acquisition candidates. As we execute this strategy over time, we expect to acquire larger, higher margin strategic businesses in growing markets.

We have learned that the long-term growth or decline of a local branded funeral and cemetery business is reflected by several criteria that correlate strongly with five-to-ten-year performance in volumes (market share), revenue and sustainable field-level earnings before interest, taxes, depreciation and amortization (“EBITDA”) margins (a non-GAAP measure). We use criteria such as cultural alignment, volume and price trends, size of business, size of market, competitive standing, demographics, strength of brand and barriers to entry to evaluate the strategic position of potential acquisition candidates. Our financial valuation of the acquisition candidate is then determined through the application of an appropriate after-tax cash return on investment that exceeds our cost of capital.

Our belief in our **Mission Statement** and **Guiding Principles** and proper execution of the three models that define our strategy have given us a competitive advantage in every market where we compete. We believe that we can execute our three models without proportionate incremental investment in our consolidation platform infrastructure and without additional fixed regional and corporate overhead. This gives us a competitive advantage that is evidenced by the sustained earning power of our portfolio as defined by our EBITDA margin.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity and capital resources are internally generated cash flows from operating activities and availability under our Credit Facility (defined below).

We generate cash in our operations primarily from atneed sales and delivery of preneed sales. We also generate cash from earnings on our cemetery perpetual care trusts. Based on our recent operating results, current cash position and anticipated future cash flows, we do not anticipate any significant liquidity constraints in the foreseeable future. We have the ability to draw on our Credit Facility, subject to its customary terms and conditions. However, if our capital expenditures or acquisition plans change, we may need to access the capital markets or seek further borrowing capacity from our lenders to obtain additional funding and we may not be able to obtain such funding on terms and conditions that are acceptable to us. Further, to the extent operating cash flow or access to and cost of financing sources are materially different than expected, future liquidity may be adversely affected. For additional information regarding known material factors that could cause cash flow or access to and cost of finance sources to differ from our expectations, please read Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022.

Our plan is to remain focused on integrating our recently acquired businesses and prioritizing our capital allocation for debt repayments, the payment of dividends and debt obligations and internal growth capital expenditures, which we expect to fund using cash on hand and borrowings under our Credit Facility, along with general corporate purposes, as allowed under our Credit Facility. We believe that our existing and anticipated cash resources, including, as needed, additional borrowings or other financings that we may be able to obtain, will be sufficient to meet our anticipated working capital requirements, capital expenditures, scheduled debt payments, commitments and dividends for the next 12 months, as well as our long-term financial obligations.

Cash Flows

We began 2023 with $1.2 million in cash and ended the first quarter with $1.3 million in cash. At March 31, 2023, we had borrowings of $213.6 million outstanding on our Credit Facility compared to $190.7 million at December 31, 2022.

The following table sets forth the elements of cash flow (in thousands):

	Three months ended March 31,	
	2022	2023
Cash at beginning of the year	$ 1,148	$ 1,170
Net cash provided by operating activities	15,801	25,869
Acquisitions of businesses and real property	(2,575)	(44,000)
Proceeds from divestitures and sale of other assets	1,026	1,275
Proceeds from insurance claims	676	421
Capital expenditures	(6,883)	(4,982)
Net cash used in investing activities	(7,756)	(47,286)
Net borrowings on our Credit Facility, acquisition debt and finance lease obligations	18,700	22,773
Net proceeds from employee equity plans	374	428
Dividends paid on common stock	(1,725)	(1,661)
Purchase of treasury stock	(25,655)	—
Net cash provided by (used in) financing activities	(8,306)	21,540
Cash at end of the period	$ 887	$ 1,293

Operating Activities

For the three months ended March 31, 2023, cash provided by operating activities was $25.9 million compared to $15.8 million for the three months ended March 31, 2022. The increase of $10.1 million is primarily due to a $7.0 million withdrawal of realized capital gains and earnings from our preneed cemetery trust investments, as well as favorable working capital changes in accrued liabilities.

Investing Activities

Our investing activities, resulted in a net cash outflow of $47.3 million for the three months ended March 31, 2023 compared to $7.8 million for the three months ended March 31, 2022, an increase of $39.5 million.

Acquisition and Divestiture Activity

During the three months ended March 31, 2023, we acquired a business consisting of three funeral homes, two cemeteries and one cremation focused business for $44.0 million. In addition, we sold one funeral home and two cemeteries for $0.8 million.

During the three months ended March 31, 2022, we sold two funeral homes for an aggregate of $0.9 million and purchased real property for $2.6 million.

Capital Expenditures

For the three months ended March 31, 2023, capital expenditures (comprised of growth and maintenance spend) totaled $5.0 million compared to $6.9 million for the three months ended March 31, 2022, a decrease of $1.9 million.

The following tables present our growth and maintenance capital expenditures (in thousands):

	Three months ended March 31,	
	2022	2023
Growth		
Cemetery development	$ 2,264	$ 2,118
Renovations at certain businesses[(1)]	1,155	906
Other	(148)	116
Total Growth	$ 3,271	$ 3,140

(1) During the three months ended March 31, 2022, we spent $0.4 million for renovations on two businesses that were affected by Hurricane Ida, which occurred during the third quarter of 2021, all of which was reimbursed by our property insurance.

	Three months ended March 31,	
	2022	2023
Maintenance		
Facility repairs and improvements	$ 1,067	$ 89
General equipment and furniture	1,339	909
Vehicles	795	233
Paving roads and parking lots	311	156
Information technology infrastructure improvements	—	309
Other	100	146
Total Maintenance	$ 3,612	$ 1,842

Financing Activities

Our financing activities resulted in a net cash inflow of $21.5 million for the three months ended March 31, 2023 compared to a net cash outflow of $8.3 million for the three months ended March 31, 2022, an increase of $29.8 million.

During the three months ended March 31, 2023, we had net borrowings on our Credit Facility, acquisition debt and finance leases of $22.8 million, offset by $1.7 million in dividends.

During the three months ended March 31, 2022, we had net borrowings on our Credit Facility, acquisition debt and finance leases of $18.7 million, offset by $25.7 million for the purchase of treasury stock and $1.7 million in dividends.

Share Repurchase

Share repurchase activity is as follows (dollar value in thousands):

	Three months ended March 31,	
	2022	2023
Number of Shares Repurchased(1)	490,000	—
Average Price Paid Per Share	$ 53.08	$ —
Dollar Value of Shares Repurchased(1)	$ 26,010	$ —

(1) During the three months ended March 31, 2022, 52,242 shares settled in April 2022, which had a cost of $2.8 million.

Our shares were purchased in the open market at times and in amounts as management determined appropriate based on factors such as market conditions, legal requirements and other business considerations. Shares purchased pursuant to the repurchase program are currently held as treasury stock. At March 31, 2023, our share repurchase program had $48.9 million authorized for repurchases.

Dividends

Our Board declared the following dividends payable on the dates below (in thousands, except per share amounts):

2023	Per Share	Dollar Value
March 1st	$ 0.1125	$ 1,661

2022	Per Share	Dollar Value
March 1st	$ 0.1125	$ 1,725

Credit Facility, Lease Obligations and Acquisition Debt

The outstanding principal of our Credit Facility, lease obligations and acquisition debt at March 31, 2023 is as follows (in thousands):

	March 31, 2023
Credit Facility	$ 213,600
Finance leases	5,052
Operating leases	19,872
Acquisition debt	3,971
Total	$ 242,495

Credit Facility

At March 31, 2023, our senior secured revolving credit facility (the “Credit Facility”) was comprised of: (i) a $250.0 million revolving credit facility, including a $15.0 million subfacility for letters of credit and a $10.0 million swingline, and (ii) an accordion or incremental option allowing for future increases in the facility size by an additional amount of up to $75.0 million in the aggregate in the form of increased revolving commitments or incremental term loans. The final maturity of the Credit Facility will occur on May 13, 2026.

Our obligations under the Credit Facility are unconditionally guaranteed on a joint and several basis by the same subsidiaries which guarantee the Senior Notes (defined below) and certain of our subsequently acquired or organized domestic subsidiaries (collectively, the “Subsidiary Guarantors”).

The Credit Facility contains customary affirmative covenants, including, but not limited to, covenants with respect to the use of proceeds, payment of taxes and other obligations, continuation of the Company’s business and the maintenance of existing rights and privileges, the maintenance of property and insurance, amongst others.

In addition, the Credit Facility also contains customary negative covenants, including, but not limited to, covenants that restrict (subject to certain exceptions) the ability of the Company and the Subsidiary Guarantors to incur indebtedness, grant liens, make investments, engage in mergers and acquisitions, and pay dividends and other restricted payments, and certain financial maintenance covenants. At March 31, 2023, we were subject to the following financial covenants under our Credit Facility: (A) a Total Leverage Ratio not to exceed 6.00 to 1.00 and (B) a Fixed Charge Coverage Ratio (as defined in the Credit Facility) of not less than 1.20 to 1.00 as of the end of any period of four consecutive fiscal quarters. These financial maintenance covenants are calculated for the Company and its subsidiaries on a consolidated basis. We were in compliance with all of the covenants contained in our Credit Facility as of March 31, 2023.

At March 31, 2023, we had outstanding borrowings under the Credit Facility of $213.6 million. We also had one letter of credit for $2.3 million under the Credit Facility. The letter of credit will expire on November 27, 2023 and is expected to automatically renew annually and secures our obligations under our various self-insured policies. At March 31, 2023, we had $34.1 million of availability under the Credit Facility.

Outstanding borrowings under our Credit Facility bear interest at a prime rate or a Bloomberg Short-Term Bank Yield Index ("BSBY") rate, plus an applicable margin based on our leverage ratio. At March 31, 2023, the prime rate margin was equivalent to 2.375% and the BSBY rate margin was 3.375%. The weighted average interest rate on our Credit Facility was 2.1% and 7.9% for the three months ended March 31, 2022 and 2023, respectively.

The interest expense and amortization of debt issuance costs related to our Credit Facility are as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Credit Facility interest expense	$ 847	$ 3,811
Credit Facility amortization of debt issuance costs	88	138

The interest payments on our remaining borrowings under the Credit Facility will be determined based on the average outstanding balance of our borrowings and the prevailing interest rate during that time.

Lease Obligations

Our lease obligations consist of operating and finance leases. We lease certain office facilities, certain funeral homes, equipment and vehicles under operating leases with original terms ranging from one to twenty years. Many leases include one or more options to renew, some of which include options to extend the leases for up to forty years. We lease certain funeral homes under finance leases with original terms ranging from ten to forty years. At March 31, 2023, operating and finance lease obligations were $36.3 million, with $5.0 million payable within 12 months.

The components of lease cost are as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Operating lease cost	$ 848	$ 875
Short-term lease cost	102	94
Variable lease cost	7	58
Finance lease cost:		
Depreciation of leased assets	$ 108	$ 108
Interest on lease liabilities	113	105
Total finance lease cost	221	213
Total lease cost	$ 1,178	$ 1,240

Acquisition Debt

Acquisition debt consists of deferred purchase price and promissory notes payable to sellers. A majority of the deferred purchase price and notes bear no interest and are discounted at imputed interest rates ranging from 7.3% to 10.0%. Original maturities range from nine to twenty years. At March 31, 2023, acquisition debt obligations were $5.6 million, with $0.7 million payable within 12 months.

The imputed interest expense related to our acquisition debt is as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Acquisition debt imputed interest expense	$ 80	$ 71

Senior Notes

At March 31, 2023, the principal amount of our 4.25% senior notes due in May 2029 (the "Senior Notes") was $400.0 million. The Senior Notes were issued under an indenture, dated as of May 13, 2021 (the "Indenture"), among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association, as trustee. The Senior Notes are unsecured, senior obligations and are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally by each of the Subsidiary Guarantors. The Senior Notes mature on May 15, 2029, unless earlier redeemed or purchased and bear interest at 4.25% per year, which is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2021.

The Indenture contains restrictive covenants limiting our ability and our Restricted Subsidiaries (as defined in the Indenture) to, among other things, incur additional indebtedness or issue certain preferred shares, create liens on certain assets to secure debt, pay dividends or make other equity distributions, purchase or redeem capital stock, make certain investments, sell assets, agree to certain restrictions on the ability of Restricted Subsidiaries to make payments to us, consolidate, merge, sell or otherwise dispose of all or substantially all assets, or engage in transactions with affiliates. The Indenture also contains customary events of default.

The debt discount and the debt issuance costs are being amortized using the effective interest method over the remaining term of approximately 74 months of the Senior Notes. The effective interest rate on the unamortized debt discount and the unamortized debt issuance costs for the Senior Notes for both the three months ended March 31, 2022 and 2023 was 4.42% and 4.30%, respectively.

At March 31, 2023, the fair value of the Senior Notes, which are Level 2 measurements, was $328.2 million.

The interest expense and amortization of debt discount and debt issuance costs related to our Senior Notes are as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Senior Notes interest expense	$ 4,250	$ 4,250
Senior Notes amortization of debt discount	121	127
Senior Notes amortization of debt issuance costs	34	36

At March 31, 2023, our future interest payments on our outstanding balance were $108.3 million, with $17.0 million payable within 12 months.

FINANCIAL HIGHLIGHTS

Below are our financial highlights (in thousands except for volumes and averages):

	Three months ended March 31,	
	2022	2023
Revenue	$ 98,161	$ 95,514
Funeral contracts	13,515	12,415
Average revenue per funeral contract	$ 5,396	$ 5,527
Preneed interment rights (property) sold	2,378	2,504
Average price per preneed interment right sold	$ 4,490	$ 4,496
Gross profit	$ 34,478	$ 31,055
Net income	$ 16,402	$ 8,844

Revenue for the three months ended March 31, 2023 decreased $2.6 million compared to the three months ended March 31, 2022, as we experienced an 8.1% decrease in funeral contract volume, which was partially offset by a 2.4% increase in the average revenue per funeral contract and a 5.3% increase in the number of preneed interment rights (property) sold, while the average price per interment right sold remained flat. The contract volume decrease is primarily a result of the significant decline in COVID-19 related deaths in 2023 as compared to 2022, as these deaths now have a minimal impact on the overall death rate. The increase in interment rights sold is due exclusively to our newly acquired cemetery businesses, not present in the comparative quarter of 2022.

Gross profit for the three months ended March 31, 2023 decreased $3.4 million compared to the three months ended March 31, 2022, due to the decrease in revenue from our funeral home segment, as well as increases in operating expenses in both our funeral home and cemetery segments.

Net income for the three months ended March 31, 2023 decreased $7.6 million compared to the three months ended March 31, 2022, primarily due to the following: (1) the $3.4 million decrease in gross profit, (2) a $3.0 million increase in interest expense, (3) a $1.6 million increase in general and administrative expenses, (4) a $1.2 million impact from divestitures, disposals and insurance reimbursements, offset by (5) a $1.6 million decrease in income tax expense.

Further discussion of Revenue and the components of Gross profit for our funeral home and cemetery segments is presented under “– Results of Operations.”

Further discussion of General, administrative and other expenses, Interest expense, Income taxes and other components of income and expenses are presented under “– Other Financial Statement Items.”

REPORTING AND NON-GAAP FINANCIAL MEASURES

We also present our financial performance in our “Condensed Operating and Financial Trend Report” (“Trend Report”) as reported in our earnings release for the three months ended March 31, 2023 issued on May 3, 2023, and discussed in the corresponding earnings conference call. The Trend Report is used as a supplemental financial statement by management and investors to compare our current financial performance with our previous results and with the performance of other companies. We do not intend for this information to be considered in isolation or as a substitute for other measures of performance prepared in accordance with United States generally accepted accounting principles (“GAAP”). The Trend Report is a non-GAAP statement that also provides insight into underlying trends in our business.

Below is a reconciliation of Gross profit (a GAAP financial measure) to Operating profit (a non-GAAP financial measure) (in thousands):

	Three months ended March 31,	
	2022	2023
Gross profit	$ 34,478	$ 31,055
Cemetery property amortization	1,332	1,201
Field depreciation expense	3,297	3,357
Regional and unallocated funeral and cemetery costs	6,347	5,437
Operating profit[(1)]	$ 45,454	$ 41,050

(1) Operating profit is defined as Gross profit plus Cemetery property amortization, Field depreciation expense and Regional and unallocated funeral and cemetery costs.

Our operations are reported in two business segments: Funeral Home and Cemetery. Below is a breakdown of Operating profit (a non-financial GAAP measure) by Segment (in thousands):

	Three months ended March 31,	
	2022	2023
Funeral Home	$ 33,735	$ 28,966
Cemetery	11,719	12,084
Operating profit	$ 45,454	$ 41,050
Operating profit margin[(1)]	46.3%	43.0%

(1) Operating profit margin is defined as Operating profit as a percentage of Revenue.

Further discussion of Operating profit for our funeral home and cemetery segments is presented under “– Results of Operations.”

RESULTS OF OPERATIONS

The following is a discussion of our results of operations for the three months ended March 31, 2023 and 2022.

We previously classified our funeral homes and cemeteries as “same store” or “acquired” in our results of operations discussion in our quarterly and annual filings prior to December 31, 2022. Same store generally referred to funeral homes and cemeteries acquired at least five years before the reporting period being presented, while acquired generally referred to funeral homes and cemeteries acquired within the preceding five years of the reporting period being presented, both of which excluded certain funeral homes and cemeteries that we intended to divest.

In an effort to simplify the discussion of our results of operations, provide meaningful metrics to investors to compare our results to previous periods and provide more insight into the underlying long-term performance trends in our business, we have combined both the same store and acquired categories and now refer to this combination as “operating”. The term “operating” in the Funeral Home and Cemetery Segment simply refers to all our funeral homes and cemeteries owned and operated in the current reporting period, excluding certain funeral home and cemetery businesses that we have divested or intend to divest in the near future.

The term “divested” when discussed in the Funeral Home Segment, refers to one funeral home we sold in the three months ended March 31, 2023 and two funeral homes we sold in the three months ended March 31, 2022. The term “divested” when discussed in the Cemetery Segment, refers to two cemeteries we sold during the three months ended March 31, 2023.

“Planned divested” refers to the funeral home and cemetery businesses that we intend to divest.

“Ancillary” in the Funeral Home Segment represents our flower shop, pet cremation business and online cremation business.

Cemetery property amortization, Field depreciation expense and Regional and unallocated funeral and cemetery costs, are not included in Operating profit, a non-GAAP financial measure. Adding back these items will result in Gross profit, a GAAP financial measure.

Funeral Home Segment

The following table sets forth certain information regarding our Revenue and Operating profit for our funeral home operations (in thousands):

	Three months ended March 31,	
	2022	**2023**
Revenue:		
Operating	$ 70,212	$ 66,463
Divested/planned divested	589	108
Ancillary	1,070	1,057
Other	2,484	2,457
Total	$ 74,355	$ 70,085
Operating profit:		
Operating	$ 31,273	$ 26,628
Divested/planned divested	48	(26)
Ancillary	221	146
Other	2,193	2,218
Total	$ 33,735	$ 28,966
The following operating measures reflect the significant metrics over this comparative period:		
Contract volume	13,393	12,384
Average revenue per contract, excluding preneed funeral trust earnings	$ 5,242	$ 5,367
Average revenue per contract, including preneed funeral trust earnings	$ 5,398	$ 5,531
Cremation rate	57.1%	59.1%

Funeral home operating revenue decreased $3.7 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease in operating revenue is primarily driven by a 7.5% decrease in contract volume, which was partially offset by a 2.4% increase in the average revenue per contract excluding preneed interest. The contract volume decrease is primarily a result of the significant decline in COVID-19 related deaths in 2023 as compared to 2022, as these deaths now have a minimal impact on the overall death rate. The increase in average revenue per contract is primarily due to a combination of price increases and our continued focus on educating families on the many products and service options that are available with burials and cremations.

Funeral home operating profit for the three months ended March 31, 2023 decreased $4.6 million when compared to the same period in 2022, primarily due to an increase in operating expenses as a percentage of revenue. The comparable operating profit margin decreased 440 basis points to 40.1%. Operating expenses as a percentage of revenue increased 4.5% with the largest increase in salary and benefits expenses of 2.2%, facilities and grounds expenses of 1.0%, general and administrative expenses of 0.6%, and other funeral costs of 0.4%. The increase in operating expenses is partially due to higher costs from inflationary impacts concentrated in our full-time hourly base rates, utilities and funeral supplies.

Ancillary revenue, which represents revenue from our flower shop, pet cremation and online cremation businesses remained flat and Ancillary operating profit decreased $0.1 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Other revenue and other operating profit, which consists of preneed funeral insurance commissions and preneed funeral trust and insurance remained flat for the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

Cemetery Segment

The following table sets forth certain information regarding our Revenue and Operating profit for our cemetery operations (in thousands):

	Three months ended March 31,	
	2022	**2023**
Revenue:		
Operating	$ 20,475	$ 21,605
Divested/planned divested	73	42
Other	3,258	3,782
Total	$ 23,806	$ 25,429
Operating profit:		
Operating	$ 8,595	$ 8,393
Divested/planned divested	4	12
Other	3,120	$ 3,679
Total	$ 11,719	$ 12,084
The following operating measures reflect the significant metrics over this comparative period:		
Preneed revenue as a percentage of operating revenue	59.0%	58.0%
Preneed revenue (in thousands)	$ 12,078	$ 12,447
Atneed revenue (in thousands)	$ 8,396	$ 9,157
Number of preneed interment rights sold	2,365	2,499
Average price per interment right sold	$ 4,510	$ 4,500

Cemetery operating revenue increased $1.1 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, as we experienced a 5.7% increase in the number of preneed interment rights sold, while the average price per preneed interment right sold remained flat. The increase in interment rights sold is due exclusively to our newly acquired cemetery businesses, not present in the comparative quarter of 2022. Cemetery atneed revenue, which represents 42.0% of our total operating revenue, increased $0.8 million for the three months ended March 31, 2023, compared to the same period of the prior year, primarily due to an increase in sales of merchandise and services.

Cemetery operating profit decreased $0.2 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to an increase in operating expenses as a percentage of revenue. The comparable operating profit margin decreased 320 basis points to 38.8%. Operating expenses as a percent of operating revenue increased 3.1% with the largest increase in merchandise costs of 0.9%, salary and benefits expenses of 0.9% and facilities and grounds expenses of 0.6%. The increase in operating expenses is partially due to higher costs from inflationary impacts concentrated in our utilities and merchandise costs.

Other revenue, which consists of preneed cemetery trust revenue and preneed cemetery finance charges, increased $0.5 million for the three months ended March 31, 2023, compared to the three months ended March 31, 2022. The increase is primarily due to an increase in dividends and interest income in our perpetual care trust fund. Other operating profit increased $0.6 million for the same comparative period, primarily due to the increase in revenue.

Cemetery property amortization. Cemetery property amortization totaled $1.2 million for the three months ended March 31, 2023, a decrease of $0.1 million compared to the same period in 2022. The decrease is due to fewer sales of private mausoleums in the first quarter of 2023, which generally have a higher cost of construction.

Field depreciation. Depreciation expense for our field businesses totaled $3.4 million for the three months ended March 31, 2023, an increase of $0.1 million compared to the same period in 2022, primarily due to acquisitions made in latter half of 2022.

Regional and unallocated funeral and cemetery costs. Regional and unallocated funeral and cemetery costs consist of salaries and benefits for regional management, field incentive compensation and other related costs for field infrastructure. Regional and unallocated funeral and cemetery costs totaled $5.4 million for the three months ended March 31, 2023, a decrease of $0.9 million compared to the same period in 2022, primarily due to the following: (1) a $0.5 million decrease in cash incentives and equity compensation; (2) a $0.3 million decrease in incentive award trips and annual managing partner meetings; and (3) a $0.1 million decrease in other general expenses.

Other Financial Statement Items

General, administrative and other. General, administrative and other expenses, which includes salaries and benefits, cash and equity incentive compensation for the Houston support office totaled $10.2 million for the three months ended March 31, 2023, an increase of $1.6 million compared to the same period in 2022, primarily due to an increase in salary and benefits expense, along with increased cash and equity incentive compensation, as a result of having a complete senior leadership team at the end of the current period.

Net loss on divestitures, disposals and impairments charges. The components of *Net loss on divestitures, disposals and impairment charges* are as follows (in thousands):

	Three months ended March 31,	
	2022	**2023**
Net loss on divestitures	$ 703	$ 82
Net loss on disposals of fixed assets	64	159
Total	$ 767	$ 241

During the three months ended March 31, 2023 and 2022, we divested one funeral home and two cemeteries for an aggregate loss of $0.1 million and we divested two funeral homes for a loss of $0.7 million, respectively.

Interest expense. Interest expense related to its respective debt arrangement is as follows (in thousands):

	Three months ended March 31,	
	2022	**2023**
Senior Notes	$ 4,406	$ 4,413
Credit Facility	935	3,949
Finance leases	113	105
Acquisition debt	80	71
Other	8	1
Total	$ 5,542	$ 8,539

(Gain) loss on property damage, net of insurance claims. During the three months ended March 31, 2023, we recorded a $0.3 million loss, net of insurance proceeds, for property damaged by a fire that occurred during first quarter of 2023. During the three months ended March 31, 2022, we recorded a $1.9 million gain, net of insurance proceeds, for property damaged by Hurricane Ida that occurred during the third quarter of 2021.

Other, net. During the three months ended March 31, 2023, we recorded a $0.5 million gain on the sale of other real property not used in business operations.

Income taxes. Income tax expense totaled $3.5 million for the three months ended March 31, 2023, a decrease of $1.6 million compared to the same period in 2022, primarily due to lower pre-tax income in the current period. Our operating tax rate before discrete items was 28.9% and 26.5% for the three months ended March 31, 2023 and 2022, respectively.

OVERVIEW OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Understanding our accounting policies and the extent to which our management uses judgment, assumptions and estimates in applying these policies is integral to understanding our Consolidated Financial Statements. Our critical accounting policies are more fully described in Part II, Item 8 “Financial Statements and Supplementary Data” in Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2022.

We have identified Business Combinations and Goodwill as those accounting policies that require significant judgments, assumptions and estimates and that have a significant impact on our financial condition and results of operations. These policies are considered critical because they may result in fluctuations in our reported results from period to period due to the significant judgments, estimates and assumptions about complex and inherently uncertain matters and because the use of different judgments, assumptions or estimates could have a material impact on our financial condition or results of operations. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change. Historical performance should not be viewed as indicative of future performance because there can be no assurance the margins, operating income and net earnings, as a percentage of revenue, will be consistent from period to period. We evaluate our critical accounting estimates and judgments required by our policies on an ongoing basis and update them as appropriate based on changing conditions.

SEASONALITY

Our business can be affected by seasonal fluctuations in the death rate and may be further affected by epidemics and pandemics, like COVID-19. Generally, the number of deaths is higher during the winter months because the incidences of death from influenza and pneumonia are higher during this period than other periods of the year. For example, we experienced fluctuations in the death rate due to COVID-19, with a result of increased deaths during the duration of the pandemic. Although deaths directly attributable from COVID-19 now have minimal direct impact on the overall death rate, the overall death rate remains higher than the pre-COVID-19 pandemic period. As a result, we are unable to predict or forecast the duration or variation of this increased death rate with any certainty.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the ordinary course of business, we are typically exposed to a variety of market risks. Currently, these are primarily related to interest rate risk and changes in the values of securities associated with the preneed and perpetual care trusts. Management is actively involved in monitoring exposure to market risk and developing and utilizing appropriate risk management techniques when appropriate and when available for a reasonable price. We are not exposed to any other significant market risks other than those related to COVID-19 and inflation which are described in more detail in Part 1, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022.

The following quantitative and qualitative information is provided about financial instruments to which we are a party at March 31, 2023 and from which we may incur future gains or losses from changes in market conditions. We do not enter into derivative or other financial instruments for speculative or trading purposes.

Hypothetical changes in interest rates and the values of securities associated with the preneed and perpetual care trusts chosen for the following estimated sensitivity analysis are considered to be reasonable near-term changes generally based on consideration of past fluctuations for each risk category. However, since it is not possible to accurately predict future changes in interest rates, these hypothetical changes may not necessarily be an indicator of probable future fluctuations.

The following information about our market-sensitive financial instruments constitutes a “forward-looking statement.”

In connection with our preneed funeral operations and preneed cemetery merchandise and service sales, the related funeral and cemetery trust funds own investments in equity and debt securities and mutual funds, which are sensitive to current market prices. Cost and market values of such investments at March 31, 2023 are presented in Part 1, Item 1, Financial Statements, Note 8 to our Consolidated Financial Statements in this Quarterly Report on Form 10-Q. The sensitivity of the fixed income securities is such that a 0.25% change in interest rates causes an approximate 1.21% change in the value of the fixed income securities.

We monitor current and forecasted interest rate risk in the ordinary course of business and seek to maintain optimal financial flexibility, quality and solvency. At March 31, 2023, we had outstanding borrowings under the Credit Facility of $213.6 million. Any further borrowings or voluntary prepayments against the Credit Facility or any change in the floating rate would cause a change in interest expense. We have the option to pay interest under the Credit Facility at either prime rate or the BSBY rate plus a margin. At March 31, 2023, the prime rate margin was equivalent to 2.375% and the BSBY rate margin was 3.375%. Assuming the outstanding balance remains unchanged, a change of 100 basis points in our borrowing rate would result in a change in income before taxes of $2.1 million. We have not entered into interest rate hedging arrangements in the past. Management continually evaluates the cost and potential benefits of interest rate hedging arrangements.

Our Senior Notes bear interest at the fixed annual rate of 4.25%. We may redeem the Senior Notes, in whole or in part, at the redemption price of 102.13% on or after May 15, 2024, 101.06% on or after May 15, 2025 and 100% on or after May 15, 2026, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time before May 15, 2024, we may also redeem all or part of the Senior Notes at the redemption prices described in the Indenture, plus accrued and unpaid interest, if any, to (but excluding) the date of redemption. At March 31, 2023, the carrying value of the Senior Notes on our Consolidated Balance Sheet was $395.4 million and the fair value of the Senior Notes was $328.2 million based on the last traded or broker quoted price, reported by the Financial Industry Regulatory Authority, Inc. Increases in market interest rates may cause the value of the Senior Notes to decrease, but such changes will not affect our interest costs.

The remainder of our long-term debt and leases consist of non-interest bearing notes and fixed rate instruments that do not trade in a market and do not have a quoted market value. Any increase in market interest rates causes the fair value of those liabilities to decrease, but such changes will not affect our interest costs.

Item 4. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures

Our management, including our principal executive and principal financial officers, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and to ensure that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures are effective at March 31, 2023 and that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations, and cash flows for the periods presented in conformity with US GAAP.

Changes in Internal Control over Financial Reporting

There was no change in our system of internal control over financial reporting (defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We and our subsidiaries are parties to a number of legal proceedings that arise from time to time in the ordinary course of our 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 our financial statements.

We self-insure against certain risks and carry insurance with coverage and coverage limits for risk in excess of the coverage amounts consistent with our assessment of risks in our business and of an acceptable level of financial exposure. Although there can be no assurance that self-insurance reserves and insurance will be sufficient to mitigate all damages, claims, or contingencies, we believe that the reserves and our insurance provides reasonable coverage for known asserted and unasserted claims. In the event we sustain a loss from a claim and the insurance carrier disputes coverage or coverage limits, we may record a charge in a different period than the recovery, if any, from the insurance carrier.

Item 1A. Risk Factors.

Risk Factor Update

In light of recent developments affecting the financial services industry, we are also supplementing the risk factors set out under Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022 with the new risk factor set out below. The risk factor below should be carefully read in conjunction with the risk factors set out in our Annual Report on Form 10-K for the year ended December 31, 2022, which could materially affect our business, financial condition or future results. The risks described in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2022 are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

GENERAL RISKS

Economic Conditions and Natural Disasters

Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults, or non-performance by financial institutions, could adversely affect our business, financial condition, or results of operations.

We currently maintain cash balances in accounts at U.S. financial institutions that we believe are high quality. These accounts, held by us and our affiliated companies, are in non-interest-bearing and interest-bearing operating accounts and may, from time to time, exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. If such banking institutions were to fail, we could lose all or a portion of those amounts held in excess of such insurance limitations. In addition, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, our third-party vendors and counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems, which could adversely affect our business, financial condition, results of operations and liquidity.

Although we assess our banking relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our respective current and projected future business operations could be significantly impaired by factors that affect us, the financial institutions with which we have arrangements directly, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which we, have financial or business relationships, but could also include factors involving financial markets or the financial services industry generally.

In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire future financing or access to capital on acceptable terms or at all. As availability under our Credit Facility and/or the ability to access capital has historically been, and is expected to continue to be, one of our primary sources of liquidity, any adverse impacts on our ability to access such credit and liquidity sources as a result of adverse developments affecting the financial services industry could adversely affect our business, financial condition, results of operations.

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

The following table sets forth certain information with respect to repurchases of our common stock during the quarter ended March 31, 2023:

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Dollar Value of Shares That May Yet Be Purchased Under the Program[2]
January 1, 2023 - January 31, 2023	—	$ —	—	$ 48,898,769
February 1, 2023 - February 28, 2023	1,395	$ 33.48	—	$ 48,898,769
March 1, 2023 - March 31, 2023	—	$ —	—	$ 48,898,769
Total for quarter ended March 31, 2023	1,395		—	

(1) Represents shares surrendered by employees to pay taxes withheld upon the vesting of restricted stock awards.

(2) See Part I, Item 1, Financial Statements, Note 14 for additional information on our publicly announced share repurchase program.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

The exhibits required to be filed pursuant to the requirements of Item 601 of Regulation S-K are set forth in the Exhibit Index accompanying this Quarterly Report on Form 10-Q and are incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		CARRIAGE SERVICES, INC.
Date:	May 5, 2023	/s/ L. Kian Granmayeh
		L. Kian Granmayeh
		Executive Vice President, Chief Financial Officer and Treasurer
		(Principal Financial Officer)

CARRIAGE SERVICES, INC.

INDEX OF EXHIBITS

Exhibit No.	Description
*10.1	Employment Agreement dated effective as of March 13, 2023, by and between Carriage Services, Inc. and L. Kian Granmayeh. Incorporated by reference to Exhibit 10.1 to Company's Current Report on Form 8-K filed on March 6, 2023. †
*31.1	Certification of Periodic Financial Reports by Melvin C. Payne in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Periodic Financial Reports by L. Kian Granmayeh in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.
**32	Certification of Periodic Financial Reports by Melvin C. Payne and L. Kian Granmayeh in satisfaction of Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. Section 1350.
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema Documents.
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(*) Filed herewith.
(**) Furnished herewith.
(†) Management contract or compensatory plan or arrangement.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), is made and entered into as of March 13, 2023 (the "Effective Date"), by and between Carriage Services, Inc., a Delaware corporation (the "Company") and Kian Granmayeh (hereafter "Executive"). The Company and Executive may sometimes hereafter be referred to singularly as a "Party" or collectively as the "Parties."

WITNESSETH:

WHEREAS, the Company desires to secure the employment services of Executive subject to the terms and conditions hereafter set forth;

NOW, THEREFORE, in consideration of Executive's employment with the Company, and the premises and mutual covenants contained herein, the Parties hereto agree as follows:

1. Employment Position and Defined Terms. During the Employment Period (as defined in Section 4), the Company shall employ Executive, and Executive shall serve, as Executive Vice President, Chief Financial Officer and Treasurer of the Company. Executive shall also serve as an officer of any subsidiary of the Company as may be requested by the Company. Executive shall perform such other duties which are from time to time assigned to him and are not inconsistent with the provisions hereof. Executive's principal place of Employment shall be at the main business offices of the Company in Houston, Texas. Defined terms used in the Agreement that are not otherwise defined herein when first used are defined in Sections 6(g) and 10(d).

2. Compensation.

(a) ***Base Salary***. The Company shall pay to Executive during the Employment Period an annual salary at a rate of not less than Five Hundred Thousand Dollars ($500,000.00) per full calendar year of service (the "Base Salary"). Executive's Base Salary may increase at the discretion of the Compensation Committee or its duly authorized delegate and shall be paid in equal installments in accordance with the Company's standard policy regarding payment of compensation to similarly situated employees, but no less frequently than monthly. Nothing contained herein shall preclude the payment of any other compensation to Executive at any time as determined by the Compensation Committee.

(b) ***Annual Bonus***. In addition to the Base Salary in Section 2(a), Executive shall be eligible for an annual, discretionary incentive award (the "Annual Bonus") for each full calendar year that he is employed hereunder, as determined in the sole discretion of the Compensation Committee (or its duly authorized delegate) upon consideration of, among other things, corporate and individual performance for the year. The Annual Bonus shall be payable before March 15 of the year following the calendar year to which the Annual Bonus relates, following the certification of applicable year-end financial results. Executive must be employed by the Company on the payment date in order to earn and receive an Annual Bonus and thus Executive shall have no entitlement to any Annual Bonus before that date. The Executive's "Target Annual Bonus" shall be established by the Compensation Committee, or its duly authorized delegate, at the beginning of each year and shall be a percentage of Executive's Base Salary, not to be less than 100% (it being understood that the actual Annual Bonus eventually earned could be lesser or greater than the Target Annual Bonus).

(c) ***Stock Grant.*** Executive shall also be awarded a grant of 15,000 restricted shares of Company stock on the Effective Date of this Agreement (the "Initial Stock Grant"). The Initial Stock Grant shall be subject to a three-year vesting schedule.

3. Duties and Responsibilities of Executive. During the Employment Period, Executive shall devote his full working time to (a) the business of the Company and its Affiliates and (b) performance of the duties and responsibilities assigned to Executive to the best of Executive's ability and with reasonable diligence. Executive's Employment shall also be subject to the policies maintained and established by the Company, as such policies may be amended from time to time. Executive shall at all times use his best efforts to comply in good faith with laws applicable to Executive's actions on behalf of the Company and its Affiliates.

4. Term of Employment; Termination Rights.

(a) ***Term.*** Executive's term of Employment with the Company under this Agreement shall be for the period from the Effective Date through the date that is three (3) years from the Effective Date (the "Initial Term").

On the third anniversary of the Effective Date, and on each subsequent anniversary thereafter, this Agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a "Renewal Term"), unless written notice of non-renewal is delivered from either Party to the other not less than sixty (60) days prior to the expiration of the then-existing Initial Term or Renewal Term, as applicable. Notwithstanding the foregoing, Executive's Employment pursuant to this Agreement may be terminated prior to the expiration of the then-existing Initial Term or Renewal Term in accordance with this Agreement.

The period from the Effective Date through the Executive's Termination Date (for whatever reason) shall be referred to herein as the "Employment Period."

(b) ***Continued Availability Post-Termination.*** Executive agrees to remain available for twelve (12) months beyond the Employment Period during normal business hours to provide reasonable assistance to the Company or its Affiliates in the event that the Company or an Affiliate become involved in litigation (or another type of dispute or controversy) regarding matters of which Executive has relevant knowledge resulting from Executive's Employment; provided that such assistance does not unreasonably interfere with the employment duties of Executive with another employer following the Termination Date. Such post-termination assistance shall be provided by Executive in the capacity of an independent contractor at an agreed-upon, reasonable consulting fee, and shall not be deemed to create or continue an employee-employer or fiduciary relationship, or to represent a continuation of this Agreement.

5. Benefits. Subject to the terms and conditions of this Agreement, during the Employment Period, Executive shall be entitled to all of the following:

(a) ***Reimbursement of Business Expenses***. The Company shall reimburse Executive for all reasonable travel, entertainment and other business expenses paid or incurred by Executive in the performance of duties hereunder, provided that such expenses are incurred and accounted for in accordance with the expense reimbursement policies and procedures established by the Company from time to time. Such reimbursement shall in all cases be made in compliance with Section 30.

(b) ***Discretionary Vacation Time.*** Executive's work is routinely performed outside of a traditional work schedule and Executive is required to manage his own work schedule and time away from work, including vacation and personal time, in a manner that allows Executive to fulfill his duties and does not negatively impact the Company. Executive is not entitled to a fixed amount of vacation or personal time and will not accrue vacation or personal time balances.

(c) ***Other Employee Benefits***. Executive shall be entitled to participate in any retirement, 401(k), profit-sharing, and other employee benefits plans or programs of the Company to the same extent as available to other similarly situated employees of the Company under the terms of such plans or programs. Executive shall also be entitled to participate in any group insurance, hospitalization, medical, dental, health, life, accident, disability and other employee benefits plans or programs of the Company to the extent available to other similarly situated employees of the Company, and their spouses and eligible dependents, under the terms of such plans or programs including, without limitation, any medical expense reimbursement account and post-retirement medical program as made available to other similarly situated employees of the Company.

(d) ***Equity Incentive Awards***. Executive shall be eligible to participate in the Company's 2017 Omnibus Incentive Plan, as it may be amended from time to time (the "LTIP"), or any other incentive plan sponsored by the Company which provides for equity grants of incentive awards. The terms and conditions of any equity incentive award granted to Executive shall be set forth in the incentive plan document and award agreement governing such award.

The Executive's "Target Annual Long Term Incentive Award" shall be established by the Compensation Committee, or its duly authorized delegate, at the beginning of each year and shall be a percentage of Executive's Base Salary, not to be less than 175% (it being understood that the actual Target Annual Long Term Incentive Award eventually earned could be lesser or greater than the Target Annual Bonus).

6. Rights and Payments upon Termination. The Executive's right to compensation and benefits for periods after the Termination Date shall be determined in accordance with this Section 6. Except as otherwise expressly required by law or as specifically provided in an employee benefit plan or under this Agreement, all of Executive's rights to salary, severance, benefits, bonuses and other compensatory amounts under this Agreement shall cease upon the Termination Date.

(a) ***Minimum Payments***. As of the Termination Date, Executive shall be entitled to the following minimum payments under this Section 6(a), in addition to any other payments or benefits which Executive is entitled to receive under the terms of any employee benefit plan or program, state law, Company policy, or under Section 6(b):

(1) accrued but unpaid Base Salary through the Termination Date; provided that, if Executive's termination is due to Disability, such amount shall be net of the amount of any benefits received or payable under any disability insurance policy maintained by the Company for Executive, if applicable, which policy provides for income replacement benefits due to the Executive's inability to work as the result of his qualifying Disability; and

(2) reimbursement of reasonable business expenses that were incurred but unpaid as of the Termination Date.

Amounts payable under this Section 6(a) shall be paid in accordance with the Company's normal procedures for making payments following termination of Employment by a similarly situated employee.

(b) ***Severance Payments.***

(1) Death. If Executive dies during the Initial Term or any then-existing Renewal Term and while in Employment, the Company shall pay Executive's Designated Beneficiary (A) the Executive's Base Salary, in installments, through the end of the Initial Term or any then-existing Renewal Term which was in effect at the time of Executive's death; and (B) a pro rata amount of the Target Annual Bonus described in Section 2(b) for the year in which the death occurred, based on the number of days Executive was employed in such year in comparison to 365, and based on actual performance of any applicable performance metrics through the end of the performance period. Such amounts shall be paid to Executive's Designated Beneficiary by no later than the date necessary to qualify each such payment as a "short-term deferral" within the meaning of Treas. Reg. § 1.409A-1(b)(4).

(2) Disability. If, during the Initial Term or any then-existing Renewal Term, Executive's Employment is terminated by the Company due to Executive's Disability, the Company shall, subject to Section 6(e), pay Executive (A) the Executive's Base Salary, in installments, through the end of the Initial Term or any then-existing Renewal Term which was in effect at the time of Executive's disability; and (B) pay Executive a pro rata amount of the Target Annual Bonus described in Section 2(b) for the year in which the Termination Date occurred, based on the number of days Executive was employed in such year in comparison to 365, and based on actual performance of any applicable performance metrics through the end of the performance period. Such pro rata amount of the Target Annual Bonus shall be paid on the later of (1) the Company's first regular payroll date that occurs after the Release (as defined in Section 6(e), below) is no longer revocable (the "First Payment Date"), or (2) the payment date that an Annual Bonus for the year of termination otherwise would have been payable pursuant to Section 2(b), had Executive's Employment not been terminated (provided, that, in no event shall such payment occur later than the date necessary to qualify such payment as a "short-term deferral" within the meaning of Treas. Reg. § 1.409A- 1(b)(4)).

(3) Involuntary Termination Without Cause (Other than Due to Death or Disability) Not Within Corporate Change Period. If Executive's Employment is terminated

by the Company without Cause (other than on account of Executive's death or Disability), and such Termination Date does not occur within a Corporate Change Period, the Company shall, subject to Section 6(e), provide to Executive (A) continued payment of Executive's Base Salary as in effect on the Termination Date, in arrears, for a period of 24 months following the Termination Date, where the first such payment shall be made on the First Payment Date and shall include all payments, if any, without interest, that would have otherwise been made pursuant to this Section 6(b)(3)(A) between the Termination Date and the First Payment Date; and (B) a pro rata amount of the Target Annual Bonus described in Section 2(b), for the year in which the Termination Date occurred, based on the number of days Executive was employed in such year in comparison to 365, and based on actual performance of any applicable performance metrics through the end of the performance period, where such pro rata amount of the Target Annual Bonus shall be paid on the later of (i) the First Payment Date or (ii) the payment date that an Annual Bonus for the year of termination otherwise would have been payable pursuant to Section 2(b), had Executive's Employment not been terminated (provided, that, in no event shall such payment occur later than the date necessary to qualify such payment as a "short-term deferral" within the meaning of Treas. Reg. § 1.409A- 1(b)(4)).

(4) Involuntary Termination Without Cause (Other than Due to Death or Disability) Within Corporate Change Period or Termination by Executive for Good Reason Within Corporate Change Period. If Executive's Employment is terminated by the Company without Cause (other than on account of Executive's death or Disability) during a Corporate Change Period, or if Executive terminates his Employment due to Good Reason during a Corporate Change Period, the Company shall, subject to Section 6(e), provide to Executive (A) a lump sum equal to two times the sum of (i) Executive's Base Salary as in effect on the Termination Date (or as of the date of the Corporate Change, if higher), plus (ii) Executive's Target Annual Bonus, with such total amount to be paid on the First Payment Date.

(5) Other Termination of Employment. For purposes of clarity, in the event that (A) Executive voluntarily resigns or otherwise voluntarily terminates Employment, except due to Good Reason within a Corporate Change Period, or (B) Executive's Employment is terminated due to Cause then, in any such event under clause (A) or (B), the Company shall have no obligation to provide the severance benefits described in this Section 6(b) or the coverage described in Section 6(c), except to offer COBRA coverage (as required by COBRA law) but not at the rate described in Section 6(c). However, Executive shall still be entitled to the minimum benefits provided under Section 6(a).

(6) No Duplication of Severance Benefits. The severance payments provided under this Section 6(b) shall supersede and replace any severance payments under any severance pay plan or similar agreement that the Company or any Affiliate maintains for key management employees or employees generally.

(c) ***Subsidized COBRA Coverage for Certain Terminations***.

The provisions of this Section 6(c) shall apply only with respect to an Executive who becomes entitled to receive benefits under Section 6(b)(1), (2), (3) or (4) on account of his qualifying termination from Employment:

(1) In the event that Executive timely elects continuation coverage under any of the Company's "group health plans" within the meaning of Treasury Regulations Section 54.4980B-2 Q/A-1 (collectively, the "Health Plan") on behalf of himself and any of his eligible covered dependents (including his spouse) pursuant to COBRA, following the Termination Date, the Company shall, subject to Section 6(e), pay on Executive's behalf or reimburse Executive for an amount equal to the monthly premium for such COBRA coverage for each month during which such COBRA coverage is in effect during the period commencing on the Termination Date and ending upon the earliest of (x) the date that is eighteen (18) months following the Termination Date, (y) the date that Executive and Executive's covered dependents become no longer eligible for COBRA coverage, or (z) the date Executive becomes eligible to receive group healthcare coverage from a subsequent employer (and Executive agrees to promptly notify the Company of such eligibility). In all other respects, Executive and his dependents shall be treated the same as any other qualified beneficiaries under the Health Plan and COBRA.

(2) Notwithstanding Section 6(c)(1) to the contrary, the Company may alter the manner in which health benefits are provided to Executive under such Section following termination of Executive's Employment to the extent the Company reasonably determines is necessary for purposes of satisfying Code Section 105(h)(2) or avoiding the imposition of an excise tax on the Company or any of its Affiliates, provided that such alterations do not materially decrease coverage or increase the after-tax cost to Executive of such benefits.

(d) ***Accelerated Vesting of Equity Awards***. To the extent Executive received any equity incentive award that is not fully vested as of the Termination Date, the following shall apply with respect to each such award, unless the applicable award agreement provides for more generous treatment of such award:

(1) subject to compliance with the Release requirements in Section 6(e), if Executive becomes entitled to receive benefits under Section 6(b)(1), (2) or (4) on account of his qualifying termination from Employment, (i) Executive shall become immediately 100% vested in any outstanding awards of restricted stock, stock options and any other equity incentive awards granted under the LTIP (or any other equity incentive plan of the Company) that vest solely based on the passage of time, and (ii) with respect to any awards that vest based on the attainment of performance-based vesting conditions, Executive shall be considered to have remained in Employment through the end of the applicable performance period (with any such award being paid out within 60 days following the end of the applicable performance period, provided that applicable performance targets have been met); and

(2) except as specifically provided in Section 6(d)(1), all unvested equity incentive awards shall be treated in accordance with the terms of the outstanding award agreement or plan document, as applicable.

(e) ***Release Agreement***. Notwithstanding any provision of the Agreement to the contrary, in order to receive the vesting acceleration provided under Section 6(d), or the severance payments and benefits provided under Sections 6(b) or (c), the Executive must first execute an appropriate release agreement (on a form provided by the Company) (a "Release") whereby the Executive agrees to release and waive, in return for such vesting acceleration or severance benefits, any claims that Executive may have against the Company or any of its Affiliates including, without limitation, for unlawful discrimination (*e.g.*, Title VII of the Civil Rights Act); provided, however, such release agreement shall not release any claim or cause of action by or on behalf of the Executive for (a) any payment or benefit that may be due or payable under this Agreement or any vested benefits under any employee benefit plan or program or (b) non-payment of salary or benefits to which Executive is entitled from the Company as of the Termination Date. The Release must be provided to Executive within five (5) days following the Termination Date, and signed by Executive and returned to the Company, and any applicable revocation period must have expired, no later than thirty (30) days following the Termination Date.

(f) ***Reduction of Payments***. Notwithstanding anything to the contrary in this Agreement, if Executive is a "disqualified individual" (as defined in Code Section 280G(c)), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which Executive has the right to receive from the Company or any of its Affiliates, would constitute a "parachute payment" (as defined in Code Section 280G(b)(2)), then the payments and benefits provided for in this Agreement shall be reduced (but not below zero) so that the present value of such total amounts and benefits received by Executive from the Company and its Affiliates will be one dollar ($1.00) less than three times Executive's "base amount" (as defined in Code Section 280G(b)(3)) and so that no portion of such amounts and benefits received by Executive shall be subject to the excise tax imposed by Code Section 4999. The reduction of payments and benefits hereunder, if applicable, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order. The determination as to the extent of any such reduction in the amount of the payments and benefits provided hereunder shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a "parachute payment" exists, exceeds one dollar ($1.00) less than three times Executive's base amount, then Executive shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 6(f) shall require the Company to be responsible for, or have any liability or obligation with respect to, Executive's excise tax liabilities under Code Section 4999.

(g) ***Definitions***.

(1) "<u>Affiliate</u>" means any incorporated or unincorporated trade or business or other entity or person, other than the Company, that along with the Company is considered a single employer under Code Section 414(b) or Code Section 414(c); provided, however, (a) in applying Code Section 1563(a)(l), (2), and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the phrase "at least 50 percent" shall be used instead of the phrase "at least 80 percent" in each place the phrase "at least 80 percent" appears in Code Section 1563(a)(l), (2), and (3), and (b) in applying Treasury Regulation Section l.414(c)-2 for the purposes of determining trades or businesses (whether or not incorporated) that are under common control for the purposes of Code Section 414(c), the phrase "at least 50 percent" shall be used instead of the phrase "at least 80 percent" in each place the phrase "at least 80 percent" appears in Treasury Regulation Section l.414(c)-2.

(2) "<u>Board</u>" means the then-current Board of Directors of the Company.

(3) "<u>Cause</u>" means any of the following: (A) Executive's conviction of, or plea of no contest to, a misdemeanor involving moral turpitude or a felony; (B) Executive's repeated 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 Board; (C) Executive's commission of acts amounting to gross negligence or willful misconduct to the material detriment of the Company; or (D) Executive's material breach of any provision of this Agreement or uniformly applied provision of the Company's employee handbook or other personnel policies, including without limitation, its Code of Business Conduct and Ethics. Such determination of "Cause" shall be made by the Board and, in the event of circumstances described in clause (B) or (D) above, the Board shall give written notice to Executive specifying such circumstances and providing a period of 30 days in which Executive shall be allowed to cure such circumstances, if capable of cure.

(4) "<u>COBRA</u>" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(5) "<u>Code</u>" means the Internal Revenue Code of 1986, as amended.

(6) "<u>Compensation Committee</u>" means the Compensation Committee of the Board.

(7) "<u>Corporate Change</u>" means a "Corporate Transaction" or "Change in Control" (as defined in the LTIP).

(8) "<u>Corporate Change Period</u>" means the 24-month period following the occurrence of a Corporate Change.

(9) "<u>Designated Beneficiary</u>" means the Executive's surviving spouse, if any. If there is no such surviving spouse at the time of Executive's death, then the Designated Beneficiary hereunder shall be Executive's estate after the legal representative of such

estate provides satisfactory evidence thereof to the Company (or its delegate) within the one-year period following Executive's date of death.

(10) "Director" means a Board member.

(11) "Disabled" or "Disability" shall mean that Executive has become incapacitated by accident, illness or other circumstance which has rendered him mentally or physically incapable of performing the duties and services required of him hereunder on a full-time basis for a period of at least 365 consecutive days. Evidence of such Disability shall be certified by a physician acceptable to both the Company and Executive. In the event that the Parties are not able to agree on the choice of a physician, each shall select one physician who, in turn, shall select a third physician to render such certification. All reasonable costs directly relating to the determination of whether Executive has incurred a Disability for purposes of this Agreement shall be paid by the Company.

(12) "Dispute" means any dispute, disagreement, claim, or controversy arising from, in connection with, or relating to (A) the Employment, or termination of Employment, of Executive, or (B) the Agreement, or the validity, interpretation, performance, breach or termination of the Agreement.

(13) "Employment" means employment by the Company or any Affiliate.

(14) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(15) "Good Reason" means the occurrence of any of the following actions if taken without Executive's prior written consent: (A) any material breach by the Company to comply with its obligations under the terms of the Agreement; (B) any material diminution in the Executive's responsibilities, authority or duties, (C) a 10% or greater reduction of the sum of Executive's Base Salary and Target Annual Bonus; or (D) any change greater than 50 miles in the permanent location at which Executive performs services for the Company. The Executive shall give written notice to the Board specifying such actions within 90 days of the initial existence of such action and providing a period of 30 days in which the Company shall be allowed to cure such circumstances. Provided that the condition purporting to give rise to the Good Reason event is not cured within the 30-day cure period, Executive must exercise his right to terminate this Agreement for Good Reason within 120 days after the initial existence of the Good Reason event.

(16) "Termination Date" means the date on which Executive's Employment terminates for whatever reason.

7. **Notice of Termination**. Any termination of Executive's Employment by the Company or the Executive other than for death shall be communicated by Notice of Termination to the other Party hereto. For purposes of this Agreement, the term "Notice of Termination" means (a) a written notice which indicates the specific termination provision of this Agreement relied upon, (b) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's Employment under the provision so indicated, and (c) specifies a Termination Date which, if submitted by Executive, shall be at least thirty (30) days following the date of such Notice of Termination unless such termination is for Good Reason within a Corporate Change

Period (in which case the requirements for a termination due to Good Reason shall apply); provided, however, that in the event that Executive delivers a Notice of Termination to the Company, the Company may, in its sole discretion, change the Termination Date to any date that occurs following the date of receipt of such Notice of Termination and is prior to the date specified in such Notice of Termination. A Notice of Termination submitted by the Company may provide for a Termination Date on the date Executive receives the Notice of Termination, or any date thereafter elected by the Company in its sole discretion. The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive or otherwise prejudice any right of such Party hereunder or preclude such Party from asserting such fact or circumstance in enforcing such Party's rights hereunder.

8. **No Mitigation**. Except as provided in Section 6(f) regarding excess parachute payments, Executive shall not be required to mitigate the amount of any payment or other benefits provided under this Agreement by seeking other employment or in any other manner.

9. **Restrictive Covenants**. As an inducement to the Company to enter into this Agreement, Executive represents to, and covenants with or in favor of, the Company that Executive will comply with all of the restrictive covenants in Sections 10 through 16, as a condition to the Company's obligation to provide any benefits to Executive under this Agreement.

10. **Trade Secrets**.

(a) ***Access to Trade Secrets***. As of the Effective Date and on an ongoing basis, the Company agrees to give Executive access to Trade Secrets which the Executive did not have access to, or knowledge of, before Executive's commencement of Employment.

(b) ***Agreement Not to Use or Disclose Trade Secrets***. In exchange for the Company's promises to provide Executive with access to Trade Secrets, and the other consideration and benefits provided to Executive under this Agreement, Executive agrees that, during the Employment Period and any time thereafter, not to disclose to anyone, including, without limitation, any person, firm, corporation or other entity, or publish or use for any purpose, any Trade Secrets, except (1) as required in the ordinary course of the business of the Company or an Affiliate or (2) as authorized by the Company or Affiliate, as applicable. Executive acknowledges that Trade Secrets (A) have been and will be developed or acquired by the Company (or an Affiliate) through the expenditure of substantial time, effort and money and (B) provide the Company (or an Affiliate) with an advantage over competitors who do not know or use Trade Secrets.

Executive shall hold in a fiduciary capacity for the benefit of the Company (or its Affiliate, as applicable) any Trade Secret relating to the Company or any of its Affiliates, and their respective businesses, which (a) has been obtained by Executive during his Employment and (b) is not public knowledge other than via an unauthorized disclosure made by Executive in violation of this Agreement. Executive acknowledges and agrees that all Trade Secrets are, and will continue to be, the exclusive property of the Company or Affiliate, as applicable.

Executive shall not at any time disclose to any person or entity, or publish, or use for any unauthorized purpose, any Trade Secret, except as the Company directs or under compulsion of law. Executive agrees to give notice to the Company of any attempt to compel disclosure of any Trade Secret within five (5) business days after Executive is informed that such disclosure is being, or will be, compelled. Any such notice shall contain a copy of the subpoena, order or other process used to compel disclosure.

The agreements and covenants in this Section 10(b) apply to all Trade Secrets, whether now known or later to become known to Executive. In addition, these provisions shall be in addition to, and not limit or restrict in any way, any other confidentiality agreement or covenant between the Executive and the Company or any of its Affiliates.

(c) ***Agreement to Refrain from Defamatory Statements***. Executive shall refrain, both during the Employment Period and thereafter, from publishing any oral or written statements about any directors, partners, officers, employees, agents, investors or representatives of the Company or any Affiliate that are (1) slanderous, libelous, or defamatory; (2) disclose private or confidential information about the business affairs, directors, partners, officers, employees, agents, investors or representatives of the Company or any Affiliate; (3) constitute an intrusion into the seclusion or private lives of any such person; (4) give rise to unreasonable publicity about the private life of any such person; (5) place any such person in a false light before the public; or (6) constitute a misappropriation of the name or likeness of any such person.

(d) ***Definitions***. The following terms, when used in this Agreement, are defined below:

(1) "Restricted Territory" means any county, or equivalent political or governmental subdivision, of any state, district, or territory of the continental United States in which the Company or any of its Affiliates conducts its business; and any area adjacent to such counties, or equivalent political or governmental subdivision, to the extent such adjacent areas are within a 50-mile radius of any funeral home, cemetery or other death care business owned or operated by the Company or any of its Affiliates as of the Termination Date.

(2) "Trade Secrets" means any and all information and materials (in any form or medium) that are proprietary to the Company or an Affiliate, or are treated as confidential by the Company or an Affiliate as part of, or relating to, any portion of its or their businesses (whether or not owned or developed by the Company or an Affiliate) and that are not generally known by other persons or entities in the same type of business.

For purposes of the Agreement, Trade Secrets include, without limitation, the following: all of the Company's or Affiliate's research, technical and business information, whether patentable or not, which is of a confidential, trade secret or proprietary character, and which is either developed by the Executive alone, or with others or by others; all non-public information that the Company or an Affiliate has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all non-public information concerning the Company's or Affiliate's products, services, prospective products or services, research, prospects, leases, designs, prices, costs, marketing plans, marketing techniques, studies, customers, investors, suppliers and contracts; all business records and plans; all personnel files; all financial information of or concerning the Company or an Affiliate; all information relating to the Company's operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to the Company or an Affiliate; all computer hardware or software manuals of the Company or an Affiliate; all Company or Affiliate training or instruction manuals; all Company or Affiliate electronic data; and all computer system passwords and user codes.

11. **Duty to Return Company Documents and Property**. Upon the Termination Date, Executive shall immediately return and deliver to the Company any and all papers, books, records, documents, memoranda and manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, belonging to the Company or relating to its business, in Executive's possession, whether prepared by Executive or others. If at any time after the Termination Date, Executive determines that Executive has any Trade Secrets in Executive's possession or control, Executive shall immediately return them to the Company, including all copies thereof.

12. **Best Efforts and Disclosure**. Executive agrees that, while employed with the Company under this Agreement, Executive's services shall be devoted on a full time basis to the Company's business, and Executive shall use best efforts to promote its success. Further, Executive shall promptly disclose to the Company all ideas, inventions, computer programs, and discoveries, whether or not patentable or copyrightable, which Executive may conceive or make, alone or with others, during Executive's period of Employment, whether or not during working hours, and which directly or indirectly:

(a) relate to a matter within the scope, field, duties or responsibility of Executive's Employment or within the scope or field of the Company's or an Affiliate's business; or

(b) are based on any knowledge of the actual or anticipated business or interests of the Company; or

(c) are aided by the use of time, materials, facilities or information of the Company or an Affiliate.

Executive assigns to the Company, without further compensation, any and all rights, titles and interest in all such ideas, inventions, computer programs and discoveries in all countries of the world.

13. **Inventions and Other Works**. Any and all writings, computer software, inventions, improvements, processes, procedures and/or techniques which Executive may make, conceive, discover, or develop, either solely or jointly with any other person or persons, at any time during Executive's period of Employment, whether at the request or upon the suggestion of the Company or otherwise, which relate to or are useful in connection with any business now or hereafter carried on or contemplated by the Company, including developments or expansions of its present fields of operations, shall be the sole and exclusive property of the Company. Executive agrees to take

any and all actions necessary or appropriate so that the Company can prepare and present applications for copyright or letters patent therefor, and secure such copyright or letters patent wherever possible, as well as reissue renewals, and extensions thereof, and obtain the record title to such copyright or patents. Executive shall not be entitled to any additional or special compensation or reimbursement regarding any such writings, computer software, inventions, improvements, processes, procedures and techniques. Executive acknowledges that the Company from time to time may have agreements with other persons or entities which impose obligations or restrictions on the Company regarding inventions made during the course of work thereunder or regarding the confidential nature of such work. Executive agrees to be bound by all such obligations and restrictions, and to take all action necessary to discharge the obligations of the Company.

14. Non-Solicitation Restriction. Executive hereby agrees that in order to protect Trade Secrets, it is necessary to enter into the following restrictive covenant, which is ancillary to the enforceable promises between the Company and Executive in Sections 9 through 13 and other provisions of this Agreement. During the Executive's Employment and for a period of two (2) years following the Termination Date (regardless of the reason for termination), Executive hereby covenants and agrees that he will not, directly or indirectly, without obtaining the express written consent of the Board, either individually or as a principal, partner, agent, consultant, contractor, employee, or as a director or officer of any entity, or in any other manner or capacity whatsoever, except on behalf of the Company, solicit business, attempt to solicit business, or conduct business, in products or services competitive with any products or services offered or performed by the Company or its Affiliates as of the Termination Date within the Restricted Territory.

15. Non-Competition Restriction. Executive hereby agrees that in order to protect Trade Secrets, it is necessary to enter into the following restrictive covenant, which is ancillary to the enforceable promises between the Company and Executive in Sections 9 through 14 and other provisions of this Agreement. Executive hereby covenants and agrees that during Executive's period of Employment, and for a period of two (2) years following the Termination Date (regardless of the reason for termination), Executive will not, without obtaining the express written consent of the Company, engage in any capacity, directly or indirectly (whether as proprietor, stockholder, director, partner, employee, agent, independent contractor, consultant, trustee, or in any other capacity), with respect to any entity which is or may be in the funeral, mortuary, crematory, cemetery or burial insurance business or in any business related thereto (a) as part of any of the companies or entities listed on Schedule I hereto, or (b) within the Restricted Territory (in each case, a "Competing Enterprise"); provided, however, Executive shall not be deemed to be participating or engaging in a Competing Enterprise solely by virtue of the ownership of not more than one percent (1%) of any class of stock or other securities which are publicly traded on a national securities exchange or in a recognized over-the-counter market.

16. No Recruitment Restriction. Executive agrees that during Executive's period of employment with the Company or its Affiliates, and for a period of two (2) years following the Termination Date (regardless of the reason for termination), without obtaining the express written consent of the Company, Executive shall not, either directly or indirectly, or by acting in concert with another person or entity, (a) hire any employee or independent contractor performing services for the Company or any Affiliate, or any such individual who performed services for the Company or any Affiliate at any time during the one-year period ending on the Termination Date, or (b) solicit or influence or seek to solicit or influence, any employee or independent contractor performing services for the Company or any Affiliate, or any such individual who performed services for the Company or any Affiliate at any time during the one-year period ending on the Termination Date, to terminate, reduce or otherwise adversely affect such individual's employment or other relationship with the Company or any Affiliate.

17. Tolling. If Executive violates any of the restrictions contained in Sections 9 through 16, then notwithstanding any provision hereof to the contrary, the restrictive period will be suspended and will not run in favor of Executive from the time of the commencement of any such violation, unless and until such time when the Executive cures the violation to the reasonable satisfaction of the Company.

18. Reformation. If a court or arbitrator rules that any time period or the geographic area specified in any restrictive covenant in Sections 9 through 16 is unenforceable, then the time period will be reduced by the number of months, or the geographic area will be reduced by the elimination of such unenforceable portion, or both, so that the restrictions may be enforced in the geographic area and for the time to the full extent permitted by law.

19. No Previous Restrictive Agreements. Executive represents that, except as disclosed in writing to the Company as of the Effective Date, Executive is not bound by the terms of any agreement with any previous employer or other third party to (a) refrain from using or disclosing any confidential or proprietary information in the course of Executive's Employment or (b) refrain from competing, directly or indirectly, with the business of such previous employer or any other person or entity. Executive further represents that Executive's performance under this Agreement and work duties for the Company do not, and will not, breach any agreement to keep in confidence any proprietary information, knowledge or data acquired by Executive in confidence or in trust prior to Executive's Employment, and Executive will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

20. Conflicts of Interest. In keeping with Executive's fiduciary duties to the Company, Executive hereby agrees that Executive shall not become involved in a conflict of interest, or upon discovery thereof, allow such a conflict to continue at any time during Executive's period of Employment. In this respect, Executive agrees to fully comply with the conflict of interest agreement entered into by Executive as an employee, officer or director of the Company or an Affiliate. In the instance of a violation of the conflict of interest agreement to which Executive is a party, it may be necessary for the Company to terminate Executive's Employment for Cause.

21. Remedies. Executive acknowledges that the restrictions contained in Sections 9 through 20 of this Agreement, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests, and that any violation of this Agreement would result in irreparable injury to the Company. In the event of a breach or a threatened breach by Executive of any provision of Sections 9 through 20 of this Agreement, the Company shall be entitled to a temporary restraining order and injunctive relief restraining Executive from the commission of any breach, and to recover the Company's attorneys' fees, costs and expenses related to the breach or threatened breach. Nothing contained in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach, including, without limitation, the recovery of money damages, attorneys' fees, and costs. These covenants and agreements shall each be construed as independent of any other provisions in this Agreement, and the existence of any claim or cause of action by Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants and agreements.

22. No Interference. Notwithstanding any other provision of this Agreement, (a) Executive may disclose confidential information when required to do so by a court of competent jurisdiction, by any governmental agency having authority over Executive or the business of the Company or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such information, in each case, subject to Executive's obligations to notify the Company under Section 10(b); and (b) nothing in this Agreement is intended to interfere with Executive's right to (1) report possible violations of state or federal law or regulation to any governmental or law enforcement agency or entity; (2) make other disclosures that are protected under the whistleblower provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies); (3) file a claim or charge any governmental agency or entity; or (4) testify, assist, or participate in an investigation, hearing, or proceeding conducted by any governmental or law enforcement agency or entity, or any court. For purposes of clarity, in making or initiating any such reports or disclosures or engaging in any of the conduct outlined in subsection (b) above, Executive may disclose confidential information to the extent necessary to such governmental or law enforcement agency or entity or such court, need not seek prior authorization from the Company, and is not required to notify the Company of any such reports, disclosures or conduct.

23. Defend Trade Secrets Act. Executive is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation against the Company for reporting a suspected violation of law, Executive may disclose the Company's trade secrets to Executive's attorney and use the trade secret information in the court proceeding if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

24. Withholdings; Right of Offset. The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling, (b) all other normal employee deductions made with respect to Company's employees generally, and (c) any advances made to Executive and owed to Company.

25. Severability. It is the desire of the Parties hereto that this Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction, the Parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of this Agreement. This Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.

26. **Title and Headings; Construction**. In the interpretation of the Agreement, except where the context clearly otherwise requires:

(a) "including" or "include" does not denote or imply any limitation;

(b) "or" has the inclusive meaning "and/or";

(c) the singular includes the plural, and vice versa, and each gender includes each of the others;

(d) captions or headings are only for reference and are not to be considered in interpreting the Agreement;

(e) "Section" refers to a Section of the Agreement, unless otherwise stated in the Agreement;

(f) the words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement and not to any particular provision; and

(g) a reference to any statute, rule, or regulation includes any amendment thereto or any statute, rule, or regulation enacted or promulgated in replacement thereof or as the successor thereto.

27. **Governing Law; Jurisdiction**. All matters or issues relating to the interpretation, construction, validity, and enforcement of this Agreement shall be governed by the laws of the State of Texas, without giving effect to any choice-of-law principle that would cause the application of the laws of any jurisdiction other than Texas. Jurisdiction and venue of any action or proceeding relating to this Agreement or any Dispute must be brought, if at all, in a state district court in Harris County, Texas or federal district court in the Southern District of Texas, Houston Division. Each party submits to the jurisdiction of such courts and agrees not to raise any objection to such jurisdiction.

28. **Binding Effect; Third Party Beneficiaries**. Subject to Section 33, this Agreement shall be binding upon and inure to the benefit of the Parties hereto, and to their respective heirs, executors, beneficiaries, personal representatives, successors and permitted assigns hereunder; otherwise this Agreement shall not be for the benefit of any third parties.

29. **Entire Agreement; Amendment and Termination**. This Agreement replaces and merges all previous agreements, amendments and discussions relating to the same or similar subject matters between Executive and Company (or any of its Affiliates) and constitutes the entire agreement between the Executive and the Company (and any of its Affiliates) with respect to the subject matter of this Agreement. Any existing employment agreement between the Executive and the Company (or any of its Affiliates) is hereby terminated, effective immediately. This Agreement may be amended, waived or terminated only by a written instrument that is identified as an amendment, waiver or termination hereto, and is executed on behalf of both Parties. Executive hereby acknowledges and represents that in executing this Agreement, he did not rely on, has not relied on, and specifically disavows any reliance on any communications, promises, statements, inducements, or representation(s), oral or written, by the Company, except as expressly contained in this Agreement. The Parties represent that they relied on their own judgment, and on the advice of legal counsel for such Party, if applicable, in entering into this Agreement.

30. Section 409A.

(a) ***General***. Any provisions of the Agreement that are subject to Section 409A of the Code and the regulations and other authoritative guidance issued thereunder ("Section 409A"), are intended to comply with all applicable requirements of Section 409A, or an exemption from the application of Section 409A, and shall be interpreted and administered accordingly. Notwithstanding any provision of this Agreement to the contrary, a termination of Employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amount or benefit that constitutes "non-qualified deferred compensation" (within the meaning of Section 409A) upon or following a termination of the Executive's Employment unless such termination is also a "separation from service" (as defined under Section 409A) (a "Separation from Service") and, for purposes of any such provision, references herein to a "termination," "termination of employment" or like terms shall mean a Separation from Service, if applicable. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement.

(b) ***Specified Employee***. Notwithstanding any provision of this Agreement to the contrary, if any payment or other benefit provided hereunder would be subject to additional taxes and interest under Section 409A because the timing of such payment is not delayed as required by Section 409A for a "specified employee" (as defined under Section 409A), then if the Executive is on the date of Executive's Separation from Service a specified employee, any such payment or benefit that Executive would otherwise be entitled to receive during the first six months following the Separation from Service shall be accumulated and paid in a lump sum within ten (10) days after the date that is six months following the date of the Separation from Service, or such earlier date upon which such amount can be paid under Section 409A without being subject to such additional taxes and interest such as, for example, upon the Executive's death. Any remaining payments due to Executive under this Agreement shall be paid as otherwise provided in this Agreement.

(c) ***Reimbursements and In-Kind Benefits***. Notwithstanding any provision of this Agreement to the contrary, any reimbursements or in-kind benefits provided under this Agreement that constitute "deferred compensation" within the meaning of Section 409A shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, other than medical expenses referred to in Section 105(b) of the Code, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for other benefits.

(d) ***No Section 409A Representations***. Notwithstanding the foregoing, the Company makes no representations, warranties, or guarantees regarding the tax consequences of this Agreement, or any payments made hereunder, under Section 409A or otherwise, and has advised the Executive to consult with Executive's own tax advisor.

31. Survival of Certain Provisions. Provisions of this Agreement which by their terms must survive the termination of this Agreement shall survive any such termination of this Agreement or termination of Executive's Employment, as applicable, including, without limitation, Executive's obligations under Sections 9 through 16 and the Company's obligations under Section 6.

32. Waiver of Breach. No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of any party hereto to take any action by reason of any breach will not deprive such party of the right to take action at any time while such breach continues.

33. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Company and its Affiliates (and its and their successors), as well as upon any person or entity acquiring, whether by merger, consolidation, purchase of assets, dissolution or otherwise, all or substantially all of the capital stock, business and/or assets of the Company (or its successor) regardless of whether the Company is the surviving or resulting entity. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, dissolution or otherwise) to all or substantially all of the capital stock, business or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had occurred; provided, however, no such assumption shall relieve the Company or any of its Affiliates (or any successor thereof) of any of its duties or obligations hereunder unless otherwise agreed, in writing, by Executive.

This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, and heirs. In the event of the death of Executive while any amount is payable hereunder, all such amounts shall be paid to the Designated Beneficiary.

34. Notice. Each notice or other communication required or permitted under this Agreement shall be in writing and transmitted, delivered, or sent by personal delivery, prepaid courier or messenger service (whether overnight or same-day), or prepaid certified United States mail (with return receipt requested), addressed (in any case) to the other party at the address for that party set forth below that party's signature on this Agreement, or at such other address as the recipient has designated by Notice to the other party, by electronic mail, delivery and read receipt required, or by facsimile, confirmation of delivery required.

Each notice or communication so transmitted, delivered, or sent (a) in person, by courier or messenger service, or by certified United States mail shall be deemed given, received, and effective on the date delivered to or refused by the intended recipient (with the return receipt, or the equivalent record of the courier or messenger, being deemed conclusive evidence of delivery or refusal), or (b) by telecopy or facsimile shall be deemed given received) and effective on the date of actual receipt (with the confirmation of transmission being deemed conclusive evidence of receipt, except where the intended recipient has promptly notified the other party that the transmission is illegible). Nevertheless, if the date of delivery or transmission is not a business day, or if the delivery or transmission is after 5:00 p.m. (local time) on a business day, the notice or other communication shall be deemed given, received, and effective on the next business day.

35. Deemed Resignations. Unless otherwise agreed to in writing by the Company and Executive prior to the termination of Executive's Employment, any termination of Executive's Employment shall constitute: (a) an automatic resignation of Executive as an officer of the Company and each Affiliate and subsidiary of the Company, as applicable, and (b) an automatic resignation of Executive from the Board (if applicable), from the board of directors of any Affiliate and subsidiary of the Company (if applicable), and from the board of directors or any similar governing body of any corporation, limited liability entity or other entity (i) in which the Company or any Affiliate or subsidiary holds an equity interest and (ii) with respect to which board or similar governing body the Executive serves as the Company's or such Affiliate's or subsidiary's designee or other representative (if applicable).

36. Executive Acknowledgment. Executive acknowledges (a) being knowledgeable and sophisticated as to business matters, including the subject matter of this Agreement, (b) having read this Agreement and understanding its terms and conditions, (c) having been given an ample opportunity to discuss this Agreement with his personal legal counsel prior to execution, and (d) that no strict rules of construction shall apply for or against the drafter or any other party. Executive hereby represents that he is free to enter into this Agreement including, without limitation, that he is not subject to any covenant not to compete, confidentiality agreement or other restrictive agreement or covenant, with former employer or otherwise, that could conflict with this Agreement or his duties hereunder.

37. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party hereto, but together signed by both Parties.

IN WITNESS WHEREOF, Executive has executed this Agreement, the Company has caused this Agreement to be executed in its name and on its behalf by its duly authorized officer, to be effective as of the Effective Date.

EXECUTIVE:

Kian Granmayeh

Address for Notices:
44 Hedwig Circle
Houston, Texas 77024

***COMPANY*:**

CARRIAGE SERVICES, INC.

By: Melvin C Payne

Name: **Mel Payne**
Title: **Chairman of the Board & Chief Executive Officer**

Address for Notices:
Carriage Services, Inc.
3040 Post Oak Blvd, Suite 300
Houston, Texas 77056
Attn: General Counsel

[End of Signatures.]

Schedule I

1. The following entities, together with all Affiliated Parties thereof:

    Service Corporation International
    StoneMor Partners LP
    NorthStar Memorial Group, LLC
    Park Lawn Corporation
    Legacy Funeral Group, LLC
    Foundation Partners Group, LLC

    For purposes of this Schedule I, an "Affiliated Party" of an entity is an entity 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 Section 1 of this Schedule I.

3. Any funeral home, cemetery or other death care enterprise which is managed by any entity described in Section 1 or 2 of this Schedule I.

EXHIBIT 31.1

I, Melvin C. Payne, certify that:

1. I have reviewed this report on Form 10-Q of Carriage Services, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2023

/s/ Melvin C. Payne
Melvin C. Payne
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

EXHIBIT 31.2

I, L. Kian Granmayeh, certify that:

1. I have reviewed this report on Form 10-Q of Carriage Services, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2023

/s/ L. Kian Granmayeh
L. Kian Granmayeh
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT 32

Certification of
Chief Executive Officer and Chief Financial Officer
under Section 906 of the
Sarbanes Oxley Act of 2002, 18 U.S.C. § 1350

In connection with the Quarterly Report on Form 10-Q of Carriage Services, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Melvin C. Payne, Chief Executive Officer of the Company, and L. Kian Granmayeh, Executive Vice President, Chief Financial Officer and Treasurer, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2023

/s/ Melvin C. Payne
Melvin C. Payne
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

/s/ L. Kian Granmayeh
L. Kian Granmayeh
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)