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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 30, 2021 (July 26, 2021)

Carriage Services, Inc.
(Exact name of registrant as specified in its charter)

Delaware	1-11961	76-0423828
(State or other jurisdiction of incorporation)	*(Commission File Number)*	*(IRS Employer Identification No.)*

3040 Post Oak Boulevard, Suite 300
Houston, Texas 77056
(Address, including zip code, of principal executive offices)

Registrant's telephone number, including area code:
(713) 332-8400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

In the press release dated July 27, 2021, Carriage Services, Inc. (the "Company") announced and commented on its financial results for its quarter ended June 30, 2021. A copy of the press release issued by the Company is attached hereto as Exhibit 99.1 and incorporated by this reference. The information being furnished under this Item 2.02, including the press release attached hereto as Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liabilities of that Section, nor shall such information, including Exhibit 99.1, be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The Company's press release dated July 27, 2021, contains non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with United States generally accepted accounting principles, or GAAP. Pursuant to the requirements of Regulation G, the Company has provided quantitative reconciliations within the press release of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.

On July 28, 2021, upon the recommendation of the Corporate Governance Committee of the Company, the Board of Directors (the "Board") realigned the Company's classes of directors to provide for equal apportionment among the three classes, as contemplated by the Company's Amended and Restated Certificate of Incorporation.

To facilitate the class realignment, on July 28, 2021, Barry K. Fingerhut resigned from the Board as a Class II director (term expiring in 2022), and, effective as of July 28, 2021, was re-elected by the Board to serve as a Class I director until the Company's 2024 annual meeting of shareholders. Mr. Fingerhut will continue to serve on the Audit Committee, Corporate Governance Committee and the Compensation Committee of the Board.

There are no family relationships between Mr. Fingerhut and any directors or officers of the Company, and there have been no transactions, nor are there any proposed transactions, between the Company and Mr. Fingerhut that would require disclosure pursuant to Item 404(a) of Regulation S-K. The Company and Mr. Fingerhut did not enter into any new plan, contract, arrangement or compensatory plan in connection with Mr. Fingerhut's resignation and reappointment.

Mr. Fingerhut, 75, has served as a member of the Board since 2012, when he was elected as a Class II director.

ITEM 5.03 AMENDMENTS TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR.

On and effective July 28, 2021, the Board approved a second amendment and restatement to the Company's Amended and Restated By-laws (as so amended and restated, the "Second Amended and Restated By-laws") to implement, amongst other changes, an exclusive forum bylaw provision. Specifically, new Section 8.15 in the Second Amended and Restated By-laws provides that unless the Company consents to the selection of an alternative forum, the sole and exclusive forum for any complaint asserting any internal corporate claims or derivative action or proceedings, to the fullest extent permitted by law and subject to applicable jurisdictional requirements, will be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware). Additionally, the provision provides that unless the Company consents to the selection of an alternative forum, the exclusive forum for any complaint asserting a cause of action under the Securities Act of 1933, as amended, will be any federal district court of the United States of America.

The amendments included in the Second Amended and Restated By-laws also (1) confirm and clarify the chair of a stockholder or director meeting, including reference to the lead director; (2) confirm and clarify that each stockholder of the Company is entitled to one vote, in person or by proxy, for each share of capital held by such stockholder; (3) clarifies the requirements and procedures for stockholders submitting proposals or nominations at a stockholder meeting (or their qualified representative) and permitting the Company to disregard any business or nomination if the proposing stockholder does not comply with the applicable notice and nomination requirements and procedures provided in the Second Amended and Restated By-laws; (4) eliminate the ability of the Company's stockholders to take action by written consent in lieu of a duly called annual or special meeting of stockholders; (6) specify the manner by which shareholders may deliver certain documents to the Company; and (7) make certain technical, conforming, modernizing and clarifying changes.

The foregoing description of the Second Amended and Restated By-laws is qualified in its entirety by reference to the full text of the Second Amended and Restated By-laws, a copy of which is attached hereto as Exhibit 3.1 and is incorporated herein by reference.

ITEM 8.01 OTHER EVENTS.

As previously announced, on July 26, 2021, the Board authorized an increase in the Company's share repurchase program to permit the Company to purchase up to an additional $25 million of its outstanding common shares. Prior to the Board's approval of the increase, as of June 30, 2021, the Company had approximately $38.3 million authorization remaining under the original repurchase program. Accordingly, as of July 26, 2021, the Company had approximately $63.3 million of share repurchase authorization remaining under the revised repurchase program, subject to restrictions in its credit agreement. The Company may repurchase shares from time to time in the open market or in other privately negotiated transactions, subject to market conditions and applicable Security and Exchange Commission rules. There is no specified expiration date for the Company's repurchase program.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

The following are furnished as part of this Current Report on Form 8-K:

Exhibit	Description
3.1	Second Amended and Restated By-Laws of Carriage Services, Inc. dated July 28, 2021
99.1	Press Release of Carriage Services, Inc. dated July 27, 2021
101	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document
104	The cover page from this Current Report on Form 8-K, formatted as Inline XBRL

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 hereunto duly authorized.

CARRIAGE SERVICES, INC.

Dated: July 30, 2021

By: /s/ Steven D. Metzger

Steven D. Metzger

Executive Vice President, Chief Administrative Officer, General Counsel and Secretary

INDEX TO EXHIBITS

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EXHIBIT 3.1

SECOND AMENDED AND RESTATED BY-LAWS OF CARRIAGE SERVICES, INC.

PREAMBLE These Second Amended and Restated By-Laws (the “by-laws”) are subject to, and governed by, the General Corporation Law of the State of Delaware (the “Delaware General Corporation Law”) and the certificate of incorporation, as amended (the “Certificate of Incorporation”), of Carriage Services, Inc., a Delaware corporation (the “Corporation”). In the event of a direct conflict between the provisions of these by-laws and the mandatory provisions of the Delaware General Corporation Law or the provisions of the Certificate of Incorporation, such provisions of the Delaware General Corporation Law or the Certificate of Incorporation, as the case may be, will be controlling.

ARTICLE ONE: OFFICES

1.1 REGISTERED OFFICE AND AGENT. The registered office and registered agent of the Corporation shall be as designated from time to time by the appropriate filing by the Corporation in the office of the Secretary of State of the State of Delaware.

1.2 OTHER OFFICES. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE TWO: MEETINGS OF STOCKHOLDERS

2.1 ANNUAL MEETING. An annual meeting of stockholders of the Corporation shall be held each calendar year on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice of such meeting. At such meeting, the stockholders shall elect directors and transact such other business as may properly be brought before the meeting.

2.2 SPECIAL MEETING. A special meeting of the stockholders of the Corporation, and any proposals to be considered at such meetings, may be called and proposed exclusively by the Board of Directors, pursuant to a resolution approved by a majority of the members of the Board of Directors at the time in office, and no stockholder of the Corporation shall have the right to require the Board of Directors to call a special meeting of stockholders or to propose business at a special meeting of stockholders. A special meeting shall be held on such date and at such time as shall be designated by the person(s) calling the meeting and stated in the notice of the meeting or in a duly executed waiver of notice of such meeting. Only such business shall be transacted at a special meeting as may be stated or indicated in the notice of such meeting or in a duly executed waiver of notice of such meeting.

2.3 PLACE OF MEETINGS. An annual meeting of stockholders may be held at any place within or without the State of Delaware, or by means of remote communication, designated by the Board of Directors. A special meeting of stockholders may be held at any place within or without the State of Delaware, or by means of remote communication, designated in the notice of the meeting or a duly executed waiver of notice of such meeting. The Board of Directors, in its sole discretion, may determine that meetings of stockholders be held by means of remote communication, provided that the Corporation implement the measures for remote communications set forth in Section 8.8.

2.4 NOTICE. Written or printed notice stating the place (if any), day, and time of each meeting of the stockholders, the record date for determining the stockholders entitled to vote at the meeting (if such date is different than the record date for stockholders entitled to notice of the meeting), the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered not less than ten nor more than 60 days before the date of the meeting (unless a different time is specified by law), whether personally, by mail, or by a form of electronic transmission to each stockholder of record entitled to vote at such meeting. If such notice is to be sent by mail, it shall be directed to such stockholder at his address as it appears on the records of the Corporation, unless he shall have filed with the Secretary or an Assistant Secretary of the Corporation a written request that notices to him be mailed to some other address, in which case it shall be directed to him at such other address, and such notice will be deemed to be given when deposited in the U.S. mail. Notice sent by a form of electronic transmission shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice, (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network together with a separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; or (iv) if by any other form of electronic transmission, when directed to the stockholder. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy and shall not, at the beginning of such meeting, object to the transaction of any business because the meeting is not lawfully called or convened, or who shall, either before or after the meeting, submit a proper waiver of notice. Proper waiver of notice shall either be in writing and signed by the person entitled to notice, or transmitted electronically by the person entitled to notice. Any stockholder so waiving notice of the meeting shall be bound by the proceedings of the meeting in all respects as if due notice thereof had been given.

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

2.6 QUOROM. The holders of a majority of the outstanding shares entitled to vote on a matter, present in person or by proxy, shall constitute a quorum at any meeting of stockholders, except as otherwise provided by law, the Certificate of Incorporation, or these by-laws. For the purposes of these by-laws, a stockholder or proxy holder not physically present at a meeting of stockholders may be deemed present in person at that meeting by means of remote communication, provided that the Corporation implement reasonable measures to verify his or her attendance and eligibility. If a quorum shall not be present, in person or by proxy, at any meeting of stockholders, the stockholders entitled to vote thereat who are present, in person or by proxy, or, if no stockholder entitled to vote is present, any officer of the Corporation may adjourn the meeting from time to time, without notice other than announcement at the meeting (unless the Board of Directors, after such adjournment, fixes a new record date for the adjourned meeting), until a quorum shall be present, in person or by proxy. At any adjourned meeting at which a quorum shall be present, in person or by proxy, any business may be transacted which may have been transacted at the original meeting had a quorum been present; provided that, if the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

2.7 REQUIRED VOTE; WITHDRAWAL OF QUORUM. When a quorum is present at any meeting, the vote of the holders of at least a majority of the outstanding shares entitled to vote who are present, in person or by proxy, shall decide any question brought before such meeting, unless the question is one on which, by express provision of statute, the Certificate of Incorporation, or these by-laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

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

2.9 RECORD DATE. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders, or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, for any such determination of stockholders, such date in any case to be not more than 60 days and not less than ten days prior to such meeting. If no record date is fixed: (a) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (b) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.10 CONDUCT OF MEETING. The Chairman of the Board, if such office has been filled, or in his or her absence the Lead Director, or the Chief Executive Officer of the Corporation, in the order named, shall call meetings of the stockholders to order, and shall act as chairman of such meeting; provided, however, that the Board of Directors may appoint any person to act as chairman of any meeting in the absence of the Chairman of the Board or the Lead Director. The Secretary shall keep the records of each meeting of stockholders. In the absence or inability to act of any such officer, such officer's duties shall be performed by the officer given the authority to act for such absent or non-acting officer under these by-laws or by a person appointed by the meeting.

2.11 INSPECTORS. The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If any of the inspectors so appointed shall fail to appear or act, the chairman of the meeting shall, or if inspectors shall not have been appointed, the chairman of the meeting may, appoint one or more inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares of capital stock of the Corporation outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the validity and effect of proxies and shall receive votes, ballots, or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots, or consents, determine the results, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting, the inspectors shall make a report in writing of any challenge, request, or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as an inspector of an election of directors. Inspectors need not be stockholders.

2.12 NOMINATIONS FOR ELECTION AS A DIRECTOR; ADVANCE NOTICE OF STOCKHOLDER NOMINATIONS AND PROPOSALS.

(a) No business may be transacted at any meeting of the stockholders, including the nomination or election of persons to the Board of Directors, other than business that is either specified in the notice of meeting (or any supplement thereto) given by the Board of Directors (or any duly authorized committee thereof) with respect to the meeting, otherwise properly brought before the meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) and otherwise properly brought before the meeting by a stockholder of the Company (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.12 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice and nomination provisions set forth in this Section 2.12.

(b) Only persons who are nominated in accordance with the procedures set forth in these by-laws and qualify for nomination pursuant to Section 3.2 shall be eligible for election by stockholders as, and to serve as, directors. In addition, any proposal of business (other than nomination of persons for election to the Board of Directors) must be a proper matter for stockholder action.

(c) Such proposals for business (including, but not limited to, director nominations), other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation even if such matter is already the subject of any notice to the stockholders or public disclosure from the Board of directors. To be timely, a stockholder’s notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (i) for an annual meeting, not less than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders of the Corporation, or, in the event that no annual meeting was held in the previous year, not earlier than the close of business on the 120th day prior to the annual meeting and not later than the close of business on the later of (A) the 90th day prior to the annual meeting and (B) the close of business on the tenth (10$^{th)}$ day following the first date of public disclosure of such meeting via a press release or in a document filed with the Securities and Exchange Commission, and (ii) with respect to a special meeting of stockholders of the Corporation not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed to stockholders of the Corporation as provided in Section 2.4 or public disclosure of the date of the special meeting via a press release or in a document filed with the Securities and Exchange Commission was made, whichever first occurs.

(d) Such stockholder’s notice to the Secretary shall set forth (x) for director nominations, as to each person whom the stockholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serve as a director if elected), and for proposals other than director nominations, a brief description of the business desired to be brought before the meeting, the reasons for conducting the business at the meeting, the text of any proposal or business (including the text of any resolutions proposed for consideration), and (y) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation’s books, of such stockholder, (ii) the class and number of shares of voting stock of the Corporation which are beneficially owned by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting.

(e) At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. In the event that a person is validly designated as a nominee to the Board of Directors in accordance with the procedures set forth in this Section 2.12 and shall thereafter become unable or unwilling to stand for election to the Board of Directors, the Board of Directors or the stockholder who proposed such nominee, as the case may be, may designate a substitute nominee. Other than directors chosen pursuant to the provisions of Section 3.5, no person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.12. The presiding officer of the meeting of stockholders shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these by-laws and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.12, a stockholder shall also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with respect to the matters set forth in this Section 2.12.

(f) No business shall be conducted at any meeting of stockholders, and no person nominated by a stockholder shall be eligible for election as a director, unless proper notice was given with respect to the proposed action in compliance with the procedures set forth in this Section 2.12. Determinations of the chairman of the meeting as to whether those procedures were complied with in a particular case shall be final and binding.

2.11 NO ACTION BY STOCKHOLDER CONSENT IN LIEU OF A MEETING. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation and may not be effected by any consent by such stockholders.

ARTICLE THREE: DIRECTORS

3.1 MANAGEMENT. The business and property of the Corporation shall be managed by the Board of Directors. Subject to the restrictions imposed by law, the Certificate of Incorporation, or these by-laws, the Board of Directors may exercise all the powers of the Corporation.

3.2 NUMBER; QUALIFICATION; ELECTION; TERM. The number of directors which shall constitute the entire Board of Directors shall be determined from time to time by resolutions adopted by the Board of Directors. Except as otherwise required by law or the certificate of incorporation of the Corporation, the directors shall be elected at an annual meeting of stockholders at which a quorum is present. In a contested election, the directors shall be elected by the vote of a plurality of the votes of the shares present in person or represented by proxy and entitled to vote on the election of directors. In an uncontested election, the directors shall be elected by a majority of the votes of the shares present in person or represented by proxy and entitled to vote on the election of directors.

The following additional procedures apply in an uncontested election of an incumbent director: A nominee who does not receive a majority of the votes cast shall promptly deliver a written resignation to the Board of Directors and shall continue to serve as a holdover director until the effective date of the director’s resignation which shall be no later than 120 days after the date of the election. The remaining Board of Directors, by a majority vote, promptly shall determine whether to decline to accept or to accept the resignation of such director. If the Board of Directors declines to accept the resignation, the director may continue to serve so long as such nominee received a plurality of the votes cast. If the Board of Directors accepts the resignation, the office shall be considered vacant and the Board of Directors may fill the office pursuant to Section 3.5 of the by-laws.

Each director shall hold office until his term expires as provided in the Certificate of Incorporation and until his or her successor is elected and qualified or, if earlier, until his or her death, resignation, or removal from office. None of the directors need be a stockholder of the Corporation or a resident of the State of Delaware. Each director must have attained the age of majority.

3.3 CHANGE IN NUMBER. No decrease in the number of directors constituting the entire Board of Directors shall have the effect of shortening the term of any incumbent director.

3.4 REMOVAL. Except as otherwise provided in the Certificate of Incorporation, at any meeting of stockholders called expressly for that purpose, any director or the entire Board of Directors may be removed only for cause and only by a vote of the holders of at least eighty percent (80%) of the shares then entitled to vote on the election of directors;

3.5 VACANCIES. Vacancies and newly-created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by the sole remaining director, and each director so chosen shall hold office until his or her term expires as provided in the Certificate of Incorporation and until his or her successor is elected and qualified or, if earlier, until his or her death, resignation, or removal from office. If there are no directors in office, an election of directors may be held in the manner provided by statute. Except as otherwise provided in the Certificate of Incorporation, when one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in these by-laws with respect to the filling of other vacancies.

3.6 MEETINGS OF DIRECTORS. The directors may hold their meetings and may have an office and keep the books of the Corporation, except as otherwise provided by statute, in such place or places within or without the State of Delaware as the Board of Directors may from time to time determine or as shall be specified in the notice of any such meeting or duly executed waiver of notice of any such meeting.

3.7 FIRST MEETING. Each newly elected Board of Directors may hold its first meeting for the purpose of organization and the transaction of business, if a quorum is present, immediately after and at the same place as the annual meeting of stockholders, and no notice of such meeting shall be necessary.

3.8 ELECTION OF OFFICERS. At the first meeting of the Board of Directors after each annual meeting of stockholders at which a quorum shall be present, the Board of Directors shall elect the officers of the Corporation.

3.9 REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required.

3.10 SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the Lead Director, the Chief Executive Officer, or any director.

3.11 NOTICE. The Secretary shall give notice of each special meeting to each director at least 24 hours before the meeting. Notice of any such meeting need not be given to any director who shall, either before or after the meeting, submit a signed waiver of notice or who shall attend such meeting without protesting, prior to or at its commencement, the lack of notice to him or her. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. Such notice will be properly and timely given if it is (a) deposited in the United States mail not later than the third calendar day preceding the date of the meeting or (b) personally delivered, telegraphed, sent by facsimile transmission or communicated by telephone at least twenty-four hours before the time of the meeting. Such notice need not include a statement of the business to be transacted at, or the purpose of, any such meeting.

3.12 QUORUM; MAJORITY VOTE. At all meetings of the Board of Directors, one third (1/3) of the directors fixed in the manner provided in these by-laws shall constitute a quorum for the transaction of business. If at any meeting of the Board of Directors there be less than a quorum present, a majority of those present or any director solely present may adjourn the meeting from time to time without further notice. Unless the act of a greater number is required by law, the Certificate of Incorporation, or these by-laws, the act of a majority of the directors present at a meeting at which a quorum is in attendance shall be the act of the Board of Directors. At any time that the Certificate of Incorporation provides that directors elected by the holders of a class or series of stock shall have more or less than one vote per director on any matter, every reference in these by-laws to a majority or other proportion of directors shall refer to a majority or other proportion of the votes of such directors.

3.13 PROCEDURE. At meetings of the Board of Directors, business shall be transacted in such order as from time to time the Board of Directors may determine. The Chairman of the Board, if such office has been filled, or in his or her absence the Lead Director, or the Chief Executive Officer of the Corporation, in the order named, shall preside at all meetings of the Board of Directors. In the absence or inability to act of either such officer, a chairman shall be chosen by the Board of Directors from among the directors present. The Secretary of the Corporation shall act as the secretary of each meeting of the Board of Directors unless the Board of Directors appoints another person to act as secretary of the meeting. The Board of Directors shall keep regular minutes of its proceedings which shall be placed in the minute book of the Corporation.

3.14 PRESUMPTION OF ASSENT. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or shall forward any dissent by certified or registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

3.15 COMPENSATION. The Board of Directors shall have the authority to fix the compensation, including fees and reimbursement of expenses, paid to directors for attendance at regular or special meetings of the Board of Directors or any committee thereof; provided, that nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity or receiving compensation therefor.

ARTICLE FOUR: COMMITTEES

4.1 DESIGNATION. The Board of Directors may, by resolution adopted by a majority of the entire Board of Directors, designate one or more committees.

4.2 NUMBER; QUALIFICATION; TERM. Each committee shall consist of one or more directors appointed by resolution adopted by a majority of the entire Board of Directors. The number of committee members may be increased or decreased from time to time by resolution adopted by a majority of the entire Board of Directors. Each committee member shall serve as such until the earliest of (i) the expiration of his term as director, (ii) his resignation as a committee member or as a director, or (iii) his removal as a committee member or as a director.

4.3 AUTHORITY. Each committee, to the extent expressly provided in the resolution establishing such committee, shall have and may exercise all of the authority of the Board of Directors in the management of the business and property of the Corporation except to the extent expressly restricted by law, the Certificate of Incorporation, or these by-laws.

4.4 COMMITTEE CHANGES. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, and to discharge any committee.

4.5 ALTERNATE MEMBERS OF COMMITTEES. The Board of Directors may designate one or more directors as alternate members of any committee. Any such alternate member may replace any absent or disqualified member at any meeting of the committee. If no alternate committee members have been so appointed to a committee or each such alternate committee member is absent or disqualified, the member or members of such committee present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

4.6 REGULAR MEETINGS. Regular meetings of any committee may be held without notice at such time and place as may be designated from time to time by the committee and communicated to all members thereof.

4.7 SPECIAL MEETINGS. Special meetings of any committee may be held whenever called by any committee member. The committee member calling any special meeting shall cause notice of such special meeting, including therein the time and place of such special meeting, to be given to each committee member at least two days before such special meeting. Neither the business to be transacted at, nor the purpose of, any special meeting of any committee need be specified in the notice or waiver of notice of any special meeting.

4.8 QUORUM; MAJORITY VOTE. At meetings of any committee, a majority of the number of members designated by the Board of Directors shall constitute a quorum for the transaction of business. If a quorum is not present at a meeting of any committee, a majority of the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present. The act of a majority of the members present at any meeting at which a quorum is in attendance shall be the act of a committee, unless the act of a greater number is required by law, the Certificate of Incorporation, these by-laws or the resolutions creating the committee.

4.9 MINUTES. Each committee shall cause minutes of its proceedings to be prepared and shall report the same to the Board of Directors upon the request of the Board of Directors. The minutes of the proceedings of each committee shall be delivered to the Secretary of the Corporation for placement in the minute books of the Corporation.

4.10 COMPENSATION. Committee members may, by resolution of the Board of Directors, be allowed a fixed sum and expenses of attendance, if any, for attending any committee meetings or a stated salary.

4.11 RESPONSIBILITY. The designation of any committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any director of any responsibility imposed upon it or such director by law.

ARTICLE FIVE: OFFICERS[1]

5.1 NUMBER; TITLES; TERM OF OFFICE. The officers of the Corporation shall be a President, a Secretary, and such other officers as the Board of Directors may from time to time elect or appoint, including, without limitation, a Chairman of the Board, Chief Executive Officer, one or more Vice Presidents (with each Vice President to have such descriptive title, if any, as the Board of Directors shall determine), and a Treasurer. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified, until his or her death, or until he or she shall resign or shall have been removed in the manner hereinafter provided. Any two or more offices may be held by the same person. None of the officers need be a stockholder or a director of the Corporation or a resident of the state of Delaware.

5.2 REMOVAL. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

5.3 VACANCIES. Any vacancy occurring in any office of the Corporation (by death, resignation, removal or otherwise) may be filled by the Board of Directors.

5.4 AUTHORITY. Officers shall have such authority and perform such duties in the management of the Corporation as are provided in these by-laws or as may be determined by resolution of the Board of Directors not inconsistent with these by-laws.

5.5 COMPENSATION. The compensation, if any, of officers and agents shall be fixed from time to time by the Board of Directors; provided, however, that the Board of Directors may delegate the power to determine the compensation of any officer and agent (other than the officer to whom such power is delegated) to a committee of the Board of Directors, the Chairman of the Board or the President.

5.6 CHAIRMAN OF THE BOARD. The Chairman of the Board shall have such powers and duties as may be reasonably prescribed by the Board of Directors. Such officer shall preside, if present, at all meetings of the stockholders and of the Board of Directors. Such officer may sign all certificates for shares of stock of the Corporation.

5.7 CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall have general supervision of the affairs of the Corporation and shall have general and active control of all its business. He or she shall preside, in the absence of the Chairman of the Board or the Lead Director, at all meetings of stockholders. He or she shall see that all orders and resolutions of the Board of Directors and the stockholders are carried into effect. He or she shall have general executive charge, management, and control of the properties and operations of the Corporation in the

[1] **NTD**: Deleted Article 5 on notice appeared to be duplicative of prior notice sections.

ordinary course of its business, with all such powers with respect to such properties and operations as may be reasonably incident to such responsibility, and shall have such powers and authority usually appertaining to the chief executive officer of a corporation, except as otherwise provided in these by-laws.

5.8 PRESIDENT. The President shall have such powers and duties as may be assigned to him or her by the Chief Executive Officer. If the Board of Directors has not elected a Chief Executive Officer or in the absence or inability to act of the Chief Executive Officer, the President shall exercise all of the powers and discharge all of the duties of the Chief Executive Officer. As between the Corporation and third parties, any action taken by the President in the performance of the duties of the Chief Executive Officer shall be conclusive evidence that there is no Chief Executive Officer or that the Chief Executive Officer is absent or unable to act.

5.9 VICE PRESIDENTS. Each Vice President shall have such powers and duties as may be assigned to him or her by the Board of Directors, the Chief Executive Officer or the President, and (in order of their seniority as determined by the Board of Directors or, in the absence of such determination, as determined by the length of time they have held the office of Vice President) shall exercise the powers of the President during that officer's absence or inability to act. As between the Corporation and third parties, any action taken by a Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken.

5.10 TREASURER. The Treasurer shall have custody of the Corporation's funds and securities, shall keep full and accurate account of receipts and disbursements, shall deposit all monies and valuable effects in the name and to the credit of the Corporation in such depository or depositories as may be designated by the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chief Executive Officer or the President.

5.11 ASSISTANT TREASURERS. Each Assistant Treasurer shall have such powers and duties as may be assigned to him or her by the Board of Directors, the Chief Executive Officer or the President. The Assistant Treasurers (in the order of their seniority as determined by the Board of Directors or, in the absence of such a determination, as determined by the length of time they have held the office of Assistant Treasurer) shall exercise the powers of the Treasurer during that officer's absence or inability to act.

5.12 SECRETARY. Except as otherwise provided in these by-laws, the Secretary shall keep the minutes of all meetings of the Board of Directors and of the stockholders in books provided for that purpose, and he shall attend to the giving and service of all notices. He or she may sign with the Chairman of the Board, the Chief Executive Officer or the President, in the name of the Corporation, all contracts of the Corporation and affix the seal of the Corporation thereto. He or she may sign with the Chairman of the Board, the Chief Executive Officer or the President all certificates for shares of stock of the Corporation, and he or she shall have charge of the certificate books, transfer books, and stock papers as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection by any director upon application at the office of the Corporation during business hours. He or she shall in general perform all duties incident to the office of the Secretary, subject to the control of the Board of Directors, the Chief Executive Officer, and the President.

5.13 ASSISTANT SECRETARIES. Each Assistant Secretary shall have such powers and duties as may be assigned to him or her by the Board of Directors, the Chief Executive Officer or the President. The Assistant Secretaries (in the order of their seniority as determined by the Board of Directors or, in the absence of such a determination, as determined by the length of time they have held the office of Assistant Secretary) shall exercise the powers of the Secretary during that officer's absence or inability to act.

ARTICLE SIX: CERTIFICATES AND STOCKHOLDERS

6.1 CERTIFICATES FOR SHARES. Certificate for shares of stock of the Corporation shall be in such form as shall be approved by the Board of Directors; provided that the Board of Directors may also provide that some or all of any class or series of shares shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock. The certificates shall be signed by the Chairman of the Board or the President or a Vice President and also by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer. Any and all signatures on the certificate may be a facsimile and may be sealed with the seal of the Corporation or a facsimile thereof. If any officer, transfer agent, or registrar who has signed, or whose facsimile signature has been placed upon, a certificate has ceased to be such officer, transfer agent, or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if her were such officer, transfer agent, or registrar at the date of issue. The certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued and shall exhibit the holder's name and the number of shares.

6.2 REPLACEMENT OF LOST OR DESTROYED CERTIFICATES. The Board of Directors may direct a new certificate or certificates to be issued in place of a certificate or certificates theretofore issued by the Corporation and alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate or certificates representing shares to be lost or destroyed. When authorizing such issue of a new certificate or certificates the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond with a surety or sureties satisfactory to the Corporation in such sum as it may direct as indemnity against any claim, or expense resulting from a claim, that may be made against the Corporation with respect to the certificate or certificates alleged to have been lost or destroyed.

6.3 TRANSFER OF SHARES. Shares of stock of the Corporation shall be transferable only on the books of the Corporation by the holders thereof in person or by their duly authorized attorneys or legal representatives. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, the Corporation or its transfer agent shall issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction upon its books.

6.4 REGISTERED STOCKHOLDERS. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

6.5 REGULATIONS. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer, and registration or the replacement of certificates for shares of stock of the Corporation.

6.6 LEGENDS. The Board of Directors shall have the power and authority to provide that certificates representing shares of stock bear such legends as the Board of Directors deems appropriate to assure that the Corporation does not become liable for violations of federal or state securities laws or other applicable law.

ARTICLE SEVEN: INDEMNIFICATION

7.1 GENERAL INDEMNIFICATION. The Board of Directors may, in such cases or categories of cases as it deems appropriate, indemnify and hold harmless, or make provision for indemnifying and holding harmless, members of the Board of Directors, officers, employees, and agents of the corporation, and persons who formerly held such positions, and the estates of any of them against any or all claims and liabilities (including reasonable legal fees and other expenses incurred in connection with such claims or liabilities) to which any such person shall have become subject by reason of his having held such a position or having allegedly taken or omitted to take any action in connection with such position.

7.2. INDEMNIFICATION OF BOARD MEMBERS AND OFFICERS**.**

(a) To the fullest extent permitted by the Delaware General Corporation Law for a corporation subject to such law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits a Delaware corporation to provide broader indemnification rights than said law permitted such corporation to provide prior to such amendment), the Corporation will indemnify and hold harmless each member of the Board of Directors and officer of the Corporation or any subsidiary against any and all claims, liabilities, and expenses (including attorneys' fees, judgments, fines, and amounts paid in settlement) actually and reasonably incurred and arising from any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, to which any such person shall have become subject by reason of having held such a position or having allegedly taken or omitted to take any action in connection with any such position. However, the foregoing shall not apply to:

i. any breach of such person's duty of loyalty to the corporation or its stockholders;

ii. any act or omission by such person not in good faith or which involves intentional misconduct or where such person had reasonable cause to believe his conduct was unlawful, or

iii. any transaction from which such person derived any improper personal benefit.

(b) The decision concerning whether a particular indemnitee has satisfied the foregoing shall be made by (i) the Board of Directors by a majority vote of a quorum consisting of members who are not parties to the action, suit, or proceeding giving rise to the claim for indemnity ("Disinterested Directors"), whether or not such majority constitutes a quorum; (ii) a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, whether or not such majority constitutes a quorum; (iii) if there are no Disinterested Directors, or if the Disinterested Directors so direct, by independent legal counsel in a written opinion; or (iv) a vote of the stockholders.

(c) The Board of Directors may authorize the advancement of expenses to any member of the Board of Directors or officer, subject to a written undertaking to repay such advance if it is later determined that the indemnitee does not satisfy the standard of conduct required for indemnification. The Chairman of the Board is authorized to enter into contracts of indemnification with each member of the Board of Director and officer of the Corporation with respect to the indemnification provided in the by-laws and to renegotiate such contracts as necessary to reflect changing laws and business circumstances.

ARTICLE EIGHT: MISCELLANEOUS PROVISIONS

8.1 DIVIDENDS. Subject to provisions of law and the Certificate of Incorporation, dividends may be declared by the Board of Directors at any regular or special meeting and may be paid in cash, in property, or in shares of stock of the Corporation. Such declaration and payment shall be at the discretion of the Board of Directors.

8.2 RESERVES. There may be created by the Board of Directors out of funds of the Corporation legally available therefor such reserve or reserves as the directors from time to time, in their discretion, consider proper to provide for contingencies, to equalize dividends, or to repair or maintain any property of the Corporation, or for such other purpose as the Board of Directors shall consider beneficial to the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

8.3 BOOKS AND RECORDS. The Corporation shall keep correct and complete books and records of account, shall keep minutes of the proceedings of its stockholders and Board of Directors and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each.

8.4 FISCAL YEAR. The fiscal year of the Corporation shall be fixed by the Board of Directors; provided, that if such fiscal year is not fixed by the Board of Directors and the selection of the fiscal year is not expressly deferred by the Board of Directors, the fiscal year shall be the calendar year.

8.5 SEAL. The seal of the Corporation shall be such as from time to time may be approved by the Board of Directors.

8.6 RESIGNATIONS. Any director, committee member, or officer may resign by so stating at any meeting of the Board of Directors or by giving written notice to the Board of Directors, the Chairman of the Board, the President, or the Secretary. Such resignation shall take effect at the time specified therein or, if no time is specified therein, immediately upon its receipt. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

8.7 SECURITIES OF OTHER CORPORATION. The Chairman of the Board, the President, or any Vice President of the Corporation shall have the power and authority to transfer, endorse for transfer, vote, consent, or take any other action with respect to any securities of another issuer which may be held or owned by the Corporation and to make, execute, and deliver any waiver, proxy, or consent with respect to any such securities.

8.8 MEETINGS BY REMOTE COMMUNICATION. Stockholders (acting for themselves or through a proxy), members of the Board of Directors, and members of a committee of the Board of Directors may participate in and hold a meeting of such stockholders, Board of Directors, or committee by means of remote communication, including but not limited to a conference telephone, videoconference transmission, internet chat room, or similar communications capability, provided that the Corporation implement reasonable measures to (i) verify the attendance and eligibility of remote participants, (ii) provide participants a reasonable opportunity to participate and vote, and (iii) record the votes and other actions taken by remote participants during the meeting. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

8.9 ACTION WITHOUT A MEETING. Unless otherwise restricted by the Certificate of Incorporation or by these by-laws, any action required or permitted to be taken at a meeting of the Board of Directors, or of any committee of the Board of Directors, may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by all the directors or all the committee members, as the case may be, entitled to vote with respect to the subject matter thereof, and such consent shall have the same force and effect as a vote of the Board of Directors or a committee thereof, as the case may be, and may be stated as such in any certificate or document filed with the Secretary of State of the State of Delaware or in any certificate delivered to any person. Such consent or consents shall be filed with the minutes of proceedings of the Board or committee, as the case may be.

8.10 INVALID PROVISIONS. If any part of these by-laws shall be held invalid or inoperative for any reason, the remaining parts, so far as it is possible and reasonable, shall remain valid and operative.

8.11 MORTGAGES, ETC. With respect to any deed, deed of trust, mortgage, or other instrument executed by the Corporation through its duly authorized officer or officers, the attestation to such execution by the Secretary of the Corporation shall not be necessary to constitute such deed, deed of trust, mortgage, or other instrument a valid and binding obligation against the Corporation unless the resolutions, if any, of the Board of Directors authorizing such execution expressly state that such attestation is necessary.

8.12 HEADINGS. The headings used in these by-laws have been inserted for administrative convenience only and do not constitute matter to be construed in interpretation.

8.13 REFERENCES. Whenever herein the singular number is used, the same shall include the plural where appropriate, and words of any gender shall include each other gender where appropriate.

8.14 AMENDMENTS. These by-laws may be altered, amended, or repealed or new by-laws may be adopted by the Board of Directors, or by the affirmative vote of the holders of not less than two-thirds of the shares of the Corporation then entitled to be voted in an election of directors, voting together as a single class.

8.15 FORUM FOR ADJUDICATION OF DISPUTES.

(a) Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for:

i. any derivative action or proceeding brought on behalf of the Corporation;
ii. any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee, or agent of the Corporation to the Corporation or the Corporation's stockholders;
iii. any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, the Certificate of Incorporation, or these by-laws; or
iv. any action asserting a claim governed by the internal affairs doctrine;

in each case, subject to said court having personal jurisdiction over the indispensable parties named as defendants therein. If any action the subject matter of which is within the scope of this Section 8.15 is filed in a court other than a court located within the State of Delaware (a “Foreign Action”) in the name of any stockholder, such stockholder shall be deemed to have consented to: (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce this Section 8.15 (an “Enforcement Action”); and (ii) having service of process made upon such stockholder in any such Enforcement Action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 8.15.

(b) Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 8.15(b).

8.16 CERTAIN DEFINITIONAL PROVISIONS.

(a) In these by-laws:

"*Board*" or "*Board of Directors*" means the Board of directors of the Corporation.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"*Lead Director*" means the director elected by the Board by the affirmative vote of a majority of the non-management directors for a three-year term commensurate with that person's term as director in accordance with the Corporation's Corporate Governance Guidelines.

Carriage Services Announces Record Second Quarter and First Half Results:

- Record Second Quarter and First Half Results;
- Increase in Rolling Four Quarter, 2021 and 2022 Outlooks;
- Invested $12.3 million to repurchase 325,000 shares ($38 per share) in second quarter;
- Increase in Intrinsic Value Roughly Right Range to $55 to $65 Per Share; and
- Increase of $25 million in Approved Stock Repurchase Program to $63 million.

Houston, July 27, 2021 (GLOBE NEWSWIRE) – Carriage Services, Inc. (NYSE: CSV) Mel Payne, Chairman and CEO, stated, "After our highly successful refinancing of $400 million 6.625% senior notes into a new issue of eight year $400 million 4.25% senior notes on May 13, 2021, we have continued to execute our funeral and cemetery portfolio operations and sales performance at an extraordinarily high level even as we have moved into a more normalized post COVID-19 Pandemic Crisis death rate environment during the second quarter. We are now positioned to optimize long term shareholder value creation through continued outstanding execution of our operating and strategic acquisition models and savvy, disciplined and flexible capital allocation of our recurring and increasing Free Cash Flow into high return investments over the next eight years, while simultaneously maintaining a moderate leverage profile of 4 times Debt to EBITDA Ratio or less.

The balance of this 2021 second quarter earnings release will be equivalent to the fourth extension of my 2020 Shareholder Letter (first was first quarter release on April 21, second was my refinancing and intrinsic value commentary on May 13, 2021, third was announcement of three Executive Team Promotions on June 2, 2021), i.e. a journey through "highly transparent" high performance data sequentially shown on the following pages as follows:

- Second Quarter and First Half Comparative Performance Highlights;
- Five Quarter Trend Report Ending June 30, 2021;
- Same Store Funeral Revenue Monthly Trends and Drivers Six Months Ending June 2021;
- Second Quarter and First Half 2021 versus 2020 Overhead / Incentive Compensation Comparison;
- Rolling Four Quarter Outlook Ending June 30, 2022 and Updated and Increased Two Year Scenario 2021/2022;
- Updated and Increased Intrinsic Value Per Share Range and Capital Allocation Strategy and Priorities;
- Free Cash Flow and Leverage Update; and
- Second Quarter and First Half Trust Performance/Impact on Reported Financial Segment.

SECOND QUARTER 2021 COMPARATIVE PERFORMANCE HIGHLIGHTS

- Total Revenue of $88.3 million, an increase of $10.8 million or 13.9%;
- Same Store Funeral Contracts of 9,061, an increase of 0.1%;
- Same Store Funeral Revenue of $47.3 million, an increase of $3.0 million or 6.7%;
- Same Store Cemetery Revenue of $16.5 million, an increase of $5.0 million or 42.8%;
- Same Store Cemetery Field EBITDA of $7.6 million, an increase of $3.9 million or 106.7%;
- Same Store Cemetery Field EBITDA Margin of 45.9%, an increase of 1,420 basis points;
- Acquisition Cemetery Revenue of $8.2 million, an increase of $4.1 million or 101.6%;
- Acquisition Cemetery Field EBITDA of $4.7 million, an increase of $3.3 million or 230.1%;
- Acquisition Cemetery Field EBITDA Margin 57.9%, an increase of 2,250 basis points;
- Total Field EBITDA of $40.0 million, an increase of $6.8 million or 20.4%;
- Total Field EBITDA Margin of 45.3%, an increase of 240 basis points;
- Adjusted Consolidated EBITDA of $28.7 million, an increase of $3.3 million or 12.9%;
- Adjusted Consolidated EBITDA Margin of 32.5%, a decrease of 30 basis points;

- Adjusted Diluted EPS of $0.64, an increase of $0.19 or 42.2%;
- Adjusted Proforma[(1)] Diluted EPS of $0.70, an increase of $0.25 or 55.6%;
- Adjusted Free Cash Flow of $12.3 million, a decrease of $5.6 million or 31.1%;
- Adjusted Free Cash Flow Margin of 13.9%, a decrease of 920 basis points;
- Adjusted Proforma[(1)] Free Cash Flow of $13.4 million, a decrease of $4.5 million or 25.1%;
- Adjusted Proforma[(1)] Free Cash Flow Margin of 15.2%, a decrease of 790 basis points;
- GAAP Net Loss of $6.2 million, a decrease of $12.6 million equal to 196.4%; and
- GAAP Diluted Loss Per Share of $0.33, a decrease of $0.69 per share equal to 191.7%.

The increases in our record consolidated performance metrics, i.e. Adjusted Consolidated EBITDA/Margin, Adjusted and Proforma EPS, and Adjusted and Proforma Free Cash Flow/Margin in the second quarter and first half of 2021 compared to 2020 would have been even higher if not for the under accruals of primarily field incentive compensation in the first and second quarter of 2020 amidst the portfolio performance uncertainty of the early phase of the COVID-19 Pandemic. Contrary to last year, we are fully accrued this year, as field incentive compensation in the second quarter of 2021 was $1.6 million or about 6 cents per share higher than second quarter last year and $3.8 million or about 15 cents per share higher in the first half of 2021 versus last year, which is more fully explained in our overhead section on Pages 7 and 8 of this release.

<u>FIRST HALF 2021 COMPARATIVE PERFORMANCE HIGHLIGHTS</u>

- Total Revenue of $184.9 million, an increase of $29.9 million or 19.3%;
- Total Same Store Funeral Contracts of 20,089, an increase of 1,975 or 10.9%;
- Same Store Funeral Revenue of $104.0 million, an increase of $13.0 million or 14.3%;
- Same Store Funeral Field EBITDA of $44.5 million, an increase of $7.7 million or 20.9%;
- Same Store Funeral Field EBITDA Margin of 42.8%, an increase of 240 basis points;
- Same Store Cemetery Revenue of $31.1 million, an increase of $8.6 million or 38.5%;
- Same Store Cemetery Field EBITDA of $13.3 million, an increase of $6.4 million or 94.3%;
- Same Store Cemetery Field EBITDA Margin of 42.7%, an increase of 1,220 basis points;
- Acquisition Cemetery Revenue of $15.2 million, an increase of $8.3 million or 121.1%;
- Acquisition Cemetery Field EBITDA of $8.8 million, an increase of $6.6 million or 290.8%;
- Acquisition Cemetery Field EBITDA Margin of 58.3%, an increase of 2,530 basis points;
- Total Field EBITDA of $85.8 million, an increase of $22.5 million or 35.5%;
- Total Field EBITDA Margin of 46.4%, an increase of 550 basis points;
- Adjusted Consolidated EBITDA of $63.4 million, an increase of $15.1 million or 31.3%;
- Adjusted Consolidated EBITDA Margin of 34.3%, an increase of 310 basis points;
- Adjusted Diluted EPS of $1.45, an increase of $0.66 or 83.5%;
- Adjusted Proforma[(1)] Diluted EPS of $1.60, an increase of $0.81 or 102.5%;
- Adjusted Free Cash Flow of $39.5 million, an increase of $9.0 million or 29.4%;
- Adjusted Free Cash Flow Margin of 21.3%, an increase of 160 basis points;
- Adjusted Proforma[(1)] Free Cash Flow of $42.3 million, an increase of $11.8 million or 38.7%;
- Adjusted Proforma[(1)] Free Cash Flow Margin of 22.9%, an increase of 320 basis points;
- Debt to EBITDA Ratio of 3.95 times[(2)];
- GAAP Net Income of $6.8 million, an increase of $4.6 million equal to 207.5%; and
- GAAP Diluted EPS of $0.37, an increase of $0.25 per share equal to 208.3%.

(1) Proforma lower interest impact of recent refinancing effective as of January 1, 2021 (pre-tax lower interest cost of $1.6 million for the second quarter 2021 and $4.0 million for the first half 2021).

(2) Rolling 12 Months Adjusted Consolidated EBITDA of $119.3 million and Total Debt of $471.4 million on June 30, 2021.

FIVE QUARTER TREND REPORT

We report our performance results publicly using the same highly transparent Non-GAAP "Trend Reports" that we use internally and which have been explained in previous shareholder letters, including Five Year and Five Quarter Trend Reports that reflect long and short term trends in our core operating, financial and overhead sectors over time. Shown on the next page are highlights from our Five Quarter Trend Report that clearly reflect the accelerating transformative high performance process that occurred at Carriage in the midst of the COVID-19 Pandemic from the second quarter of 2020 through the peak of the Pandemic impact in the first quarter of 2021.

We estimate that at least 85% of the COVID-19 performance lift from spikes in the death rate was concentrated in our Same Store and Acquisition Funeral Portfolio, initially concentrated in our Eastern Region in the second quarter of 2020, then spreading to the Central Region in the third quarter before peaking in our Western Region in the fourth quarter of 2020 and first quarter of 2021. The balance of our COVID-19 death rate performance lift of about 15% was concentrated in our Cemetery Portfolio Atneed Segment.

However, after Carlos Quezada joined Carriage on June 26, 2020, the Five Quarter Trend Report also reflects that our Same Store and Acquisition Cemetery Preneed Property Sales, Revenue and Field EBITDA Dollars and Margins began to trend higher and accelerate toward a historic peak in the second quarter of 2021.

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FIVE QUARTER OPERATING AND FINANCIAL TREND REPORT HIGHLIGHTS					
(000's except for volume, averages & margins)	**2ND QTR 2020**	**3RD QTR 2020**	**4TH QTR 2020**	**1ST QTR 2021**	**2ND QTR 2021**
Funeral Same Store Contracts	9,056	9,420	10,172	11,028	9,061
Average Revenue Per Contract [(1)]	$4,891	$5,069	$5,158	$5,140	$5,218
Funeral Same Store Burial Contracts	3,273	3,370	3,777	4,038	3,189
Funeral Same Store Burial Rate	36.1%	35.8%	37.1%	36.6%	35.2%
Average Revenue Per Burial Contract	$8,688	$8,984	$9,013	$8,987	$9,262
Funeral Same Store Cremation Contracts	5,199	5,382	5,697	6,285	5,160
Funeral Same Store Cremation Rate	57.4%	57.1%	56.0%	57.0%	56.9%
Average Revenue Per Cremation Contract	$3,075	$3,285	$3,251	$3,294	$3,416
Funeral Same Store Revenue	$44,297	$47,750	$52,472	$56,683	$47,284
Funeral Same Store EBITDA	$18,726	$19,906	$23,115	$25,812	$18,659
Funeral Same Store EBITDA Margin	42.3%	41.7%	44.1%	45.5%	39.5%
Funeral Acquisition Revenue	$9,023	$8,204	$9,348	$10,139	$8,557
Funeral Acquisition EBITDA	$3,754	$2,941	$3,683	$4,467	$3,261
Funeral Acquisition EBITDA Margin	41.6%	35.8%	39.4%	44.1%	38.1%
Cemetery Same Store Preneed Property Contracts Sold	912	1,061	1,026	1,154	1,218
Cemetery Same Store Preneed Sales Revenue	$8,272	$8,293	$9,214	$9,288	$11,441
Cemetery Same Store Revenue	$11,565	$14,321	$14,739	$14,567	$16,516
Cemetery Same Store EBITDA	$3,666	$6,167	$6,491	$5,705	$7,579
Cemetery Same Store EBITDA Margin	31.7%	43.1%	44.0%	39.2%	45.9%
Cemetery Acquisition Preneed Property Contracts Sold	295	304	345	338	475
Cemetery Acquisition Preneed Sales Revenue	$3,079	$4,073	$5,394	$5,089	$6,839
Cemetery Acquisition Revenue	$4,056	$5,220	$5,509	$6,980	$8,175
Cemetery Acquisition EBITDA	$1,435	$2,335	$2,532	$4,102	$4,737
Cemetery Acquisition EBITDA Margin	35.4%	44.7%	46.0%	58.8%	57.9%
Total Financial Revenue	$4,674	$5,575	$5,206	$5,656	$5,340
Total Financial EBITDA	$4,448	$5,226	$4,867	$5,254	$4,993
Total Financial EBITDA Margin	95.2%	93.7%	93.5%	92.9%	93.5%
Total Revenue	$77,477	$84,393	$90,088	$96,637	$88,277
Total Field EBITDA	$33,221	$37,309	$41,318	$45,787	$40,014
Total Field EBITDA Margin	42.9%	44.2%	45.9%	47.4%	45.3%
Adjusted Consolidated EBITDA	$25,444	$27,666	$28,300	$34,657	$28,720
Adjusted Consolidated EBITDA Margin	32.8%	32.8%	31.4%	35.9%	32.5%
Adjusted Diluted EPS	$0.45	$0.51	$0.57	$0.81	$0.64
Adjusted Free Cash Flow	$17,878	$27,608	$11,870	$27,140	$12,313
Adjusted Free Cash Flow Margin	23.1%	32.7%	13.2%	28.1%	13.9%

(1) Excludes Preneed Funeral interest earnings reflected in Total Financial Revenue.

The record performance in the second quarter of 2021 reflects a normalization of funeral volumes at broadly higher funeral contract revenue averages, as second quarter Same Store Funeral Contracts were flat year over year while Same Store Funeral Revenue increased $3.0 million or 6.7% because our Average Revenue Per Contract (ARPC) of $5,218 was also 6.7% higher than the ARPC of $4,891 last year. The Same Store Funeral Burial ARPC for the second quarter was up 6.6% to $9,262, which was higher than Burial ARPC $9,209 for full year 2019, while the burial rate was down 90 basis points to 35.2% compared to the second quarter 2020. Same Store Funeral Cremation ARPC was up 11.1% for the quarter to $3,416, which is comparable to the Cremation ARPC of $3,427 for full year 2019. Our Same Store Funeral Field EBITDA was flat in the second quarter at $18.7 million, while our Same Store Funeral Field EBITDA Margin declined 280 basis points, with the margin decline all occurring in our Eastern Region because of 9.4% lower volumes, partially offset by higher revenue averages in the Eastern Region and completely offset by higher volumes and revenue averages in both the Central and Western Regions.

This geographical funeral revenue and margin divergence related to the COVID-19 death rate performance lift tapering off in the second quarter this year is the exact opposite of how COVID-19 impacted our funeral portfolio last year with huge outbreaks first in the Northeast and New Orleans. Beginning in the third quarter last year, the COVID-19 impact was concentrated in our Central Region and continued spreading westward into the fourth quarter, peaking in California in December 2020 and January and February of this year prior to normalizing across all three geographic regions during the second quarter.

But the major driver of our record second quarter 2021 performance was significantly higher preneed property sales across our Same Store and Acquisition Portfolio of cemeteries driven by the high performance sales organization that Carlos Quezada built over the past year, which I comprehensively covered on pages 27 and 28 of my 2020 Shareholder Letter. It is difficult for those of us who have been with Carriage for at least five or even ten or more years to imagine just how quickly Carlos and his team of A Players have turned our Same Store and Acquisition Cemetery Portfolio into a broad and sustainable driver of significantly higher Revenue, Field EBITDA and Field EBITDA Margins. So I will share just a few high performance data points to let you hopefully become as impressed, inspired and excited as all of us Carriage long timers have increasingly become over the past year:

<u>Same Store Cemetery Portfolio</u>

- Same Store Cemetery Revenue for one month had exceeded $5 million only once in our history in April 2019, then again after Carlos joined Carriage in June 2020, once again in August 2020 followed very closely at $4.9 million in each of the last three months of 2020;
- Same Store Cemetery Field EBITDA Margin exceeded 40% only one month in our history, also in April 2019 prior to Carlos joining in June 2020, then again in five of the last six months of 2020, averaging 44.5%;
- Same Store Cemetery Revenue exceeded $5 million in each of last four months ending June 2021, averaging $5.6 million; and
- Same Store Cemetery Field EBITDA Margin exceeded 40% for each of last four months ending June 2021, averaging 45.4% and almost achieved the 50% threshold in June 2021 at a record high of 49.9%.

<u>Acquisition Cemetery Portfolio</u>

- Acquisition Cemetery Revenue (all three acquired at the end of 2019 / beginning of 2020 – integration was delayed due to the COVID-19 Pandemic – see pages 29-33 of my Shareholder Letter) exceeded $1 million for the first time in March 2020, then achieved $1.7 million in July 2020, reaching over $2.0 million for the first time in October 2020, but averaging $1.8 million over the last six months of 2020 compared to $1.1 million over the first six months;
- Acquisition Cemetery Field EBITDA Margin achieved over 40 % for the first time in April 2020, and again in July 2020 and November 2020, achieved over 50% for the first time in August 2020 and again in October 2020, averaging 44.5% over the last six months of 2020;

- Acquisition Cemetery Revenue exceeded $2 million for the first five months of 2021, averaging $2.3 million, and for the first time exceeded $3 million in June 2021 at a record high of $3.6 million; and
- Acquisition Cemetery Field EBITDA Margin for the first six months of 2021 averaged 56.8%, achieving over 60% for the first time in January, then again in February at a record high of 69.2%, and ending the second quarter strong in May at 57.3% and June at 65.0%.

In summary, as opposed to the COVID-19 performance lift we got in our funeral portfolio, especially during the last quarter of 2020 and the first quarter of 2021, our cemetery portfolio sales, revenue and margin performance was dampened by the mandated restrictions throughout the Pandemic. We have emerged from the severe behavioral restrictions and mandates related to the COVID-19 Pandemic a much better company in all four Funeral and Cemetery Sectors as well as our Financial Sector, but the exciting part well understood within Carriage's leadership and Board is that the high performance momentum in our cemetery portfolio is not only sustainable, but as Carlos and his team always say, **"It's A Great Time To Be At Carriage** and **The Best Is Yet To Come!"**

SAME STORE FUNERAL MONTHLY REVENUE TRENDS/DRIVERS SIX MONTHS ENDING JUNE 2021						
(000's except for volume, averages)	**2021 versus 2020**					
Same Store Funeral	**JAN**	**FEB**	**MAR**	**APR**	**MAY**	**JUN**
Contracts (volume) 2021	4,195	3,539	3,294	3,036	2,903	3,122
Contracts (volume) 2020	3,136	2,849	3,073	3,185	2,942	2,929
Volume Variance	**1,059**	**690**	**221**	**(149)**	**(39)**	**193**
Average Revenue Per Contract 2021[1]	$ 5,167	$ 5,031	$ 5,222	$ 5,166	$ 5,231	$ 5,258
Average Revenue Per Contract 2020[1]	$ 5,263	$ 5,245	$ 4,962	$ 4,621	$ 4,942	$ 5,134
Average Revenue Per Contract Variance (ARPC)	**$ (96)**	**$ (214)**	**$ 260**	**$ 545**	**$ 289**	**$ 124**
Operating Revenue 2021[1]	$ 21,677	$ 17,806	$ 17,200	$ 15,683	$ 15,184	$ 16,416
Operating Revenue 2020[1]	$ 16,506	$ 14,942	$ 15,249	$ 14,719	$ 14,539	$ 15,038
Operating Revenue Variance	**$ 5,171**	**$ 2,864**	**$ 1,951**	**$ 964**	**$ 645**	**$ 1,378**
Net Revenue Volume Variance	$ 5,574	$ 3,619	$ 1,096	$ (689)	$ (193)	$ 991
Net Revenue Average Variance	$ (403)	$ (755)	$ 855	$ 1,653	$ 838	$ 387
Net Revenue Variance	**$ 5,171**	**$ 2,864**	**$ 1,951**	**$ 964**	**$ 645**	**$ 1,378**

(1) Excludes Preneed Funeral interest earnings reflected in Total Financial Revenue.

As the above Same Store Funeral Revenue Trend Data makes clear, we have transitioned exceptionally well during each month of the second quarter from the peak COVID-19 Pandemic Funeral Revenue and Field EBITDA/Margin volume lift during December 2020 and January and February 2021, which was highly concentrated in our large California Funeral Portfolio. Beginning in March our Same Store Funeral positive contract volume variances began rapidly tapering off year over year and had small negative variances in April and May, yet recovered to a moderate positive volume variance in June that added another $1 million to our Same Store Funeral Revenue. After only moderate ARPC negative variances in January and February (our Managing Partners adapted quickly at the beginning of the Pandemic), the last four months of the first half of 2021 ending June produced moderate ARPC positive variances. Combined Volume and ARPC Revenue Variances produced a Total Same Store Funeral Revenue comparative increase of almost $10 million in the first quarter of 2021 followed by a comparative increase of almost $3 million in a more normalized death rate environment during the second quarter of 2021.

Undoubtedly, we are learning to live with COVID-19 in some variant form (Delta now) but likely adapting to other variant forms in the future, and to manage our personal affairs and businesses accordingly. There is also no doubt that a significant majority of our funeral businesses in all three geographic regions grew market share during the last fifteen months because of the amazingly innovative "high emotional value" services our entrepreneurial Managing Partners and their teams of employees produced for client families as opposed to what could not be done to serve these families that was communicated by government mandates, the media and even our competitors in many markets when these families needed help with their deceased loved ones the most.

We have yet to have a negative year over year Same Store Funeral Revenue comparative month in 2021, and in June all three of our geographic regions were higher with the Western Region leading the way. We will be highly challenged during the second half of 2021 to maintain this achievement, especially in the fourth quarter during the peak volume spike beginning in December 2020. We do not believe we will experience a material year over year Total Revenue and Profit decline, as we have too many increasingly high and sustainable performance drivers in our two cemetery segments and financial segment, which when combined with our low cost balance sheet, increasing Free Cash Flow and disciplined yet flexible capital allocation, should continue to drive an acceleration in Shareholder Value Creation for the second half of 2021 and thereafter.

SECOND QUARTER/FIRST HALF 2021 VERSUS 2020 OVERHEAD/INCENTIVE COMPENSATION COMPARISON

Our public Five Year, Five Quarter and internal Monthly, Quarterly and Year-To-Date Trend Reports are broken into five separate operating and financial segments that reflect Revenue, Field EBITDA and Field EBITDA Margin “trends over time.” Our High Performance Standards for defining success in both our funeral and cemetery portfolios are designed and heavily weighted around these revenue and margin “trend metrics” with EBITDA (dollars) one of two primary determinants for our **Being The Best** Annual Incentive Program, and the other being compound annual revenue growth and margin range (more compound annual revenue growth and higher margin range pays increasingly more with no limit).

Our five field reporting segments do not conform to GAAP or SEC segment requirements, as we do not allocate any corporate overhead to our individual business units whose Managing Partners are judged only by what they control locally, i.e. their important share of one of the four operating segments in our Trend Reports (Same Store and Acquisition Funeral, Same Store and Acquisition Cemetery). The Total Field Revenue, EBITDA and EBITDA Margin are therefore the consolidated performance of our individual funeral home and cemetery businesses plus the financial revenue that has been recognized primarily from our three preneed trusts (funeral merchandise and service, cemetery merchandise and service, cemetery perpetual care).

Our Overhead segment is shown below Total Field EBITDA in our Trend Reports and is broken into three categories: Total Regional Overhead that is mostly fixed with four cost segments comprised of three Regional Partners and one National Sales and Marketing Partner (Carlos Quezada recently promoted to COO), plus seven Directors of Support-Operations and three Directors of Support-Sales; Total Corporate Overhead that is mostly fixed comprised of eight different departments in our Houston Support Center; and Total Variable Overhead consisting of two major categories, field and corporate incentive compensation accruals (and payments after each calendar year), and various types of non-recurring items (termination or severance costs, legal settlements, and natural disaster costs such as floods, hurricanes, Pandemic, etc.).

This past year of COVID-19 Pandemic created a lot of distortion at certain points in our Variable Overhead reporting as shown below in the comparison of second quarter 2021 to second quarter 2020 and first half of 2021 to first half 2020.

SECOND QUARTER AND FIRST HALF OVERHEAD COMPARISONS (000'S)

	Three Months Ended June 30,				Six Months Ended June 30,			
Overhead	**2020**	**2021**	**Variance $**	**Variance %**	**2020**	**2021**	**Variance $**	**Variance %**
Total Variable	$3,737	$4,545	$808	21.6%	$5,373	$11,445	$6,072	113.0%
Total Regional	872	1,356	484	55.5%	1,910	2,555	645	33.8%
Total Corporate	4,933	5,538	605	12.3%	10,130	11,038	908	9.0%
Total Overhead	$9,542	$11,439	$1,897	19.9%	$17,413	$25,038	$7,625	43.8%
% Total Revenue	12.3%	13.0%	70 bp	5.7%	11.2%	13.5%	230 bp	20.5%
Corporate Incentive Compensation	$1,225	$1,000	$(225)	(18.4)%	$1,225	$2,100	$875	71.4%
Field Incentive Compensation	1,475	3,073	1,598	108.3%	2,268	6,099	3,831	168.9%
Separation Expenses	64	144	80	125.0%	548	1,732	1,184	216.1%
Pandemic Costs	313	147	(166)	(53.0)%	416	1,001	585	140.6%
Acquis./Divest. Expenses	46	42	(4)	(8.7)%	218	227	9	4.1%
Other Variable	614	139	(475)	(77.4)%	698	286	(412)	(59.0)%
Total Variable Overhead	$3,737	$4,545	$808	21.6%	$5,373	$11,445	$6,072	113.0%
% Total Revenue	4.8%	5.1%	30 bp	6.3%	3.5%	6.2%	270 bp	77.1%

The initial shock of the COVID-19 Pandemic in mid-March of 2020 caused us to plan for the worst (drew down $20 million on our bank credit lines to build a cash cushion) and control/reduce all costs until we could have more certainty about the performance impact on our business and financial flexibility. Our Executive and Senior Leadership Teams immediately took salary reductions and we eliminated all corporate incentive compensation. After adapting quickly beginning in mid-April 2020, our performance trended higher month by month and accelerated during the second half of last year.

Once the Total Revenue, Field EBITDA / EBITDA Margin and Free Cash Flow / Free Cash Flow Margin Trends became our friend in the second quarter of 2020, we began to rapidly deleverage, eliminated the salary reductions and began to add increasingly high amounts of corporate and field incentive compensation to Total Variable Overhead starting in June 2020. Our Total Variable Overhead increased from $1.6 million in first quarter 2020 to $3.7 million in the second, $4.1 million in the third and then $6.7 million in the fourth as December 2020 exploded with broadly higher Revenue and EBITDA Margin performance across our funeral portfolio, especially in California. The takeaway is that after the initial under accrual of incentive compensation in the first quarter of 2020 and April and May in the second quarter of 2020, we began to accrue incentive compensation more aggressively starting in June 2020 but were never able to catch up to a more normalized monthly accrual policy because of our accelerating transformative high performance in the second half of last year.

We began accruing both corporate and field incentive compensation aggressively in January of this year and have continued to do so all during the first and second quarters, creating significant variances in incentive compensation in 2021 versus 2020 but especially in Field Incentive Compensation for the many High Performing Managing Partners of our funeral and cemetery businesses and their teams of employees. Our field incentive compensation increased $1.6 million (about 6 cents per share) or 108.3% in the second quarter 2021 compared to 2020, and $3.8 million (about 15 cents per share) or 168.9% in the first half 2021 compared to 2020. Total Overhead Margin as a percentage of Total Revenue should normalize over the Two Year Scenario ending 2022 (before any new acquisitions) within a range of 11% to 12% with Total Variable Overhead comprised of mostly incentive compensation representing about one-third of Total Overhead.

The really great news for our shareholders is that even after paying the most generous one and five year performance incentives to our High Performance Hero Managing Partners in the sixty year history of deathcare consolidation, the remaining share of the High Performance retained for Free Cash Flow Capital Allocation and Shareholder Value Creation should drive market beating compounded shareholder returns for the entire second five year timeframe of Carriage's **Good To Great II Journey** ending in 2024. The Carriage High Performance Culture Framework is a concept that I explained in section XI on page 42 of my shareholder letter titled, "**Observations about 2020 and The Evolution of our Standards Operating Model**," concluded Mr. Payne.

THE DATA DON'T LIE – A TALE TOLD WITH HIGH PERFORMANCE DATA

Ben Brink, Executive Vice President and Chief Financial Officer, stated, "Before I provide the updated and increased Rolling Four Quarter Outlook, 2021/2022 Two Year Scenario and CSV Intrinsic Value Per Share Range, I believe it is informative and insightful to review the amazing high performance transformation that Carriage has achieved over the last two and one half years, especially in our cemetery portfolio, as shown in the two tables below:

CARRIAGE HIGH PERFORMANCE TRANSFORMATION

Income Category	(Millions except Per Share)				2018 - 12 Months 6/30/21	
	2018	2019	2020	12 Months Ending 6/30/2021 (1)	$ Change	% Change
Total Revenue	$268.0	$274.1	$329.4	$359.4	$91.4	34.1%
Total Field EBITDA	$104.3	$109.8	$141.9	$164.4	$60.1	57.6%
Total Field EBITDA Margin %	38.9%	40.0%	43.1%	45.8%	690 bp	17.7%
Adjusted Consolidated EBITDA	$70.2	$76.6	$104.3	$119.3	$49.1	69.9%
Adjusted Consolidated EBITDA Margin %	26.2%	27.9%	31.6%	33.2%	700 bp	26.7%
Adjusted FCF	$42.6	$38.8	$70.0	$78.9	$36.3	85.2%
Adjusted FCF Margin %	15.9%	14.2%	21.2%	22.0%	610 bp	38.4%
Adjusted Diluted EPS	$1.17	$1.25	$1.86	$2.53	$1.36	116.2%
Adjusted Diluted Proforma EPS (1)	$1.17	NA	NA	2.89 (1)	$1.72	147.0%

(1) Diluted EPS for the most recent 12 months ending 06/30/2021 is adjusted for lower annual interest cost of $9.5 million (pre-tax) from recent refinancing as if new $400 million 4.25% senior notes issued May 2021 was effective on June 30, 2020.

CEMETERY PORTFOLIO HIGH PERFORMANCE TRANSFORMATION

Data/Income Category	(Millions except Interments & Average)				2018 - 12 Months 6/30/21	
	2018	2019	2020	12 Months Ending 6/30/2021	$ Change	% Change
Number of Interments Sold – Preneed	6,475	7,205	9,503	11,231	4,756	73.5%
Preneed Property Average	$3,551	$3,653	$4,033	$4,370	$819	23.1%
Net Preneed Property Revenue	$22,994	$26,320	$38,326	$49,081	26,087	113.5%
Total Preneed M&S Revenue	$5,543	$5,664	$9,239	$11,097	$5,554	100.2%
Total Preneed Sales Revenue	$28,537	$31,984	$47,565	$60,178	$31,641	110.9%
Total Cemetery Revenue	$44,587	$49,317	$69,084	$86,027	$41,440	92.9%
Total Cemetery Field EBITDA	$13,831	$17,165	$26,626	$39,648	$25,817	186.7%
Total Cemetery Field EBITDA Margin	31.0%	34.8%	38.5%	46.1%	1,510 bp	48.7%

ACTUAL RESULTS, UPDATED TWO YEAR SCENARIO AND ROLLING FOUR QUARTER OUTLOOK

The increases in performance shown in the table below for our Rolling Four Quarter Outlook and updated Roughly Right Scenario for 2021 and 2022 is indicative of the momentum we continued to experience across our entire Company in the second quarter, as well as the expectation that the following five factors will be drivers of continued high performance throughout the balance of 2021 and all of 2022:

- Increased Cemetery Preneed Property Sales leading to higher Cemetery Revenue growth rates at Record and Sustainable Cemetery Field EBITDA Margins;
- Continuation of local market share gains across our funeral home portfolio;
- Growth in Average Revenue per Funeral Contract, particularly Cremation contracts;
- Incremental Growth of Financial Revenue and Financial EBITDA; and
- Higher Returns on Invested Capital from continued disciplined capital allocation combined with a lower Cost of Capital due to the recent completion of our senior note refinancing transaction.

Our updated Rolling Four Quarter Outlook and Roughly Right Range Two Year Scenario is our best estimate of our performance metrics over the next six quarters, and while uncertainties remain around the impact of the COVID-19 Pandemic on near term funeral contract volume, we have confidence in the known drivers of high performance to a degree that our belief is that we will continue to under-promise and over-deliver future performance, just as we have dramatically done since the beginning of 2020.

The updated Rolling Four Quarter Outlook ("RFQO") and Roughly Right Range Scenario includes the full effect of our senior note refinancing transaction that lowered our annual interest costs by $9.5 million, which will add $0.36 of Adjusted Diluted EPS on a proforma basis. We have also included in this update a capital allocation scenario where 70% - 80% of our Adjusted Free Cash Flow is allocated to share repurchases, which we believe is the best capital allocation decision currently available due to the large discount between the current market value and our opinion of intrinsic value, which is specifically explained on the next page in the sections on our updated and Increased Intrinsic Value Roughly Right Range and Capital Allocation Framework.

Performance Metric	**2019A**	**2020A**	**LTM**	**2021**	**RFQO**	**2022**	**3 Year Midpoint CAGR**
Total Revenue	$274.1	$329.4	$359.4	$345 - $355	$350 - $360	$355 - $365	9.5%
Total Field EBITDA	$109.8	$141.9	$164.4	$157 - $162	$158 - $164	$161 - $167	14.3%
Total Field EBITDA Margin	40%	43%	45.8%	45% - 46%	45% - 46%	45% - 46%	4.4%
Adjusted Consolidated EBITDA	$76.6	$104.3	$119.3	$117 - $121	$118 - $122	$119 - $123	16.5%
Adjusted Consolidated EBITDA Margin	27.9%	31.6%	33.2%	32.5% - 33.5%	32.5% - 33.5%	32.5% - 33.5%	5.8%
Adjusted Diluted EPS	$1.25	$1.86	$2.49	$2.65 - $2.75	$2.85 - $2.95	$3.10 - $3.20	36.1%
Diluted Shares Outstanding	18.0	18.1	18.4	17.8	17.5	16.8	(2.3)%
Adjusted Free Cash Flow	$38.8	$70.0	$78.9	$72 - $75	$73 - $77	$75 - $79	25.7%
Adjusted FCF Margin	14.2%	21.2%	22.0%	20% - 21%	19.5% - 20.5%	21% - 22%	14.8%
Total Debt Outstanding	$534(1)	$461.1	$471.4	$470 - $480	$470 - $480	$470 - $480	(4.0)%
Total Debt to EBITDA Multiple	7.0(2)	4.4	3.9	3.8 - 4.0	3.8 - 4.0	3.8 - 4.0	N/A

(1) January 3, 2020 acquisition of Oakmont Memorial Park & Mortuary and peak debt.
(2) Does not include proforma EBITDA for acquisitions.

INCREASED ROUGHLY RIGHT RANGE OF INTRINSIC VALUE PER SHARE

We believe that Carriage has evolved into a superior Deathcare Industry Operating and Consolidation Shareholder Value Creation Platform because of its superior Free Cash Flow per dollar of revenue that can be allocated into intermediate to long term high Return on Invested Capital ("ROIC") investments to optimize our intrinsic value over time. As Mel outlined in our press release on May 13, 2021, we therefore believe the most relevant methodology to use for determining our opinion of Carriage's intrinsic value is Free Cash Flow Equity Yield.

The 'Roughly Right Range' of Free Cash Flow Equity Yield using a 1% range of discount rates of 6.4% to 7.4% applied to our mid-point 2022 Adjusted Free Cash Flow estimate of $77 million produces a total equity market value range of $1,203 million (6.4%) to $1,041 million (7.4%), which when divided by about 18 million shares currently outstanding equals a current "Roughly Right Range" of Intrinsic Value per CSV share of $57.81 - $66.84. Rounded down, our updated opinion for Carriage's intrinsic value per share is: **$55 - $65**.

Using the midpoint of the Free Cash Flow Range for the RFQO of $75 million and about 18 million shares currently outstanding, our current share price of $36.30 provides shareholders a Free Cash Flow Equity Yield of about 11.5%, an extraordinarily high yield in a historically low yield environment that implies that our FCF is not sustainable into the future. In our opinion, a current Free Cash Flow Equity Yield of 11.5% compared to the midpoint 6.9% of our current cost of capital of 6.4% and former cost of capital pre-senior notes refinancing of 7.4% means our shares are currently priced at an approximately 65% discount to the midpoint of our updated range of intrinsic value of $60 per share.

CAPITAL ALLOCATION FRAMEWORK

With the successful completion of our senior note refinancing, we believe it is important to outline our updated Capital Allocation decision making framework that we will use moving forward. We strongly believe we have entered into a long term shareholder value creation capital allocation 'sweet spot' where we will have more opportunities to invest our high and recurring Free Cash Flow capital at higher rates of return. We have established a minimum ROIC Policy of 15% for invested capital but expect much higher intermediate to long term returns on a large majority of our growth investments. We will allocate capital within the following framework:

- Strategic Acquisitions: We will prioritize acquisitions of the best remaining independent funeral homes and cemetery businesses in large strategic growth markets. Our four large and transformative strategic acquisitions at the end of 2019 set a new and much higher standard for the future growth criteria required to join our portfolio of **Being The Best** businesses.
- Internal Growth Projects: Our internal growth capital expenditures will be focused on differentiated cemetery inventory development, targeted funeral home remodels and selective construction of new funeral homes in high growth markets to expand strong local brands of existing Carriage businesses.
- Share Repurchases: We will prioritize open market share repurchases when our stock trades at a material discount of 10% or more compared to the bottom of the share price range of our publicly stated opinion of intrinsic value. Share repurchases will also be weighed versus near term larger strategic acquisition opportunities and our Net Debt to Adjusted Consolidated EBITDA Leverage Ratio Policy.
- Dividends: As we have previously outlined, our policy will be for our annual dividend to approximate 10% of Adjusted Free Cash Flow and a 1% dividend equity yield on CSV shares.
- Debt Repayment: We will maintain a moderate Net Debt to Adjusted Consolidated EBITDA Leverage Ratio of 4 times or less, most likely meaning that our total debt will remain relatively flat while Free Cash Flow is allocated to higher ROIC growth opportunities to accelerate intrinsic value per share.

We view the $19.9 million call premium payment to former 6.625% senior note holders as the most significant capital allocation decision of the second quarter, as it allowed us to lower our annual cash interest cost by $9.5 million and thereby lower our weighted average cost of capital by 100 basis points to 6.4%.

The senior note refinancing transaction combined with our recurring and growing Free Cash Flow provides us significantly more financial flexibility to pursue all of the shareholder value creation capital allocation options within our framework. During the second quarter we repurchased approximately 325,000 CSV shares (1.8% of outstanding shares) at an average price per share of about $38 for approximately $12.3 million. The updated and increased performance in our Rolling Four Quarter and 2021/2022 Outlooks on Page 10 reflects a reduction in our outstanding shares of almost 2 million shares or 10.8% from about 18.5 million shares at March 31, 2021 to 16.5 million shares at December 31, 2022 from share repurchases. Assuming our share price achieves the $55 per share bottom of our intrinsic value range by the end of 2022, the ROIC on the $12.3 million capital allocated to repurchase 1.8% of our outstanding shares during the last six weeks of the second quarter of 2021 would have been 44.7% in a little over eighteen months, or an annualized return of about 30% that will only increase over time.

Our strong conviction is that there is low downside risk and high upside long term return certainty with share repurchases after a two and one half year transformation of our company that isn't yet reflected in our share price. On July 26, 2021, our Board of Directors authorized another $25 million for our share repurchase program, which brings our total Board authorized share repurchase amount available to approximately $63.3 million. Given the continued strength and momentum in our operating and financial performance and the current substantial share price discount compared to our updated opinion of intrinsic value "Roughly Right Range" of $55 to $65 per share, we intend to prioritize a more rapid pace of open market share repurchases for the foreseeable future while maintaining our 4 times leverage policy.

ADJUSTED FREE CASH FLOW AND LEVERAGE RATIO

	Six Months Ended June 30,	
	2020	**2021**
Cash Flow Provided by Operating Activities	$ 31,001	$ 41,441
Cash used for Maintenance Capital Expenditures	(2,898)	(4,602)
Free Cash Flow	$ 28,103	$ 36,839
Plus: Incremental Special Items:		
Acquisition Expenses	159	—
Severance and Separation Costs	563	1,575
Litigation Reserve	270	—
Natural Disaster and Pandemic Costs	972	1,039
Other Special Items	418	
Adjusted Free Cash Flow	$ 30,485	$ 39,453

Our Adjusted Free Cash Flow through the first six months in 2021 increased 29.4% to $39.5 million and our Adjusted Free Cash Flow Margin, which is the amount of Free Cash Flow for every dollar of Revenue, increased 160 basis points to 21.3%. For the last twelve months our Adjusted Free Cash Flow totaled $78.9 million and our Adjusted Free Cash Flow Margin expanded to 22.0%. Our second quarter Adjusted Free Cash Flow was approximately $5.6 million lower at $12.3 million compared to last year due to higher cash taxes paid and higher maintenance capital expenditures in the quarter.

Our Net Debt to Adjusted Consolidated EBITDA Leverage Ratio increased slightly to 3.95 times compared to 3.8 times at the end of the first quarter, primarily due to the $19.9 million call premium payment we made in connection with our senior note refinancing completed on May 13th. Post the completion of our senior note refinancing transaction, we have greater financial flexibility to allocate capital in order to accelerate shareholder value creation while maintaining a more moderate Net Debt to Adjusted Consolidated EBITDA Leverage Ratio of 4 times or below as a matter of policy.

TRUST FUND INVESTMENT PERFORMANCE

	YTD 2021	12 months Ended Q2 2021	Annualized 2009 - Q2 2021
CSV Discretionary Portfolio	14.2%	39.6%	14.5%
S&P 500	15.2%	40.8%	15.6%
DJIA	13.8%	36.3%	14.4%
NASDAQ	12.9%	45.3%	20.8%
HY Bond Index	3.6%	15.4%	10.9%
70/30 HY/S&P Bond	7.1%	23.0%	12.6%

The strong performance of our discretionary trust fund portfolio continued through the second quarter, as year to date portfolio return was 14.2% versus 15.2% for the S&P 500 and 7.1% for our 70/30 HY Bond/S&P 500 benchmark. For the last twelve months our total return for our discretionary trust portfolio was 39.6% compared to 40.8% for the S&P 500 and 23.0% for our 70/30 HY Bond/S&P 500 benchmark.

As a result of the successful completion of our trust fund repositioning strategy at the depths of the COVID-19 Market Crisis last year, we realized approximately $25 million of capital gains and increased recurring annual income by approximately $8 million to $17.4 million. The increase in recurring annual income over the past twelve months has primarily benefited the recognized Financial Revenue and Financial EBITDA from our perpetual care trusts, while the $25 million realized in capital gains have primarily accrued to outstanding preneed funeral and cemetery merchandise and service trust contracts. The realized gains will have a positive impact on current and future trends in reported Financial Revenue and Financial EBITDA as a result of the recognized higher value of maturing preneed funeral and cemetery contracts.

Financial Revenue increased 23.5% to $11 million and Financial EBITDA increased 24.1% to $10.2 million for the first six months of the year. We currently expect that the high amount of recurring income earned through our cemetery perpetual care trusts and higher recognized values on maturing preneed funeral and cemetery contracts will continue to drive incrementally higher annual amounts of reported Financial Revenue to approximately $23 million at Financial EBITDA Margins of 94.0% - 94.5% in 2021 and 2022," concluded Mr. Brink.

CONFERENCE CALL AND INVESTOR RELATIONS CONTACT

Carriage Services has scheduled a conference call for tomorrow, July 28, 2021 at 9:30 a.m. Central time. To participate in the call, please dial 866-516-3867 (conference ID-1780007) and ask for the Carriage Services conference call. A replay of the conference call will be available through August 2, 2021 and may be accessed by dialing 855-859-2056 (conference ID-1780007). The conference call will also be available at www.carriageservices.com. For any investor relations questions, please contact Ben Brink at 713-332-8441 or email InvestorRelations@carriageservices.com.

CARRIAGE SERVICES, INC.
OPERATING AND FINANCIAL TREND REPORT
(IN THOUSANDS - EXCEPT PER SHARE AMOUNTS)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2021	% Change	2020	2021	% Change
Same Store Contracts						
Atneed Contracts	7,534	7,702	2.2%	15,073	16,997	12.8%
Preneed Contracts	1,522	1,359	(10.7%)	3,041	3,092	1.7%
Total Same Store Funeral Contracts	9,056	9,061	0.1%	18,114	20,089	10.9%
Acquisition Contracts						
Atneed Contracts	1,788	1,505	(15.8%)	3,394	3,366	(0.8%)
Preneed Contracts	153	120	(21.6%)	280	261	(6.8%)
Total Acquisition Funeral Contracts	1,941	1,625	(16.3%)	3,674	3,627	(1.3%)
Total Funeral Contracts	**10,997**	**10,686**	**(2.8%)**	**21,788**	**23,716**	**8.8%**
Funeral Operating Revenue						
Same Store Revenue	$ 44,296	$ 47,284	6.7%	$ 90,992	$ 103,967	14.3%
Acquisition Revenue	9,023	8,557	(5.2%)	17,908	18,696	4.4%
Total Funeral Operating Revenue	**$ 53,319**	**$ 55,841**	**4.7%**	**$ 108,900**	**$ 122,663**	**12.6%**
Cemetery Operating Revenue						
Same Store Revenue	$ 11,565	$ 16,516	42.8%	$ 22,439	$ 31,083	38.5%
Acquisition Revenue	4,056	8,175	101.6%	6,855	15,155	121.1%
Total Cemetery Operating Revenue	**$ 15,621**	**$ 24,691**	**58.1%**	**$ 29,294**	**$ 46,238**	**57.8%**
Total Financial Revenue	**$ 4,674**	**$ 5,340**	**14.2%**	**$ 8,903**	**$ 10,996**	**23.5%**
Ancillary Revenue	**$ 1,117**	**$ 1,088**	**(2.6%)**	**$ 2,268**	**$ 2,295**	**1.2%**
Total Divested/Planned Divested Revenue	**$ 2,746**	**$ 1,317**	**(52.0%)**	**$ 5,602**	**$ 2,722**	**(51.4%)**
Total Revenue	**$ 77,477**	**$ 88,277**	**13.9%**	**$ 154,967**	**$ 184,914**	**19.3%**
Field EBITDA						
Same Store Funeral Field EBITDA	$ 18,725	$ 18,659	(0.4%)	$ 36,787	$ 44,471	20.9%
Same Store Funeral Field EBITDA Margin	42.3%	39.5%	(280 bp)	40.4%	42.8%	240 bp
Acquisition Funeral Field EBITDA	3,755	3,261	(13.2%)	7,002	7,728	10.4%
Acquisition Funeral Field EBITDA Margin	41.6%	38.1%	(350 bp)	39.1%	41.3%	220 bp
Total Funeral Field EBITDA	**$ 22,480**	**$ 21,920**	**(2.5%)**	**$ 43,789**	**$ 52,199**	**19.2%**
Total Funeral Field EBITDA Margin	**42.2%**	**39.3%**	**(290 bp)**	**40.2%**	**42.6%**	**240 bp**
Same Store Cemetery Field EBITDA	$ 3,666	$ 7,579	106.7%	$ 6,838	$ 13,284	94.3%
Same Store Cemetery Field EBITDA Margin	31.7%	45.9%	1,420 bp	30.5%	42.7%	1,220 bp
Acquisition Cemetery Field EBITDA	1,435	4,737	230.1%	2,262	8,839	290.8%
Acquisition Cemetery Field EBITDA Margin	35.4%	57.9%	2,250 bp	33.0%	58.3%	2,530 bp
Total Cemetery Field EBITDA	**$ 5,101**	**$ 12,316**	**141.4%**	**$ 9,100**	**$ 22,123**	**143.1%**
Total Cemetery Field EBITDA Margin	**32.7%**	**49.9%**	**1,720 bp**	**31.1%**	**47.8%**	**1,670 bp**
Total Financial EBITDA	**$ 4,448**	**$ 4,993**	**12.3%**	**$ 8,260**	**$ 10,248**	**24.1%**
Total Financial EBITDA Margin	**95.2%**	**93.5%**	**(170 bp)**	**92.8%**	**93.2%**	**40 bp**
Ancillary EBITDA	**$ 321**	**$ 274**	**(14.6%)**	**$ 616**	**$ 516**	**(16.2%)**
Ancillary EBITDA Margin	**28.7%**	**25.2%**	**(350 bp)**	**27.2%**	**22.5%**	**(470 bp)**
Total Divested/Planned Divested EBITDA	**$ 871**	**$ 511**	**(41.3%)**	**$ 1,550**	**$ 715**	**(53.9%)**
Total Divested/Planned Divested EBITDA Margin	**31.7%**	**38.8%**	**710 bp**	**27.7%**	**26.3%**	**(140 bp)**
Total Field EBITDA	**$ 33,221**	**$ 40,014**	**20.4%**	**$ 63,315**	**$ 85,801**	**35.5%**
Total Field EBITDA Margin	**42.9%**	**45.3%**	**240 bp**	**40.9%**	**46.4%**	**550 bp**

OPERATING AND FINANCIAL TREND REPORT
(IN THOUSANDS - EXCEPT PER SHARE AMOUNTS)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2021	% Change	2020	2021	% Change
Overhead						
Total Variable Overhead	$ 3,737	$ 4,545	21.6%	$ 5,373	$ 11,445	113.0%
Total Regional Fixed Overhead	872	1,356	55.5%	1,910	2,555	33.8%
Total Corporate Fixed Overhead	4,933	5,538	12.3%	10,130	11,038	9.0%
Total Overhead	**$ 9,542**	**$ 11,439**	**19.9%**	**$ 17,413**	**$ 25,038**	**43.8%**
Overhead as a percentage of Revenue	**12.3%**	**13.0%**	**70 bp**	**11.2%**	**13.5%**	**230 bp**
Consolidated EBITDA	**$ 23,679**	**$ 28,575**	**20.7%**	**$ 45,902**	**$ 60,763**	**32.4%**
Consolidated EBITDA Margin	**30.6%**	**32.4%**	**180 bp**	**29.6%**	**32.9%**	**330 bp**
Other Expenses and Interest						
Depreciation & Amortization	$ 4,698	$ 5,594		$ 9,247	$ 10,536	
Non-Cash Stock Compensation	715	1,230		1,546	2,538	
Interest Expense	8,352	7,478		16,780	15,062	
Accretion of Discount on Convertible Subordinated Notes	66	—		131	20	
Loss on Extinguishment of Debt	—	23,807		—	23,807	
Net (Gain) Loss on Divestitures	—	205		—	(103)	
Impairment of Goodwill and Other Intangibles	—	—		14,693	—	
Net Loss on Disposal of Fixed Assets	—	622		—	622	
Other, Net	2	(2)		6	66	
Pre-Tax Income (Loss)	**$ 9,846**	**$ (10,359)**		**$ 3,499**	**$ 8,215**	
Net Tax Expense (Benefit)	**3,449**	**(4,192)**		**1,299**	**1,449**	
GAAP Net Income (Loss)	**$ 6,397**	**$ (6,167)**	**(196.4%)**	**$ 2,200**	**$ 6,766**	**207.5%**
Special Items, Net of Tax, except for **						
Acquisition Expenses	$ 36	$ —		$ 126	$ —	
Severance and Separation Costs	217	(118)		445	1,126	
Performance Awards Cancellation and Exchange	56	—		56	—	
Accretion of Discount on Convertible Subordinated Notes **	66	—		131	20	
Net (Gain) Loss on Divestitures and Other Costs	—	139		—	(74)	
Net Impact of Impairment of Goodwill and Other Intangibles	51	—		9,808	—	
Litigation Reserve	154	—		213	—	
Loss on Extinguishment of Debt	—	17,022		—	17,022	
Natural Disaster and Pandemic Costs	657	37		768	743	
Other Special Items	371	954		371	954	
Adjusted Net Income	**$ 8,005**	**$ 11,867**	**48.2%**	**$ 14,118**	**$ 26,557**	**88.1%**
Adjusted Net Income Margin	**10.3%**	**13.4%**	**310 bp**	**9.1%**	**14.4%**	**530 bp**
Adjusted Basic Earnings Per Share	$ 0.45	$ 0.66	46.7%	$ 0.79	$ 1.48	87.3%
Adjusted Diluted Earnings Per Share	$ 0.45	$ 0.64	42.2%	$ 0.79	$ 1.45	83.5%
GAAP Basic Earnings Per Share	$ 0.36	$ (0.34)	(194.4%)	$ 0.12	$ 0.38	216.7%
GAAP Diluted Earnings Per Share	$ 0.36	$ (0.33)	(191.7%)	$ 0.12	$ 0.37	208.3%
Weighted Average Basic Shares Outstanding	17,860	17,967		17,833	17,966	
Weighted Average Diluted Shares Outstanding	17,889	18,511		17,862	18,364	
Reconciliation to Adjusted Consolidated EBITDA						
Consolidated EBITDA	**$ 23,679**	**$ 28,575**	**20.7%**	**$ 45,902**	**$ 60,763**	**32.4%**
Acquisition Expenses	45	—		159	—	
Severance and Separation Costs	275	—		563	1,575	
Litigation Reserve	195	—		270	—	
Natural Disaster and Pandemic Costs	832	145		972	1,039	
Other Special Items	418	—		418	—	
Adjusted Consolidated EBITDA	**$ 25,444**	**$ 28,720**	**12.9%**	**$ 48,284**	**$ 63,377**	**31.3%**
Adjusted Consolidated EBITDA Margin	**32.8%**	**32.5%**	**(30 bp)**	**31.2%**	**34.3%**	**310 bp**

CARRIAGE SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands)

	December 31, 2020	(unaudited) June 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 889	$ 1,493
Accounts receivable, net	25,103	23,835
Inventories	7,259	7,333
Prepaid and other current assets	2,076	2,862
Total current assets	35,327	35,523
Preneed cemetery trust investments	86,604	98,539
Preneed funeral trust investments	101,235	109,791
Preneed cemetery receivables, net	21,081	22,427
Receivables from funeral preneed trusts, net	16,844	17,758
Property, plant and equipment, net	269,051	267,431
Cemetery property, net	101,134	100,552
Goodwill	392,978	391,972
Intangible and other non-current assets, net	29,542	29,464
Operating lease right-of-use assets	21,201	20,256
Cemetery perpetual care trust investments	70,828	75,290
Total assets	$ 1,145,825	$ 1,169,003
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt and lease obligations	$ 3,432	$ 3,172
Accounts payable	11,259	11,650
Accrued and other liabilities	31,138	33,671
Convertible subordinated notes due 2021	2,538	—
Total current liabilities	48,367	48,493
Acquisition debt, net of current portion	4,482	4,401
Credit facility	46,064	58,937
Senior notes	395,968	394,303
Obligations under finance leases, net of current portion	5,531	5,356
Obligations under operating leases, net of current portion	20,302	19,420
Deferred preneed cemetery revenue	47,846	48,672
Deferred preneed funeral revenue	27,992	29,143
Deferred tax liability	46,477	42,016
Other long-term liabilities	4,748	3,162
Deferred preneed cemetery receipts held in trust	86,604	98,539
Deferred preneed funeral receipts held in trust	101,235	109,791
Care trusts' corpus	69,707	73,899
Total liabilities	905,323	936,132
Commitments and contingencies		
Stockholders' equity:		
Common stock	260	262
Additional paid-in capital	239,989	237,891
Retained earnings	102,303	109,069
Treasury stock	(102,050)	(114,351)
Total stockholders' equity	240,502	232,871
Total liabilities and stockholders' equity	$ 1,145,825	$ 1,169,003

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2021**	**2020**	**2021**
Revenue:				
Service revenue	$ 38,880	$ 40,119	$ 79,612	$ 87,876
Property and merchandise revenue	32,642	41,606	63,913	83,502
Other revenue	5,955	6,552	11,442	13,536
	77,477	88,277	154,967	184,914
Field costs and expenses:				
Cost of service	18,622	19,583	39,679	40,550
Cost of merchandise	24,612	27,520	49,675	56,040
Cemetery property amortization	1,097	2,175	1,974	3,692
Field depreciation expense	3,247	3,142	6,537	6,278
Regional and unallocated funeral and cemetery costs	3,717	5,770	6,473	11,843
Other expenses	1,022	1,160	2,298	2,523
	52,317	59,350	106,636	120,926
Gross profit	25,160	28,927	48,331	63,988
Corporate costs and expenses:				
General, administrative and other	6,540	6,899	12,486	15,733
Home office depreciation and amortization	354	277	736	566
Net loss on divestitures, disposals and impairment charges	—	827	14,693	519
Operating income	18,266	20,924	20,416	47,170
Interest expense	(8,352)	(7,478)	(16,780)	(15,062)
Accretion of discount on convertible subordinated notes	(66)	—	(131)	(20)
Loss on extinguishment of debt	—	(23,807)	—	(23,807)
Other, net	(2)	2	(6)	(66)
Income (loss) before income taxes	9,846	(10,359)	3,499	8,215
Benefit (expense) for income taxes	(3,299)	3,417	(1,163)	(2,341)
Tax adjustment related to certain discrete items	(150)	775	(136)	892
Total benefit (expense) for income taxes	(3,449)	4,192	(1,299)	(1,449)
Net income (loss)	$ 6,397	$ (6,167)	$ 2,200	$ 6,766
Basic earnings (loss) per common share:	$ 0.36	$ (0.34)	$ 0.12	$ 0.38
Diluted earnings (loss) per common share:	$ 0.36	$ (0.33)	$ 0.12	$ 0.37
Dividends declared per common share:	$ 0.075	$ 0.1000	$ 0.150	$ 0.2000
Weighted average number of common and common equivalent shares outstanding:				
Basic	17,860	17,967	17,833	17,966
Diluted	17,889	18,511	17,862	18,364

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

	Six Months Ended June 30,	
	2020	**2021**
Cash flows from operating activities:		
Net income	$ 2,200	$ 6,766
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,247	10,536
Provision for credit losses	1,507	849
Stock-based compensation expense	1,546	2,537
Deferred income tax expense (benefit)	4,867	(4,461)
Amortization of intangibles	638	645
Amortization of debt issuance costs	393	345
Amortization and accretion of debt	282	201
Loss on extinguishment of debt	—	23,807
Net loss on divestitures, disposals and impairment charges	14,789	700
Other	19	—
Changes in operating assets and liabilities that provided (required) cash:		
Accounts and preneed receivables	2,231	(702)
Inventories, prepaid and other current assets	(6,610)	(894)
Intangible and other non-current assets	(503)	(592)
Preneed funeral and cemetery trust investments	214	(18,473)
Accounts payable	(516)	(471)
Accrued and other liabilities	(411)	1,382
Deferred preneed funeral and cemetery revenue	1,054	1,977
Deferred preneed funeral and cemetery receipts held in trust	54	17,289
Net cash provided by operating activities	31,001	41,441
Cash flows from investing activities:		
Acquisition of businesses and real estate	(28,011)	(2,935)
Proceeds from divestitures and sale of other assets	78	3,622
Proceeds from insurance reimbursements	—	120
Capital expenditures	(5,786)	(8,751)
Net cash used in investing activities	(33,719)	(7,944)
Cash flows from financing activities:		
Borrowings from the credit facility	75,900	100,868
Payments against the credit facility	(70,000)	(87,568)
Payment of call premium for the redemption of the senior notes due 2026	—	(19,876)
Payment of debt issuance and transaction costs	(66)	(6,430)
Conversions and maturity of the convertible subordinated notes due 2021	—	(3,980)
Payments on acquisition debt and obligations under finance leases	(679)	(452)
Payments on contingent consideration recorded at acquisition date	(169)	(461)
Proceeds from the exercise of stock options and employee stock purchase plan contributions	624	1,495
Taxes paid on restricted stock vestings and exercises of stock options	(234)	(1,323)
Dividends paid on common stock	(2,682)	(3,607)
Purchase of treasury stock	—	(11,559)
Net cash provided by (used in) financing activities	2,694	(32,893)
Net increase (decrease) in cash and cash equivalents	(24)	604
Cash and cash equivalents at beginning of year	716	889
Cash and cash equivalents at end of year	$ 692	$ 1,493

NON-GAAP FINANCIAL MEASURES

This press release uses Non-GAAP financial measures to present the financial performance of the Company. Our non-GAAP reporting provides a transparent framework of our operating and financial performance that reflects the earning power of the Company as an operating and consolidation platform.

Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported operating results or cash flow from operations or any other measure of performance as determined in accordance with GAAP. We believe the Non-GAAP results are useful to investors to compare our results to previous periods, to provide insight into the underlying long-term performance trends in our business and to provide the opportunity to differentiate ourselves as the best consolidation platform in the industry against the performance of other funeral and cemetery companies.

Reconciliations of the Non-GAAP financial measures to GAAP measures are also provided in this press release.

The term "same store" refers to funeral homes and cemeteries acquired prior to January 1, 2017 and owned and operated for the entirety of each period being presented, excluding certain funeral home and cemetery businesses that we intend to divest. The term "acquired" or "acquisition" refers to funeral homes and cemeteries purchased after December 31, 2016, excluding any funeral home and cemetery businesses that we intend to divest.

The Non-GAAP financial measures used in this press release and the definitions of them used by the Company for our internal management purposes in this press release are described below.

- Special Items are defined as charges or credits included in our GAAP financial statements that can vary from period to period and are not reflective of costs incurred in the ordinary course of our operations. In 2020, Special Items are taxed at the federal statutory rate of 21.0%, except the Net (Gain) Loss on Divestitures and Other Costs and the Net Impact of Impairment of Goodwill and Other Intangibles, which are taxed at the operating tax rate in the respective quarter. In 2021, Special Items are taxed at the operating tax rate in the respective quarter. The Accretion of Discount on Convertible Subordinated Notes and the Tax Adjustment Related to Certain Discrete Items are not tax effected.
- Adjusted Net Income is defined as net income after adjustments for Special Items that we believe do not directly reflect our core operations and may not be indicative of our normal business operations.
- Adjusted Net Income Margin is defined as Adjusted Net Income as a percentage of total revenue.
- Consolidated EBITDA is defined as net income before income taxes, interest expenses, non-cash stock compensation, depreciation and amortization, and interest income and other, net.
- Consolidated EBITDA Margin is defined as Consolidated EBITDA as a percentage of total revenue.
- Adjusted Consolidated EBITDA is defined as Consolidated EBITDA after adjustments for Special Items that we believe do not directly reflect our core operations and may not be indicative of our normal business operations.
- Adjusted Consolidated EBITDA Margin is defined as Adjusted Consolidated EBITDA as a percentage of total revenue.
- Adjusted Free Cash Flow is defined as cash flow provided by operating activities, adjusted by Special Items as deemed necessary, less cash for maintenance capital expenditures.
- Adjusted Free Cash Flow Margin is defined as Adjusted Free Cash Flow as a percentage of total revenue.
- Funeral Field EBITDA is defined as funeral operating income, excluding depreciation and amortization, regional and unallocated costs, gain/loss on divestitures and impairment charges, Financial EBITDA, Ancillary EBITDA and Divested/Planned Divested EBITDA related to the Funeral Home segment.
- Funeral Field EBITDA Margin is defined as Funeral Field EBITDA as a percentage of total funeral operating revenue.
- Cemetery Field EBITDA is defined as cemetery operating income, excluding depreciation and amortization, regional and unallocated costs, gain/loss on divestitures and impairment charges, Financial EBITDA and Divested/Planned Divested EBITDA related to the Cemetery segment.
- Cemetery Field EBITDA Margin is defined as Cemetery Field EBITDA as a percentage of total cemetery operating revenue.
- Funeral Financial EBITDA is defined as Funeral Financial Revenue (preneed funeral insurance commissions and preneed funeral trust and insurance) less the related expenses. Funeral Financial Revenue and the related

expenses are presented within *Other Revenue* and *Other Expenses,* respectively, on the Condensed Consolidated Statement of Operations.

- Funeral Financial EBITDA Margin is defined as Funeral Financial EBITDA as a percentage of Funeral Financial Revenue.
- Cemetery Financial EBITDA is defined as Cemetery Financial Revenue (preneed cemetery trust earnings and preneed cemetery finance charges) less the related expenses. Cemetery Financial Revenue and the related expenses are presented within *Other Revenue* and *Other Expenses,* respectively, on the Condensed Consolidated Statement of Operations.
- Cemetery Financial EBITDA Margin is defined as Cemetery Financial EBITDA as a percentage of Cemetery Financial Revenue.
- Total Financial Revenue is the sum of Funeral Financial Revenue (preneed funeral insurance commissions and preneed funeral trust and insurance) and Cemetery Financial Revenue (preneed cemetery trust earnings and preneed cemetery finance charges).
- Total Financial EBITDA is the sum of Funeral Financial EBITDA and Cemetery Financial EBITDA.
- Total Financial EBITDA Margin is defined as Total Financial EBITDA as a percentage of Funeral Financial Revenue and Cemetery Financial Revenue.
- Ancillary Revenue is defined as revenues from our ancillary businesses, which include a flower shop, pet cremation business and online cremation business. Ancillary Revenue and the related expenses are presented within *Other Revenue* and *Other Expenses,* respectively, on the Condensed Consolidated Statement of Operations.
- Ancillary EBITDA is defined as Ancillary Revenue, less expenses related to our ancillary businesses noted above.
- Ancillary EBITDA Margin is defined as Ancillary EBITDA as a percentage of Ancillary Revenue.
- Divested/Planned Divested Revenue is defined as revenues from certain funeral home and cemetery businesses that we have divested and intend to divest.
- Divested/Planned Divested EBITDA is defined as Divested/Planned Divested Revenue, less field level and financial expenses related to the divested/planned divested businesses noted above.
- Divested/Planned Divested EBITDA Margin is defined as Divested/Planned Divested EBITDA as a percentage of Divested/Planned Divested Revenue.
- Total Field EBITDA is the sum of Funeral Field EBITDA, Cemetery Field EBITDA, Total Financial EBITDA, Ancillary EBITDA and Divested/Planned Divested EBITDA.
- Total Field EBITDA Margin is defined as Total Field EBITDA as a percentage of total revenue.
- Adjusted Basic Earnings Per Share (EPS) is defined as GAAP basic earnings per share, adjusted for Special Items.
- Adjusted Diluted Earnings Per Share (EPS) is defined as GAAP diluted earnings per share, adjusted for Special Items.
- Total Debt Outstanding is defined as indebtedness under our bank credit facility, Senior Notes due 2029, acquisition debt and finance leases.
- Total Debt to EBITDA Multiple/Ratio is defined as Total Debt Outstanding to Adjusted Consolidated EBITDA.

Funeral Field EBITDA and Cemetery Field EBITDA

Our operations are reported in two business segments: Funeral Home Operations and Cemetery Operations. Our Field level results highlight trends in volumes, Revenue, Field EBITDA (the individual business’ cash earning power/locally controllable business profit) and Field EBITDA Margin (the individual business’ controllable profit margin).

Funeral Field EBITDA and Cemetery Field EBITDA are defined above. Funeral and Cemetery Operating Income is defined as Revenue less “Field costs and expenses” — a line item encompassing these areas of costs: i) Funeral and cemetery field costs, ii) Field depreciation and amortization expense, iii) Regional and unallocated funeral and cemetery costs, and iv) Gain/loss on divestitures, disposals and impairment charges. Funeral and cemetery field costs include cost of service, funeral and cemetery merchandise costs, operating expenses, labor and other related expenses incurred at the business level.

Regional and unallocated funeral and cemetery costs presented in our GAAP statement consist primarily of salaries and benefits of our Regional leadership, incentive compensation opportunity to our Field employees and other related costs for field infrastructure. These costs, while necessary to operate our businesses as currently operated within our unique, decentralized platform, are not controllable operating expenses at the Field level as the composition, structure and function of these costs are determined by executive leadership in the Houston Support Center. These costs are components of our overall overhead platform presented within Consolidated EBITDA and Adjusted Consolidated EBITDA. We do not directly or indirectly "push down" any of these expenses to the individual business' field level margins.

We believe that our "Regional and unallocated funeral and cemetery costs" are necessary to support our decentralized, high performance culture operating framework, and as such, are included in Consolidated EBITDA and Adjusted Consolidated EBITDA, which more accurately reflects the cash earning power of the Company as an operating and consolidation platform.

Consolidated EBITDA and Adjusted Consolidated EBITDA

Consolidated EBITDA and Adjusted Consolidated EBITDA are defined above. Our Adjusted Consolidated EBITDA include adjustments for Special Items that we believe do not directly reflect our core operations and may not be indicative of our normal business operations.

How These Measures Are Useful

When used in conjunction with GAAP financial measures, our Total Field EBITDA, Consolidated EBITDA and Adjusted Consolidated EBITDA are supplemental measures of operating performance that we believe are useful measures to facilitate comparisons to our historical consolidated and business level performance and operating results.

We believe our presentation of Adjusted Consolidated EBITDA, a key metric used internally by our management, provides investors with a supplemental view of our operating performance that facilitates analysis and comparisons of our ongoing business operations because it excludes items that may not be indicative of our ongoing operating performance.

Limitations of the Usefulness of These Measures

Our Total Field EBITDA, Consolidated EBITDA and Adjusted Consolidated EBITDA are not necessarily comparable to similarly titled measures used by other companies due to different methods of calculation. Our presentation is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Funeral Field EBITDA, Cemetery Field EBITDA, Funeral Financial EBITDA, Cemetery Financial EBITDA, Ancillary EBITDA and Divested/Planned Divested EBITDA are not consolidated measures of profitability.

Funeral and Cemetery Field EBITDA excludes certain costs presented in our GAAP statement that we do not allocate to the individual business' field level margins, as noted above. A reconciliation to Funeral and Cemetery Operating Income, the most directly comparable GAAP measure, is set forth below.

Consolidated EBITDA excludes certain items that we believe do not directly reflect our core operations and may not be indicative of our normal business operations. A reconciliation to Net Income, the most directly comparable GAAP measure, is set forth below.

Therefore, these measures may not provide a complete understanding of our performance and should be reviewed in conjunction with our GAAP financial measures. Carriage Services strongly encourages investors to review the Company's consolidated financial statements and publicly filed reports in their entirety and not rely on any single financial measure.

Reconciliation of Non-GAAP Financial Measures:

This press release includes the use of certain financial measures that are not GAAP measures. The Non-GAAP financial measures are presented for additional information and are reconciled to their most comparable GAAP measures, all of which are reflected in the tables below.

Reconciliation of Net Income (Loss) to Adjusted Net Income (in thousands):

	2ND QTR 2020	3RD QTR 2020	4TH QTR 2020	1ST QTR 2021	2ND QTR 2021
Net Income (Loss)	$ 6,397	$ 5,525	$ 8,365	$ 12,933	$ (6,167)
Special Items, Net of Tax(1)(2)					
Acquisition Expenses	36	—	(135)	—	—
Severance and Separation Costs	217	—	—	1,244	(118)
Performance Awards Cancellation and Exchange	56	84	84	—	—
Accretion of Discount on Convertible Subordinated Notes(1)	66	69	16	20	—
Loss on Extinguishment of Debt	—	—	—	—	17,022
Net (Gain) Loss on Divestitures and Other Costs(2)	—	3,245	1,317	(213)	139
Net Impact of Impairment of Goodwill and Other Intangibles(2)	51	—	124	—	—
Litigation Reserve	154	—	—	—	—
Natural Disaster and Pandemic Costs	657	268	250	706	37
Other Special Items	371	(47)	—	—	954
Tax Adjustment Related to Certain Discrete Items (1)	—	—	400	—	—
Adjusted Net Income	$ 8,005	$ 9,144	$ 10,421	$ 14,690	$ 11,867

(1) The Accretion of Discount on Convertible Subordinated Notes and the Tax Adjustment Related to Certain Discrete Items are not tax effected.

(2) In 2020, Special Items are taxed at the federal statutory rate of 21.0%, except the Net (Gain) Loss on Divestitures and Other Costs and the Net Impact of Impairment of Goodwill and Other Intangibles, which are taxed at the operating tax rate in the respective quarter. In 2021, Special Items are taxed at the operating tax rate in the respective quarter.

Reconciliation of Net Income (Loss) to Consolidated EBITDA, Adjusted Consolidated EBITDA (in thousands) and Adjusted Consolidated EBITDA Margin:

	2ND QTR 2020	3RD QTR 2020	4TH QTR 2020	1ST QTR 2021	2ND QTR 2021
Net Income (Loss)	$ 6,397	$ 5,525	$ 8,365	$ 12,933	$ (6,167)
Total Expense (Benefit) for Income Taxes	3,449	2,859	4,394	5,641	(4,192)
Income (Loss) Before Income Taxes	$ 9,846	$ 8,384	$ 12,759	$ 18,574	$ (10,359)
Interest Expense	8,352	8,007	7,728	7,584	7,478
Accretion of Discount on Convertible Subordinated Notes	66	69	16	20	—
Non-Cash Stock Compensation	715	927	897	1,308	1,230
Depreciation & Amortization	4,698	5,033	5,109	4,942	5,594
Loss on Extinguishment of Debt	—	6	—	—	23,807
Net (Gain) Loss on Divestitures	—	4,917	1,832	(308)	205
Net Loss on Disposal of Fixed Assets	—	—	—	—	622
Other, Net	2	28	(186)	68	(2)
Consolidated EBITDA	$ 23,679	$ 27,371	$ 28,155	$ 32,188	$ 28,575
Adjusted For:					
Acquisition Expenses	45	—	(170)	—	—
Severance and Separation Costs	275	—	—	1,575	—
Litigation Reserve	195	—	—	—	—
Natural Disaster and Pandemic Costs	832	340	315	894	145
Other Special Items	418	(45)	—	—	—
Adjusted Consolidated EBITDA	$ 25,444	$ 27,666	$ 28,300	$ 34,657	$ 28,720
Revenue	$ 77,477	$ 84,393	$ 90,088	$ 96,637	$ 88,277
Adjusted Consolidated EBITDA Margin	32.8%	32.8%	31.4%	35.9%	32.5%

Reconciliation of Funeral and Cemetery Operating Income to Funeral and Cemetery Field EBITDA (in thousands):

	2ND QTR 2020	3RD QTR 2020	4TH QTR 2020	1ST QTR 2021	2ND QTR 2021
Funeral Operating Income (GAAP)	$ 19,869	$ 13,975	$ 19,467	$ 25,876	$ 16,604
Depreciation & Amortization	2,895	2,885	2,862	2,769	2,766
Regional & Unallocated Costs	2,788	3,859	5,375	4,569	4,023
Net (Gain) Loss on Divestitures, Disposals and Impairment Charges	—	4,917	1,832	(308)	791
Less:					
Funeral Financial EBITDA	(1,921)	(2,119)	(2,150)	(2,251)	(1,871)
Ancillary EBITDA	(321)	(292)	(278)	(242)	(274)
Funeral Divested/Planned Divested EBITDA	(830)	(378)	(310)	(134)	(119)
Funeral Field EBITDA	$ 22,480	$ 22,847	$ 26,798	$ 30,279	$ 21,920

	2ND QTR 2020	3RD QTR 2020	4TH QTR 2020	1ST QTR 2021	2ND QTR 2021
Cemetery Operating Income (GAAP)	$ 5,291	$ 8,982	$ 8,419	$ 9,493	$ 11,498
Depreciation & Amortization	1,449	1,819	1,885	1,884	2,551
Regional & Unallocated Costs	929	872	1,478	1,504	1,747
Net Loss on Divestitures, Disposals and Impairment Charges	—	—	—	—	34
Less:					
Cemetery Financial EBITDA	(2,527)	(3,107)	(2,717)	(3,003)	(3,122)
Cemetery Divested/Planned Divested EBITDA	(41)	(64)	(42)	(71)	(392)
Cemetery Field EBITDA	$ 5,101	$ 8,502	$ 9,023	$ 9,807	$ 12,316

Components of Total Field EBITDA (in thousands):

	2ND QTR 2020	3RD QTR 2020	4TH QTR 2020	1ST QTR 2021	2ND QTR 2021
Funeral Field EBITDA	$ 22,480	$ 22,847	$ 26,798	$ 30,279	$ 21,920
Cemetery Field EBITDA	5,101	8,502	9,023	9,807	12,316
Funeral Financial EBITDA	1,921	2,119	2,150	2,251	1,871
Cemetery Financial EBITDA	2,527	3,107	2,717	3,003	3,122
Ancillary EBITDA	321	292	278	242	274
Funeral Divested/Planned Divested EBITDA	830	378	310	134	119
Cemetery Divested/Planned Divested EBITDA	41	64	42	71	392
Total Field EBITDA	$ 33,221	$ 37,309	$ 41,318	$ 45,787	$ 40,014

Reconciliation of GAAP Basic Earnings (Loss) Per Share to Adjusted Basic Earnings Per Share:

	2ND QTR 2020	3RD QTR 2020	4TH QTR 2020	1ST QTR 2021	2ND QTR 2021
GAAP Basic Earnings (Loss) Per Share	$ 0.36	$ 0.31	$ 0.47	$ 0.72	$ (0.34)
Special Items	0.09	0.20	0.11	0.10	1.00
Adjusted Basic Earnings Per Share	$ 0.45	$ 0.51	$ 0.58	$ 0.82	$ 0.66

Reconciliation of GAAP Diluted Earnings (Loss) Per Share to Adjusted Diluted Earnings Per Share:

	2ND QTR 2020	3RD QTR 2020	4TH QTR 2020	1ST QTR 2021	2ND QTR 2021
GAAP Diluted Earnings (Loss) Per Share	$ 0.36	$ 0.31	$ 0.46	$ 0.71	$ (0.33)
Special Items	0.09	0.20	0.11	0.10	0.97
Adjusted Diluted Earnings Per Share	$ 0.45	$ 0.51	$ 0.57	$ 0.81	$ 0.64

Reconciliation of Cash flow provided by operations to Adjusted Free Cash Flow (in thousands) and Adjusted Free Cash Flow Margin:

	2ND QTR 2020	3RD QTR 2020	4TH QTR 2020	1ST QTR 2021	2ND QTR 2021
Cash Flow Provided by Operating Activities	$ 17,455	$ 36,821	$ 15,093	$ 26,811	$ 14,630
Cash used for Maintenance Capital Expenditures	(1,342)	(2,496)	(3,368)	(2,140)	(2,462)
Free Cash Flow	$ 16,113	$ 34,325	$ 11,725	$ 24,671	$ 12,168
Plus: Incremental Special Items:					
Federal Tax Refund	—	(7,012)	—	—	—
Acquisition Expenses	45	—	(170)	—	—
Severance and Separation Costs	275	—	—	1,575	—
Litigation Reserve	195	—	—	—	—
Natural Disaster and Pandemic Costs	832	340	315	894	145
Other Special Items	418	(45)	—	—	—
Adjusted Free Cash Flow	$ 17,878	$ 27,608	$ 11,870	$ 27,140	$ 12,313
Revenue	$ 77,477	$ 84,393	$ 90,088	$ 96,637	$ 88,277
Adjusted Free Cash Flow Margin	23.1%	32.7%	13.2%	28.1%	13.9%

Reconciliation of Cash flow provided by operations to Adjusted Free Cash Flow (in thousands) and Adjusted Free Cash Flow Margin:

	Six Months Ended June 30,	
	2020	2021
Cash Flow Provided by Operating Activities	$ 31,001	$ 41,441
Cash used for Maintenance Capital Expenditures	(2,898)	(4,602)
Free Cash Flow	$ 28,103	$ 36,839
Plus: Incremental Special Items:		
Acquisition Expenses	159	—
Severance and Separation Costs	563	1,575
Litigation Reserve	270	—
Natural Disaster and Pandemic Costs	972	1,039
Other Special Items	418	—
Adjusted Free Cash Flow	$ 30,485	$ 39,453
Revenue	$ 154,967	$ 184,914
Adjusted Free Cash Flow Margin	19.7%	21.3%

Reconciliation of Actual Results (years ended December 31, 2018, 2019 and 2020), Last Twelve Months ended June 30, 2021, Estimated year ended December 31, 2021, Rolling Four Quarter Outlook ended June 30, 2022 and Estimated year ended December 31, 2022.

Earlier in this press release, we present the Two Year Performance Scenario and the Rolling Four Quarter Outlook which reflects management's opinion on the performance of the portfolio of existing businesses, including performance of existing trusts, and excludes size and timing of acquisitions unless we have a signed Letter of Intent with a high likelihood of a closing within 90 days. These are not intended to be management estimates or forecasts of our future performance, as we believe precise estimates will be precisely wrong all the time. The following reconciliations are presented within the ranges provided in the Performance Outlook Scenario and Rolling Four Quarter Outlook.

Reconciliation of Net Income to Consolidated EBITDA, Total Field EBITDA (in thousands) and Total Field EBITDA Margin:

	2018A	2019A	2020A	LTM	2021E	RFQO	2022E
Net Income	$ 11,645	$ 14,533	$ 16,090	$ 20,656	$ 29,000	$ 51,000	$ 53,000
Total Tax Expense	6,621	7,883	8,552	8,702	11,000	20,000	21,000
Pretax Income	$ 18,266	$ 22,416	$ 24,642	$ 29,358	$ 40,000	$ 71,000	$ 74,000
Net Interest Expense, including Accretion of Discount on Convertible Subordinated Notes	23,301	25,763	32,731	30,902	25,000	20,800	20,000
Depreciation & Amortization, including Non-cash Stock Compensation and Other, Net	24,056	19,188	22,613	24,948	26,500	26,200	25,000
Net Loss on Divestitures, Disposals, Impairment Charges and Extinguishment of Debt	1,697	4,846	21,442	31,081	25,000	—	—
Consolidated EBITDA	$ 67,320	$ 72,213	$ 101,428	$ 116,289	$ 116,500	$ 118,000	$ 119,000
Overhead	36,993	37,554	40,514	48,139	45,500	45,000	48,000
Total Field EBITDA	$ 104,313	$ 109,767	$ 141,942	$ 164,428	$ 162,000	$ 163,000	$ 167,000
Revenue	$ 267,992	$ 274,107	$ 329,448	$ 359,395	$ 355,000	$ 360,000	$ 365,000
Total Field EBITDA Margin	38.9%	40.0%	43.1%	45.8%	45.6%	45.3%	45.8%

Reconciliation of Consolidated EBITDA to Adjusted Consolidated EBITDA (in thousands) and Adjusted Consolidated EBITDA Margin:

	2018A	2019A	2020A	LTM	2021E	RFQO	2022E
Consolidated EBITDA	$ 67,320	$ 72,213	$ 101,428	$ 116,289	$ 116,500	$ 118,000	$ 119,000
Special Items	2,872	4,374	2,822	3,054	2,600	—	—
Adjusted Consolidated EBITDA	$ 70,192	$ 76,587	$ 104,250	$ 119,343	$ 119,100	$ 118,000	$ 119,000
Revenue	$ 267,992	$ 274,107	$ 329,448	$ 359,395	$ 355,000	$ 360,000	$ 365,000
Adjusted Consolidated EBITDA Margin	26.2%	27.9%	31.6%	33.2%	33.5%	32.8%	32.6%

Reconciliation of Net Income to Adjusted Net Income (in thousands):

	2018A	2019A	2020A	LTM	2021E	RFQO	2022E
Net Income	$ 11,645	$ 14,533	$ 16,090	$ 20,656	$ 29,000	$ 51,000	$ 53,000
Special Items	9,921	7,999	17,593	25,466	20,000	—	—
Adjusted Net Income	$ 21,566	$ 22,532	$ 33,683	$ 46,122	$ 49,000	$ 51,000	$ 53,000

Reconciliation of GAAP Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share:

	2018A	2019A	2020A	LTM	2021E	RFQO	2022E
GAAP Diluted Earnings Per Share	$ 0.63	$ 0.80	$ 0.89	$ 1.15	$ 1.63	$ 2.91	$ 3.16
Special Items	0.54	0.45	0.97	1.38	1.12	—	—
Adjusted Diluted Earnings Per Share	$ 1.17	$ 1.25	$ 1.86	$ 2.53	$ 2.75	$ 2.91	$ 3.16

Reconciliation of Cash Flow Provided by Operating Activities to Adjusted Free Cash Flow (in thousands) and Adjusted Free Cash Flow Margin:

	2018A	2019A	2020A	LTM	2021E	RFQO	2022E
Cash Flow Provided by Operating Activities	$ 48,994	$ 43,216	$ 82,915	$ 93,355	$ 80,000	$ 83,000	$ 88,000
Cash used for Maintenance Capital Expenditures	(9,266)	(8,795)	(8,762)	(10,466)	(10,000)	(10,000)	(11,000)
Special Items	2,872	4,374	(4,190)	(3,958)	2,600	—	—
Adjusted Free Cash Flow	$ 42,600	$ 38,795	$ 69,963	$ 78,931	$ 72,600	$ 73,000	$ 77,000
Revenue	$ 267,992	$ 274,107	$ 329,448	$ 359,395	$ 355,000	$ 360,000	$ 365,000
Adjusted Free Cash Flow Margin	15.9%	14.2%	21.2%	22.0%	20.5%	20.3%	21.1%

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Certain statements made herein or elsewhere by, or on behalf of, the Company that are not historical facts are intended to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition to historical information, this Press Release contains certain statements and information that may constitute forward-looking statements within the safe harbor provisions 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. These statements include, but are not limited to, statements regarding any projections of earnings, revenue, asset sales, cash flow, capital allocation, debt levels, overhead, including 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; any statements of the plans, timing and objectives of management for acquisition and divestiture activities; any statements regarding future economic 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. The words “may”, “will”, “estimate”, “intend”, “believe”, “expect”, “seek”, “project”, “forecast”, “foresee”, “should”, “would”, “could”, “plan”, “anticipate” and other similar words or expressions are intended to identify forward-looking statements, which are generally not historical in nature. While management believes that these forward-looking statements 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, those summarized below:

- our ability to find and retain skilled personnel;
- the effects of our 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;
- the execution of our Standards Operating, 4E Leadership and Standard 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;
- the investment performance of our funeral and cemetery trust funds;

- fluctuations in interest rates;
- 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, internal growth projects, potential strategic acquisitions, dividend increases, or debt repayment plans;
- our ability to meet the projected financial and equity performance metrics to our updated rolling four quarter outlook, two-year scenario and intrinsic value per share range, 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 insurance or taxes;
- 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, including the COVID-19 coronavirus, on customer preferences and on our business;
- effects of litigation;
- consolidation of the funeral and cemetery industry;
- our ability to consummate the divestiture of low performing businesses as currently expected, if at all, including expected use of proceeds related thereto;
- 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,
- 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 "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, our Quarterly Reports on Form 10-Q, and other public filings and press releases, available at www.carriageservices.com.

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.