CARRIAGE SERVICES

January 8, 2014

Termination of Good To Great Stock Award Program with early cash-out. Statement from Melvin C. Payne, Carriage's Co-Founder, Chairman and CEO and largest individual shareholder.

HOUSTON, Jan. 8, 2014 /PRNewswire/ -- Carriage Services, Inc. (NYSE: CSV) On November 4, 2011, twenty years after Carriage was founded, we finalized a major Board and Executive Management reorganization, then launched a five year **Good To Great** program to take Carriage from a "**Good**" deathcare operating and consolidation company in 2012 to one considered "**Great**" by the end of 2016, using equity market valuation as a benchmark. We assigned 2012 the theme of **Carriage Services 2012 — A NEW BEGINNING**, and challenged and empowered our entire field and home office support teams "to own" the five year **Good To Great** journey with broadly higher and sustainable operating and financial performance.

Our first and second quarter performance in 2012 were records, which together with a refocused and highly effective acquisition program, began to attract new institutional equity investors. Our share price, which ended 2011 at $5.60 per share after three years of very modest gains, increased by 42.6% over the first seven months of 2012 to $7.99 on August 1, 2012. Our Board and Executive Management decided to implement a large stock grant program titled **Good To Great** that gave grantees the right to purchase, collectively, up to approximately 1.6 million CSV shares at a price of $9.00 (12.6% premium to $7.99 share price on grant date of August 1, 2012) or more, so long as CSV Shares reached $21.50 for three days in any 30 day period within five years from the grant date. The five year share price compound increase of 22% annually from $7.99 to $21.50 was believed to be a big stretch but nevertheless achievable and would inspire our senior management, executive management and Board Members around a common Carriage Vision of **Being The Best** at operating and consolidating high quality funeral homes and cemeteries in select strategic markets. We also believed that a multi-year large stock price appreciation goal would be attractive to our investors.

Following our implementation of the **Good To Great** program, we set operating performance records, achieved record financial revenue and earnings from our trust funds, made new high quality acquisitions, picked up new sell side analyst coverage, effected timely and highly accretive changes in our capital structure components, and substantially improved the leverage ratios and credit profile of our company, all occurring at the same time as we reinvigorated our investor relations program. Our share price increase accelerated from $7.99 on the **Good To Great** grant date of August 1, 2012 to $22.32 on April 10, 2013, an increase of 179.3% or almost triple in a little more than eight months.

After this significant increase in a short period, our share price began to consolidate in the $17-$20 per share range through the end of 2013. During the April — May 2013 timeframe, we began to hear dilution concerns from our investors relating to the possible vesting of the **Good To Great** stock awards (1,615,000 shares) and potential conversion of our $90 million subordinated debentures convertible at $20.44 per share (representing a potential dilution of an additional 4,392,000 shares). As we have previously stated publicly, if and when the acquisition landscape takes on more clarity over the next several months, we are prepared to take a fresh look at the permanent financing requirements related to those acquisitions and want to make sure that the execution of a capital structure strategy involving a material amount of new financing is not negatively impacted by common equity dilution concerns.

Therefore, our Compensation Committee and full Board has approved the recommendation of our Executive Management to terminate the **Good To Great** stock award program early with a cash payment to each grantee in an amount varying between $9 and $10 per share, equal (for the majority of awards with a $10 payment) to a 20% discount on the $12.50 per share benefit that grantees would have received if their awards vested and were exercised at a share price equal to at least $21.50, and below the implied Fair Value of $11.27 per share using the Monte Carlo simulation model calculated at a CSV stock price of $20.44. The stock closed at $20.37 on January 3, 2014 and averaged $18.98 per CSV share over the past three months. The total cash payment to be made on January 8, 2014 in exchange for the termination of all awards is $16,126,000 and the 1,615,000 covered shares will be returned to Carriage's 2006 Long-Term Incentive Plan account.

In accordance with accounting for stock based compensation, our planned accounting methodology on the termination of the **Good To Great** stock award program will be to write off the remaining unrecognized grant date fair value of approximately $787,000 in January 2014. As the repurchase price is less than the fair value of the **Good To Great** stock awards at the time of settlement, the repurchase of the unvested awards will be charged to equity.

Each of the twenty-six active participants in the **Good To Great** stock award program has agreed to the cash settlement, including our Independent Directors, and this settlement will save the company over $4 million in cash outlay (assuming that all awards would otherwise have been vested and exercised) and prevent any dilution that would have occurred if and when these awards vested. Moreover, this move at this time positions the company well to execute its operational, growth and capital structure models in a way that maximizes the creation of shareholder value over time.

Carriage Services is a leading provider of deathcare services and merchandise in the United States. Carriage operates 161 funeral homes in 26 states and 32 cemeteries in 10 states.

SOURCE Carriage Services, Inc.