
(MARK ONE) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF
[X] THE SECURITIES EXCHANGE ACT OF 1934

OR

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

COMMISSION FILE NUMBER: 1-11961

(Exact name of registrant as specified in its charter)

76-0423828

of incorporation or organization)

(I.R.S. Employer Identification No.)

77056

(Address of principal executive offices)

(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (281) 556-7400

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

The number of shares of the Registrant's Class A Common Stock, \$.01 par value per share, and Class B Common Stock, \$.01 par value per share, outstanding as of October 29, 1999 was 13,702,134 and 2,239,989 respectively.

CARRIAGE SERVICES, INC.

INDEX

PAGE

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

Consolidated Balance Sheets as of
December 31, 1998 and September 30, 1999 3

Consolidated Statements of Operations for the
Three Months Ended September 30, 1998 and 1999 and the
Nine Months Ended September 30, 1998 and 1999 4

Consolidated Statements of Cash Flows for the
Nine Months Ended September 30, 1998 and 1999

Notes to Consolidated Financial Statements 6

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS 10

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK 16

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION 17

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K 18

CARRIAGE SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
	-----	-----
		(UNAUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,892	\$ 3,877
Accounts receivable --		
Trade, net of allowance for doubtful accounts of \$3,435 in		
1998 and \$ 5,967 in 1999	17,835	22,054
Other	3,696	5,000
	-----	-----
Inventories and other current assets	21,531	27,054
	7,457	9,878
	-----	-----
Total current assets	31,880	40,809
Property, plant and equipment, at cost, net of accumulated		
depreciation of \$11,363 in 1999	131,144	151,688
Cemetery property, at cost	63,409	66,426
Names and reputations, net of accumulated amortization of \$8,428		
in 1998 and \$12,693 in 1999	211,183	225,427
Deferred charges and other noncurrent assets	28,528	42,875
	-----	-----
	\$466,144	\$527,225
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,754	\$ 5,567
Accrued liabilities	9,168	13,173
Current portion of long-term debt and obligations under capital		
leases	6,394	4,311
	-----	-----
Total current liabilities	20,316	23,051
Preneed liabilities, net	11,106	9,082
Long-term debt, net of current portion	212,972	171,043
Obligations under capital leases, net of current portion	3,209	3,313
Deferred income taxes	16,474	19,207
	-----	-----
Total liabilities	264,077	225,696
	-----	-----
Commitments and contingencies		
Redeemable preferred stock	1,673	1,172
Company-obligated mandatorily redeemable		
convertible preferred securities of Carriage		
Services Capital Trust	--	89,881
Stockholders' equity:		
Class A Common Stock, \$.01 par value; 40,000,000 shares		
authorized; 12,028,000 and 12,383,000 issued and outstanding		
at December 31, 1998 and September 30, 1999, respectively.....	120	124
Class B Common Stock, \$.01 par value; 10,000,000 shares		
authorized; 3,779,000 and 3,525,000 issued and outstanding		
at December 31, 1998 and September 30, 1999, respectively.....	38	35
Contributed capital	194,911	196,097
Retained earnings	5,325	14,220
	-----	-----
Total stockholders' equity	200,394	210,476
	-----	-----
	\$466,144	\$527,225
	=====	=====

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

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1998	1999
Revenues, net				
Funeral	\$ 22,344	\$ 29,083	\$ 65,956	\$ 93,411
Cemetery	6,276	11,387	15,995	31,400
	28,620	40,470	81,951	124,811
Costs and expenses				
Funeral	16,608	21,991	46,934	66,161
Cemetery	4,699	8,440	11,920	23,319
	21,307	30,431	58,854	89,480
Gross profit	7,313	10,039	23,097	35,331
General and administrative expenses	2,041	2,202	5,661	6,915
Operating income	5,272	7,837	17,436	28,416
Interest expense, net	2,360	3,145	6,511	10,105
Financing cost of company-obligated securities of Carriage Services Capital Trust	--	1,641	--	2,151
Total interest and financing costs	2,360	4,786	6,511	12,256
Income before income taxes and extraordinary item	2,912	3,051	10,925	16,160
Provision for income taxes	1,269	1,312	4,833	6,949
Income before extraordinary item	1,643	1,739	6,092	9,211
Extraordinary item:				
Loss on early extinguishment of debt, net of income tax benefit of \$151	--	--	--	(200)
Net income	1,643	1,739	6,092	9,011
Preferred stock dividend requirements	153	25	454	78
Net income available to common stockholders	\$ 1,490	\$ 1,714	\$ 5,638	\$ 8,933
Basic earnings per share:				
Net income before extraordinary item	\$.10	\$ 0.11	\$.44	\$ 0.58
Extraordinary item	\$ --	\$ --	\$ --	\$ (0.01)
Net income	\$.10	\$ 0.11	\$.44	\$ 0.57
Diluted earnings per share:				
Net income before extraordinary item	\$.10	\$ 0.11	\$.43	\$ 0.57
Extraordinary item	\$ --	\$ --	\$ --	\$ (0.01)
Net income	\$.10	\$ 0.11	\$.43	\$ 0.56
Weighted average number of common and common equivalent shares outstanding:				
Basic	14,733	15,906	12,772	15,864
Diluted	15,224	15,983	13,198	16,049

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

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

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999
Cash flows from operating activities:		
Net income	\$ 6,092	\$ 9,011
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,099	4,393
Amortization	4,547	7,651
Loss on early extinguishment of debt, net of income taxes	--	200
Provision for losses on accounts receivable	976	3,294
Deferred income taxes	1,347	2,161
Other, net	(38)	--
Net cash provided by operating activities before changes in assets and liabilities	16,023	26,710
Changes in assets and liabilities, net of effects from acquisitions:		
(Increase) in accounts receivables	(5,688)	(7,003)
(Increase) in inventories and other current assets	(1,087)	(1,486)
(Increase) in deferred charges and other	(430)	(1,185)
(Decrease) in accounts payable	(302)	(703)
Increase in accrued liabilities	1,700	3,474
(Decrease) in preneed liabilities	(1,205)	(3,190)
Net cash provided by operating activities.....	9,011	16,617
Cash flows from investing activities:		
Prearranged funeral costs	(3,795)	(5,695)
Acquisitions, net of cash acquired	(105,191)	(37,551)
Capital expenditures	(12,327)	(13,405)
Net cash used in investing activities	(121,313)	(56,651)
Cash flows from financing activities:		
Proceeds from long-term debt	94,455	133,357
Payments on long-term debt and obligations under capital leases	(52,491)	(180,866)
Proceeds from issuance of common stock	68,696	659
Proceeds from issuance of company-obligated mandatorily redeemable convertible preferred securities.....	--	89,881
Payment of preferred stock dividends	(454)	(78)
Payment of deferred debt charges and other	70	(1,934)
Net cash provided by financing activities	110,276	41,019
Net increase (decrease) in cash and cash equivalents	(2,026)	985
Cash and cash equivalents at beginning of period	6,126	2,892
Cash and cash equivalents at end of period	\$ 4,100	\$ 3,877
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for interest and financing costs	\$ 7,079	\$ 11,578
Cash paid for income taxes	\$ 4,537	\$ 7,499
	=====	=====
Non-cash consideration for acquisitions	\$ 10,166	\$ 1,914
	=====	=====

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

CARRIAGE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

(a) The Company

Carriage Services, Inc., (the "Company") is the fourth largest publicly-traded provider of products and services in the death care industry in the United States. As of September 30, 1999, the Company owned and operated 181 funeral homes and 41 cemeteries in 31 states.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

(c) Interim Disclosures

The information for the three and nine months ended September 30, 1998 and 1999 is unaudited, but in the opinion of management, reflects all adjustments which are of a normal, recurring nature necessary for a fair presentation of financial position and results of operations for the interim periods. The accompanying consolidated financial statements have been prepared consistent with the accounting policies described in the Company's report on Form 10-K for the year ended December 31, 1998, and should be read in conjunction therewith. Certain prior period amounts in the consolidated financial statements have been reclassified to conform with current period presentation.

(d) Use of Estimates

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

2. ACQUISITIONS

During the nine months ended September 30, 1999, the Company purchased 15 funeral homes and 14 cemeteries. Thirty-four funeral homes and five cemeteries were acquired during the nine months ended September 30, 1998. These acquisitions have been accounted for by the purchase method, and their results of operations are included in the accompanying consolidated financial statements from the dates of acquisition.

The effect of the above acquisitions on the Consolidated Balance Sheets was as follows:

	SEPTEMBER 30,	
	1998	1999
	(IN THOUSANDS)	
Current assets, net of cash acquired	\$ 6,148	\$ 9,682
Cemetery property	25,159	4,215
Property, plant and equipment	23,919	12,386
Deferred charges and other noncurrent assets	819	907
Names and reputations	61,292	17,325
Current liabilities	(466)	(2,200)
Other liabilities	(1,514)	(2,850)
Total acquisitions	115,357	39,465
Consideration:		
Debt	6,556	1,914
Common stock issued	3,610	--
Cash used for acquisitions	\$ 105,191	\$ 37,551

The following table represents, on an unaudited pro forma basis, the combined operations of the Company and the above noted acquisitions, as if such acquisitions had occurred as of January 1, 1998. Appropriate adjustments have been made to reflect the accounting basis used in recording these acquisitions, however, these unaudited pro forma results are based on the acquired businesses' historical financial results and do not assume any additional profitability resulting from the application of the Company's revenue enhancement measures or cost reduction programs to the historical results of the acquired businesses. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have resulted had the combinations been in effect on the dates indicated, that have resulted since the dates of acquisition or that may result in the future.

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Revenues, net	\$125,310	\$133,098
Net income before income taxes and extraordinary item	10,094	16,711
Net income available to common stockholders	5,098	9,218
Earnings per common share:		
Basic	0.40	0.58
Diluted	0.39	0.57

3. MAJOR SEGMENTS OF BUSINESS

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

(IN THOUSANDS)	FUNERAL	CEMETERY	CORPORATE	CONSOLIDATED
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
External revenues:				
Nine months ended September 30, 1999	\$ 91,707	\$ 33,104	--	\$124,811
Nine months ended September 30, 1998	63,659	18,292	--	81,951
Profit and Loss before extraordinary item:				
Nine months ended September 30, 1999	\$ 15,189	\$ 5,345	\$ (11,323)	\$ 9,211
Nine months ended September 30, 1998	10,199	2,918	(7,025)	6,092
Total Assets:				
September 30, 1999	\$384,940	\$128,057	\$ 14,228	\$527,225
September 30, 1998	301,772	98,721	7,750	408,243

4. LONG TERM DEBT

During June 1999, the Company replaced and increased its existing credit facility with a new \$250 million line of credit. On September 20, 1999, the Company again increased its credit facility to \$260 million. The new credit facility is unsecured, is for a term of five years and contains customary restrictive covenants, including a restriction on the payment of dividends on common stock, and requires the Company to maintain certain financial ratios. Interest under the new credit facility is provided at both LIBOR and prime rate options.

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

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

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

6. SUBSEQUENT EVENTS

On November 4, 1999, the Board of Directors authorized five-year contract extensions to executive officers of the Company. In connection with the contract extensions, there will be a special compensation charge to the Company's earnings in the fourth quarter of 1999 of approximately \$1.5 million after tax, or \$0.09 per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is a leading provider of death care services and products in the United States. The Company's focus is on growth through acquisitions and enhancements at facilities currently owned to increase revenues and gross profit. That focus has resulted in a successful track record of internal growth from attractive acquisition opportunities; high standards of service, operational and financial performance; and an infrastructure containing measurement and management systems. The operating focus for 1999 includes institutionalized internal training, internal growth, and making quality initiatives introduced in 1998 an integral part of the culture.

Income from operations, which the Company defines as earnings before interest and income taxes, increased, as a percentage of net revenues, from 18.4% for the third quarter of 1998 to 19.4% for the third quarter of 1999. This improvement was due largely to the increased gross margins at the individual cemetery locations and reduction of general and administrative expenses as a percentage of net revenues. Gross margins for the funeral homes decreased from 25.7% in the third quarter of 1998 to 24.4% in the third quarter of 1999, while revenues increased 30%. As a percentage of cemetery net revenues, cemetery gross profit was 25.9% in the third quarter of 1999 compared to 25.1% in the third quarter in 1998. Revenues and gross profits from cemeteries increased 81% and 87%, respectively, in the third quarter of 1999 compared to the same period in 1998.

The Company has experienced significant growth through acquisitions. Forty-four funeral homes and ten cemeteries were acquired during 1997 for approximately \$118 million. During 1998, the Company acquired 48 funeral homes and seven cemeteries for an aggregate consideration of approximately \$159 million. These acquisitions were funded through cash flow from operations, additional borrowings under the Company's credit facilities and issuance of preferred and common stock. In addition, as of October 29, 1999, the Company has acquired 17 funeral homes and 14 cemeteries for an aggregate consideration of approximately \$45 million. During 1999, the Company reduced the price it is willing to pay for businesses as compared to the two most recent years, which has resulted in a decline in acquisition spending for 1999.

RESULTS OF OPERATIONS

The following is a discussion of the Company's results of operations for the three and nine month periods ended September 30, 1998 and 1999. For purposes of this discussion, funeral homes and cemeteries owned and operated for the entirety of each period being compared are referred to as "existing operations." Operations acquired or opened during either period being compared are referred to as "acquired operations."

FUNERAL HOME SEGMENT. The following table sets forth certain information regarding the net revenues and gross profit of the Company from its funeral home operations for the three and nine months ended September 30, 1998 compared to the three and nine months ended September 30, 1999.

THREE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO THREE MONTHS ENDED
SEPTEMBER 30, 1999.

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	1998	1999	AMOUNT	PERCENT
(DOLLARS IN THOUSANDS)				
Net revenues:				
Existing operations	\$ 20,544	\$ 20,700	\$ 156	.8%
Acquired operations	1,800	8,383	6,583	*
	-----	-----	-----	----
Total net revenues	\$ 22,344	\$ 29,083	\$ 6,739	30.2%
	=====	=====	=====	=====
Gross profit:				
Existing operations	\$ 5,167	\$ 4,950	\$ (217)	(4.2%)
Acquired operations	569	2,142	1,573	*
	-----	-----	-----	----
Total gross profit	\$ 5,736	\$ 7,092	\$ 1,356	23.6%
	=====	=====	=====	=====

NINE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30,
1999.

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	1998	1999	AMOUNT	PERCENT
(DOLLARS IN THOUSANDS)				
Net revenues:				
Existing operations	\$ 59,979	\$ 62,876	\$ 2,897	4.8%
Acquired operations	5,977	30,535	24,558	*
	-----	-----	-----	----
Total net revenues	\$ 65,956	\$ 93,411	\$ 27,455	41.6%
	=====	=====	=====	=====
Gross profit:				
Existing operations	\$ 16,910	\$ 18,235	\$ 1,325	7.8%
Acquired operations	2,112	9,015	6,903	*
	-----	-----	-----	----
Total gross profit	\$ 19,022	\$ 27,250	\$ 8,228	43.3%
	=====	=====	=====	=====

- - - - -

* Not meaningful

Due to the rapid growth of the Company, existing operations represented 71% of the total funeral revenues and 70% of the total funeral gross profit for the three months ended September 30, 1999, as well as 67% of the total funeral revenues and the total funeral gross profit for the nine months ended September 30, 1999. Total funeral net revenues for the three months ended September 30, 1999 increased \$6.7 million or 30.2% over the three months ended September 30, 1998. The higher net revenues reflect an increase of \$6.6 million in net revenues from acquired operations and a slight increase in net revenues from existing operations. Total funeral net revenues for the nine months ended September 30, 1999 increased \$27.5 million or 41.6% over the nine months ended September 30, 1998. The higher net revenues reflect an increase of \$24.6 million in net revenues from acquired operations and an increase in net revenues of \$2.9 million from existing operations.

Total funeral gross profit for the three months ended September 30, 1999 increased \$1.4 million or 23.6% over the comparable three months of 1998. The higher total gross profit reflected an increase of \$1.6 million from acquired operations and a slight decrease in gross profit from existing operations. Total funeral gross profit for the nine months ended September 30, 1999 increased \$8.2 million or 43.3%

over the comparable nine months of 1998. The higher total gross profit reflected an increase of \$6.9 million from acquired operations and an increase of \$1.3 million from existing operations. Gross profit for existing operations increased for both periods due to the efficiencies gained by consolidation, cost savings, improved collections experience and the increasing effectiveness of the Company's training initiatives. Total gross margin decreased from 25.7% for the third quarter of 1998 to 24.4% for the third quarter of 1999 and increased from 28.8% for the first nine months of 1998 to 29.2% for the first nine months of 1999.

CEMETERY SEGMENT. The following table sets forth certain information regarding the net revenues and gross profit of the Company from its cemetery operations for the three and nine months ended September 30, 1998 compared to the three and nine months ended September 30, 1999.

THREE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1999.

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	1998	1999	AMOUNT	PERCENT
(DOLLARS IN THOUSANDS)				
Net revenues:				
Existing operations ...	\$ 5,014	\$ 5,714	\$ 700	13.9%
Acquired operations ...	1,262	5,673	4,411	*
	-----	-----	-----	-----
Total net revenues	\$ 6,276	\$11,387	\$ 5,111	81.4%
	=====	=====	=====	=====
Gross profit:				
Existing operations ...	\$ 1,211	\$ 1,351	\$ 140	11.6%
Acquired operations ...	366	1,596	1,230	*
	-----	-----	-----	-----
Total gross profit	\$ 1,577	\$ 2,947	\$ 1,370	86.9%
	=====	=====	=====	=====

- -----

* Not meaningful.

NINE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1999.

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	1998	1999	AMOUNT	PERCENT
(DOLLARS IN THOUSANDS)				
Net revenues:				
Existing operations ...	\$14,093	\$15,659	\$ 1,566	11.1%
Acquired operations ...	1,902	15,741	13,839	*
	-----	-----	-----	-----
Total net revenues	\$15,995	\$31,400	\$15,405	96.3%
	=====	=====	=====	=====
Gross profit:				
Existing operations ...	\$ 3,501	\$ 3,720	\$ 219	6.3%
Acquired operations ...	574	4,361	3,787	*
	-----	-----	-----	-----
Total gross profit	\$ 4,075	\$ 8,081	\$ 4,006	98.3%
	=====	=====	=====	=====

- -----

* Not meaningful.

Due to the acquisition of relatively significant cemetery properties during the third quarter of 1998 and at the end of the first quarter of 1999, existing operations represented only 50% of cemetery revenues and only 46% of cemetery gross profit for each of the three month and nine month periods ended September 30, 1999.

Total cemetery net revenues for the three months ended September 30, 1999 increased \$5.1 million over the three months ended September 30, 1998 and total cemetery gross profit increased \$1.4 million over the comparable three months of 1998. The higher net revenues reflect an increase of \$4.4 million in net revenues from acquired operations and an increase of \$0.7 million in revenues from existing operations. Total cemetery net revenues for the nine months ended September 30, 1999 increased \$15.4 million over the nine months ended September 30, 1998, and total cemetery gross profit increased \$4.0 million over the comparable nine months of 1998. Total gross margin increased from 25.1% for the three months ended September 30, 1998 to 25.9% for the three months ended September 30, 1999. These increases were due primarily to the Company's recently acquired cemeteries, as well as increased preneed marketing efforts. Total gross margin increased slightly from 25.5% for the nine months ended September 30, 1998 to 25.7% for the nine months ended September 30, 1999.

OTHER.

General and administrative expenses for the nine months ended September 30, 1999 increased \$1.3 million or 22% over the first nine months of 1998 due primarily to the increased personnel expense necessary to support the Company's growth and acquisition activity. However, as a percentage of net revenues, these expenses decreased from 6.9% for the nine months ended September 30, 1998 to 5.5% for the nine months ended September 30, 1999, as the expenses were spread over a larger volume of revenue.

Interest expense and other financing costs for the nine months ended September 30, 1999 increased \$5.7 million over the first nine months of 1998, principally due to increased borrowings for acquisitions.

Preferred stock dividends of \$78,000 were subtracted from the \$9.0 million of net income in computing the net income available to common stockholders of \$8.9 million for the nine months ended September 30, 1999. The reduction in preferred stock dividends from 1998 to 1999 was due to conversions of preferred stock to common stock.

For the nine months ended September 30, 1999, the Company provided for income taxes on income before income taxes at a combined state and federal rate of 43% compared with 44.2% for the same period in 1998.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled \$3.8 million at September 30, 1999, representing an increase of \$1.0 million from December 31, 1998. For the nine months ended September 30, 1999, cash provided by operations was \$16.6 million as compared to cash provided by operations of \$9.0 million for the nine months ended September 30, 1998. The increase in net cash provided by operating activities was principally due to the increase in net income as adjusted for non-cash charges, which was partially offset by a net increase in the working capital accounts. The net increase in the working capital accounts was primarily related to working capital requirements of recent acquisitions. Cash used in investing activities was \$56.7 million for the nine months ended September 30, 1999 compared to \$121.3 million for the

first nine months of 1998, due primarily to a slowing in the number of acquisitions during the comparable nine month periods.

In the first nine months of 1999, cash flow provided by financing activities amounted to approximately \$41.0 million, primarily due to the net proceeds generated from the issuance of \$110.0 million of senior notes and from the Company's sale of mandatorily redeemable convertible preferred securities less repayments of long-term debt.

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

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

Historically, the Company has financed its acquisitions with proceeds from debt and the issuance of common and preferred stock. As of September 30, 1998, the Company had 1,682,500 shares of Series D Preferred Stock issued and outstanding. The Series D Preferred Stock is convertible into Class B Common Stock. The holders of Series D Preferred Stock are entitled to receive cash dividends at an annual rate of \$.06-\$.07 per share depending upon the date such shares were issued. The Company may, at its option, redeem all or any portion of the shares of Series D Preferred Stock outstanding at a redemption price of \$1.00 per share, together with all accrued and unpaid dividends. Such redemption is subject to the right of each holder of Series D Preferred Stock to convert such holder's shares into shares of Class B Common Stock. On December 31, 2001, the Company must redeem all shares of Series D Preferred Stock then outstanding at a redemption price of \$1.00 per share, together with all accrued and unpaid dividends. During the nine months ended September 30, 1999, holders of Series D Preferred Stock converted a total of 500,000 shares into 35,238 shares of Class B Common Stock, and then converted those Class B shares into 35,238 shares of Class A Common Stock.

As of September 30, 1998, the Company had 12,278,285 shares of Series F Preferred Stock issued and outstanding. The Series F Preferred Stock paid cash dividends at the annual rate of \$.042 per share. On December 31, 1998, all of the Series F Preferred Stock was converted into an aggregate of 722,250 shares of Class A Common Stock at the exercise price of \$17 per share.

Prior to September 30, 1998, the Company had a credit facility with a group of banks for a \$150 million revolving line of credit. During September 1998, the Company increased the bank credit facility to \$225 million. During June 1999, the Company entered into a new credit facility for a \$250 million revolving line of credit. On September 20, 1999, the Company amended the credit facility, increasing the amount available to \$260 million. The credit facility has a five year term, is unsecured and contains customary restrictive covenants, including a restriction on the payment of dividends on common stock, and requires the Company to maintain certain financial ratios. Interest under the credit facility is provided at both LIBOR and prime rate options. The Company has the ability under the credit facility to increase its total debt outstanding to as much as 60 percent of its total capitalization. As of September 30, 1999, \$42.5 million was outstanding under the credit facility and the Company's debt to total capitalization was 37 percent.

The Company expects to continue to pursue additional acquisitions of funeral homes and cemeteries which will require significant levels of funding from various sources. During the nine months ended September 30, 1999, the Company incurred approximately \$13.4 million in capital expenditures, primarily related to funeral home improvements. In addition, the Company currently expects to incur capitalizable costs of approximately \$4 million during the remainder of 1999 related primarily to upgrading funeral home facilities and cemetery construction. The Company believes that cash flow from operations, borrowings under the new credit facility and its ability to issue additional debt and equity securities should be sufficient to fund acquisitions and its anticipated capital expenditures and other operating requirements. The Company has recently revised its estimate for acquisition spending for 1999 to approximately \$50 million. As of October 29, 1999, the Company has spent approximately \$46 million for acquisitions. Acquisition spending during 2000 is anticipated to be significantly less than the amounts during either of the two preceding years, excluding the effect of any possible transactions that may occur with other corporate death care companies. Because future cash flows and the availability of financing are subject to a number of variables, such as the number and size of acquisitions made by the Company, there can be no assurance that the Company's capital resources will be sufficient to fund its capital needs. Additional debt and equity financings may be required to continue the Company's acquisition program. The availability and terms of these capital sources will depend on prevailing market conditions and interest rates and the then-existing financial condition of the Company.

SEASONALITY

The Company's business can be affected by seasonal fluctuations in the death rate. Generally, death rates are higher during the winter months. In addition the quarterly results of the Company may fluctuate depending on the magnitude and timing of acquisitions.

INFLATION

Inflation has not had a significant impact on the results of operations of the Company.

YEAR 2000

Our information systems management group is continually reviewing the management and accounting software packages for internal accounting and information requirements to keep pace with our continued growth and to achieve Year 2000 compliance. To address the Year 2000 issue, our program which encompasses performing an inventory of our information technology and non-information technology systems, assessing the potential problem areas, testing the systems for year 2000 readiness, and modifying systems that are not Year 2000 ready.

To date, inventory and assessment have been completed for all of our core systems that are essential for business operations. All of these core systems are believed to be Year 2000 compliant. As of September 30, 1999, management estimated that we had completed substantially all of the work involved in modifying, replacing and testing the non-compliant hardware and software. The inventory and assessment phases for newly acquired businesses is performed during the acquisition process as part of our due diligence analysis.

We are also communicating with vendors, trustees and other third parties with which we conduct business to determine the extent to which those companies are addressing their Year 2000 compliance.

To date, no significant third parties have informed us that any Year 2000 issue exists which will have a material effect on us.

Although we expect to be ready to continue our business activities without interruption by a Year 2000 problem, we recognize the general uncertainty inherent in the Year 2000 issue, in part because of the uncertainty about the Year 2000 readiness of third parties. Under a "most likely worst case Year 2000 scenario," it may be necessary for us to replace some suppliers, rearrange some work plans or even temporarily interrupt some normal business activities or operations. We believe that such circumstances would be isolated and would not result in a material adverse impact to our operations or pose a material financial risk to us. Management has concluded that our standard operating procedures are adequate to deal with most foreseeable contingencies resulting from the "most likely worst case Year 2000 scenario."

Based on the current assessment, our total costs of becoming Year 2000 compliant are not expected to be significant to our financial position, results of operations or cash flows. As of September 30, 1999, we have spent approximately \$70,000 related to Year 2000 compliance. The total remaining costs for addressing the Year 2000 issue are presently estimated to be less than \$25,000.

The estimated costs of the projects are forward-looking statements based on our best estimates, which were derived utilizing numerous assumptions of future events. While we believe all necessary work will be completed in a timely fashion, there can be no assurance that these estimates will be achieved and actual results could differ materially from those anticipated. Some of the factors that might cause such material differences include failure by third parties to adequately solve Year 2000 problems, the cooperation of third parties and the ability to identify and correct potential problems.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK

There has been no material change in the Company's position regarding quantitative and qualitative disclosures of market risk from that disclosed in the Company's 1998 Form 10-K.

PART II -- OTHER INFORMATION

ITEM 5. OTHER INFORMATION

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 the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on assumptions that the Company believes are reasonable; however, many important factors could cause the Company's actual results in the future to differ materially from the forward-looking statements made herein and in any other documents or oral presentations made by, or on behalf of, the Company.

CAUTIONARY STATEMENTS

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

(1) Achieving revenue growth depends in part upon the level of acquisition activity experienced by the Company. Higher levels of acquisition activity will increase anticipated revenues, and lower levels will decrease anticipated revenues. The level of acquisition activity depends not only on the number of properties acquired, but also on the size of the acquisitions; for example, one large acquisition could increase substantially the level of acquisition activity and, consequently, revenues. Several important factors, among others, affect the Company's ability to consummate acquisitions:

- (a) The Company may be unable to find a sufficient number of businesses for sale at prices that are favorable to the Company and which the Company is willing to pay.
- (b) In most of its existing markets and in certain new markets that the Company desires to enter, the Company competes for acquisitions with other publicly traded and privately owned death care firms. These competitors, and others, may be willing to pay higher prices for businesses than the Company or may cause the Company to pay more to acquire a business than the Company would otherwise have pay in the absence of such competition. Thus, the aggressiveness of the Company's competitors in pricing acquisitions affects the Company's ability to complete acquisitions at prices it finds attractive.
- (c) The timing, size and success of the Company's acquisition efforts depend in large part on the continued availability of financing. The Company's growth could be negatively impacted if it is unable to obtain sufficient capital.

(2) Achieving the Company's revenue goals also is affected by the volume and prices of the properties, products and services sold, as well as the mix of products and services sold. The annual sales targets set by the Company are aggressive, and the inability of the Company to achieve planned volume or prices could cause the Company not to meet anticipated levels of revenue. In certain markets the Company expects to increase prices, while in other

markets prices will be lowered. The ability of the Company to achieve volume or price targets at any location depends on numerous factors, including the local economy, the local death rate, competition and changes in consumer preferences, including cremations.

(3) Future revenue also is affected by the level of prearranged sales in prior periods. The level of prearranged sales may be adversely affected by numerous factors, including deterioration in the economy, which causes individuals to have less discretionary income, as well as changes in commission practices and contractual terms.

(4) In addition to the factors discussed above, financial performance may be affected by other important factors, including the following:

- (a) The ability of the Company to successfully integrate acquisitions into the Company's business and to realize expected revenue projections and cost savings in connection with the acquisitions.
- (b) Whether acquired businesses perform at pro forma levels used by management in the valuation process, and the rate at which management is able to increase the profitability of acquired businesses.
- (c) The ability of the Company to manage its growth in terms of implementing internal controls and information gathering systems, and retaining or attracting key personnel, among other things.
- (d) The amount and rate of growth in the Company's general and administrative expenses.
- (e) Changes in interest rates, which can increase or decrease the amount the Company pays on borrowings with variable rates of interest.
- (f) The Company's debt-to-equity ratio, the number of shares of common stock outstanding and the portion of the Company's debt that has fixed or variable interest rates.
- (g) The impact on the Company's financial statements of nonrecurring accounting charges that may result from the Company's ongoing evaluation of its business strategies, asset valuations and organizational structures.
- (h) Changes in government regulation, including tax rates and their effects on corporate structure.
- (i) Changes in inflation and other general economic conditions domestically, affecting financial markets (e.g. marketable security values).
- (j) Unanticipated legal proceedings and unanticipated outcomes of legal proceedings.
- (k) Changes in accounting policies and practices adopted voluntarily or required to be adopted by generally accepted accounting principles, such as amortization periods for long-lived intangible assets.
- (l) The ability of the Company and its significant vendors, financial institutions and insurers to achieve Year 2000 compliance on a timely basis.

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- * 10.1-- Amendment No. 1 to Credit Agreement by and among the Company and Bank of America, N.A., dated July 1, 1999.

* 10.2-- Amendment No. 2 to Credit Agreement by and among the Company and Bank of America, N.A., dated September 20, 1999.

* 10.3-- Note Purchase Agreement, dated July 1, 1999, for \$300 million in Senior Notes Issuable in Series.

+ 10.4-- Amendment No. 2 to 1995 Stock Incentive Plan. (10.1)

+ 10.5-- Amendment No. 2 to 1996 Stock Option Plan. (10.2)

+ 10.6-- Amendment No. 1 to 1996 Directors' Stock Option Plan. (10.3)

+ 10.7-- Amendment No. 2 to 1995 Directors' Stock Option Plan. (10.4)

- 10.8-- 1998 Stock Option Plan for Consultants. (10.1)

* 11.1-- Statement regarding computation of per share earnings.

* 12 -- Calculation of Ratio of Earnings to Fixed Charges

*27.1 -- Financial Data Schedule.

(*) Filed herewith.

(+) Incorporated by reference to the Exhibit number shown in parentheses to the registrant's Form S-8 Registration Statement No. 333-85961.

(-) Incorporated by reference to the Exhibit number shown in parentheses to the registrant's Form S-8 Registration Statement No. 333-62593.

(b) Reports on Form 8-K

None.

SIGNATURE

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

CARRIAGE SERVICES, INC.

November 12, 1999

Date

/s/ THOMAS C. LIVENGOOD

Thomas C. Livengood,
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and
Duly Authorized Officer)

AMENDMENT NO. 1

This Amendment No. 1 dated as of July 1, 1999 ("Agreement"), is among Carriage Services, Inc., a Delaware corporation (the "Borrower"), the lenders signatory to the Credit Agreement described below (the "Lenders"), and Bank of America, N.A., as administrative agent (the "Administrative Agent") for the Lenders.

INTRODUCTION

Reference is made to the Credit Agreement dated as of June 14, 1999 (as modified, the "Credit Agreement"), among the Borrower, the Lenders, and NationsBank, N.A. d/b/a Bank of America, N.A., predecessor in interest to the Administrative Agent. The Borrower, the Lenders, and the Administrative Agent have agreed to make certain modifications to the Credit Agreement in connection with the Borrower's execution of the Note Purchase Agreement dated as of July 1, 1999 (the "Note Purchase Agreement"), among the Borrower and the note purchasers signatories thereto pursuant to which the Borrower is issuing notes, referred to as Senior Notes under the Credit Agreement, and to make other amendments to the Credit Agreement as set forth herein in connection therewith.

THEREFORE, in connection with the foregoing and for other good and valuable consideration, the Borrower, the Administrative Agent, and the Lenders hereby agree as follows:

Section 1. DEFINITIONS; REFERENCES. Unless otherwise defined in this Agreement, each term used in this Agreement which is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement.

Section 2. AMENDMENT.

(a) Section 1.01 is amended by replacing the definition of "Material Adverse Change" in its entirety with the following:

"MATERIAL ADVERSE CHANGE" shall mean (a) a material adverse change on the business, operations, affairs, financial condition, assets, or properties of the Borrower and its Subsidiaries, taken as a whole, (b) the occurrence and continuance of any event or circumstance which could reasonably be expected to have a material adverse effect on the Borrower's ability to perform its obligations under this Agreement, any Note, or any other Credit

Document, or (c) a material adverse change on the validity or enforceability of this Agreement, any Note, or any other Credit Document.

(b) Section 1.01 is amended by inserting the following definition for "Carriage Business Development Program" in the appropriate alphabetical order:

"CARRIAGE BUSINESS DEVELOPMENT PROGRAM" shall mean a program of the Borrower whereby not more than 20 former owners of funeral homes or cemeteries receive preferred securities of a Subsidiary pursuant to which the holder is entitled to receive up to 10% of such Subsidiary's cash flow in excess of a predetermined level. Not more than ten Subsidiaries will participate in the program and the recipients of the preferred securities are individuals whose funeral homes or cemeteries were acquired by the Borrower or a Subsidiary. The preferred securities entitle the holders to receive in the aggregate up to 10% of the aggregate excess cash flow of the participating Subsidiaries as and when earned, do not constitute a claim on the assets of any Subsidiary, and are subject to mandatory redemption by the applicable Subsidiary at maturity (not to exceed ten years) at a redemption price expressed as a multiple of such excess cash flow.

(c) Section 6.11 is amended by replacing such section in its entirety with the following:

Section 6.11. MAINTENANCE OF OWNERSHIP OF SUBSIDIARIES. Except as permitted by Sections 5.03 and 6.04, the Borrower will not, and will not permit any of its Subsidiaries to, sell or otherwise dispose of any shares of capital stock of any of its Subsidiaries or permit any of its Subsidiaries to issue, sell or otherwise dispose of any shares of its capital stock or the capital stock of any of its Subsidiaries, except that, (a) where required by applicable law, up to 20% of the outstanding stock of any of the Borrower's Subsidiaries may be issued to and held by employees of the Borrower or any such Subsidiary who are licensed funeral directors, (b) the Trust Subsidiary may issue the Trust Preferred Stock, and (c) in connection with Carriage Business Development Program not more than ten Subsidiaries may issue preferred securities to not more than 20 individuals in the aggregate.

(d) Section 7.01 is amended by replacing subsection (e) in its entirety with the following:

(e) INSOLVENCY. (i) The Borrower or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; (ii) any proceeding shall be instituted by or against the Borrower or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against the Borrower or any such Subsidiary, either such proceeding shall remain undismissed for a period of 60 days or any of the actions sought in such proceeding shall occur; or (iii) the Borrower or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this paragraph (e);

Section 3. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that (a) the execution, delivery and performance of this Agreement are within the corporate power and authority of the Borrower and have been duly authorized by appropriate proceedings, (b) this Agreement constitutes legal, valid, and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the rights of creditors generally and general principles of equity, and (c) upon the effectiveness of this Agreement and the amendment of the Credit Documents as provided for herein, no Event of Default shall exist under the Credit Documents and there shall have occurred no event which with notice or lapse of time would become an Event of Default under the Credit Documents, as amended.

Section 4. EFFECT ON CREDIT DOCUMENTS. Except as amended herein, the Credit Agreement and all other Credit Documents remain in full force and effect as originally executed. Nothing herein shall act as a waiver of the Administrative Agent's or any Lender's rights under the Credit Documents as amended, including the waiver of any default or event of default, however denominated. The Borrower must continue to comply with the terms of the Credit Documents, as amended. This Agreement is a Credit Document for the purposes of the provisions of the other Credit Documents. Without limiting the foregoing, any breach of representations, warranties, and covenants under this Agreement may be a default or event of default under the other Credit Documents.

Section 5. EFFECTIVENESS. This Agreement shall become effective and the Credit Agreement shall be amended as provided in this Agreement effective on the date first set forth above when the Administrative Agent shall have received duly and validly executed counterparts hereof signed by the Borrower, the Administrative Agent, and the Majority Lenders.

Section 6. MISCELLANEOUS. The miscellaneous provisions of the Credit Agreement apply to this Agreement. This Agreement may be signed in any number of counterparts, each of which shall be an original, and may be executed and delivered by telecopier.

THIS WRITTEN AGREEMENT AND THE CREDIT DOCUMENTS, AS DEFINED IN THIS AGREEMENT, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first above written.

BORROWER:

CARRIAGE SERVICES, INC.

By: _____
Thomas C. Livengood, Executive Vice
President and Chief Financial Officer

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.

By: _____
Craig S. Wall
Senior Vice President

LENDERS:

BANK OF AMERICA, N.A.

By: _____
Craig S. Wall
Senior Vice President

PROVIDENT SERVICES, INC.

By: _____
Daniel M. Chong
Vice President

BANK ONE, TEXAS, NA

By: _____
Name: _____
Title: _____

FIRST UNION NATIONAL BANK

By: _____
Name: _____
Title: _____

CHASE BANK TEXAS, N.A.

By: _____
Name: _____
Title: _____

WELLS FARGO BANK (TEXAS), NATIONAL
ASSOCIATION

By: _____
Name: _____
Title: _____

UNION BANK OF CALIFORNIA, N.A.

By: _____
Name: _____
Title: _____

SUNTRUST BANK, ATLANTA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

SOUTHWEST BANK OF TEXAS, N.A.

By: _____
Name: _____
Title: _____

AMENDMENT NO. 2

This Amendment No. 2 dated as of September 20, 1999 ("Agreement"), is among Carriage Services, Inc., a Delaware corporation (the "Borrower"), the lenders signatory to the Credit Agreement described below (the "Lenders"), and Bank of America, N.A., as administrative agent (the "Administrative Agent") for the Lenders.

INTRODUCTION

Reference is made to the Credit Agreement dated as of June 14, 1999 (as modified, the "Credit Agreement"), among the Borrower, the Lenders, and NationsBank, N.A. d/b/a Bank of America, N.A., predecessor in interest to the Administrative Agent. The Borrower, the Lenders, and the Administrative Agent have agreed to increase the amount of the Commitments under the Credit Agreement to \$260,000,000 by increasing the Commitment of Wells Fargo Bank (Texas), National Association from \$15,000,000 to \$25,000,000, and to make other amendments to the Credit Agreement as set forth herein in connection therewith.

THEREFORE, in connection with the foregoing and for other good and valuable consideration, the Borrower, the Administrative Agent, and the Lenders hereby agree as follows:

Section 1. DEFINITIONS; REFERENCES. Unless otherwise defined in this Agreement, each term used in this Agreement which is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement.

Section 2. AMENDMENT.

(a) The Commitment of Wells Fargo Bank (Texas), National Association shall be increased to \$25,000,000 such that upon the effectiveness of this Agreement, the Commitments of each Lender shall be those set forth for such Lender on the signature pages of this Agreement, and the aggregate amount of such Commitments shall be \$260,000,000. The effective date for this increase shall be October 1, 1999, and following the effectiveness of this Agreement and as of such date, (a) the Administrative Agent shall record such increased Commitment in the Register and (b) the Administrative Agent shall reallocate all outstanding Advances and all participation interests in Letters of Credit, if any, so that the Lenders hold such Advances and participation interests in Letters of Credit ratably in accordance with their Commitments.

(b) The following definition of "Amendment No. 2" is added to Section 1.1 of the Credit Agreement in the appropriate alphabetical order:

"AMENDMENT NO. 2" means the Amendment No. 2 dated as of September 20, 1999, among the Borrower, the Administrative Agent, and the Lenders amending the terms of this Agreement.

(c) Section 2.01 is amended by replacing the first sentence of such section in its entirety with the following:

Section 2.01. COMMITMENT TO MAKE ADVANCES. Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Advances to the Borrower from time-to-time on any Business Day during the period from the date of this Agreement until the Maturity Date in an aggregate amount not to exceed at any time outstanding (a) the amount set opposite such Lender's name on the signature pages of Amendment No. 2 as its Commitment, or if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender as its Commitment in the Register maintained by the Administrative Agent pursuant to Section 9.06(c), as such amount may be reduced pursuant to Section 2.05 (such Lender's "Commitment") LESS (b) such Lender's Pro Rata Share of the Letter of Credit Exposure at such time LESS (c) such Lender's Pro Rata Share of the Swing Line Loan at such time.

Section 3. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that (a) the execution, delivery and performance of this Agreement are within the corporate power and authority of the Borrower and have been duly authorized by appropriate proceedings, (b) this Agreement constitutes legal, valid, and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the rights of creditors generally and general principles of equity, and (c) upon the effectiveness of this Agreement and the amendment of the Credit Documents as provided for herein, no Event of Default shall exist under the Credit Documents and there shall have occurred no event which with notice or lapse of time would become an Event of Default under the Credit Documents, as amended.

Section 4. EFFECT ON CREDIT DOCUMENTS. Except as amended herein, the Credit Agreement and all other Credit Documents remain in full force and effect as originally executed. Nothing herein shall act as a waiver of the Administrative Agent's or any Lender's rights under the Credit Documents as amended, including the waiver of any default or event of default, however denominated. The Borrower must continue to comply with the terms of the Credit Documents, as amended. This Agreement is a Credit Document for the purposes of the provisions of the other Credit Documents. Without limiting the foregoing, any breach of representations, warranties, and covenants under this Agreement may be a default or event of default under the other Credit Documents.

Section 5. EFFECTIVENESS. The effectiveness of the amendments in Section 1 of this Agreement are subject to the satisfaction of the condition precedent that the Borrower shall have delivered or shall have caused to be delivered the documents and other items listed on the Closing Documents List dated as of even date with this Agreement, each in form and with substance satisfactory to the Administrative Agent and where applicable executed by the appropriate parties thereto. Subject to the foregoing, this Agreement shall become effective and the Credit Agreement shall be amended as provided in this Agreement effective on the date first set forth above when the Administrative Agent shall have received duly and validly executed counterparts hereof signed by the Borrower, the Administrative Agent, and the Lenders.

Section 6. MISCELLANEOUS. The miscellaneous provisions of the Credit Agreement apply to this Agreement. This Agreement may be signed in any number of counterparts, each of which shall be an original, and may be executed and delivered by telecopier.

[Signatures begin on next page]

THIS WRITTEN AGREEMENT AND THE CREDIT DOCUMENTS, AS DEFINED IN THIS AGREEMENT, REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

EXECUTED as of the date first above written.

BORROWER:

CARRIAGE SERVICES, INC.

By: _____
Thomas C. Livengood, Executive Vice
President and Chief Financial
Officer

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.

By: _____
Craig S. Wall
Senior Vice President

LENDERS:

BANK OF AMERICA, N.A.

COMMITMENT:

\$40,000,000

By: _____
Craig S. Wall
Senior Vice President

PROVIDENT SERVICES, INC.

COMMITMENT:

\$50,000,000

By: _____
Daniel M. Chong
Vice President

BANK ONE, TEXAS, NA

COMMITMENT:

\$40,000,000

By: _____
Name: _____
Title: _____

FIRST UNION NATIONAL BANK

COMMITMENT:

\$20,000,000

By: _____
Name: _____
Title: _____

CHASE BANK TEXAS, N.A.

COMMITMENT:

\$35,000,000

By: _____
Name: _____
Title: _____

WELLS FARGO BANK (TEXAS), NATIONAL
ASSOCIATION

COMMITMENT:

\$25,000,000

By: _____
Name: _____
Title: _____

UNION BANK OF CALIFORNIA, N.A.

COMMITMENT:

\$15,000,000

By: _____
Name: _____
Title: _____

SUNTRUST BANK, ATLANTA

COMMITMENT:

\$25,000,000

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

COMMITMENT:

\$10,000,000

By: _____
Name: _____
Title: _____

CARRIAGE SERVICES, INC.

\$300,000,000
Senior Notes Issuable In Series

\$25,000,000
7.73% Senior Notes, Series 1999-A
due July 30, 2004

\$60,000,000
7.96% Senior Notes, Series 1999-B
due July 30, 2006

\$25,000,000
8.06% Senior Notes, Series 1999-C
due July 30, 2008

NOTE PURCHASE AGREEMENT

Dated as of July 1, 1999

Series 1999-A PPN: 143905 A*8
Series 1999-B PPN: 143905 A@6
Series 1999-C PPN: 143905 A#4

TABLE OF CONTENTS

SECTION	PAGE
1. AUTHORIZATION OF NOTES.....	1
1.1. Amount; Establishment of Series.....	1
1.2. The Series 1999 Notes.....	2
2. SALE AND PURCHASE OF SERIES 1999 NOTES.....	3
3. CLOSING.....	3
4. CONDITIONS TO CLOSING.....	3
4.1. Representations and Warranties.....	3
4.2. Performance; No Default.....	4
4.3. Compliance Certificates.....	4
4.4. Opinions of Counsel.....	4
4.5. Purchase Permitted By Applicable Law, etc.....	4
4.6. Sale of Other Notes.....	5
4.7. Payment of Special Counsel Fees.....	5
4.8. Private Placement Number.....	5
4.9. Changes in Corporate Structure.....	5
4.10. Subsidiary Guaranty.....	5
4.11. Intercreditor Agreement.....	5
4.12. Proceedings and Documents.....	5
5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.....	6
5.1. Organization; Power and Authority.....	6
5.2. Authorization, etc.....	6
5.3. Disclosure.....	7
5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates.....	7
5.5. Financial Statements.....	8
5.6. Compliance with Laws, Other Instruments, etc.....	8
5.7. Governmental Authorizations, etc.....	9
5.8. Litigation; Observance of Agreements, Statutes and Orders.....	9
5.9. Taxes.....	9
5.10. Title to Property; Leases.....	10
5.11. Licenses, Permits, etc.....	10
5.12. Compliance with ERISA.....	10
5.13. Private Offering by the Company.....	11
5.14. Use of Proceeds; Margin Regulations.....	12
5.15. Existing Indebtedness; Future Liens.....	12
5.16. Foreign Assets Control Regulations, etc.....	12
5.17. Status under Certain Statutes.....	13

5.18.	Environmental Matters.....	13
5.19.	Solvency of Subsidiary Guarantors.....	13
5.20.	Year 2000 Compliant.....	14
6.	REPRESENTATIONS OF THE PURCHASERS.....	14
6.1.	Purchase for Investment.....	14
6.2.	Source of Funds.....	14
7.	INFORMATION AS TO COMPANY.....	16
7.1.	Financial and Business Information.....	16
7.2.	Officer's Certificate.....	19
7.3.	Inspection.....	20
8.	PREPAYMENT OF THE NOTES.....	20
8.1.	Required Prepayments.....	20
8.2.	Optional Prepayments with Make-Whole Amount.....	21
8.3.	Allocation of Partial Prepayments.....	22
8.4.	Maturity; Surrender, etc.....	22
8.5.	Purchase of Notes.....	22
8.6.	Make-Whole Amount.....	23
9.	AFFIRMATIVE COVENANTS.....	24
9.1.	Compliance with Law.....	24
9.2.	Insurance.....	24
9.3.	Maintenance of Properties.....	25
9.4.	Payment of Taxes and Claims.....	25
9.5.	Corporate Existence, etc.....	25
10.	NEGATIVE COVENANTS.....	26
10.1.	Adjusted Consolidated Net Worth.....	26
10.2.	Consolidated Indebtedness.....	26
10.3.	Indebtedness of Restricted Subsidiaries.....	26
10.4.	Fixed Charge Coverage Ratio.....	26
10.5.	Restricted Payments.....	27
10.6.	Liens.....	27
10.7.	Sale of Assets.....	28
10.8.	Sale-and-Leasebacks.....	29
10.9.	Mergers, Consolidations, etc.....	29
10.10.	Disposition of Stock of Restricted Subsidiaries.....	30
10.11.	Designation of Unrestricted and Restricted Subsidiaries.....	30
10.12.	Nature of Business.....	31
10.13.	Transactions with Affiliates.....	31
10.14.	Subsidiary Guaranties.....	31
11.	EVENTS OF DEFAULT.....	31

12.	REMEDIES ON DEFAULT, ETC.....	34
12.1.	Acceleration.....	34
12.2.	Other Remedies.....	34
12.3.	Rescission.....	35
12.4.	No Waivers or Election of Remedies, Expenses, etc.....	35
13.	REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.....	35
13.1.	Registration of Notes.....	35
13.2.	Transfer and Exchange of Notes.....	36
13.3.	Replacement of Notes.....	36
14.	PAYMENTS ON NOTES.....	37
14.1.	Place of Payment.....	37
14.2.	Home Office Payment.....	37
15.	EXPENSES, ETC.....	38
15.1.	Transaction Expenses.....	38
15.2.	Survival.....	38
16.	SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.....	38
17.	AMENDMENT AND WAIVER.....	39
17.1.	Requirements.....	39
17.2.	Solicitation of Holders of Notes.....	39
17.3.	Binding Effect, etc.....	39
17.4.	Notes held by Company, etc.....	40
18.	NOTICES.....	40
19.	REPRODUCTION OF DOCUMENTS.....	41
20.	CONFIDENTIAL INFORMATION.....	41
21.	SUBSTITUTION OF PURCHASER.....	42
22.	RELEASE OF SUBSIDIARY GUARANTY.....	42
23.	MISCELLANEOUS.....	43
23.1.	Successors and Assigns.....	43
23.2.	Payments Due on Non-Business Days.....	43
23.3.	Severability.....	43
23.4.	Construction.....	43
23.5.	Counterparts.....	43
23.6.	Governing Law.....	44
23.7.	Intercreditor Agreement.....	44

SCHEDULE A	-- Information Relating to Purchasers
SCHEDULE B	-- Defined Terms
SCHEDULE B-1	-- Existing Investments
SCHEDULE 5.3	-- Disclosure Materials
SCHEDULE 5.4	-- Subsidiaries of the Company and Ownership of Subsidiary Stock; Affiliates
SCHEDULE 5.5	-- Financial Statements
SCHEDULE 5.8	-- Certain Litigation
SCHEDULE 5.11	-- Licenses, Permits, etc.
SCHEDULE 5.14	-- Use of Proceeds
SCHEDULE 5.15	-- Existing Indebtedness
SCHEDULE 10.6	-- Existing Liens
EXHIBIT 1.1(a)	-- Form of Senior Note
EXHIBIT 1.1(b)	-- Form of Subsidiary Guaranty
EXHIBIT 1.1(c)	-- Form of Supplement
EXHIBIT 1.2(a)	-- Form of Series 1999-A Senior Note
EXHIBIT 1.2(b)	-- Form of Series 1999-B Senior Note
EXHIBIT 1.2(c)	-- Form of Series 1999-C Senior Note
EXHIBIT 4.4(a)	-- Form of Opinion of Counsel for the Company
EXHIBIT 4.4(b)	-- Form of Opinion of Special Counsel to the Purchasers

CARRIAGE SERVICES, INC.
1300 Post Oak Boulevard
Suite 1500
Houston, TX 77056-3012
(281) 556-7400
Fax: (281) 556-7401

\$300,000,000
Senior Notes Issuable In Series

\$25,000,000 7.73% Senior Notes, Series 1999-A, due July 30, 2004
\$60,000,000 7.96% Senior Notes, Series 1999-B, due July 30, 2006
\$25,000,000 8.06% Senior Notes, Series 1999-C, due July 30, 2008

Dated as of July 1, 1999

TO EACH OF THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

CARRIAGE SERVICES, INC., a Delaware corporation (the "COMPANY"),
agrees with you as follows:

1. AUTHORIZATION OF NOTES.

1.1. AMOUNT; ESTABLISHMENT OF SERIES.

The Company is contemplating the issue and sale of up to \$300,000,000 aggregate principal amount of its Senior Notes issuable in series (the "NOTES", such term to include any such Notes issued in substitution therefor pursuant to Section 13 of this Agreement). The Notes will be substantially in the form set out in Exhibit 1.1(a), with such changes therefrom, if any, as may be approved by the purchasers of such Notes, or series thereof, and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "SCHEDULE" or an "EXHIBIT" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. The Notes may be issued in one or more series. Subject to Section 22, the Notes will be guaranteed by each Subsidiary that is now or in the future becomes a signatory to the Bank Guaranty (individually, a "SUBSIDIARY GUARANTOR" and collectively, the "SUBSIDIARY GUARANTORS") pursuant to a guaranty in substantially the form of Exhibit 1.1(b) (the "SUBSIDIARY GUARANTY"). Each series of Notes, other than the initial series, shall be issued pursuant to a supplement to this Agreement (a "SUPPLEMENT") in substantially the form of Exhibit 1.1(c), and shall be subject to the following terms and conditions:

(a) the designation of each series of Notes shall distinguish the Notes of one series from the Notes of all other series;

(b) the Notes of each series shall rank PARI PASSU with the Notes of all other series, the Credit Agreement and the Company's other outstanding unsecured senior Indebtedness;

(c) each series of Notes shall be dated the date of issue, bear interest at such rate or rates, mature on such date or dates, be subject to such mandatory prepayments on the dates and with the Make-Whole Amounts, if any, as are provided in the Supplement under which such Notes are issued, and shall have such additional or different conditions precedent to closing and such additional or different representations and warranties or, subject to Section 1.1(d), other terms and provisions as shall be specified in such Supplement;

(d) any additional covenants, Defaults, Events of Default, rights or similar provisions that are added by a Supplement for the benefit of the series of Notes to be issued pursuant to such Supplement shall apply to all outstanding Notes, whether or not the Supplement so provides; and

(e) except to the extent provided in foregoing clause (c), all of the provisions of this Agreement shall apply to the Notes of each series.

The Purchasers of the Series 1999 Notes need not purchase subsequent series of Notes.

1.2. THE SERIES 1999 NOTES.

The Company has authorized, as the initial series of Notes hereunder, the issue and sale of \$25,000,000 aggregate principal amount of Notes to be designated as its 7.73% Senior Notes, Series 1999-A, due July 30, 2004 (the "SERIES 1999-A NOTES"), \$60,000,000 aggregate principal amount of Notes to be designated as its 7.96% Senior Notes, Series 1999-B, due July 30, 2006 (the "SERIES 1999-B NOTES"), and \$25,000,000 aggregate principal amount of Notes to be designated as its 8.06% Senior Notes, Series 1999-C, due July 30, 2008 (the "SERIES 1999-C NOTES") (the Series 1999-A Notes, Series 1999-B Notes and Series 1999-C Notes are collectively referred to as the "SERIES 1999 NOTES", such term to include any such Notes issued in substitution therefor pursuant to Section 13 of this Agreement). The Series 1999-A Notes, Series 1999-B Notes and Series 1999-C Notes shall be substantially in the forms set out in Exhibits 1.2(a), 1.2(b) and 1.2(c), respectively, with such changes therefrom, if any, as may be approved by you and the Company.

2. SALE AND PURCHASE OF SERIES 1999 NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and each of the other purchasers named in Schedule A (the "OTHER PURCHASERS"), and you and the Other Purchasers will purchase from the Company, at the Closing provided for in Section 3, Series 1999 Notes in the series and principal amount specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof. Your obligation

hereunder and the obligations of the Other Purchasers are several and not joint obligations and you shall have no liability to any Person for the performance or non-performance by any Other Purchaser hereunder.

3. CLOSING.

The sale and purchase of the Series 1999 Notes to be purchased by you and the Other Purchasers shall occur at the offices of Gardner, Carton & Douglas, Quaker Tower, Suite 3400, 321 North Clark Street, Chicago, Illinois 60610 at 9:00 a.m., Chicago time, at a closing (the "CLOSING") on July 27, 1999 or on such other Business Day thereafter on or prior to July 31, 1999 as may be agreed upon by the Company and you and the Other Purchasers. At the Closing the Company will deliver to you the Series 1999 Notes to be purchased by you in the form of a single Series 1999 Note (or such greater number of Series 1999 Notes in denominations of at least \$500,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 1390009472 at Bank of America, N.A., Houston, Texas, ABA # 111000025. If at the Closing the Company shall fail to tender such Series 1999 Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Series 1999 Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

4.1. REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

4.2. PERFORMANCE; NO DEFAULT.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Series 1999 Notes (and the application of the proceeds thereof as contemplated by Section 5.14) no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Section 10 had such Section applied since such date.

4.3. COMPLIANCE CERTIFICATES.

(a) OFFICER'S CERTIFICATE. The Company shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) SECRETARY'S CERTIFICATE. The Company shall have delivered to you a certificate certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Series 1999 Notes, the Agreement and the Subsidiary Guaranty.

4.4. OPINIONS OF COUNSEL.

You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (a) from Snell & Smith, counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company instructs its counsel to deliver such opinion to you) and (b) from Gardner, Carton & Douglas, your special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as you may reasonably request.

4.5. PURCHASE PERMITTED BY APPLICABLE LAW, ETC.

On the date of the Closing your purchase of Series 1999 Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation U, T or X of the Board of Governors of the Federal Reserve System) and (iii) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

4.6. SALE OF OTHER NOTES.

Contemporaneously with the Closing the Company shall sell to the Other Purchasers and the Other Purchasers shall purchase the Series 1999 Notes to be purchased by them at the Closing as specified in Schedule A.

4.7. PAYMENT OF SPECIAL COUNSEL FEES.

Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of your special counsel referred to in Section 4.4, to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

4.8. PRIVATE PLACEMENT NUMBER.

Private Placement numbers issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Series 1999 Notes by Gardner, Carton & Douglas.

4.9. CHANGES IN CORPORATE STRUCTURE.

The Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

4.10. SUBSIDIARY GUARANTY.

Each Subsidiary Guarantor so designated in Schedule 5.4 shall have executed and delivered the Subsidiary Guaranty.

4.11. INTERCREDITOR AGREEMENT.

You and each of the Other Purchasers shall have entered into an Intercreditor Agreement satisfactory to you with each of the lenders party to the Credit Agreement (the "INTERCREDITOR AGREEMENT").

4.12. PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that:

5.1. ORGANIZATION; POWER AND AUTHORITY.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Series 1999 Notes and to perform the provisions hereof and thereof.

5.2. AUTHORIZATION, ETC.

This Agreement and the Series 1999 Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Series 1999 Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The Subsidiary Guaranty has been duly authorized by all necessary corporate action on the part of each Subsidiary Guarantor and upon execution and delivery thereof will constitute the legal, valid and binding obligation of each Subsidiary Guarantor, enforceable against each Subsidiary Guarantor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3. DISCLOSURE.

The Company, through its agent, Banc of America Securities LLC, has delivered to you and each Other Purchaser a copy of a Private Placement Memorandum, dated June 1999 (the "MEMORANDUM"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. Except as disclosed in Schedule 5.3, the Memorandum, the documents, certificates or other writings delivered to you by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Memorandum or as expressly described in Schedule 5.3, or in one of the documents, certificates or other writings identified therein, or in the financial statements listed in Schedule 5.5, since December 31, 1998, there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum or in the other documents, certificates and other writings delivered to you by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

5.4. ORGANIZATION AND OWNERSHIP OF SHARES OF SUBSIDIARIES; AFFILIATES.

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, the percentage of shares of each class of its

capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary and whether such Subsidiary is a Subsidiary Guarantor or a Restricted Subsidiary or both, (ii) to the Company's knowledge, of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers. Each Subsidiary listed in Schedule 5.4 is designated a Restricted Subsidiary by the Company.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

5.5. FINANCIAL STATEMENTS.

The Company has delivered to you and each Other Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial condition of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments and the absence of such notes as may be required under GAAP).

5.6. COMPLIANCE WITH LAWS, OTHER INSTRUMENTS, ETC.

The execution, delivery and performance by the Company of this Agreement and the Series 1999 Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement to which the Company or

any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

The execution, delivery and performance by each Subsidiary Guarantor of the Subsidiary Guaranty will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Subsidiary Guarantor under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement to which such Subsidiary Guarantor is bound or by which such Subsidiary Guarantor or any of its properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to such Subsidiary Guarantor or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to such Subsidiary Guarantor.

5.7. GOVERNMENTAL AUTHORIZATIONS, ETC.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Series 1999 Notes or the execution, delivery or performance by each Subsidiary Guarantor of the Subsidiary Guaranty.

5.8. LITIGATION; OBSERVANCE OF AGREEMENTS, STATUTES AND ORDERS.

(a) Except as disclosed in Schedule 5.8, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.9. TAXES.

The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before

they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of federal, state or other taxes for all fiscal periods are adequate under GAAP. The federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, [].

5.10. TITLE TO PROPERTY; LEASES.

The Company and its Subsidiaries have good and sufficient title to the properties that they own or purport to own and that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11. LICENSES, PERMITS, ETC.

Except as disclosed in Schedule 5.11,

(a) the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known Material conflict with the rights of others;

(b) to the best knowledge of the Company, no product of the Company infringes in any Material respect on any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

5.12. COMPLIANCE WITH ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event,

transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "BENEFIT LIABILITIES" has the meaning specified in section 4001 of ERISA and the terms "CURRENT VALUE" and "PRESENT VALUE" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material or has been disclosed in the most recent audited consolidated financial statements of the Company and its Subsidiaries.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of your representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by you.

5.13. PRIVATE OFFERING BY THE COMPANY.

Neither the Company nor anyone acting on its behalf has offered the Series 1999 Notes or the Subsidiary Guaranty or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you, the Other Purchasers and not more than [] other Institutional Investors, each of which has been offered the Series 1999 Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Series 1999 Notes or the execution and delivery of the Subsidiary Guaranty to the registration requirements of section 5 of the Securities Act.

5.14. USE OF PROCEEDS; MARGIN REGULATIONS.

The Company will apply the proceeds of the sale of the Series 1999 Notes for general corporate purposes, including repayment of Indebtedness as set forth in Schedule 5.14. No part of the proceeds from the sale of the Notes will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 1% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 1% of the value of such assets. As used in this Section, the terms "MARGIN STOCK" and "PURPOSE OF BUYING OR CARRYING" shall have the meanings assigned to them in said Regulation U.

5.15. EXISTING INDEBTEDNESS; FUTURE LIENS.

(a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of May 31, 1999, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary and that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Restricted Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.6.

5.16. FOREIGN ASSETS CONTROL REGULATIONS, ETC.

Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

5.17. STATUS UNDER CERTAIN STATUTES.

Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended by the ICC Termination Act, as amended, or the Federal Power Act, as amended.

5.18. ENVIRONMENTAL MATTERS.

(a) Neither the Company nor any Subsidiary has knowledge of any liability or has received any notice of any liability, and no proceeding has been instituted asserting any liability against the Company or any of its Subsidiaries or any of their respective real properties now owned, leased or operated by any of them or other assets nor, to the knowledge of the Company or any Subsidiary, has any such proceeding been instituted against any of their respective real properties formerly owned, for damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has knowledge of any facts that would give rise to any liability for violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(c) Neither the Company nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(d) All buildings on all real properties now owned, leased or operated by the Company or any Subsidiary are, to the Company's knowledge, in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

5.19. SOLVENCY OF SUBSIDIARY GUARANTORS.

After giving effect to the transactions contemplated herein, (i) the present fair salable value of the assets of each Subsidiary Guarantor is in excess of the amount that will be required to pay its probable liability on its existing debts as said debts become absolute and matured, (ii) each Subsidiary Guarantor has received reasonably equivalent value for executing and delivering the Subsidiary Guaranty, (iii) the property remaining in the hands of each Subsidiary Guarantor is not an unreasonably small capital, and (iv) each Subsidiary Guarantor is able to pay its debts as they mature.

5.20. YEAR 2000 COMPLIANT.

The Company and its Subsidiaries have implemented measures to have all critical business systems year 2000 compliant in a timely manner and the advent of the year 2000 and its impact on such computer systems and on the Company's and its Subsidiaries' suppliers and customers is not expected to have a Material Adverse Effect.

6. REPRESENTATIONS OF THE PURCHASERS.

6.1. PURCHASE FOR INVESTMENT.

You represent that you are purchasing the Series 1999 Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof, PROVIDED that the disposition of your or their property shall at all times be within your or their control. You understand that the Series 1999 Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

6.2. SOURCE OF FUNDS.

You represent that at least one of the following statements is an accurate representation as to each source of funds (a "SOURCE") to be used by you to pay the purchase price of the Series 1999 Notes to be purchased by you hereunder:

(a) if you are an insurance company, the Source does not include assets allocated to any separate account maintained by you in which any employee benefit plan (or its related trust) has any interest, other than a separate account that is maintained solely in connection with your fixed contractual obligations under which the amounts payable, or credited, to such plan and to any participant or beneficiary of such plan (including any annuitant) are not affected in any manner by the investment performance of the separate account; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of Department of Labor Prohibited Transaction Class Exemption ("PTE") 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in

such investment fund have been disclosed to the Company in writing pursuant to this paragraph (c); or

(d) the Source is a governmental plan; or

(e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (e); or

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA; or

(g) the Source is an "insurance company general account" as such term is defined in the Department of PTE 95-60 (issued July 12, 1995) and there is no "employee benefit plan" with respect to which the aggregate amount of such general account's reserves and liabilities for the contracts held by or on behalf of such employee benefit plan and all other employee benefit plans maintained by the same employer (and affiliates thereof as defined in section V(a)(1) of PTE 95-60) or by the same employee organization (in each case determined in accordance with the provisions of PTE 95-60) exceeds 10% of the total reserves and liabilities of such general account (as determined under PTE 95-60) (exclusive of separate account liabilities) plus surplus as set forth in the National Association of Insurance Commissioners Annual Statement filed with the state of domicile of such Purchaser.

As used in this Section 6.2, the terms "EMPLOYEE BENEFIT PLAN", "GOVERNMENTAL PLAN", "PARTY IN INTEREST" and "SEPARATE ACCOUNT" shall have the respective meanings assigned to such terms in section 3 of ERISA.

7. INFORMATION AS TO COMPANY.

7.1. FINANCIAL AND BUSINESS INFORMATION

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) QUARTERLY STATEMENTS -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in stockholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial condition of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, PROVIDED that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a) so long as such Form 10-Q contains the financial statements described in clauses (i) and (ii) hereof;

(b) ANNUAL STATEMENTS -- within 105 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in stockholders' equity and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied

(A) by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit),

provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and

Exchange Commission, together with the accountant's certificate described in clause (B) above, shall be deemed to satisfy the requirements of this Section 7.1(b) so long as such Form 10-K contains the financial statements described in clauses (i) and (ii) hereof;

(c) UNRESTRICTED SUBSIDIARIES -- if, at the time of delivery of any financial statements pursuant to Section 7.1(a) or (b), Unrestricted Subsidiaries account for more than 10% of (i) the consolidated total assets of the Company and its Subsidiaries reflected in the balance sheet included in such financial statements or (ii) the consolidated revenues of the Company and its Subsidiaries reflected in the consolidated statement of income included in such financial statements, an unaudited balance sheet for all Unrestricted Subsidiaries taken as whole as at the end of the fiscal period included in such financial statements and the related unaudited statements of income, stockholders' equity and cash flows for such Unrestricted Subsidiaries for such period, together with consolidating statements reflecting all eliminations or adjustments necessary to reconcile such group financial statements to the consolidated financial statements of the Company and its Subsidiaries;

(d) SEC AND OTHER REPORTS -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Restricted Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Restricted Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Company or any Restricted Subsidiary to the public concerning developments that are Material;

(e) NOTICE OF DEFAULT OR EVENT OF DEFAULT -- promptly, and in any event within five Business Days after a Responsible Officer obtains actual knowledge of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(f) ERISA MATTERS -- promptly, and in any event within 10 days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer

Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(g) NOTICES FROM GOVERNMENTAL AUTHORITY -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Restricted Subsidiary from any federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(h) REQUESTED INFORMATION -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes, so long as the gathering of such data does not unreasonably interfere with the Company's or any Subsidiary's ordinary course of business; and

(i) SUPPLEMENTS TO AGREEMENT -- in the event an additional series of Notes is, or is proposed to be, issued under this Agreement, promptly, and in any event within 10 Business Days after execution and delivery thereof, a true copy of the Supplement pursuant to which such Notes are to be, or were, issued.

7.2. OFFICER'S CERTIFICATE.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or (b) shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) COVENANT COMPLIANCE -- the information (including supporting calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.1 through Section 10.14, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) EVENT OF DEFAULT -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Restricted Subsidiaries from

the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including any such event or condition resulting from the failure of the Company or any Restricted Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3. INSPECTION.

The Company will permit the representatives of each holder of Notes that is an Institutional Investor:

(a) NO DEFAULT -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing, but not more often than once a quarter; and

(b) DEFAULT -- if a Default or Event of Default then exists, at the expense of the Company (provided that such expense is reasonably incurred) and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with the Company's officers, and its independent public accountants, and to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing.

8. PREPAYMENT OF THE NOTES.

8.1. REQUIRED PREPAYMENTS.

(a) NO SCHEDULED PREPAYMENTS. No regularly scheduled prepayments are due on the Series 1999 Notes prior to their stated maturity.

(b) CHANGE OF CONTROL PREPAYMENTS. Upon the occurrence of a Change of Control Event, the Company, upon notice as provided below, shall offer to prepay the entire principal amount of the Notes at 100% of the principal amount thereof, plus accrued interest and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company shall give notice of any offer to prepay the Notes to each holder of the Notes within 15 days after any Responsible Officer has knowledge of a Change of Control Event. Such notice shall specify (i) the nature of the Change of Control Event, (ii) the date fixed for prepayment which, to the extent practicable, shall be not less than 30 or more than 60 calendar days after the date of such

notice, but in any event shall not be later than the Effective Date of the Change of Control if it has not occurred or 15 days thereafter if it has occurred, (iii) the estimated Effective Date of the Change of Control if it has not occurred, (iv) the interest to be paid on the prepayment date with respect to such principal amount being prepaid and (v) the date by which any holder of a Note that wishes to accept such offer must deliver notice thereof to the Company, which shall not be sooner than 15 days after receipt by a holder of such notice. The notice shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Failure by a holder of Notes to respond to an offer made pursuant to this Section 8.1(b) shall be deemed to constitute acceptance of such offer by such holder. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of the Make-Whole Amount as of the specified prepayment date. If any holder of Notes objects to such calculation by written notice to the Company, the Make-Whole Amount calculated by such holder and specified in such notice shall be final and binding on the Company, absent demonstrable error, with respect to the prepayment of the Notes held by all holders.

The obligation of the Company to prepay Notes pursuant to the offers required by, and accepted in accordance with, this paragraph (b) is subject to the effectiveness of the Change of Control Event in respect of which such offers and acceptances shall have been made. In the event that the Effective Date of the Change of Control does not occur on the proposed prepayment date in respect thereof, the prepayment shall be deferred until and shall be made on the Effective Date of the Change of Control. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the expected Effective Date of the Change of Control and (iii) any determination by the Company that efforts to consummate the change of control constituting the Change of Control Event have ceased or been abandoned (in which case the offers and acceptances made pursuant to this Section 8.1(b) shall be deemed rescinded).

8.2. OPTIONAL PREPAYMENTS WITH MAKE-WHOLE AMOUNT.

The Company may, at its option, upon notice as provided below, prepay on any Business Day all, or from time to time any part of, the Notes of any series, including the Series 1999 Notes (but not a separate series within the Series 1999 Notes; it being understood that any prepayment with respect to the Series 1999 Notes shall be allocated pro rata among all Series 1999 Notes at the time outstanding), in an amount not less than \$2,000,000 in the aggregate in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus accrued interest and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes of the series to be prepaid written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the Business Day fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as

to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date. If any holder of Notes objects to such calculation by written notice to the Company, the Make-Whole Amount calculated by such holder and specified in such notice shall be final and binding on the Company, absent demonstrable error, with respect to the prepayment of the Notes held by all holders.

8.3. ALLOCATION OF PARTIAL PREPAYMENTS.

In the case of each partial prepayment of the Notes of a series (but not a separate series within the Series 1999 Notes), the principal amount of the Notes of such series to be prepaid shall be allocated among all of the Notes of such series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. In the case of each prepayment of the Series 1999 Notes, the principal amount to be prepaid shall be allocated pro rata among all of the Series 1999 Notes at the time outstanding.

8.4. MATURITY; SURRENDER, ETC.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.5. PURCHASE OF NOTES.

The Company will not, and will not permit any Affiliate to, purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.6. MAKE-WHOLE AMOUNT.

The term "MAKE-WHOLE AMOUNT" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, PROVIDED that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"CALLED PRINCIPAL" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.1(b) or Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"DISCOUNTED VALUE" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"REINVESTMENT YIELD" means, with respect to the Called Principal of any Note, .50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as the "PX Screen" on the Bloomberg Financial Market Service (or such other display as may replace the PX Screen on Bloomberg Financial Market Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life.

"REMAINING AVERAGE LIFE" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"REMAINING SCHEDULED PAYMENTS" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, PROVIDED that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment

will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"SETTLEMENT DATE" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.1(b) or Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1. COMPLIANCE WITH LAW.

The Company will, and will cause each Subsidiary to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2. INSURANCE.

The Company will, and will cause each Restricted Subsidiary to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3. MAINTENANCE OF PROPERTIES.

The Company will and will cause each Restricted Subsidiary to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4. PAYMENT OF TAXES AND CLAIMS.

The Company will, and will cause each Subsidiary to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Restricted Subsidiary, provided that neither the Company nor any Subsidiary need file any such return or pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonfiling of all such returns and the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

9.5. CORPORATE EXISTENCE, ETC.

Subject to Section 10.9, the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.7 and 10.9, the Company will at all times preserve and keep in full force and effect the corporate existence of each Restricted Subsidiary (unless merged into the Company or a Wholly Owned Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect. 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1. ADJUSTED CONSOLIDATED NET WORTH.

The Company will not permit Adjusted Consolidated Net Worth at any time to be less than the sum of (a) \$250,000,000, plus (b) the cumulative sum of 50% of Consolidated Net Income, (but only if a positive number) for each completed fiscal quarter, or portion thereof, ending after June 30, 1999, plus (c) 100% of the increases in Adjusted Consolidated Net Worth resulting from any sale or issuance of any equity securities (other than the Trust Convertible Preferred Securities), of, or any other additions to capital by, the Company or its Restricted Subsidiaries during each completed fiscal quarter, or portion thereof, ending after June 30, 1999.

10.2. CONSOLIDATED INDEBTEDNESS.

The Company will not permit the ratio of Consolidated Indebtedness to Consolidated Total Capitalization to be greater than 60% at any time.

10.3. INDEBTEDNESS OF RESTRICTED SUBSIDIARIES.

The Company will not permit any Restricted Subsidiary to create, assume, incur or otherwise become liable for, directly or indirectly, any Indebtedness, other than:

(a) Indebtedness owed to the Company or a Wholly Owned Restricted Subsidiary;

(b) Indebtedness of a Subsidiary outstanding at the time of its acquisition by the Company and initial designation as a Restricted Subsidiary, provided that (i) such Indebtedness was not incurred in contemplation of such Subsidiary becoming a Restricted Subsidiary and (ii) immediately after giving effect to the designation of such Subsidiary as a Restricted Subsidiary, no Default or Event of Default would exist;

(c) Guaranties of Indebtedness of the Company by a Subsidiary Guarantor;

(d) additional Indebtedness, provided that after giving effect to the incurrence thereof and the application of the proceeds thereof, Priority Debt does not exceed 25% of Adjusted Consolidated Net Worth.

10.4. FIXED CHARGE COVERAGE RATIO.

The Company will not permit the ratio (calculated as of the end of each fiscal quarter) of Consolidated Income Available for Fixed Charges to Consolidated Fixed Charges for the period of four quarters ending as of each fiscal quarter to be less than 1.75 to 1.00 at any time.

10.5. RESTRICTED PAYMENTS.

The Company will not, and will not permit any Restricted Subsidiary to, at any time, declare or make, or incur any liability to declare or make, any Restricted Payment or Restricted Investment unless immediately after giving effect to such action no Default or Event of Default would exist.

10.6. LIENS.

The Company will not, and will not permit any Restricted Subsidiary to, permit to exist, create, assume or incur, directly or indirectly, any Lien on its properties or assets, whether now owned or hereafter acquired, except:

(a) Liens for taxes, assessments or governmental charges not then due and delinquent or the nonpayment of which is permitted by Section 9.4;

(b) Liens incidental to the conduct of business or the ownership of properties and assets (including landlords', lessors', carriers', warehousemen's, mechanics', materialmen's and other similar Liens) and Liens to secure the performance of bids, tenders, leases or trade contracts, or to secure statutory obligations (including obligations under workers compensation, unemployment insurance and other social security

legislation), surety or appeal bonds or other Liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money;

(c) any judgment Lien, unless the judgment it secures has not, within 60 days after the entry thereof, been discharged or execution thereof stayed pending appeal, or has not been discharged within 60 days after the expiration of any such stay;

(d) Liens securing Indebtedness of a Restricted Subsidiary to the Company or to another Wholly Owned Restricted Subsidiary;

(e) Liens existing on property of the Company or any Restricted Subsidiary as of the date of this Agreement that are described in Schedule 10.6;

(f) Liens in the nature of leases, subleases, zoning restrictions, easements, rights of way and other rights and restrictions of record on the use of real property, and defects in title, incidental to the ownership of property or incurred in the ordinary course of business, which, individually and in the aggregate, do not materially impair the use or value of the property subject thereto;

(g) Liens (i) existing on property at the time of its acquisition by the Company or a Restricted Subsidiary and not created in contemplation thereof, whether or not the Indebtedness secured by such Lien is assumed by the Company or a Restricted Subsidiary; or (ii) on property created contemporaneously with its acquisition or within 270 days of the acquisition or completion of construction thereof to secure or provide for all or a portion of the purchase price or cost of construction of such property; or (iii) existing on property of a Person at the time such Person is merged or consolidated with, or becomes a Restricted Subsidiary of, or substantially all of its assets are acquired by, the Company or a Restricted Subsidiary and not created in contemplation thereof; PROVIDED that in the case of clauses (i), (ii) and (iii) such Liens do not extend to additional property of the Company or any Restricted Subsidiary (other than property that is an improvement to or is acquired for specific use in connection with the subject property) and, in the case of clause (ii) only, that the aggregate principal amount of Indebtedness secured by each such Lien does not exceed the lesser of the fair market value (determined in good faith by the board of directors of the Company or by one or more officers of the Company to whom authority to enter into such transaction has been delegated by the board of directors) or cost of acquisition or construction of the property subject thereto;

(h) Liens resulting from extensions, renewals or replacements of Liens permitted by paragraphs (e) and (g), PROVIDED that (i) there is no increase in the principal amount or decrease in maturity of the Indebtedness secured thereby at the time of such extension, renewal or replacement, (ii) any new Lien attaches only to the same property theretofore subject to such earlier Lien and (iii) immediately after such extension, renewal or replacement no Default or Event of Default would exist; and

(i) additional Liens securing Indebtedness not otherwise permitted by paragraphs (a) through (h) above, provided that, at the time of creation, assumption or incurrence thereof and immediately after giving effect thereto and to the application of the

proceeds therefrom, Priority Debt outstanding does not exceed 25% of Adjusted Consolidated Net Worth.

10.7. SALE OF ASSETS.

The Company will not, and will not permit any Restricted Subsidiary to, sell, lease, transfer or otherwise dispose of, including by way of merger (collectively a "DISPOSITION"), any assets, including capital stock of Restricted Subsidiaries, in one or a series of transactions, to any Person, other than (a) Dispositions in the ordinary course of business, (b) Dispositions by a Restricted Subsidiary to the Company or another Restricted Subsidiary, (c) Dispositions permitted by Section 10.8, or (d) Dispositions not otherwise permitted by this Section 10.7, provided that (i) each such Disposition is for a consideration at least equal to the fair market value of the property subject thereto and (ii) the aggregate net book value of all assets so disposed of in any fiscal year pursuant to this Section 10.7(d) does not exceed 10% of Consolidated Total Assets as of the end of the immediately preceding fiscal year. Notwithstanding the foregoing, the Company may, or may permit any Restricted Subsidiary to, make a Disposition and the assets subject to such Disposition shall not be subject to or included in the foregoing limitation and computation contained in clause (d) of the preceding sentence to the extent that, within one year of such Disposition, the net proceeds from such Disposition are (A) reinvested in productive assets by the Company or a Restricted Subsidiary or (B) applied to the payment or prepayment of other outstanding Indebtedness of the Company or any Restricted Subsidiary that is not subordinated to the Notes and offered by the Company to be applied (not less than 30 nor more than 60 days following such offer) to the prepayment of the Notes on a pro rata basis with such other Indebtedness at a price of 100% of the principal amount of the Notes to be prepaid together with interest accrued to the date of prepayment, without payment of any Make-Whole Amount; provided that if any holder of the Notes declines such offer, the proceeds that would have been paid to such holder shall be offered pro rata to the other holders of the Notes that have accepted the offer.

10.8. SALE-AND-LEASEBACKS.

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale-and-Leaseback Transaction unless:

(a) immediately after giving effect thereto, the sum of (i) the aggregate amount of all Attributable Debt of the Company and its Restricted Subsidiaries and (ii) outstanding Priority Debt does not exceed 25% of Adjusted Consolidated Net Worth; or

(b) the net proceeds of such Sale-and-Leaseback Transaction received by the Company or such Restricted Subsidiary are applied within 180 days of consummation thereof to the acquisition of productive assets or to the payment or prepayment of other outstanding Indebtedness of the Company or any Restricted Subsidiary that is not subordinated to the Notes and offered by the Company to be applied (not less than 30 nor more than 60 days following such offer) to the prepayment of the Notes on a pro rata basis with such other Indebtedness at a price of 100% of the principal amount of the Notes to be prepaid together with interest accrued to the date of prepayment, without payment of any Make-Whole Amount; provided that if any holder of the Notes declines

such offer, the proceeds that would have been paid to such holder shall be offered pro rata to the other holders of the Notes that have accepted the offer.

10.9. MERGERS, CONSOLIDATIONS, ETC.

The Company will not, and will not permit any Restricted Subsidiary to, consolidate with or merge with any other Person or convey, transfer, sell or lease all or substantially all of its assets in a single transaction or series of transactions to any Person except that:

(a) the Company may consolidate or merge with any other Person or convey, transfer, sell or lease all or substantially all of its assets in a single transaction or series of transactions to any Person, provided that:

(i) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer, sale or lease all or substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any state thereof (including the District of Columbia), and, if the Company is not such corporation, such corporation (y) shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes and (z) shall have caused to be delivered to each holder of any Notes an opinion of independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(ii) immediately before and after giving effect to such transaction, no Default or Event of Default shall exist; and

(b) Any Restricted Subsidiary may (x) merge into the Company (provided that the Company is the surviving corporation) or another Wholly Owned Restricted Subsidiary or (y) sell, transfer or lease all or any part of its assets to the Company or another Wholly Owned Restricted Subsidiary, or (z) merge or consolidate with, or sell, transfer or lease all or substantially all of its assets to, any Person in a transaction that is permitted by Section 10.7 or, as a result of which, such Person becomes a Restricted Subsidiary; PROVIDED in each instance set forth in clauses (x) through (z) that, immediately before and after giving effect thereto, there shall exist no Default or Event of Default;

10.10. DISPOSITION OF STOCK OF RESTRICTED SUBSIDIARIES.

The Company will not permit any Restricted Subsidiary to issue its capital stock, or any warrants, rights or options to purchase, or securities convertible into or exchangeable for, such capital stock, to any Person other than the Company or another Restricted Subsidiary except that, (i) where required by applicable law, up to 20% of the outstanding capital stock of a Restricted Subsidiary may be issued to and held by employees of the Company or any such

Restricted Subsidiary who are licensed funeral directors and (ii) in connection with the Carriage Business Development Program not more than ten Restricted Subsidiaries may issue preferred securities to not more than 20 individuals in the aggregate. The Company will not, and will not permit any Restricted Subsidiary to, sell, transfer or otherwise dispose of any shares of capital stock of a Restricted Subsidiary if such sale would be prohibited by Section 10.7, except that, where required by applicable law, up to 20% of the outstanding capital stock of a Restricted Subsidiary may be sold to and held by employees of the Company or any such Restricted Subsidiary who are licensed funeral directors. Notwithstanding anything in this Section 10.10 to the contrary, the Company will not permit more than 20% of the outstanding capital stock of a Restricted Subsidiary to be held by Persons other than the Company or another Restricted Subsidiary for purposes of requiring with applicable law. If a Restricted Subsidiary at any time ceases to be such as a result of a sale or issuance of its capital stock, any Liens on property of the Company or any other Restricted Subsidiary securing Indebtedness owed to such Restricted Subsidiary that is not contemporaneously repaid, together with such Indebtedness, shall be deemed to have been incurred by the Company or such other Restricted Subsidiary, as the case may be, at the time such Restricted Subsidiary ceases to be a Restricted Subsidiary.

10.11. DESIGNATION OF UNRESTRICTED AND RESTRICTED SUBSIDIARIES.

The Company may designate any Restricted Subsidiary as an Unrestricted Subsidiary and any Unrestricted Subsidiary as a Restricted Subsidiary; provided that, (a) if such Subsidiary initially is designated a Restricted Subsidiary, then such Restricted Subsidiary may be subsequently designated as an Unrestricted Subsidiary and such Unrestricted Subsidiary may be subsequently designated as a Restricted Subsidiary, but no further changes in designation may be made, (b) if such Subsidiary initially is designated an Unrestricted Subsidiary, then such Unrestricted Subsidiary may be subsequently designated as a Restricted Subsidiary and such Restricted Subsidiary may be subsequently designated as an Unrestricted Subsidiary, but no further changes in designation may be made, (c) immediately before and after designation of a Restricted Subsidiary as an Unrestricted Subsidiary there exists no Default or Event of Default and (d) a Subsidiary Guarantor may not be designated an Unrestricted Subsidiary. If a Restricted Subsidiary at any time ceases to be such as a result of a redesignation, any Liens on property of the Company or any other Restricted Subsidiary securing Indebtedness owed to such Restricted Subsidiary that is not contemporaneously repaid, together with such Indebtedness, shall be deemed to have been incurred by the Company or such other Restricted Subsidiary, as the case may be, at the time such Restricted Subsidiary ceases to be a Restricted Subsidiary.

10.12. NATURE OF BUSINESS.

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business if, as a result, the general nature of the business in which the Company and its Restricted Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company and its Restricted Subsidiaries, taken as a whole, are engaged on the date of this Agreement as described in the Memorandum.

10.13. TRANSACTIONS WITH AFFILIATES.

The Company will not and will not permit any Restricted Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including

the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Restricted Subsidiary), except upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

10.14. SUBSIDIARY GUARANTIES.

The Company will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor to become a signatory to the Bank Guaranty (or otherwise guarantee bank obligations) or to another Guaranty of Indebtedness of the Company or another Restricted Subsidiary unless, concurrently therewith, such Restricted Subsidiary becomes a signatory to the Subsidiary Guaranty.

11. EVENTS OF DEFAULT.

An "EVENT OF DEFAULT" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Sections 7.1(e) or 10.1 through 10.14; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note; or

(e) any representation or warranty made in writing by or on behalf of the Company or any Subsidiary Guarantor or by any officer of the Company or any Subsidiary Guarantor in this Agreement or the Subsidiary Guaranty or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount in excess of the lesser of \$20,000,000 or 5% of Adjusted Consolidated Net Worth beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness that is outstanding in an aggregate principal amount in excess of the lesser of \$20,000,000 or 5% of Adjusted Consolidated Net Worth or of any

mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the giving of notice of optional redemption, the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), the Company or any Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount in excess of the lesser of \$20,000,000 or 5% of Adjusted Consolidated Net Worth; or

(g) the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any Subsidiary, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any Subsidiary, or any such petition shall be filed against the Company or any Subsidiary and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of the lesser of \$20,000,000 or 5% of Adjusted Consolidated Net Worth are rendered against one or more of the Company and its Subsidiaries, which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed the lesser of \$20,000,000 or 5% of Adjusted

Consolidated Net Worth, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(k) any Subsidiary Guarantor defaults in the performance of or compliance with any term contained in the Subsidiary Guaranty or the Subsidiary Guaranty ceases to be in full force and effect as a result of acts taken by the Company or any Subsidiary Guarantor, except as provided in Section 22, or is declared to be null and void in whole or in Material part by a court or other governmental or regulatory authority having jurisdiction or the validity or enforceability thereof shall be contested by any of the Company or any Subsidiary Guarantor or any of them renounces any of the same or denies that it has any or further liability thereunder.

As used in Section 11(j), the terms "EMPLOYEE BENEFIT PLAN" and "EMPLOYEE WELFARE BENEFIT PLAN" shall have the respective meanings assigned to such terms in section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1. ACCELERATION.

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Series 1999 Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of a majority or more in principal amount of the Series 1999 Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Series 1999 Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by

applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. OTHER REMEDIES.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. RESCISSION.

At any time after any Series 1999 Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than a majority in principal amount of the Series 1999 Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Series 1999 Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Series 1999 Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. NO WAIVERS OR ELECTION OF REMEDIES, EXPENSES, ETC.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1. REGISTRATION OF NOTES.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor, promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2. TRANSFER AND EXCHANGE OF NOTES.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver within five Business Days, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same series in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Note established for such series. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$500,000, PROVIDED that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

13.3. REPLACEMENT OF NOTES.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (PROVIDED that if the holder of such Note is, or is a nominee for, an original Purchaser or another Institutional Investor holder of a Note with a minimum net worth of at least \$50,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver within five Business Days, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1. PLACE OF PAYMENT.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in Chicago, Illinois at the principal office of Bank of America in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2. HOME OFFICE PAYMENT.

So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

15. EXPENSES, ETC.

15.1. TRANSACTION EXPENSES.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of special counsel for you and the Other Purchasers collectively and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of

this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the reasonable costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you).

15.2. SURVIVAL.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1. REQUIREMENTS.

This Agreement, the Series 1999 Notes, the Subsidiary Guaranty and the Intercreditor Agreement may be amended, and the observance of any term hereof or of the Series 1999 Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Series 1999 Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or change the rate or time of payment or method of computation of interest or of the Make-

Whole Amount on, the Series 1999 Notes, (ii) change the percentage of the principal amount of the Series 1999 Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

17.2. SOLICITATION OF HOLDERS OF NOTES.

(a) SOLICITATION. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) PAYMENT. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

17.3. BINDING EFFECT, ETC.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "THIS AGREEMENT" or "THE AGREEMENT" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

17.4. NOTES HELD BY COMPANY, ETC.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "CONFIDENTIAL INFORMATION" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified in writing when received by you as being confidential information of the Company or such Subsidiary, PROVIDED that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf, (c) otherwise becomes

known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, PROVIDED that you may deliver or disclose Confidential Information to (i) your directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

22. RELEASE OF SUBSIDIARY GUARANTY

You and each subsequent holder of a Note agree to release any Subsidiary Guarantor from the Subsidiary Guaranty at such time as the lenders party to the Credit Agreement release such Subsidiary from the Bank Guaranty; provided, however, that (a) you and each subsequent holder shall not be required to release a Subsidiary Guarantor from the Subsidiary Guaranty if (i) such Subsidiary Guarantor is, or is to become, a borrower under the Credit Agreement or (ii) such release is part of a plan of financing that contemplates such Subsidiary Guarantor guaranteeing any other Indebtedness of the Company, and (b) your obligation to release a Subsidiary Guarantor from the Subsidiary Guaranty is conditioned upon your prior receipt of a certificate from a Senior Financial Officer of the Company stating that neither of the circumstances described in clauses (a) (i) and (a) (ii) above are true. 23. MISCELLANEOUS.

23.1. SUCCESSORS AND ASSIGNS.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

23.2. PAYMENTS DUE ON NON-BUSINESS DAYS.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

23.3. SEVERABILITY.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

23.4. CONSTRUCTION.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

23.5. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

23.6. GOVERNING LAW.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

23.7. INTERCREDITOR AGREEMENT.

Each holder of a Note agrees to execute a counterpart of the Intercreditor Agreement and to be bound thereby.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

CARRIAGE SERVICES, INC.

By: _____
Name: _____
Title: _____

S-1

The foregoing is agreed to as of the date thereof.

AMERICAN GENERAL ANNUITY INSURANCE COMPANY

MERIT LIFE INSURANCE CO.

THE FRANKLIN LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

C.M. LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

BAYSTATE HEALTH SYSTEMS INC.

By: _____
Name: _____
Title: _____

MINNESOTA LIFE INSURANCE COMPANY

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

GREAT WESTERN INSURANCE COMPANY

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

THE CATHOLIC AID ASSOCIATION

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

PROTECTED HOME MUTUAL LIFE INSURANCE COMPANY

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

GUARANTEE RESERVE LIFE INSURANCE COMPANY

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

NATIONAL TRAVELERS LIFE COMPANY

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

MUTUAL TRUST LIFE INSURANCE COMPANY

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

FARM BUREAU LIFE INSURANCE COMPANY OF MICHIGAN

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

FARM BUREAU MUTUAL INSURANCE COMPANY OF MICHIGAN

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

FARM BUREAU GENERAL INSURANCE COMPANY OF MICHIGAN

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

UNITY MUTUAL LIFE INSURANCE COMPANY -
ANNUITY PORTFOLIO

By: ADVANTUS CAPITAL MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

MONY LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

THE TRAVELERS INSURANCE COMPANY

By: _____
Name: _____
Title: _____

THE TRAVELERS INSURANCE COMPANY, for one of
its separate accounts

By: _____
Name: _____
Title: _____

THE CANADA LIFE ASSURANCE COMPANY

By: _____
Name: Paul English
Title: Associate Treasurer

CANADA LIFE INSURANCE COMPANY OF AMERICA

By: _____
Name: Paul English
Title: Assistant Treasurer

CANADA LIFE INSURANCE COMPANY OF NEW YORK

By: _____
Name: Paul English
Title: Assistant Treasurer

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----
AMERICAN GENERAL ANNUITY INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED ----- SERIES 1999-A SERIES 1999-B SERIES 1999-C ----- <div style="text-align: right;">\$10,000,000</div>

Register Notes in the name of: American General Annuity Insurance Company

- (1) All payments to be by wire transfer of immediately available funds, with sufficient information (including PPN#, interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds, to:

ABA #011000028
 State Street Bank and Trust Company
 Boston, MA 02101
 Re: American General Annuity Insurance Company
 AC-7215-132-7
 OBI=PPN# and description of payment
 Fund Number WE1B

- (2) Payment notices to:

American General Annuity Insurance Company and WE1B
 c/o State Street Bank and Trust Company
 Insurance Services WES2S
 105 Rosemont Road
 Westwood, MA 02090
 Fax: (781) 302-8005

- (3) Duplicate payment notices and ALL OTHER CORRESPONDENCES to:

American General Annuity Insurance Company
 c/o American General Corporation
 Attn: Investment Research Department, A37-01
 P.O. Box 3247
 Houston, Texas 77253-3247

Overnight Mail Address: 2929 Allen Parkway, A37-01
 Houston, Texas 77019-2155

Fax: (713) 831-1366

Schedule A

(4) Deliver Notes to:

State Street Bank and Trust Company
Securities Services
225 Franklin Street
Boston, MA 02105
Attention: Mr. David A. Kay - Receive and Deliver

with transmittal letter requesting that State Street confirm receipt of
the security and transmit by regular mail photocopies of such securities
to:

Carolyn Lee
American General Investment Management, L.P.
P.O. Box 3247
Houston, TX 77253-3247
(713) 831-1217

Tax I.D. #75-0770838

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----
MERIT LIFE INSURANCE CO.	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----
	SERIES 1999-A SERIES 1999-B SERIES 1999-C -----
	\$5,000,000

Register Notes in the name of: Merit Life Insurance Company

- (1) All payments to be by wire transfer of immediately available funds, with sufficient information (including PPN#, interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds, to:

ABA #011000028
State Street Bank and Trust Company
Boston, MA 02101
Re: Merit Life Insurance Company
AC-4653-082-0
OBI=PPN# and description of payment
Fund Number PA 20

- (2) Payment notices to:

Merit Life Insurance Company and PA 20
c/o State Street Bank and Trust Company
Insurance Services WES2S
105 Rosemont Road
Westwood, MA 02090
Fax: (781) 302-8005

- (3) Duplicate payment notices and ALL OTHER CORRESPONDENCES to:

Merit Life Insurance Company
c/o American General Corporation
Attn: Investment Research Department, A37-01
P.O. Box 3247
Houston, Texas 77253-3247

Overnight Mail Address: 2929 Allen Parkway, A37-01
Houston, Texas 77019-2155
Fax: (713) 831-1366

(4) Deliver Notes to:

State Street Bank and Trust Company
Securities Services
225 Franklin Street
Boston, MA 02105
Attention: Mr. David A. Kay - Receive and Deliver

with transmittal letter requesting that State Street confirm receipt of
the security and transmit by regular mail photocopies of such securities
to:

Carolyn Lee
American General Investment Management, L.P.
P.O. Box 3247
Houston, TX 77253-3247
(713) 831-1217

Tax I.D. #35-1005090

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
THE FRANKLIN LIFE INSURANCE	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C -----
			\$10,000,000

Register Notes in the name of: The Franklin Life Insurance Company

- (1) All payments to be by wire transfer of immediately available funds, with sufficient information (including PPN#, interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds, to:

ABA #011000028
 State Street Bank and Trust Company
 Boston, MA 02101
 Re: The Franklin Life Insurance Company
 AC-2492-440-9
 OBI=PPN# and description of payment
 Fund Number PA 37

- (2) Payment notices to:

The Franklin Life Insurance Company and PA 37
 c/o State Street Bank and Trust Company
 Insurance Services WES2S
 105 Rosemont Road
 Westwood, MA 02090
 Fax: (781) 302-8005

- (3) Duplicate payment notices and ALL OTHER CORRESPONDENCES to:

The Franklin Life Insurance Company
 c/o American General Corporation
 Attn: Investment Research Department, A37-01
 P.O. Box 3247
 Houston, Texas 77253-3247

Overnight Mail Address: 2929 Allen Parkway, A37-01
 Houston, Texas 77019-2155

Fax: (713) 831-1366

(4) Deliver Notes to:

State Street Bank and Trust Company
Securities Services
225 Franklin Street
Boston, MA 02105
Attention: Mr. David A. Kay - Receive and Deliver

with transmittal letter requesting that State Street confirm receipt of
the security and transmit by regular mail photocopies of such securities
to:

Carolyn Lee
American General Investment Management, L.P.
P.O. Box 3247
Houston, TX 77253-3247
(713) 831-1217

Tax I.D. #37-0281650

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$4,300,000	\$4,300,000	

Register Notes in the name of: Massachusetts Mutual Life Insurance Company

- (1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds (identifying each payment as Carriage Services, Inc., 7.73% Senior Notes, Series 1999-A, due July 30, 2004 OR 7.96% Senior Notes, Series 1999-B, due July 30, 2006 (as appropriate) interest and principal) to:

Citibank, N.A.
111 Wall Street
New York, NY 10043
ABA No. 021000089
For MassMutual Spot Priced Contract
Account No. 3890-4953

Re: Carriage Services, Inc., 7.73% Senior Notes, Series 1999-A, due July 30, 2004 OR 7.96% Senior Notes, Series 1999-B, due July 30, 2006 (as appropriate), principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Massachusetts Mutual Life Insurance Company at (413) 744-3561

- (2) All notices and communications (except notices with respect to payments) to:

Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111
Attn: Securities Investment Division

- (3) Notices with respect to payments:

Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111
Attention: Securities Custody and Collection Department F 381

Tax ID #04-1590850

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$2,600,000	\$2,800,000	

Register Notes in the name of: Massachusetts Mutual Life Insurance Company

- (1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds (identifying each payment as Carriage Services, Inc., 7.73% Senior Notes, Series 1999-A, due July 30, 2004 OR 7.96% Senior Notes, Series 1999-B, due July 30, 2006 (as appropriate) interest and principal) to:

Citibank, N.A.
111 Wall Street
New York, NY 10043
ABA No. 021000089
For MassMutual Long-Term Pool
Account No. 4067-3488

Re: Carriage Services, Inc., 7.73% Senior Notes, Series 1999-A, due July 30, 2004 OR 7.96% Senior Notes, Series 1999-B, due July 30, 2006 (as appropriate), principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Massachusetts Mutual Life Insurance Company at (413) 744-3561

- (2) All notices and communications (except notices with respect to payments) to:

Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111
Attn: Securities Investment Division

- (3) Notices with respect to payments:

Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111
Attention: Securities Custody and Collection Department F 381

Tax ID #04-1590850

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$1,900,000	\$1,900,000	

Register Notes in the name of: Massachusetts Mutual Life Insurance Company

- (1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds (identifying each payment as Carriage Services, Inc., 7.73% Senior Notes, Series 1999-A, due July 30, 2004 OR 7.96% Senior Notes, Series 1999-B, due July 30, 2006 (as appropriate) interest and principal) to:

Chase Manhattan Bank, N.A.
 4 Chase MetroTech Center
 New York, NY 10081
 ABA No. 021000021
 For MassMutual Pension Management
 Account No. 910-2594018
 Re: Carriage Services, Inc., 7.73% Senior Notes, Series 1999-A, due
 July 30, 2004 OR 7.96% Senior Notes, Series 1999-B, due July 30,
 2006 (as appropriate), principal and interest split

With telephone advice of payment to the Securities Custody and
 Collection Department of Massachusetts Mutual Life Insurance Company at
 (413) 744-3561

- (2) All notices and communications (except notices with respect to payments) to:

Massachusetts Mutual Life Insurance Company
 1295 State Street
 Springfield, MA 01111
 Attn: Securities Investment Division

- (3) Notices with respect to payments:

Massachusetts Mutual Life Insurance Company
 1295 State Street
 Springfield, MA 01111
 Attention: Securities Custody and Collection Department F 381

Tax ID #04-1590850

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
C.M. LIFE INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED		
INSURANCE COMPANY	-----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$1,000,000	\$1,000,000	

Register Notes in the name of: C.M. Life Insurance Company

- (1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds (identifying each payment as Carriage Services, Inc., 7.73% Senior Notes, Series 1999-A, due July 30, 2004 OR 7.96% Senior Notes, Series 1999-B, due July 30, 2006 (as appropriate) interest and principal) to:

Citibank, N.A.
111 Wall Street
New York, NY 10043
ABA No. 021000089
For Segment 43 - Universal Life
Account No. 4068-6561

Re: Carriage Services, Inc., 7.73% Senior Notes, Series 1999-A, due July 30, 2004 OR 7.96% Senior Notes, Series 1999-B, due July 30, 2006 (as appropriate), principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Massachusetts Mutual Life Insurance Company at (413) 744-3561

- (2) All notices and communications (except notices with respect to payments) to:

C.M. Life Insurance Company
c/o Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111
Attn: Securities Investment Division

- (3) Notices with respect to payments:

C.M. Life Insurance Company
c/o Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111
Attention: Securities Custody and Collection Department F 381

Tax ID #06-1041383

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
BAYSTATE HEALTH SYSTEMS INC.	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$200,000	\$1,000,000	

Register Notes in the name of: MAC & CO.

- (1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds (identifying each payment as Carriage Services, Inc., 7.73% Senior Notes, Series 1999-A, due July 30, 2004 OR 7.96% Senior Notes, Series 1999-B, due July 30, 2006 (as appropriate) interest and principal) to:

Boston Safe Deposit and Trust Company
 ABA No. 011001234
 DDA No. 108111
 Ref: BayState Health Systems Intermediate Aggregate
 A/C #BPOF3001002

- (2) All notices and communications, including notices with respect to payments, to be addressed:

Boston Safe Deposit and Trust Company
 Attention: Jack Dahlsted
 Mail Stop 0280032
 One Cabot Road
 Medford, MA 02155

- (3) Send Note to:

Mellon Securities Trust Company
 120 Broadway, 13th Floor
 New York, NY 10271
 Re: BayState Health Systems Intermediate Aggregate
 A/C #BPOF3001002

Tax ID #04-2105941

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
MINNESOTA LIFE INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C -----
		\$5,000,000	

Register Notes in the name of: Minnesota Life Insurance Company

- (1) All payments by wire transfer of immediately available funds to:

U.S. Bank Trust N.A.
 Minneapolis, Minnesota
 ABA #091000022
 BNF Minnesota Life Insurance Company
 Account #1801-10-00600-4
 With sufficient information to identify the source and application of such funds.

- (2) The Notes and all other documents and notices should be sent to:

Minnesota Life Insurance Company
 400 Robert Street North
 St. Paul, Minnesota 55101
 Attention: Advantus Capital Management, Inc.
 Fax: (651) 223-5959

Tax I.D. #41-0417830

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
GREAT WESTERN INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$500,000		

Register Notes in the name of: Zions First National Bank for Great Western Insurance Company

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Zions First National Bank
Salt Lake City, UT
ABA #124-0000-54

For credit to: Great Western Insurance Company, Account Number:
80-00005-2

Reference sufficient information to identify the source and application of such funds.

Any checks (in lieu of wire transfer) should be sent to the following address:

Zions First National - Bank Trust Department
P.O. Box 30880
Salt Lake City, UT 84130
Ref: Great Western Insurance Company

- (2) All notices and statements should be sent to the following address:

Great Western Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

Bank of Utah
P.O. Box 231
Ogden, UT 84402
Attn: Richard Carroll, Trust Department

Tax I.D. #87-0395954

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER	Principal Amount of NOTES TO BE PURCHASED
NAME OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
-----	-----
THE CATHOLIC AID ASSOCIATION	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED

	SERIES 1999-A SERIES 1999-B SERIES 1999-C

	\$1,000,000

Register Notes in the name of: VAR & CO.

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

U.S. Bank, N.A.
Minneapolis, MN
ABA #091-000-022

For credit to: U.S. Bank Trust, N.A.
Account Number: 180121167365,
TSU: 47300050

For further credit to: Catholic Aid Association (The)
Account Number: 12614950
Attn: Juleah Foss (651) 244-5958

Reference sufficient information to identify the source and application of such funds.

- (2) All notices and statements should be sent to the following address:

Catholic Aid Association (The)
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

U.S. Bank Trust, N.A.
180 East Fifth Street
St. Paul, MN 55101
Attn: Marilyn Goldberg (SPFT 0901)

Tax I.D. #41-0182070

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
PROTECTED HOME MUTUAL LIFE INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$500,000		

Register Notes in the name of: Norwest Bank MN as Custodian for
Protected Home Mutual Life Insurance Co.

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Norwest Bank Minnesota, N.A.
ABA No. 091-000-019
BNF=Norwest Trust Clearing Mpls
BNFA=0840245
OBI=FFC to: Norwest Client Acct. No. 13371700
Norwest Client Account Name: Protected Home Mutual Life Insurance
Company

Reference sufficient information to identify the source and application of such funds.

- (2) All notices and statements should be sent to the following address:

Protected Home Mutual Life Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

Norwest Bank MN, N.A.
733 Marquette Ave. Lower Level 1
Security Control and Transfer
Minneapolis, MN 55479-0051
Attn: Terrie Loosen (612) 667-0540

Tax I.D. #25-0740310

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
GUARANTEE RESERVE LIFE INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$1,000,000		

Register Notes in the name of: GANT & CO.

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Mercantile National Bank of Indiana
Hammond, IN
ABA #071-912-813

For credit to: Guarantee Reserve Life Insurance Company
Attn: Trust Department, Geneva DeVine
Account Number: 287000

Reference sufficient information to identify the source and application of such funds.

- (2) All notices and statements should be sent to the following address:

Guarantee Reserve Life Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

Mercantile National Bank of Indiana
Ref: Guarantee Reserve Life Insurance Company
5243 Hohman Avenue
Hammond, IN 46320

Tax I.D. #35-0815760

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
NATIONAL TRAVELERS LIFE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C -----
			\$1,000,000

Register Notes in the name of: VAR & CO.

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

U.S. Bank, N.A.
Minneapolis, MN
ABA #091-000-022

For credit to: U.S. Bank Trust, N.A.
Account Number: 180121167365,
TSU: 47300050

For further credit to: National Travelers Life Company
Account Number: 12609110
Attn: Juleah Foss (651) 244-5958

Reference sufficient information to identify the source and application of such funds.

- (2) All notices and statements should be sent to the following address:

National Travelers Life Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

U.S. Bank Trust, N.A.
180 East Fifth Street
St. Paul, MN 55101
Attn: Connie Kemp (SPFT 0901)

Tax I.D. #42-0432940

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
MUTUAL TRUST LIFE INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$1,500,000		

Register Notes in the name of: ELL & CO.

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

The Northern Chgo/Trust
ABA #071-000-152

For credit to: Account Number 5186041000

For further credit to: Mutual Trust Life Insurance Company
Account Number: 26-00621
Attn: Income Collections

Reference sufficient information to identify the source and application of such funds.

- (2) All notices and statements should be sent to the following address:

Mutual Trust Life Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

Northern Trust Company of New York
40 Broad Street, 8th Floor
New York, NY 10004
Attn: Settlements for Account #26-00621,
Mutual Trust Life Ins. Company

Tax I.D. #36-1516780

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
FARM BUREAU LIFE INSURANCE COMPANY OF MICHIGAN	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$4,000,000		

Register Notes in the name of: Farm Bureau Life Insurance Company of Michigan

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Comerica Bank
Detroit, MI
ABA #072-000-096

For credit to: Trust Operation - Fixed Income
Unit Cost Center 98530
Account Number: 21585-98530

For further credit to: Farm Bureau Life Insurance Company of Michigan
Account Number: 011000312124

Reference sufficient information to identify the source and application of such funds.

- (2) All notices and statements should be sent to the following address:

Farm Bureau Life Insurance Company of Michigan
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

Comerica Bank
Attn: Dan Molnar MC 3404
411 West Lafayette
Detroit, MI 48275-3404
Reference: Farm Bureau Life Insurance Company of Michigan
Internal Account Number: 011000312124

Tax I.D. #38-6053670

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
FARM BUREAU LIFE INSURANCE COMPANY OF MICHIGAN	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$1,000,000		

Register Notes in the name of: Farm Bureau Mutual Insurance Company of Michigan

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Comerica Bank
Detroit, MI
ABA #072-000-096

For credit to: Trust Operation - Fixed Income
Unit Cost Center 98530
Account Number: 21585-98530

For further credit to: Farm Bureau Mutual Insurance Company of Michigan
Account Number: 011000312132

Reference sufficient information to identify the source and application of such funds.

- (2) All notices and statements should be sent to the following address:

Farm Bureau Mutual Insurance Company of Michigan
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

Comerica Bank
Trust Securities Services MC 3404
411 West Lafayette
Detroit, MI 48275-3404
Reference: Farm Bureau Mutual Insurance Company of Michigan
Internal Account Number: 011000312132
Attn: Dan Molnar (313) 222-7946

Tax I.D. #38-1316179

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----
FARM BUREAU LIFE INSURANCE COMPANY OF MICHIGAN	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED ----- SERIES 1999-A SERIES 1999-B SERIES 1999-C ----- \$500,000

Register Notes in the name of: Farm Bureau General Insurance Company of Michigan

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Comerica Bank
Detroit, MI
ABA #072-000-096

For credit to: Trust Operation - Fixed Income
Unit Cost Center 98530
Account Number: 21585-98530

For further credit to: Farm Bureau General Insurance Company of Michigan
Account Number: 011000312140

Reference sufficient information to identify the source and application of such funds.

- (2) All notices and statements should be sent to the following address:

Farm Bureau General Insurance Company of Michigan
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

Comerica Bank
Attn: Dan Molnar MC 3462
411 West Lafayette
Detroit, MI 48226-3462
Reference: Farm Bureau General Insurance Company of Michigan
Internal Account Number: 011000312140

Tax I.D. #38-6056228

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
UNITY MUTUAL LIFE INSURANCE COMPANY-ANNUITY PORTFOLIO	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$1,000,000		

Register Notes in the name of: TRULIN & CO.

- (1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Chase NYC
ABA #021-000-021

For credit to: Chase Rochester
DDA# 0000400044
Attn: Ms. Roni Norkus (716) 258-7784

For further credit to: Unity Mutual Life Insurance Company Annuity
Portfolio
Advantus-611002310

reference sufficient information to identify the source and application of funds.

- (2) All notices and statements should be sent to the following address:

Unity Mutual Life Insurance Company-Annuity Portfolio
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

- (3) Deliver original Note to:

Chase Manhattan Bank
Attn: Ms. Roni Norkus
One Chase Square T-10
Rochester, NY 14643

Tax I.D. #15-0475585

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
MONY LIFE INSURANCE COMPANY COMPANY-ANNUITY PORTFOLIO	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$15,000,000		

Register Notes in the name of: J. ROMEO & CO.

- (1) All payments on account of the Notes shall be made by bank wire or intra-bank transfer of Federal or other funds (identifying the issue as Carriage Services, Inc. Senior Notes, Series 1999-B, due July 30, 2006, and the application of the payment as between interest, principal and premium) to:

Chase Manhattan Bank, ABA #021000021
For credit to Private Income Processing Account No. 544-755102

- (2) All notices and confirmations relating to payment:

A. IF BY REGISTERED MAIL, CERTIFIED MAIL OR FEDERAL EXPRESS:

The Chase Manhattan Bank
4 New York Plaza, 13th Floor
New York, NY 10004
Attn: Income Processing - J. Piperato, 13th Floor

IF BY REGULAR MAIL:

The Chase Manhattan Bank
Dept. 3492
P.O. Box 50000
Newark, NJ 07101-8006

B. WITH A SECOND COPY TO:

Telecopy Confirms and Notices:

(212) 708-2152
Attention: Securities Custody

Mailing Confirms and Notices:

MONY Life Insurance Company
1740 Broadway
New York, New York 10019
Attention: Securities Custody
Mail Drop 6-39A

- (3) Address for all other communications:

MONY Life Insurance Company

1740 Broadway
New York, New York 10019
Attention: MONY Capital Management Unit
Telecopy No.: (212) 708-2491

(4) Deliver Notes to the Law Department of MONY Life Insurance Company:

1740 Broadway - 7th floor
New York, NY 10019
Attention: Shannon Cloney, Esq.

Tax I.D. #13-1632487

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
THE TRAVELERS INSURANCE COMPANY COMPANY-ANNUITY PORTFOLIO	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	5,000,000	5,000,000	

Register Notes in the name of: TRAL & CO.

- (1) All payments to be made by crediting (in the form of federal funds bank wire transfer, with sufficient information to identify the source and application of funds) to following account:

The Travelers Insurance Company - Consolidated Private
Placement Account No. 910-2-587434
The Chase Manhattan Bank, N.A.
One Chase Manhattan Plaza
New York, New York 10081
ABA No. 021000021

- (2) All notices with respect to payment should be directed to:

The Travelers Insurance Company
One Tower Square
Hartford, Connecticut 06183-2030
Attention: Investment Group - Cashier 10 PB
Facsimile: 860-277-2299

- (3) All other communications should be directed to:

The Travelers Insurance Company
One Tower Square
Hartford, Connecticut 06183-2030
Attention: Investment Group - Private Placements 9 PB
Facsimile: 860-954-5243

Tax I.D. #06-0566090

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
THE TRAVELERS INSURANCE COMPANY, FOR ONE OF ITS SEPARATE ACCOUNTS	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	4,000,000		

Register Notes in the name of: TRAL & CO.

- (1) All payments to be made by crediting (in the form of federal funds bank wire transfer, with sufficient information to identify the source and application of funds) to following account:

The Travelers Insurance Company - Separate Account TLAC
 Account No. 910-2-739365
 The Chase Manhattan Bank, N.A.
 One Chase Manhattan Plaza
 New York, New York 10081
 ABA No. 021000021

- (2) All notices with respect to payment should be directed to:

The Travelers Insurance Company
 One Tower Square
 Hartford, Connecticut 06183-2030
 Attention: Investment Group - Cashier 10 PB
 Facsimile: 860-277-2299

- (3) All other communications should be directed to:

The Travelers Insurance Company
 One Tower Square
 Hartford, Connecticut 06183-2030
 Attention: Investment Group - Private Placements 9 PB
 Facsimile: 860-954-5243

Tax I.D. #06-0566090

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----
THE TRAVELERS INSURANCE COMPANY, FOR ONE OF ITS SEPARATE ACCOUNTS	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED ----- SERIES 1999-A SERIES 1999-B SERIES 1999-C ----- 1,000,000

Register Notes in the name of: The Travelers Insurance Company, for one of its separate accounts

- (1) All payments to be made by crediting (in the form of federal funds bank wire transfer, with sufficient information to identify the source and application of funds) to following account:

The Travelers Insurance Company - Separate Account SMGA
 Account No. 910-2-720464
 The Chase Manhattan Bank, N.A.
 One Chase Manhattan Plaza
 New York, New York 10081
 ABA No. 021000021

- (2) All notices with respect to payment should be directed to:

The Travelers Insurance Company
 One Tower Square
 Hartford, Connecticut 06183-2030
 Attention: Investment Group - Cashier 10 PB
 Facsimile: 860-277-2299

- (3) All other communications should be directed to:

The Travelers Insurance Company
 One Tower Square
 Hartford, Connecticut 06183-2030
 Attention: Investment Group - Private Placements 9 PB
 Facsimile: 860-954-5243

Tax I.D. #06-0566090

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----
THE CANADA LIFE ASSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----
	SERIES 1999-A SERIES 1999-B SERIES 1999-C -----
	\$4,000,000

Register Notes in the name of: J. ROMEO & CO.

- (1) All payments regarding the Note(s) by bank wire transfer of Federal or other immediately available funds:

FOR REGULAR PRINCIPAL AND INTEREST

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000200
Trust Account No. G52708, The Canada Life Assurance Company
Attn: Doll Balbadar

Refer to: PPN#, name of issuer, rate, maturity date, type of security, whether principal and/or interest and due date.

FOR OUR SALE TO A BROKER (FEDERAL WIRE TRANSFERS - CASH):

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000168
Trust Account No. G52708, The Canada Life Assurance Company
Attn: Doll Balbadar

Refer to: PPN#, name of issuer, rate, maturity date, settlement date

FOR CALL OR MATURITY:

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000192
Trust Account No. G52708, The Canada Life Assurance Company
Attn: Doll Balbadar

Refer to: PPN#, name of issuer, rate, maturity date, whether principal and/or interest and effective date of call or maturity.

- (2) Send notices of payments and written confirmation of wire transfers to:

Chase Manhattan Bank
North America Insurance
3 Chase MetroTech Centre - 6th Floor
Brooklyn, NY 11245
Attn: Doll Balbadar

WITH A COPY TO:

The Canada Life Assurance Company
330 University Avenue, SP-12
Toronto, Ontario, Canada M5G 1R8
Attn: Supervisor, Securities Accounting

- (3) Send financial statements and all other communications to:

The Canada Life Assurance Company
Corporate Treasury, SP-11
330 University Avenue
Toronto, Ontario, Canada M5G 1R8
Attn: Paul English, Associate Treasurer, U.S. Private Placements

- (4) Delivery of Notes:

FOR NOTES DELIVERED FREE BY LAWYER (PRIMARY MARKET); COURIER

Chase Manhattan Bank
4 New York Plaza - 11th Floor
Receive Window
New York, NY 10004-2477
Attention: Larry Zimmer (212) 623-0987

For: The Canada Life Assurance Company
Trust Account No. G52708

FOR BROKER DELIVERY AGAINST PAYMENT (SECONDARY MARKET)

Chase Manhattan Bank
4 New York Plaza
Receive Window, Ground Floor
New York, NY 10004-2477

For delivery problem, call: Doll Balbadar (718) 242-1774

For: The Canada Life Assurance Company
Trust Account No. G52708

Tax I.D. #38-0397420

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
CANADA LIFE ASSURANCE COMPANY OF AMERICA	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$500,000	\$4,000,000	

Register Notes in the name of: J. ROMEO & CO.

- (1) All payments regarding the Note(s) by bank wire transfer of Federal or other immediately available funds:

FOR REGULAR PRINCIPAL AND INTEREST

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000200
Trust Account No. G52709, Canada Life Insurance Company of America
Attn: Doll Balbadar

Refer to: PPN#, name of issuer, rate, maturity date, type of security, whether principal and/or interest and due date.

FOR OUR SALE TO A BROKER (FEDERAL WIRE TRANSFERS - CASH):

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000168
Trust Account No. G52709, Canada Life Insurance Company of America
Attn: Doll Balbadar

Refer to: PPN#, name of issuer, rate, maturity date, settlement date

FOR CALL OR MATURITY:

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000192
Trust Account No. G52709, Canada Life Insurance Company of America
Attn: Doll Balbadar

Refer to: PPN#, name of issuer, rate, maturity date, whether principal and/or interest and effective date of call or maturity.

- (2) Send notices of payments and written confirmation of wire transfers to:

Chase Manhattan Bank
North America Insurance
3 Chase MetroTech Centre - 6th Floor
Brooklyn, NY 11245
Attn: Doll Balbadar

WITH A COPY TO:

The Canada Life Assurance Company
330 University Avenue, SP-12
Toronto, Ontario, Canada M5G 1R8
Attn: Supervisor, Securities Accounting

- (3) Send financial statements and all other communications to:

The Canada Life Assurance Company
Corporate Treasury, SP-11
330 University Avenue
Toronto, Ontario, Canada M5G 1R8
Attn: Paul English, Assistant Treasurer, U.S. Private Placements

- (4) Delivery of Notes:

FOR NOTES DELIVERED FREE BY LAWYER (PRIMARY MARKET); COURIER

Chase Manhattan Bank
4 New York Plaza - 11th Floor
Receive Window
New York, NY 10004-2477
Attention: Larry Zimmer (212) 623-0987

For: Canada Life Insurance Company of America
Trust Account No. G52709

FOR BROKER DELIVERY AGAINST PAYMENT (SECONDARY MARKET)

Chase Manhattan Bank
4 New York Plaza
Receive Window, Ground Floor
New York, NY 10004-2477

For delivery problem, call: Doll Balbadar (718) 242-1774

For: Canada Life Insurance Company of America
Trust Account No. G52709

Tax I.D. #38-2816473

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----
CANADA LIFE ASSURANCE COMPANY OF NEW YORK	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED ----- SERIES 1999-A SERIES 1999-B SERIES 1999-C ----- \$500,000

Register Notes in the name of: J. ROMEO & CO.

- (1) All payments regarding the Note(s) by bank wire transfer of Federal or other immediately available funds:

FOR REGULAR PRINCIPAL AND INTEREST

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000200
Trust Account No. G52685, Canada Life Insurance Company of New York
Attn: Doll Balbadar

Refer to: PPN#, name of issuer, rate, maturity date, type of security, whether principal and/or interest and due date.

FOR OUR SALE TO A BROKER (FEDERAL WIRE TRANSFERS - CASH):

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000168
Trust Account No. G52685, Canada Life Insurance Company of New York
Attn: Doll Balbadar

Refer to: PPN#, name of issuer, rate, maturity date, settlement date

FOR CALL OR MATURITY:

Chase Manhattan Bank
ABA 021-000-021
A/C #900-9-000192
Trust Account No. G52685, Canada Life Insurance Company of New York
Attn: Doll Balbadar

Refer to: PPN#, name of issuer, rate, maturity date, whether principal and/or interest and effective date of call or maturity.

- (2) Send notices of payments and written confirmation of wire transfers to:

Chase Manhattan Bank
North America Insurance
3 Chase MetroTech Centre - 6th Floor
Brooklyn, NY 11245
Attn: Doll Balbadar

WITH A COPY TO:

The Canada Life Assurance Company
330 University Avenue, SP-12
Toronto, Ontario, Canada M5G 1R8
Attn: Supervisor, Securities Accounting

- (3) Send financial statements and all other communications to:

The Canada Life Assurance Company
Corporate Treasury, SP-11
330 University Avenue
Toronto, Ontario, Canada M5G 1R8
Attn: Paul English, Assistant Treasurer, U.S. Private Placements

- (4) Delivery of Notes:

FOR NOTES DELIVERED FREE BY LAWYER (PRIMARY MARKET)

Chase Manhattan Bank
4 New York Plaza - 11th Floor
Receive Window
New York, NY 10004-2477
Attention: Larry Zimmer (212) 623-0987

For: Canada Life Insurance Company of New York
Trust Account No. G52685

FOR BROKER DELIVERY AGAINST PAYMENT (SECONDARY MARKET)

Chase Manhattan Bank
4 New York Plaza
Receive Window, Ground Floor
New York, NY 10004-2477

For delivery problem, call: Doll Balbadar (718) 242-1774

For: Canada Life Insurance Company of New York
Trust Account No. G52685

Tax I.D. #13-2690792

INFORMATION RELATING TO PURCHASERS

NAME OF PURCHASER -----	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED -----		
	SERIES 1999-A	SERIES 1999-B	SERIES 1999-C
	-----	-----	-----
	\$9,000,000		

Register Notes in the name of: Great-West Life & Annuity Insurance Company

(1) Payments of principal and interest - wire instructions:

ABA #021-000-018 BKofNYC/CTR/BBK=IOC565
Instit. Custody Department - GWL #640935

Special Instructions: 1) security description (PPN#)
2) allocation of payment between principal and
interest, and
3) confirmation of principal balance.

(2) Notice of payments:

The Bank of New York
Institutional Custody Department, 14th Floor
One Wall Street
New York, New York 10286

Telecopier: (212) 635-8844

(3) Notice for other communications, financial statements, trustee reports,
etc.

Great-West Life & Annuity Insurance Company
8515 East Orchard Road
3rd Floor, Tower 2
Englewood, Colorado 80111
Attention: Corporate Finance Investments

Telecopier: (303) 689-6193

(4) Physical delivery of securities - New issue

The Bank of New York
3rd Floor, Window A
One Wall Street
New York, New York 10286
Attention: Receive/Deliver Department - GWL #640935

Tax I.D. #84-0467907

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"ADJUSTED CONSOLIDATED NET WORTH" means, as of any date, consolidated stockholders' equity of the Company and its Restricted Subsidiaries on such date, determined in accordance with GAAP, plus the amount of outstanding Trust Convertible Preferred Securities that are reflected on the consolidated balance sheet of the Company as of such date in accordance with GAAP, less the amount by which outstanding Restricted Investments on such date exceed 15% of consolidated stockholders' equity of the Company and its Restricted Subsidiaries on such date.

"AFFILIATE" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"ATTRIBUTABLE DEBT" means, as to any particular lease relating to a Sale-and-Leaseback Transaction, the present value of all lease rentals required to be paid by the Company or any Restricted Subsidiary under such lease during the remaining term thereof (determined in accordance with generally accepted financial practice using a discount factor equal to the interest rate implicit in such lease if known or, if not known, of 8% per annum).

"BANK GUARANTY" means the Guaranty dated June 14, 1999 from the Subsidiaries party thereto in favor of the banks party to the Credit Agreement, as such agreement may be amended, restated or otherwise modified, and any successor thereto, and any other Guaranty that any Subsidiary may issued in favor of any parties to the Credit Agreement.

"BUSINESS DAY" means (a) for the purposes of Section 8.6 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in Chicago, Illinois or New York City are required or authorized to be closed.

"CAPITAL LEASE" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"CAPITAL LEASE OBLIGATION" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"CARRIAGE BUSINESS DEVELOPMENT PROGRAM" a program of the Company whereby not more than 20 former owners of funeral homes or cemeteries receive preferred securities of a Restricted Subsidiary pursuant to which the holder is entitled to receive up to 10% of a Restricted Subsidiary's cash flow in excess of a predetermined level. Not more than ten Restricted Subsidiaries will participate in the program and the recipients of the preferred securities are individuals whose funeral homes or cemeteries were acquired by the Company or a Restricted Subsidiary. The preferred securities entitle the holder to receive only up to 10% of excess cash flow as and when earned, do not constitute a claim on the assets of the Restricted Subsidiary and are subject to mandatory redemption by the Restricted Subsidiary at maturity (not more than ten years) at a redemption price expressed as a multiple of such excess cash flow.

"CHANGE OF CONTROL EVENT" means, the (i) acquisition through purchase or otherwise by any Person, or group of Persons acting in concert, directly or indirectly, in one or more transactions, of beneficial ownership or control of securities representing more than 50% of the combined voting power of the Company's Voting Stock (including the agreement to act in concert by Persons who beneficially own or control securities representing more than 50% of the combined voting power of the Company's Voting Stock), or (ii) entering into by the Company of a written agreement providing for or contemplating an acquisition described in clause (i) hereof. For purposes of the foregoing sentence, "Person" or "group of Persons" shall not include a Restricted Subsidiary, the Current Management of the Company or a "group of Persons" that includes all of the Current Management of the Company, so long as such Current Management has active decision or policy making roles in such group and a significant investment in connection with such acquisition. The date on which the acquisition described in clause (i) of the first sentence occurs is referred to as the "EFFECTIVE DATE OF THE CHANGE OF CONTROL."

"CLOSING" is defined in Section 3.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"COMPANY" means Carriage Services, Inc., a Delaware corporation.

"CONFIDENTIAL INFORMATION" is defined in Section 20.

"CONSOLIDATED FIXED CHARGES" means, for any period, the sum of (i) Consolidated Rentals for such period under all leases other than Capital Leases, (ii) Consolidated

Interest Expense for such period and (iii) all capitalized interest of the Company and its Restricted Subsidiaries incurred during such period.

"CONSOLIDATED INCOME AVAILABLE FOR FIXED CHARGES" means, for any period, Consolidated Net Income for such period, plus, to the extent deducted in determining such Consolidated Net Income, (i) all provisions for federal, state and other income taxes made by the Company and its Restricted Subsidiaries during such period, (ii) depreciation and amortization expense of the Company and its Restricted Subsidiaries for such period, and (iii) Consolidated Fixed Charges for such period.

"CONSOLIDATED INDEBTEDNESS" means, as of any date, Indebtedness of the Company and its Restricted Subsidiaries as of such date, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED INTEREST EXPENSE" means, for any period, the consolidated interest expense of the Company and its Restricted Subsidiaries for such period determined in accordance with GAAP (including imputed interest on Capital Lease Obligations); provided that interest accruing on the Company's Trust Debentures following an interest payment deferment by the Company on the Trust Debentures in accordance with the terms thereof shall not be deemed interest expense during the period of such deferral.

"CONSOLIDATED NET INCOME" means, for any period, the net income (or deficit) of the Company and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP, but excluding in any event (a) any gain or loss on the sale or disposition of Investments or fixed or capital assets, including any tax effect; (b) the proceeds of life insurance policies; (c) net earnings and losses of any Person accrued prior to the date it became a Restricted Subsidiary; (d) net earnings and losses of any Person (other than a Restricted Subsidiary), substantially all the assets of which have been acquired in any manner, realized by such other Person prior to the date of such acquisition; (e) net earnings and losses of any Person (other than a Restricted Subsidiary) with which the Company or a Restricted Subsidiary shall have consolidated or which shall have merged into or with the Company or a Restricted Subsidiary prior to the date of such consolidation or merger; (f) net earnings of any business entity (other than a Restricted Subsidiary) in which the Company or any Restricted Subsidiary has an ownership interest unless such net earnings shall have actually been received by the Company or such Restricted Subsidiary in the form of cash distributions; (g) the undistributed earnings of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary is not at the time permitted by the terms of its charter or any applicable agreement, instrument, judgment, decree, order, statute, rule or governmental regulation; (h) any gains resulting from any reappraisal, revaluation or write-up of any assets; (i) any deferred or other credit representing the excess of equity in any Restricted Subsidiary at the date of acquisition over the cost of the investment in such Restricted Subsidiary; (j) any gain arising from the acquisition of any security or the extinguishment, under GAAP, of any Indebtedness of the Company or any Restricted Subsidiary; (k) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made

out of income accrued during such period; and (l) any extraordinary, unusual or non-recurring gain or loss (net of any tax effect).

"CONSOLIDATED RENTALS" means, for any period, the rentals of the Company and its Restricted Subsidiaries for such period under all leases, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED TOTAL ASSETS" means, as of any date, the assets and properties of the Company and its Restricted Subsidiaries as of such date determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED TOTAL CAPITALIZATION" means, as of any date, the sum of Consolidated Indebtedness and Adjusted Consolidated Net Worth as of such date.

"CREDIT AGREEMENT" means the Credit Agreement dated as of June 14, 1999 between the Company and the lenders party thereto, as such agreement may be hereafter amended, restated, refinanced, increased or reduced from time to time, and any successor or replacement credit agreement or similar facility.

"CURRENT MANAGEMENT OF THE COMPANY" means Melvyn Payne and Mark Duffy.

"DEFAULT" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"DEFAULT RATE" means that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 2% over the rate of interest publicly announced by Bank of America in Chicago, Illinois or its successor as its "base" or "prime" rate.

"DISTRIBUTION" means, in respect of any Person:

(a) dividends or other distributions or payments on capital stock or other equity interests of such Person (except distributions in such stock or other equity interests); and

(b) the redemption or acquisition of such stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when solely in exchange for such stock or other equity interests) unless made, contemporaneously, from the net proceeds of a sale of such stock or other equity interests.

"ENVIRONMENTAL LAWS" means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but

not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"EVENT OF DEFAULT" is defined in Section 11.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"GOVERNMENTAL AUTHORITY" means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"GUARANTY" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"HAZARDOUS MATERIAL" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"HOLDER" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"INDEBTEDNESS" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable and other accrued liabilities arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in respect of Capital Lease Obligations;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (e) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (e) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"INSTITUTIONAL INVESTOR" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than \$2,000,000 in aggregate principal amount of the Notes, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"INTERCREDITOR AGREEMENT" is defined in Section 4.11.

"INVESTMENTS" means any investment made, in cash or by delivery of property, directly or indirectly, by any Person, in (i) any other Person, whether by acquisition of shares of capital stock, indebtedness or other obligations or securities or by loan, advance, capital contribution or otherwise or (ii) any property.

"LIEN" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"MAKE-WHOLE AMOUNT" is defined in Section 8.6.

"MATERIAL" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement, the Notes or the Subsidiary Guaranty.

"MEMORANDUM" is defined in Section 5.3.

"MULTIEMPLOYER PLAN" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"NOTES" is defined in Section 1.1.

"OFFICER'S CERTIFICATE" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"OTHER PURCHASERS" is defined in Section 2.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"PERSON" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"PLAN" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"PRIORITY DEBT" means, as of any date, the sum (without duplication) of (a) Indebtedness of Restricted Subsidiaries on such date (other than Indebtedness of Restricted Subsidiaries incurred pursuant to Section 10.3(a) or (b)), (b) Indebtedness of the Company that has been guaranteed by any Restricted Subsidiary that is not a Subsidiary Guarantor, (c) Indebtedness of the Company and its Restricted Subsidiaries secured by Liens not otherwise permitted by Section 10.6(a) through (h) on such date and (d) Attributable Debt.

"PROPERTY" or "PROPERTIES" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PURCHASER" means each purchaser listed in Schedule A.

"QPAM EXEMPTION" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"REQUIRED HOLDERS" means, at any time, the holders of at least a majority in principal amount of the Series 1999 Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"RESPONSIBLE OFFICER" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this agreement.

"RESTRICTED INVESTMENTS" means all Investments of the Company and its Restricted Subsidiaries, other than:

(a) property or assets to be used or consumed in the ordinary course of business;

(b) current assets arising from the sale of goods or services in the ordinary course of business;

(c) Investments in Restricted Subsidiaries or in any Person that, as a result thereof, becomes a Restricted Subsidiary;

(d) Investments existing as of the date of this Agreement that are listed in the attached Schedule B-1;

(e) Investments in:

(i) obligations, maturing within one year from the date of acquisition, of or fully guaranteed by the United States of America or an agency thereof;

(ii) state, or municipal securities having an effective maturity within one year from the date of acquisition that are rated in one of the top two rating classifications by at least one nationally recognized rating agency;

(iii) certificates of deposit or banker's acceptances maturing within one year from the date of acquisition of or issued by Bank of America or other commercial banks whose long-term unsecured debt obligations (or the long-term unsecured debt obligations of the bank holding company owning all of the capital stock of such bank) are rated in one of the top two rating classifications by at least one nationally recognized rating agency;

(iv) commercial paper maturing within 270 days from the date of issuance that, at the time of acquisition, is rated in one of the top two rating classifications by at least one credit rating agency of recognized national standing; and

(v) money market instrument programs that are properly classified as current assets in accordance with GAAP; and

(f) Investments in or by any perpetual care trust, merchandise trust, preneed trust, preconstruction trust or other trust arrangement established by the Company or any Restricted Subsidiary as required by applicable law and regulations with a Person that is not an Affiliate serving as trustee and managing the investments of such trust in accordance with and as required by applicable law and regulation; and

(g) Investments in less than 50% of the outstanding Voting Stock of Persons that own or operate funeral homes or cemeteries in jurisdictions that prohibit ownership of 50% or more of such Voting Stock by the Company or a Restricted Subsidiary and in which the cost of each such Investment does not exceed \$10,000.

"RESTRICTED PAYMENT" means any Distribution in respect of the Company or any Restricted Subsidiary of the Company (other than on account of capital stock or other equity interests of a Restricted Subsidiary owned legally and beneficially by the Company or another

Restricted Subsidiary), including any Distribution resulting in the acquisition by the Company of securities that would constitute treasury stock.

"RESTRICTED SUBSIDIARY" means CHC Insurance Agency of Ohio, Inc. and any other Subsidiary (a) of which at least 80% of the voting securities are owned by the Company and/or one or more Wholly Owned Restricted Subsidiaries and of which the Company has management control and (b) that the Company has not designated an Unrestricted Subsidiary by notice in writing (including designation in Section 5.4) given to the holders of the Notes.

"SALE AND LEASEBACK TRANSACTION" means a transaction or series of transactions pursuant to which the Company or any Restricted Subsidiary shall sell or transfer to any Person (other than the Company or a Restricted Subsidiary) any property, whether now owned or hereafter acquired, and, as part of the same transaction or series of transactions, the Company or any Restricted Subsidiary shall rent or lease as lessee (other than pursuant to a Capital Lease), or similarly acquire the right to possession or use of, such property or one or more properties that it intends to use for the same purpose or purposes as such property.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SENIOR FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"SERIES 1999 NOTES" is defined in Section 1.2.

"SERIES 1999-A NOTES" is defined in Section 1.2.

"SERIES 1999-B NOTES" is defined in Section 1.2.

"SERIES 1999-C NOTES" is defined in Section 1.2.

"SOURCE" is defined in Section 6.2

"SUBSIDIARY" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"SUBSIDIARY GUARANTOR" is defined in Section 1.1.

"SUBSIDIARY GUARANTY" is defined in Section 1.1.

"SUPPLEMENT" is defined in Section 1.1.

"THIS AGREEMENT" OR "THE AGREEMENT" is defined in Section 17.3.

"TRUST DEBENTURES" means the Company's 7% Convertible Junior Subordinated Debentures due 2029 issued to the Company's Subsidiary, Carriage Services Capital Trust, in the original principal amount of \$93,500,000.

"TRUST CONVERTIBLE PREFERRED SECURITIES" means the 7% Convertible Preferred Securities, Term Income Deferrable Equity Securities issued by Carriage Services Capital Trust in the aggregate liquidation amount of \$93,500,000.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary of the Company that has not been designated a Restricted Subsidiary.

"VOTING STOCK" means securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

"WHOLLY OWNED SUBSIDIARY" or "WHOLLY OWNED RESTRICTED SUBSIDIARY" mean, at any time, any Subsidiary, or Restricted Subsidiary, as the case may be, 100% of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly Owned Subsidiaries or Wholly Owned Restricted Subsidiaries, as the case may be, at such time.

EXISTING INVESTMENTS

Schedule B-1

DISCLOSURE MATERIALS

Schedule 5.3

SUBSIDIARIES AND OWNERSHIP
OF SUBSIDIARY STOCK

Schedule 5.4

FINANCIAL STATEMENTS

Schedule 5.5

LITIGATION

Schedule 5.8

LICENSES, PERMITS, ETC.

Schedule 5.11

USE OF PROCEEDS

Schedule 5.14

EXISTING INDEBTEDNESS

Schedule 5.15

EXISTING LIENS

Schedule 10.2

[FORM OF SENIOR NOTE]

CARRIAGE SERVICES, INC.

[_____] % SENIOR NOTE DUE [_____, ____]

No. [_____]
 \$[_____]

[Date]

PPN[_____]

FOR VALUE RECEIVED, the undersigned, CARRIAGE SERVICES, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, promises to pay to [], or registered assigns, the principal sum of \$[] on [], [], with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of [_____] % per annum from the date hereof, payable semiannually, on [_____] [_____] and [_____] [_____] in each year, commencing with the [_____] [_____] or [_____] [_____] next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) [_____] % or (ii) 2% over the rate of interest publicly announced by Bank of America or its successor from time to time in Chicago, Illinois as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Bank of America in Chicago, Illinois or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to a Note Purchase Agreement dated as of July 1, 1999 [and a Supplement thereto dated as of [], []](as from time to time further amended and supplemented, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

Exhibit 1.1(a)

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

[The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement.] This Note is [also] subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

Payment of the principal of, and interest and Make-Whole Amount, if any, on this Note, and all other amounts due under the Note Purchase Agreement, is guaranteed pursuant to the terms of a Guaranty dated [], 1999 of certain Subsidiaries of the Company¹.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

CARRIAGE SERVICES, INC.

By: _____
Name: _____
Title: _____

- - - - -

- (1) This paragraph must be removed at such time as there are no Subsidiary Guarantors.

[FORM OF SUBSIDIARY GUARANTY]

THIS GUARANTY (this "Guaranty") dated [] is made by each of the undersigned (each, a "Guarantor"), in favor of the holders from time to time of the Notes hereinafter referred to, including each purchaser named in the Note Purchase Agreement hereinafter referred to, and their respective successors and assigns (collectively, the "Holders" and each individually, a "Holder").

W I T N E S S E T H:

WHEREAS, CARRIAGE SERVICES, INC., a Delaware corporation (the "Company"), and the initial Holders have entered into a Note Purchase Agreement dated as of July 1, 1999 (the Note Purchase Agreement as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms and in effect, the "Note Purchase Agreement");

WHEREAS, the Note Purchase Agreement contemplates the issuance by the Company of up to \$300,000,000 aggregate principal amount of Notes (as defined in the Note Purchase Agreement) in series;

WHEREAS, the Company owns all of the issued and outstanding capital stock of each Guarantor and, by virtue of such ownership and otherwise, such Guarantor will derive substantial benefits from the purchase by the Holders of the Company's Notes;

WHEREAS, each Guarantor derives substantial financial, management and other benefits as a Subsidiary of the Company and expects to continue to do so in the future;

WHEREAS, each Guarantor may reasonably be expected to benefit, directly or indirectly, from this Guaranty.

WHEREAS, it is a condition precedent to the obligation of the Holders to purchase the Notes that each Guarantor shall have executed and delivered this Guaranty for the benefit of the Holders and it is and will be a condition to the sale of subsequent series of the Notes that this Guaranty run in favor of the holders of such subsequent series of Notes; and

WHEREAS, each Guarantor finds it advantageous, desirable and in its best interests to execute and deliver this Guaranty to satisfy the conditions described in the preceding paragraph;

NOW, THEREFORE, in consideration of the premises and other benefits to the Guarantors, and of the purchase of the Company's Notes by the Holders, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, each Guarantor makes this Guaranty as follows:

Exhibit 1.1(b)

SECTION 1. DEFINITIONS. Any capitalized terms not otherwise herein defined shall have the meanings attributed to them in the Note Purchase Agreement.

SECTION 2. GUARANTY. Each Guarantor unconditionally and irrevocably guarantees to the Holders the due, prompt and complete performance and payment by the Company of the principal of, Make-Whole Amount, if any, and interest on, and each other amount due under, the Notes or the Note Purchase Agreement (the Notes and the Note Purchase Agreement being sometimes hereinafter collectively referred to as the "Note Documents") when and as the same shall become due and payable (whether at stated maturity or by required or optional prepayment or by declaration or otherwise) in accordance with the terms thereof, including interest and other amounts owed under the terms thereof for which the Company has obtained relief under bankruptcy or other laws providing for relief from creditors (such amounts payable by the Company under the terms of the Note Documents, and all other monetary obligations of the Company thereunder, being sometimes collectively hereinafter referred to as the "Obligations"). This Guaranty is a guaranty of payment and not just of collectibility and is in no way conditioned or contingent upon any attempt to collect from the Company or upon any other event, contingency or circumstance whatsoever. If for any reason whatsoever the Company shall fail or be unable duly, punctually and fully to pay such amounts as and when the same shall become due and payable, each Guarantor, without demand, presentment, protest or notice of any kind, will forthwith pay or cause to be paid such amounts to the Holders under the terms of such Note Documents, in lawful money of the United States, at the place specified in the Note Purchase Agreement, or perform or comply with the same or cause the same to be performed or complied with, together with interest (to the extent provided for under such Note Documents) on any amount due and owing from the Company. Each Guarantor, promptly after demand, will pay to the Holders the reasonable costs and expenses of collecting such amounts or otherwise enforcing this Guaranty, including, without limitation, the reasonable fees and expenses of

counsel. Notwithstanding the foregoing, the right of recovery against each Guarantor under this Guaranty is limited to the extent it is judicially determined with respect to any Guarantor that entering into this Guaranty would violate Section 548 of the United States Bankruptcy Code or any comparable provisions of any state law, in which case such Guarantor shall be liable under this Guaranty only for amounts aggregating up to the largest amount that would not render such Guarantor's obligations hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any state law.

SECTION 3. GUARANTOR'S OBLIGATIONS UNCONDITIONAL. The obligations of each Guarantor under this Guaranty shall be primary, absolute and unconditional obligations of such Guarantor, shall not be subject to any counterclaim, set-off, deduction, diminution, abatement, recoupment, suspension, deferment, reduction or defense based upon any claim such Guarantor or any other Person may have against the Company or any other Person, and to the full extent permitted by applicable law shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, any circumstance or condition whatsoever (whether or not such Guarantor or the Company shall have any knowledge or notice thereof), including:

(a) any termination, amendment or modification of or deletion from or addition or supplement to or other change in any of the Note Documents or any other instrument or agreement applicable to any of the parties to any of the Note Documents;

(b) any furnishing or acceptance of any security, or any release of any security, for the Obligations, or the failure of any security or the failure of any Person to perfect any interest in any collateral;

(c) any failure, omission or delay on the part of the Company to conform or comply with any term of any of the Note Documents or any other instrument or agreement referred to in paragraph (a) above, including, without limitation, failure to give notice to any Guarantor of the occurrence of a "Default" or an "Event of Default" under any Note Document;

(d) any waiver of the payment, performance or observance of any of the obligations, conditions, covenants or agreements contained in any Note Document, or any other waiver, consent, extension, indulgence, compromise, settlement, release or other action or inaction under or in respect of any of the Note Documents or any other instrument or agreement referred to in paragraph (a) above or any obligation or liability of the Company, or any exercise or non-exercise of any right, remedy, power or privilege under or in respect of any such instrument or agreement or any such obligation or liability;

(e) any failure, omission or delay on the part of any of the Holders to enforce, assert or exercise any right, power or remedy conferred on such Holder in this Guaranty, or any such failure, omission or delay on the part of such Holder in connection with any Note Document, or any other action on the part of such Holder;

(f) any voluntary or involuntary bankruptcy, insolvency, reorganization, arrangement, readjustment, assignment for the benefit of creditors, composition, receivership, conservatorship, custodianship, liquidation, marshaling of assets and liabilities or similar proceedings with respect to the Company, any Guarantor or to any other Person or any of their respective properties or creditors, or any action taken by any trustee or receiver or by any court in any such proceeding;

(g) any discharge, termination, cancellation, frustration, irregularity, invalidity or unenforceability, in whole or in part, of any of the Note Documents or any other agreement or instrument referred to in paragraph (a) above or any term hereof;

(h) any merger or consolidation of the Company or any Guarantor into or with any other corporation, or any sale, lease or transfer of any of the assets of the Company or any Guarantor to any other Person;

(i) any change in the ownership of any shares of capital stock of the Company or any change in the corporate relationship between the Company and any Guarantor, or any termination of such relationship;

(j) any release or discharge, by operation of law, of any Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty; or

(k) any other occurrence, circumstance, happening or event whatsoever, whether similar or dissimilar to the foregoing, whether foreseen or unforeseen, and any other circumstance that might otherwise constitute a legal or equitable defense or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against any Guarantor.

SECTION 4. FULL RECOURSE OBLIGATIONS. The obligations of each Guarantor set forth herein constitute the full recourse obligations of such Guarantor enforceable against it to the full extent of all its assets and properties.

SECTION 5. WAIVER. Each Guarantor unconditionally waives, to the extent permitted by applicable law, (a) notice of any of the matters referred to in Section 3, (b) notice to such Guarantor of the incurrence of any of the Obligations, notice to such Guarantor or the Company of any breach or default by the Company with respect to any of the Obligations or any other notice that may be required, by statute, rule of law or otherwise, to preserve any rights of the Holders against such Guarantor, (c) presentment to or demand of payment from the Company or such Guarantor with respect to any amount due under any Note Document or protest for nonpayment or dishonor, (d) any right to the enforcement, assertion or exercise by any of the Holders of any right, power, privilege or remedy conferred in the Note Purchase Agreement or any other Note Document or otherwise, (e) any requirement of diligence on the part of any of the Holders, (f) any requirement to exhaust any remedies or to mitigate the damages resulting from any default under any Note Document, (g) any notice of any sale, transfer or other disposition by any of the Holders of any right, title to or interest in the Note Purchase Agreement or in any other Note Document and (h) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety or that might otherwise limit recourse against such Guarantor.

SECTION 6. SUBROGATION, CONTRIBUTION, REIMBURSEMENT OR INDEMNITY. Until one year and one day after all Obligations have been indefeasibly paid in full, each Guarantor agrees not to take any action pursuant to any rights that may have arisen in connection with this Guaranty to be subrogated to any of the rights (whether contractual, under the United States Bankruptcy Code, as amended, including section 509 thereof, under common law or otherwise) of any of the Holders against the Company or against any collateral security or guaranty or right of offset held by the Holders for the payment of the Obligations. Until one year and one day after all Obligations have been indefeasibly paid in full, each Guarantor agrees not to take any action pursuant to any contractual, common law, statutory or other rights of reimbursement, contribution, exoneration or indemnity (or any similar right) from or against the Company that

may have arisen in connection with this Guaranty. So long as the Obligations remain, if any amount shall be paid by or on behalf of the Company to such Guarantor on account of any of the rights waived in this paragraph, such amount shall be held by such Guarantor in trust, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Holders (duly endorsed by such Guarantor to the Holders, if required), to be applied against the Obligations, whether matured or unmatured, in such order as the Holders may determine. The provisions of this paragraph shall survive the term of this Guaranty and the payment in full of the Obligations.

SECTION 7. EFFECT OF BANKRUPTCY PROCEEDINGS, ETC. This Guaranty shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the sums due to any of the Holders pursuant to the terms of the Note Purchase Agreement or any other Note Document is rescinded or must otherwise be restored or returned by such Holder upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company or any other Person, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Company or other Person or any substantial part of its property, or otherwise, all as though such payment had not been made. If an event permitting the acceleration of the maturity of the principal amount of the Notes shall at any time have occurred and be continuing, and such acceleration shall at such time be prevented by reason of the pendency against the Company or any other Person of a case or proceeding under a bankruptcy or insolvency law, each Guarantor agrees that, for purposes of this Guaranty and its obligations hereunder, the maturity of the principal amount of the Notes and all other Obligations shall be deemed to have been accelerated with the same effect as if any Holder had accelerated the same in accordance with the terms of the Note Purchase Agreement or other applicable Note Document, and such Guarantor shall forthwith pay such principal amount, Make-Whole Amount, if any, and interest thereon and any other amounts guaranteed hereunder without further notice or demand.

SECTION 8. TERM OF AGREEMENT. This Guaranty and all guaranties, covenants and agreements of each Guarantor contained herein shall continue in full force and effect and shall not be discharged until such time as all of the Obligations shall be paid and performed in full and all of the agreements of each Guarantor hereunder shall be duly paid and performed in full.

SECTION 9. REPRESENTATIONS AND WARRANTIES. Each Guarantor represents and warrants to each Holder that:

(a) such Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the corporate power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged;

(b) such Guarantor has the corporate power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Guaranty;

(c) this Guaranty constitutes a legal, valid and binding obligation of such Guarantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or material contractual obligation of such Guarantor and will not result in or require the creation or imposition of any Lien on any of the properties, revenues or assets of such Guarantor pursuant to the provisions of any material contractual obligation of such Guarantor or any requirement of law;

(e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty;

(f) no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of such Guarantor, threatened by or against such Guarantor or any of its properties or revenues (i) with respect to this Guaranty or any of the transactions contemplated hereby or (ii) that could reasonably be expected to have a material adverse effect upon the business, operations or financial condition of such Guarantor and its Subsidiaries taken as a whole;

(g) the execution, delivery and performance of this Guaranty will not violate any provision of any order, judgment, writ, award or decree of any court, arbitrator or Governmental Authority, domestic or foreign, or of the charter or by-laws of such Guarantor or of any securities issued by such Guarantor; and

(h) after giving effect to the transactions contemplated herein, (i) the present fair salable value of the assets of such Guarantor is in excess of the amount that will be required to pay its probable liability on its existing debts as said debts become absolute and matured, (ii) such Guarantor has received reasonably equivalent value for executing and delivering this Guaranty, (iii) the property remaining in the hands of such Guarantor is not an unreasonably small capital, and (iv) such Guarantor is able to pay its debts as they mature.

SECTION 10. NOTICES. All notices under the terms and provisions hereof shall be in writing, and shall be delivered or sent by telex or telecopy or mailed by first-class mail, postage prepaid, addressed (a) if to the Company or any Holder at the address set forth in, the Note Purchase Agreement or (b) if to any Guarantor, in care of the Company at the Company's address set forth in the Note Purchase Agreement, or in each case at such other address as the Company, any Holder or a Guarantor shall from time to time designate in writing to the other parties. Any notice so addressed shall be deemed to be given when actually received.

SECTION 11. SURVIVAL. All warranties, representations and covenants made by each Guarantor herein or in any certificate or other instrument delivered by it or on its behalf hereunder shall be considered to have been relied upon by the Holders and shall survive the execution and delivery of this Guaranty, regardless of any investigation made by any of the Holders. All statements in any such certificate or other instrument shall constitute warranties and representations by such Guarantor hereunder.

SECTION 12. SUBMISSION TO JURISDICTION. Each Guarantor irrevocably submits to the jurisdiction of the courts of the State of Illinois and of the courts of the United States of America having jurisdiction in the State of Illinois for the purpose of any legal action or proceeding in any such court with respect to, or arising out of, this Guaranty, the Note Purchase Agreement or the Notes. Each Guarantor consents to process being served in any suit, action or proceeding by mailing a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to the address of such Guarantor specified in or designated pursuant to the Note Purchase Agreement. Each Guarantor agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon and personal delivery to such Guarantor.

SECTION 13. MISCELLANEOUS. Any provision of this Guaranty that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, each Guarantor hereby waives any provision of law that renders any provisions hereof prohibited or unenforceable in any respect. The terms of this Guaranty shall be binding upon, and inure to the benefit of, each Guarantor and the Holders and their respective successors and assigns. No term or provision of this Guaranty may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by each Guarantor and the Holders. The section and paragraph headings in this Guaranty and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof, and all references herein to numbered sections, unless otherwise indicated, are to sections in this Guaranty. This Guaranty shall in all respects be governed by, and construed in accordance with, the laws of the State of Illinois, including all matters of construction, validity and performance.

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be
duly executed as of the day and year first above written.

[]

By: _____
Name: _____
Title: _____

[Add Signature Block of each Subsidiary Guarantor]

[FORM OF SUPPLEMENT]

SUPPLEMENT TO NOTE PURCHASE AGREEMENT

THIS SUPPLEMENT is entered into as of [], [] (this "Supplement") between CARRIAGE SERVICES, INC., a Delaware corporation (the "COMPANY"), and the Purchasers listed in the attached Schedule A (the "PURCHASERS").

R E C I T A L S

A. The Company has entered into a Note Purchase Agreement dated as of July 1, 1999 with the purchasers listed in Schedule A thereto [and one or more supplements or amendments thereto] (as heretofore amended and supplemented, the "NOTE PURCHASE AGREEMENT"); and

B. The Company desires to issue and sell, and the Purchasers desire to purchase, an additional series of Notes (as defined in the Note Purchase Agreement) pursuant to the Note Purchase Agreement and in accordance with the terms set forth below;

NOW, THEREFORE, the Company and the Purchasers agree as follows:

1. AUTHORIZATION OF THE NEW SERIES OF NOTES. The Company has authorized the issue and sale of \$[] aggregate principal amount of Notes to be designated as its []% Senior Notes, Series [], due [], [] (the "SERIES [] NOTES", such term to include any such Notes issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement). The Series [] Notes shall be substantially in the form set out in Exhibit 1, with such changes therefrom, if any, as may be approved by you and the Company.

2. SALE AND PURCHASE OF SERIES [] NOTES. Subject to the terms and conditions of this Supplement and the Note Purchase Agreement, the Company will issue and sell to each of the Purchasers, and the Purchasers will purchase from the Company, at the Closing provided for in Section 3, Series [] Notes in the principal amount specified opposite their respective names in Schedule A at the purchase price of 100% of the principal amount thereof. The obligations of the Purchasers hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance by any other Purchaser hereunder.

3. CLOSING. The sale and purchase of the Series [] Notes to be purchased by the Purchasers shall occur at the offices of Gardner, Carton & Douglas, Quaker Tower, Suite 3400, 321 North Clark Street, Chicago, Illinois 60610 at 9:00 a.m., Chicago time, at a closing (the "CLOSING") on [], [] or on such other Business Day thereafter on or prior to [], [] as

Exhibit 1.1(c)

may be agreed upon by the Company and the Purchasers. At the Closing the Company will deliver to each Purchaser the Series [] Notes to be purchased by it in the form of a single Note (or such greater number of Series [] Notes in denominations of at least \$500,000 as such Purchaser may request) dated the date of the Closing and registered in its name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number [] at [] Bank, [INSERT BANK ADDRESS, ABA NUMBER FOR WIRE TRANSFERS, AND ANY OTHER RELEVANT WIRE TRANSFER INFORMATION]. If at the Closing the Company shall fail to tender such Series [] Notes to a Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 of the Note Purchase Agreement, as modified or expanded by Section 4 hereof, shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights it may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING. Each Purchasers obligation to purchase and pay for the Series [] Notes to be sold to it at the Closing is subject to the fulfillment to its satisfaction, prior to or at the Closing, of the conditions set forth in Section 4 of the Note Purchase Agreement, as hereafter modified, and to the following additional conditions:

[Set forth any modifications and additional conditions.]

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Purchasers that each of the representations and warranties contained in Section 5 of the Note Purchase Agreement is true and correct as of the date hereof (i) except that all references to "Purchaser" and "you" therein shall be deemed to refer to the Purchasers hereunder, all references to "this Agreement" shall be deemed to refer to the Note Purchase Agreement as supplemented by this Supplement, all references to "Notes" therein shall be

deemed to include the Series [] Notes, and (ii) except for changes to such representations and warranties or the Schedules referred to therein, which changes are set forth in the attached Schedule 5.

6. REPRESENTATIONS OF THE PURCHASERS. Each Purchaser confirms to the Company that the representations set forth in Section 6 of the Note Purchase Agreement are true and correct as to such Purchaser.

7. MANDATORY PREPAYMENT OF THE SERIES [] NOTES. [The Series [] Notes are not subject to mandatory prepayment by the Company.] [On [], [] and on each [] thereafter to and including [], [] the Company will prepay \$[] principal amount (or such lesser principal amount as shall then be outstanding) of the Series [] Notes at par and without payment of the Make-Whole Amount or any premium.]

8. APPLICABILITY OF NOTE PURCHASE AGREEMENT. Except as otherwise expressly provided herein (and expressly permitted by the Note Purchase Agreement), all of the provisions of the Note Purchase Agreement are incorporated by reference herein and shall apply to the Series [] Notes as if expressly set forth in this Supplement.

IN WITNESS WHEREOF, the Company and the Purchasers have caused this Supplement to be executed and delivered as of the date set forth above.

CARRIAGE SERVICES, INC.

By: _____
Name: _____
Title: _____

[ADD PURCHASER SIGNATURE BLOCKS]

SCHEDULE A
TO SUPPLEMENT

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER	Principal Amount of Series [] NOTES TO BE PURCHASED
-------------------------------	---

[NAME OF PURCHASER]	\$
---------------------	----

- (1) All payments by wire transfer
of immediately available
funds to:

with sufficient information
to identify the source and
application of such funds.
- (2) All notices of payments and
written confirmations of such
wire transfers:
- (3) All other communications:

SCHEDULE 5
TO SUPPLEMENT

EXCEPTIONS TO REPRESENTATIONS
AND WARRANTIES

5

Exhibit 1.1(c)

[FORM OF SERIES [] NOTE]

6

Exhibit 1.1(c)

[FORM OF SERIES 1999-A NOTE]

CARRIAGE SERVICES, INC.

7.73% Senior Note
due July 30, 2004No. [_____]
 \$[_____][Date]
 PPN[_____]

FOR VALUE RECEIVED, the undersigned, CARRIAGE SERVICES, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, promises to pay to [], or registered assigns, the principal sum of \$[] on July 30, 2004, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 7.73% per annum from the date hereof, payable semiannually, on July 30 and January 30 in each year, commencing with the January 30 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 9.73% or (ii) 2% over the rate of interest publicly announced by Bank of America from time to time in Chicago, Illinois as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Bank of America in Chicago, Illinois or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Notes (herein called the "Notes") issued pursuant to a Note Purchase Agreement, dated as of July 1, 1999 as from time to time amended and supplemented, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a

Exhibit 1.2(a)

written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required offers to prepay principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

Payment of the principal of, and interest and Make-Whole Amount, if any, on this Note, and all other amounts due under the Note Purchase Agreement, is guaranteed pursuant to the terms of a Subsidiary Guaranty dated July 26, 1999 of certain Subsidiaries of the Company.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

By: _____
Name: _____
Title: _____

[FORM OF SERIES 1999-B NOTE]

CARRIAGE SERVICES, INC.

7.96% Senior Note
due July 30, 2006No. [_____]
 \$[_____][Date]
 PPN[_____]

FOR VALUE RECEIVED, the undersigned, CARRIAGE SERVICES, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, promises to pay to [], or registered assigns, the principal sum of \$[] on July 30, 2006, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 7.96% per annum from the date hereof, payable semiannually, on July 30 and January 30 in each year, commencing with the January 30 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 9.96% or (ii) 2% over the rate of interest publicly announced by Bank of America from time to time in Chicago, Illinois as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Bank of America in Chicago, Illinois or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Notes (herein called the "Notes") issued pursuant to a Note Purchase Agreement, dated as of July 1, 1999 as from time to time amended and supplemented, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a

Exhibit 1.2(b)

written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required offers to prepay principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

Payment of the principal of, and interest and Make-Whole Amount, if any, on this Note, and all other amounts due under the Note Purchase Agreement, is guaranteed pursuant to the terms of a Guaranty dated July 26, 1999 of certain Subsidiaries of the Company.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

By: _____
Name: _____
Title: _____

[FORM OF SERIES 1999-C NOTE]

CARRIAGE SERVICES, INC.

8.06% Senior Note
due July 30, 2008No. [_____]
 \$[_____][Date]
 PPN[_____]

FOR VALUE RECEIVED, the undersigned, CARRIAGE SERVICES, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, promises to pay to [], or registered assigns, the principal sum of \$[] on July 30, 2008, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 8.06% per annum from the date hereof, payable semiannually, on July 30 and January 30 in each year, commencing with the January 30 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 10.06% or (ii) 2% over the rate of interest publicly announced by Bank of America from time to time in Chicago, Illinois as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Bank of America in Chicago, Illinois or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Notes (herein called the "Notes") issued pursuant to a Note Purchase Agreement, dated as of July 1, 1999 as from time to time amended and supplemented, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a

Exhibit 1.2(c)

written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required offers to prepay principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

Payment of the principal of, and interest and Make-Whole Amount, if any, on this Note, and all other amounts due under the Note Purchase Agreement, is guaranteed pursuant to the terms of a Guaranty dated July 26, 1999 of certain Subsidiaries of the Company.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

By: _____
Name: _____
Title: _____

FORM OF OPINION OF COUNSEL
TO THE COMPANY

The opinion of Snell & Smith, counsel for the Company, shall be to the effect that:

1. Each of the Company and each Subsidiary Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and each has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted, and, in the case of the Company, to enter into and perform the Note Purchase Agreement and to issue and sell the Notes, and, in the case of each Subsidiary Guarantor, to execute, deliver and perform the Subsidiary Guaranty.

2. The Note Purchase Agreement and the Notes have been duly authorized by proper corporate action on the part of the Company, have been duly executed and delivered by an authorized officer of the Company, and constitute the legal, valid and binding agreements of the Company, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors or by equitable principles, regardless of whether enforcement is sought in a proceeding in equity or at law.

3. The Subsidiary Guaranty has been duly authorized by proper corporate action on the part of each Subsidiary Guarantor, has been duly executed and delivered by an authorized officer of each Subsidiary Guarantor, and constitutes the legal, valid and binding obligation of each Subsidiary Guarantor, enforceable in accordance with its terms, except to the extent the enforcement thereof may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors or by equitable principles, regardless of whether enforcement is sought in a proceeding in equity or at law.

4. A Texas court, or a federal court sitting in Texas, would honor the choice of Illinois law to govern the Agreement, the Notes and the Subsidiary Guaranty.

5. The offering, sale and delivery of the Notes and delivery of the Subsidiary Guaranty do not require the registration of the Notes or the Subsidiary Guaranty under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

6. No authorization, approval or consent of, and no designation, filing, declaration, registration and/or qualification with, any Governmental Authority is necessary or required in connection with the execution, delivery and performance by the Company of the Note Purchase

Exhibit 4.4(a)

Agreement or the offering, issuance and sale by the Company of the Notes, and no authorization, approval or consent of, and no designation, filing, declaration, registration and/or qualification with, any Governmental Authority is necessary or required in connection with the execution, delivery and performance by any Subsidiary Guarantor of the Subsidiary Guaranty.

7. The issuance and sale of the Notes by the Company, the performance of the terms and conditions of the Notes and the Note Purchase Agreement and the execution and delivery of the Note Purchase Agreement do not conflict with, or result in any breach or violation of any of the provisions of, or constitute a default under, or result in the creation or imposition of any Lien on, the property of the Company or any Subsidiary pursuant to the provisions of (i) the certificate or articles of incorporation or bylaws of the Company or any Subsidiary, (ii) any loan agreement known to such counsel to which the Company or any Subsidiary is a party or by which any of them or their property is bound, (iii) any other Material agreement or instrument known to such counsel to which the Company or any Subsidiary is a party or by which any of them or their property is bound, (iv) any law (including usury laws) or regulation applicable to the Company, or (v) to the knowledge of such counsel, any order, writ, injunction or decree of any court or Governmental Authority applicable to the Company.

8. The execution, delivery and performance of the Subsidiary Guaranty will not conflict with, or result in any breach or violation of any of the provisions of, or constitute a default under, or result in the creation or imposition of any Lien on, the property of any Subsidiary Guarantor pursuant to the provisions of (i) its certificate of incorporation or by-laws, (ii) any loan agreement known to such counsel to which any Subsidiary Guarantor is a party or by which it or its property is bound, (iii) any other Material agreement or instrument

known to such counsel to which any Subsidiary Guarantor is a party or by which it or its property is bound, (iv) any law or regulation applicable to any Subsidiary Guarantor, or (v) to the knowledge of such counsel, any order, writ, injunction or decree of any court or Governmental Authority applicable to any Subsidiary Guarantor.

9. Except as disclosed in Schedule 5.4 to the Note Purchase Agreement, all of the issued and outstanding shares of capital stock of each Subsidiary are owned directly or indirectly by the Company free and clear of any perfected pledge or, to the knowledge of such counsel, any other perfected Lien.

10. Except as disclosed in Schedule 5.8 to the Note Purchase Agreement, there are no actions, suits or proceedings pending, or, to such counsel's knowledge, threatened against, or affecting the Company or any Subsidiary, at law or in equity or before or by any Governmental Authority, which are likely to result, individually or in the aggregate, in a Material Adverse Effect.

11. Neither the Company nor any Subsidiary is (i) a "public utility company" or a "holding company," or an "affiliate" or a "subsidiary company" of a "holding company," or an "affiliate" of such a "subsidiary company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended (the "1935 Act"), (ii) a "public utility" as defined in the Federal Power Act, as amended, or (iii) an "investment company" or an "affiliated person"

thereof, as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act").

12. The issuance of the Notes and the intended use of the proceeds of the sale of the Notes do not violate or conflict with Regulation U, T or X of the Board of Governors of the Federal Reserve System.

The opinion of Snell & Smith shall cover such other matters relating to the sale of the Notes as the Purchasers may reasonably request. With respect to matters of fact on which such opinion is based, such counsel shall be entitled to rely on appropriate certificates of public officials and officers of the Company and with respect to matters governed by the laws of any jurisdiction other than the United States of America, the laws of the State of Texas or the Delaware General Corporation Law, such counsel may rely upon the opinions of counsel deemed (and stated in their opinion to be deemed) by them to be competent and reliable. For purposes of their opinion as to enforceability in paragraphs 2 and 3, Snell & Smith may assume that Illinois law is substantially identical to Texas law.

FORM OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS

The opinion of Gardner, Carton & Douglas, special counsel to the Purchasers, shall be to the effect that:

1. The Company is a corporation organized and validly existing in good standing under the laws of its jurisdiction of incorporation, with all requisite corporate power and authority to enter into the Agreement and to issue and sell the Notes.

2. The Agreement and the Notes have been duly authorized by proper corporate action on the part of the Company, have been duly executed and delivered by an authorized officer of the Company, and constitute the legal, valid and binding agreements of the Company, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors or by equitable principles, regardless of whether enforcement is sought in a proceeding in equity or at law.

3. The Subsidiary Guaranty is enforceable against each Subsidiary Guarantor in accordance with its terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors or by equitable principles, regardless of whether enforcement is sought in a proceeding in equity or at law.

4. Based upon the representations set forth in the Agreement, the offering, sale and delivery of the Notes and the issuance and delivery of the Subsidiary Guaranty do not require the registration of the Notes or the Subsidiary Guaranty under the Securities Act of 1933, as amended, nor the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

5. The issuance and sale of the Notes and compliance with the terms and provisions of the Notes and the Agreement will not conflict with or result in any breach of any of the provisions of the certificate of incorporation or by-laws of the Company.

6. No approval, consent or withholding of objection on the part of, or filing, registration or qualification with, any governmental body, federal or state, is necessary in connection with the execution and delivery of the Note Purchase Agreement or the Notes or the execution and delivery of the Subsidiary Guaranty.

Exhibit 4.4(b)

Gardner Carton & Douglas may rely, as to matters of Texas law and as to the due organization and corporate power of each Subsidiary Guarantor, the due execution and delivery by each Subsidiary Guarantor of the Subsidiary Guaranty and the binding nature of the Subsidiary Guaranty on each Subsidiary Guarantor, upon the opinion of Snell & Smith. The opinion of Gardner, Carton & Douglas shall state that such opinion is satisfactory in form and scope to Gardner, Carton & Douglas, and, in its opinion, the Purchasers and it are justified in relying thereon and shall cover such other matters relating to the sale of the Notes as the Purchasers may reasonably request.

Exhibit 4.4(b)

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

Earnings per share for the three and nine month periods ended September 30, 1999 and 1998 is calculated based on the weighted average number of common and common equivalent shares outstanding during the period as prescribed by SFAS 128. The following table sets forth the computation of the basic and diluted earnings per share for the three and nine month periods ended September 30, 1998 and 1999:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1998	1999
Net income before extraordinary item	\$ 1,643	\$ 1,739	\$ 6,092	\$ 9,211
Extraordinary item	--	--	--	(200)
Net income	1,643	1,739	6,092	9,011
Preferred stock dividends	153	25	454	78
Net income available to common stockholders for basic EPS computation	1,490	1,714	5,638	8,933
Effect of dilutive securities	--	--	--	--
Net income available to common stockholders for diluted EPS computation	\$ 1,490	\$ 1,714	\$ 5,638	\$ 8,933
Weighted average number of common shares outstanding for basic EPS computation	14,733	15,906	12,772	15,864
Effect of dilutive securities:				
Stock options	491	77	426	185
Assumed conversion of preferred stock	--	--	--	--
Weighted average number of common and common equivalent shares outstanding for diluted EPS computation	15,224	15,983	13,198	16,049
Basic earnings per share:				
Net income before extraordinary item	\$.10	\$.11	\$.44	\$.58
Extraordinary item	--	--	--	(.01)
Net income	\$.10	\$.11	\$.44	\$.57
Diluted earnings per share:				
Net income before extraordinary item	\$.10	\$.11	\$.43	\$.57
Extraordinary item	--	--	--	(.01)
Net income	\$.10	\$.11	\$.43	\$.56

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

	NINE MONTHS ENDED SEPTEMBER 30, -----					
	1994*	1995*	1996*	1997	1998	1999
	-----	-----	-----	-----	-----	-----
Fixed charges:						
Interest expense	\$ 2,671	\$3,684	\$4,347	\$ 5,889	\$ 9,720	\$12,256
Amortization of capitalized expenses related to debt	30	50	150	200	150	150
Rental expense	245	317	308	629	720	677
	-----	-----	-----	-----	-----	-----
Total fixed charges before capitalized interest and preferred stock dividends	2,946	4,051	4,805	6,718	10,590	13,083
Capitalized interest	100	175	250	450	600	473
	-----	-----	-----	-----	-----	-----
Total fixed charges	3,046	4,226	5,055	7,168	11,190	13,556
Preferred stock dividends	--	--	1,037	1,627	1,082	137
	-----	-----	-----	-----	-----	-----
Total fixed charges plus preferred dividends	3,046	4,226	6,092	8,795	12,272	13,693
	-----	-----	-----	-----	-----	-----
Earnings available for fixed charges:						
Earnings (loss) before income taxes and extraordinary item	(923)	(1,800)	345	8,217	17,023	16,160
Add fixed charges before capitalized interest and preferred stock dividends	2,946	4,051	4,805	6,718	10,590	13,083
	-----	-----	-----	-----	-----	-----
Total earnings available for fixed charges	\$ 2,023	\$ 2,251	\$ 5,150	\$14,935	\$27,613	\$29,243
	=====	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges (1)	0.66	0.53	1.02	2.08	2.47	2.16
	-----	-----	-----	-----	-----	-----
Ratio of earnings to fixed charges plus dividends (1)...	0.66	0.53	0.85	1.70	2.25	2.14
	-----	-----	-----	-----	-----	-----

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

* Earnings were inadequate to cover fixed charges. The coverage deficiency was \$1,023,000, \$1,975,000 and \$942,000 for 1994, 1995 and 1996 respectively.

THE FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCES TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS		
	DEC-31-1999	
	SEP-30-1999	
		3,877
		0
		33,221
		5,967
		5,393
	39,372	
		167,287
	15,599	
	527,225	
23,051		
		171,043
89,881		
		1,172
		159
		210,476
527,225		
		124,811
	124,811	
		89,480
		89,480
	6,915	
		0
	12,256	
	16,160	
	6,949	
9,211		
		0
	(200)	
		0
	9,011	
	.58	
	.57	