

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 21, 2024

CARRIAGE SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-11961
(Commission File Number)

76-0423828
(IRS Employer
Identification No.)

3040 Post Oak Boulevard, Suite 300
Houston, Texas 77056
(Address of Principal Executive Offices) (Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01	CSV	New York Stock Exchange

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

Emerging growth company

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

Item 1.01 Entry into a Material Definitive Agreement.

The description of Melvin C. Payne's Transition Agreement provided in Item 5.02 is incorporated by reference into this Item 1.01.

Item 1.02 Termination of a Material Definitive Agreement.

The information regarding the termination of the Employment Agreement of Melvin C. Payne set forth in Item 5.02 below is incorporated by reference into this Item 1.02.

Item 2.02 Results of Operations and Financial Condition.

In a press release dated February 21, 2024 (the "February 21st Press Release"), Carriage Services, Inc. (the "Company") announced and commented on its financial results for its year ended December 31, 2023. A copy of the February 21st Press Release issued by the Company is attached hereto as Exhibit 99.1 and incorporated by this reference.

The February 21st Press Release contains non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with United States generally accepted accounting principles, or GAAP. Pursuant to the requirements of Regulation G, the Company has provided quantitative reconciliations within the February 21st Press Release of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

As also described in the February 21st Press Release, on February 22, 2024 (the "Transition Date"), Melvin C. Payne, the Company's founder and former Chief Executive Officer, will cease to serve as Executive Chairman of the Board of the Company. Beginning on the Transition Date, Mr. Payne will begin serving as a special advisor to the Board of Directors of the Company (the "Board") and senior management in a consulting role. In addition, Mr. Payne will remain on the Board until the Company's 2024 annual meeting of stockholders, when the term for the Class I directors is scheduled to expire.

In connection with Mr. Payne's termination of employment, the employment-related provisions of his Employment Agreement, dated as of November 5, 2019, with the Company (as amended prior to the date hereof, the "Employment Agreement") will terminate on the Transition Date. On February 21, 2024, Mr. Payne and the Company entered into a Transition Agreement (the "Transition Agreement"), setting forth the terms of his severance benefits and his consulting arrangement. Under the Transition Agreement, Mr. Payne is entitled to receive the following benefits, subject to the timely execution and non-revocation by Mr. Payne and his spouse of waiver and release agreements in connection with the Transition Date and the end of the 12-month consulting term set forth in the Transition Agreement (the "Releases"):

- A prorated payment of his 2024 \$1.25 million annual target bonus (approximately \$181,500), payable in a lump sum on the first payroll date after any applicable revocation periods have expired ("Initial Payment Date");
- Payment of his 2023 \$1,250,000 annual bonus (which had been previously awarded at target), payable in a lump sum at such time 2023 annual bonus payments are paid to similarly situated employees of the Company, currently scheduled for February 23, 2024;
- Salary continuation severance payments totaling \$2 million, payable on regular payroll dates over 24 months;

- Cash settlement of Mr. Payne’s 140,476 share Good to Great performance award on an 83.33% prorated basis (117,063.33 shares of the Company’s common stock), payable in cash based on the closing price of the Company’s common stock on the Transition Date (the “Good to Great Settlement Amount”), as follows:
 - \$1 million on the Initial Payment Date;
 - 1/24th of the remaining Good to Great Settlement Amount at the end of each month from March 2024 until February 2025; and
 - The balance of the remaining Good to Great Settlement Amount will be paid on March 14, 2025;
- Reimbursement or equivalent cash payments for the monthly cost of maintaining health benefits for Mr. Payne and his spouse as of the date of his termination for a period of up to 36 months; and
- Reimbursement of Mr. Payne’s reasonable legal expenses in connection with the negotiation and implementation of the Transition Agreement and actions contemplated by that agreement, up to a maximum of \$35,000.

All of the payments and benefits provided under the Transition Agreement are subject to Mr. Payne’s continued compliance with certain confidentiality, non-competition, non-solicitation and non-disparagement provisions of the Employment Agreement, as well as to compliance by Mr. Payne and his spouse with their respective Releases.

Under the Transition Agreement, Mr. Payne has also agreed to serve as a special advisor to the Board and senior management for a transition period of 12 months, commencing on the Transition Date. In consideration for those services, the Company has agreed to pay Mr. Payne a consulting fee equal to \$83,333 per month. The Transition Agreement may be terminated by the Company upon the material breach of the Transition Agreement, the Employment Agreement or either of the Releases. Upon Mr. Payne’s death, any consulting fee payments would be paid to his estate.

This summary is qualified in its entirety by reference to:

- the Employment Agreement dated as of November 5, 2019, which was filed as Exhibit 10.6 to that Current Report on Form 8-K filed by the Company on November 8, 2019 and incorporated by reference herein;
- the First Amendment to Employment Agreement dated as of February 17, 2021, which was filed as Exhibit 10.1 to that Current Report on Form 8-K filed on February 17, 2021 and incorporated by reference herein;
- the Second Amendment to Employment Agreement dated as of June 21, 2023, which was filed as Exhibit 10.1 to the Quarter Report on 10-Q filed by the Company on August 7, 2023 and incorporated by reference herein; and
- the Transition Agreement, which is attached hereto as Exhibit 99.2 and incorporated by reference herein.

Item 7.01 Regulation FD Disclosure.

Completion of the Company’s Strategic Review

The February 21st Press Release also announced that the Board has completed the exploration of strategic alternatives that the Company publicly announced on June 29, 2023.

Initiation of the Strategic Review. On June 15, 2023, following an unsolicited bid submitted confidentially by Park Lawn Corporation (“Park Lawn”), the Board initiated a strategic process to explore, review and evaluate a range of transactions and strategic alternatives, including a sale, merger or other potential strategic or financial transactions, with the goal to maximize stockholder value (the “Strategic Review”). In connection with the Strategic Review, the Board selected Lazard Frères & Co. LLC (“Lazard”) as financial advisor for the Company and engaged Sidley Austin LLP (“Sidley”) to act as special M&A counsel on behalf of the Company.

On June 29, 2023, the Company publicly announced that it had initiated the Strategic Review. On the same day, shortly after the Company's announcement, Park Lawn publicly announced that it had submitted an unsolicited confidential proposal to acquire the Company.

Outreach to Potential Counterparties. At the direction of the Board, in mid-June 2023, Lazard began contacting potential counterparties, ultimately contacting approximately 70 potential counterparties (including Park Lawn), approximately 30 of which parties executed a confidentiality agreement and reviewed a confidential information memorandum. Participants in the Strategic Review process were invited to submit a proposal for the acquisition of 100% of the Company's common stock.

Initial Indications of Interest and the Second Round. In late August 2023, the Company received three non-binding indications of interest to purchase all of the equity of the Company, consisting of two strategic potential counterparties (including Park Lawn) and one financial sponsor. In addition to the acquisition proposals, the Company also received two financing proposals and one proposal to acquire certain assets of the Company.

The Board invited each of the three parties that submitted acquisition proposals into the second round of the Strategic Review process, and each of those parties was (i) granted access to a virtual data room to conduct diligence, (ii) given access to management via management meetings, and (iii) provided with a draft merger agreement that had been prepared by Sidley. On October 2, 2023, Park Lawn publicly announced that it was withdrawing from the strategic review process.

Second Round Bids. A total of four second-round bids were received from three second-round potential counterparties (including two alternative proposals from one of the three parties). However, each of the three parties reduced its second-round acquisition proposal below its first round indication of interest. The Company and its financial and legal advisors conducted merger agreement discussions and analyzed the regulatory and financing risks for each of the potential counterparties for a number of weeks.

Cessation of the Strategic Review Process. On February 21, 2024, the Board voted to bring the Strategic Review process to a close. The Board unanimously determined that continuing to execute on the Company's strategic plan as an independent public company is in the best interests of the Company and its stockholders at this time. In this regard, the Board's determination took into account positive trends described above in the Company's financial and operating results toward the end of 2023, as reflected in the full-year 2023 financial results announced in the February 21st Press Release.

While the Company received executable proposals for transactions involving the Company in the course of the Strategic Review process, following a thorough review and evaluation of the proposals and alternatives available to the Company, the Board was not able to conclude that any of those proposals would be in the best interests of the Company and its stockholders. The Board endorsed the Company's continued execution of its standalone business plan as an independent, publicly held company under the leadership of Carlos Quezada as CEO, Steve Metzger as President and Kian Granmayeh as CFO, as well as leadership from the Board, which added three talented new directors during the summer of 2023.

In accordance with General Instruction B.2 of Form 8-K, the foregoing information, including the February 21st Press Release filed herewith as Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liabilities of that Section, nor shall such information, including Exhibit 99.1, be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

Exhibit 99.1 [Press Release, dated February 21, 2024, issued by Carriage Services, Inc.](#)

Exhibit 99.2 [Transition Agreement, dated February 21, 2024 by and between Melvin C. Payne and Carriage Services, Inc.](#)

Exhibit 104. Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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 hereunto duly authorized.

February 21, 2024

CARRIAGE SERVICES, INC.

By: /s/ Steve D. Metzger
Steve D. Metzger
President and Secretary



Carriage Services Announces Fourth Quarter and Full Year 2023 Results
Conference call on Thursday, February 22, 2024 at 9:30 a.m. central time.

HOUSTON - February 21, 2024 - (GLOBE NEWSWIRE) Carriage Services, Inc. (NYSE: CSV) today announced results for the fourth quarter and year ended December 31, 2023.

Company Highlights:

- Exceeded full year 2023 guidance ranges for total revenue, adjusted consolidated EBITDA and adjusted earnings per share, driven by strong fourth quarter performance;
- 5.2% growth in total revenue over the prior year quarter and 3.3% growth over the prior full year;
- Preneed sales deliver 16.1% growth in cemetery operating revenue over the prior year quarter and 13.5% growth over the prior full year;
- 41.6% increase in GAAP net income and 41.5% increase in diluted earnings per share over the prior year quarter;
- Founder and Executive Chairman, Mel Payne, to transition to special advisor to the Board of Directors;
- The Board of Directors concludes the previously announced review of strategic alternatives; and
- Management announces 2024 outlook.

Carlos Quezada, Vice Chairman and CEO, stated, “We are pleased to announce our strong fourth quarter and full year 2023 results. Total revenue grew by 5.2% in the fourth quarter and 3.3% for the full year, despite the COVID “pull forward” impact resulting in modest declines in funeral contract volume experienced during the year. This success in growing our top line stems from our targeted efforts to better leverage our pricing power, which drove improved average revenue per contract, in addition to our preneed cemetery sales team’s exceptional performance, which resulted in a surge in preneed cemetery sales production of 25.0% for the fourth quarter and 19.6% for the full year. This increase in revenue, coupled with disciplined cost management, resulted in a year-over-year increase in adjusted consolidated EBITDA of 3.5%, and a significant 13.2% growth over the prior year quarter, which also included margin expansion of 230 basis points. This momentum, marking four out of five consecutive quarters of solid performance, instills confidence and excitement in our core initiatives as we advance into 2024 and focus on fulfilling our new purpose statement, which is ‘Creating premier experiences through innovation, empowered partnership, and elevated service.’ For those interested in learning more, we invite you to explore our newly launched website and discover our refreshed Carriage image, which aligns with our vision of the Carriage of the future,” concluded Mr. Quezada.

FINANCIAL HIGHLIGHTS

(in millions except margins and EPS)	Three Months Ended December 31,		Years Ended December 31,	
	2022	2023	2022	2023
GAAP Metrics:				
Total revenue	\$ 93.9	\$ 98.8	\$ 370.2	\$ 382.5
Operating income	\$ 19.6	\$ 23.9	\$ 79.7	\$ 81.0
Operating income margin	20.9%	24.2%	21.5%	21.2%
Net income	\$ 8.2	\$ 11.6	\$ 41.4	\$ 33.4
Diluted EPS	\$ 0.53	\$ 0.75	\$ 2.63	\$ 2.14
Cash provided by operating activities	\$ 11.0	\$ 13.7	\$ 61.0	\$ 75.6
Non-GAAP Metrics⁽¹⁾:				
Adjusted consolidated EBITDA	\$ 28.7	\$ 32.4	\$ 109.3	\$ 113.2
Adjusted consolidated EBITDA margin	30.5%	32.8%	29.5%	29.6%
Adjusted diluted EPS	\$ 0.64	\$ 0.77	\$ 2.61	\$ 2.19
Adjusted free cash flow	\$ 8.9	\$ 12.8	\$ 49.8	\$ 55.1

(1) We present both GAAP and Non-GAAP measures to provide investors with additional information and to allow for the increased comparability of our ongoing performance from period to period. The most comparable GAAP measures to the Non-GAAP measures presented in this table can be found in the Reconciliation of Non-GAAP Financial Measures section of this earnings release.

- Revenue for the three months ended December 31, 2023 increased \$4.9 million compared to the three months ended December 31, 2022, primarily as a result of a 23.6% increase in the number of preneed interment rights (property) sold, a 1.2% increase in the average price per interment right sold and a 0.7% increase in the average revenue per funeral contract, offset by a 3.3% decrease in the funeral contract volume.
- Revenue for the year ended December 31, 2023 increased \$12.3 million compared to the year ended December 31, 2022, primarily as a result of a 9.4% increase in the average price per preneed interment right sold, an 8.6% increase in the number of preneed interment rights (property) sold and a 0.9% increase in the average revenue per funeral contract, offset by a 2.4% decrease in the funeral contract volume.
- Net income for the three months ended December 31, 2023 increased \$3.4 million compared to the three months ended December 31, 2022, primarily due to a \$3.2 million increase in profit contribution from our businesses and a \$2.9 million decrease in loss on divestitures, disposals and impairment charges, offset by a \$1.4 million increase in interest expense and a \$1.1 million increase in general, administrative and other expenses.
- Net income for the year ended December 31, 2023 decreased \$8.0 million compared to the year ended December 31, 2022, as the \$5.1 million increase in profit contribution from our businesses was offset by a \$10.4 million increase in interest expense and a \$4.7 million increase in general, administrative and other expenses.

MEL PAYNE TRANSITIONS TO ADVISORY ROLE

After 32 years of founding and building Carriage, Mel Payne, has chosen to step down from his role as Executive Chairman of the Board and transition to a new role as special advisor to the Board of Directors, which will allow him to be available and share his wealth of knowledge and insights with the Board of Directors and the senior leadership team. Mel will continue as a member of the Board until his current term expires at the May 2024 annual meeting of stockholders.

Mel, who served as Carriage’s only CEO and Chairman of the Board for the Company’s first 32 years, started with a vision in 1991 that was born out of a very personal and impactful experience he had following the loss of a loved one. He turned that experience and vision into a team of more than 2,700 employees and 200 businesses, all driven by a collective mission of serving families during the most challenging time of their lives.

“Next to my family, Carriage has been and continues to be, the greatest love of my life. The friendships I have made over the years are priceless, and watching the growth and development of so many wonderful leaders throughout the organization has been a true highlight of my career. I have complete confidence in Carlos’ vision and ability to lead Carriage into its next chapter of growth, and, as still a large shareholder, I will be cheering on the team and offering support,” stated Mr. Payne.

“Mel has built a special company and is one of the true pioneers in this profession. He has handpicked an incredibly talented senior leadership team, and the Board is excited for the future of Carriage and our stockholders,” stated Lead Independent Director, Don Patteson.

CONCLUSION OF REVIEW OF STRATEGIC ALTERNATIVES

The Board of Directors (the “Board”) has concluded the Company’s strategic review process, first announced on June 29, 2023, which was overseen by the Board with assistance from experienced financial and legal advisors. The Board has unanimously determined that continuing to execute on the Company’s strategic plan as an independent public company is in the best interest of the Company and its stockholders at this time. In this regard, the Board’s determination took into account positive trends described above in the Company’s financial and operating results toward the end of 2023. The Board remains committed to maximizing stockholder value.

While the Company received a number of proposals for transactions involving the Company in the course of the strategic review process, following a thorough review and evaluation of the proposals and alternatives available to the Company, the Board concluded that none of those proposals would be in the best interest of the Company’s stockholders. The Board endorsed the Company’s continued execution of its standalone business plans as an independent, publicly held company under the leadership of Carlos Quezada as CEO, Steve Metzger as President and Kian Granmayeh as CFO, as well as leadership from the Company’s Board, which added three talented new directors during the summer of 2023.

OUTLOOK FOR 2024

The Company's 2024 outlook incorporates previously stated organic growth initiatives around preneed sales, both in the cemetery and funeral businesses, and expected cost discipline while the Company continues to deleverage the balance sheet. Additionally, in the first quarter of 2024, the Company expects to close two transactions to divest certain non-core businesses, reducing 2024 revenue and field EBITDA by ~\$5.5 million and \$1.5 million, respectively – the 2024 Outlook reflects the expected impact of these two divestitures.

	<u>2024 Outlook⁽¹⁾</u>
<i>(in millions - except per share amounts)</i>	
Total revenue	\$380 - \$390
Adjusted consolidated EBITDA	\$112 - \$118
Adjusted diluted EPS	\$2.20 - \$2.30
Adjusted free cash flow	\$55 - \$65

(1) Includes two transactions to divest certain non-core businesses.

CALL AND INVESTOR RELATIONS CONTACT

Carriage Services has scheduled a conference call for tomorrow, February 22, 2024 at 9:30 a.m. central time. To participate in the call, please dial 888-208-1711 (Conference ID - 1315299) or live over the Internet via webcast click link. An audio archive of the call will be available on demand via the Company's website at www.carriageservices.com. For any investor relations questions, please email InvestorRelations@carriageservices.com.

CARRIAGE SERVICES, INC.
CONDENSED OPERATING AND FINANCIAL TREND REPORT
(in thousands - except per share amounts)

	2019	2020	2021	2022	2023
Funeral operating revenue	\$ 196,475	\$ 226,819	\$ 252,926	\$ 251,396	\$ 249,180
Cemetery operating revenue	49,317	69,083	91,330	90,033	102,216
Financial revenue	15,878	19,689	22,708	22,452	26,259
Ancillary revenue	748	4,661	4,437	4,193	4,588
Divested revenue	11,689	9,196	4,485	2,100	277
Total revenue	\$ 274,107	\$ 329,448	\$ 375,886	\$ 370,174	\$ 382,520
Funeral operating EBITDA	\$ 75,553	\$ 93,480	\$ 109,204	\$ 101,951	\$ 94,949
Funeral operating EBITDA margin	38.5%	41.2%	43.2%	40.6%	38.1%
Cemetery operating EBITDA	17,164	26,627	42,158	37,509	41,096
Cemetery operating EBITDA margin	34.8%	38.5%	46.2%	41.7%	40.2%
Financial EBITDA	14,272	18,357	21,156	20,767	24,561
Financial EBITDA margin	89.9%	93.2%	93.2%	92.5%	93.5%
Ancillary EBITDA	298	1,186	1,006	841	455
Ancillary EBITDA margin	39.8%	25.4%	22.7%	20.1%	9.9%
Divested EBITDA	2,480	2,292	1,117	293	15
Divested EBITDA margin	21.2%	24.9%	24.9%	14.0%	5.4%
Total EBITDA	\$ 109,767	\$ 141,942	\$ 174,641	\$ 161,361	\$ 161,076
Total EBITDA margin	40.0%	43.1%	46.5%	43.6%	42.1%
Total overhead	\$ 37,554	\$ 40,514	\$ 54,282	\$ 53,848	\$ 50,086
Overhead as a percentage of revenue	13.7%	12.3%	14.4%	14.5%	13.1%
Consolidated EBITDA	\$ 72,213	\$ 101,428	\$ 120,359	\$ 107,513	\$ 110,990
Consolidated EBITDA margin	26.3%	30.8%	32.0%	29.0%	29.0%
Other expenses and interest					
Depreciation & amortization	\$ 17,771	\$ 19,389	\$ 20,520	\$ 19,799	\$ 21,117
Non-cash stock compensation	2,153	3,370	5,513	5,959	7,703
Interest expense	25,522	32,515	25,445	25,895	36,266
Loss on extinguishment of debt	—	6	23,807	190	—
Other	4,351	21,506	770	(1,524)	(525)
Pretax income	\$ 22,416	\$ 24,642	\$ 44,304	\$ 57,194	\$ 46,429
Net tax expense	7,883	8,552	11,145	15,813	13,016
Net income	\$ 14,533	\$ 16,090	\$ 33,159	\$ 41,381	\$ 33,413
Special items ⁽¹⁾	\$ 9,821	\$ 25,579	\$ 30,607	\$ (200)	\$ 1,003
Tax effect on special items	1,822	7,986	8,503	95	285
Adjusted net income	\$ 22,532	\$ 33,683	\$ 55,263	\$ 41,086	\$ 34,131
Adjusted net income margin	8.2%	10.2%	14.7%	11.1%	8.9%
Adjusted basic earnings per share	\$ 1.26	\$ 1.88	\$ 3.17	\$ 2.76	\$ 2.29
Adjusted diluted earnings per share	\$ 1.25	\$ 1.86	\$ 3.02	\$ 2.61	\$ 2.19
GAAP basic earnings per share	\$ 0.81	\$ 0.90	\$ 1.90	\$ 2.78	\$ 2.24
GAAP diluted earnings per share	\$ 0.80	\$ 0.89	\$ 1.81	\$ 2.63	\$ 2.14
Weighted average shares o/s - basic	17,877	17,872	17,409	14,857	14,803
Weighted average shares o/s - diluted	18,005	18,077	18,266	15,710	15,455
Reconciliation of Consolidated EBITDA to Adjusted consolidated EBITDA					
Consolidated EBITDA	\$ 72,213	\$ 101,428	\$ 120,359	\$ 107,513	\$ 110,990
Special items ⁽¹⁾	4,374	2,822	5,802	1,799	2,192
Adjusted consolidated EBITDA	\$ 76,587	\$ 104,250	\$ 126,161	\$ 109,312	\$ 113,182
Adjusted consolidated EBITDA margin	27.9%	31.6%	33.6%	29.5%	29.6%

(1) A detail of our Special items presented in this table can be found in the Reconciliation of Non-GAAP Financial Measures section of this earnings release.

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,170	\$ 1,523
Accounts receivable, net	24,458	27,060
Inventories	7,613	8,347
Prepaid and other current assets	4,733	4,791
Total current assets	37,974	41,721
Preneed cemetery trust investments	95,065	96,374
Preneed funeral trust investments	104,553	107,842
Preneed cemetery receivables, net	26,672	35,575
Receivables from preneed funeral trusts, net	19,976	21,530
Property, plant and equipment, net	278,106	287,484
Cemetery property, net	104,170	114,580
Goodwill	410,137	423,643
Intangible and other non-current assets, net	32,930	37,677
Operating lease right-of-use assets	17,060	16,295
Cemetery perpetual care trust investments	66,307	85,331
Total assets	\$ 1,192,950	\$ 1,268,052
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt and lease obligations	\$ 3,172	\$ 3,842
Accounts payable	11,675	11,866
Accrued and other liabilities	30,621	35,362
Total current liabilities	45,468	51,070
Acquisition debt, net of current portion	3,438	5,461
Credit facility	188,836	177,794
Senior notes	395,243	395,905
Obligations under finance leases, net of current portion	4,743	5,831
Obligations under operating leases, net of current portion	17,315	15,797
Deferred preneed cemetery revenue	51,746	61,048
Deferred preneed funeral revenue	32,029	39,537
Deferred tax liability	48,820	52,127
Other long-term liabilities	3,065	1,855
Deferred preneed cemetery receipts held in trust	95,065	96,374
Deferred preneed funeral receipts held in trust	104,553	107,842
Care trusts' corpus	65,495	84,351
Total liabilities	1,055,816	1,094,992
Commitments and contingencies:		
Stockholders' equity:		
Common stock	264	266
Additional paid-in capital	238,780	241,291
Retained earnings	176,843	210,256
Treasury stock	(278,753)	(278,753)
Total stockholders' equity	137,134	173,060
Total liabilities and stockholders' equity	\$ 1,192,950	\$ 1,268,052

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

	Three months ended December 31,		Years Ended December 31,	
	2022	2023	2022	2023
Revenue:				
Service revenue	\$ 45,992	\$ 45,729	\$ 181,271	\$ 182,166
Property and merchandise revenue	41,475	43,562	161,970	169,490
Other revenue	6,449	9,543	26,933	30,864
	<u>93,916</u>	<u>98,834</u>	<u>370,174</u>	<u>382,520</u>
Field costs and expenses:				
Cost of service	21,517	22,597	87,322	91,799
Cost of merchandise	29,149	31,562	116,453	123,817
Cemetery property amortization	1,545	1,628	5,859	6,039
Field depreciation expense	3,485	3,620	13,316	14,166
Regional and unallocated funeral and cemetery costs	5,551	3,237	22,960	16,576
Other expenses	1,231	1,564	5,038	5,828
	<u>62,478</u>	<u>64,208</u>	<u>250,948</u>	<u>258,225</u>
Gross profit	31,438	34,626	119,226	124,295
Corporate costs and expenses:				
General, administrative and other	9,348	10,443	37,471	42,125
Net loss on divestitures, disposals and impairment charges	2,462	262	2,029	1,191
Operating income	<u>19,628</u>	<u>23,921</u>	<u>79,726</u>	<u>80,979</u>
Interest expense	7,687	9,053	25,895	36,266
Loss on extinguishment of debt	190	—	190	—
Net gain on property damage, net of insurance claims	(196)	—	(3,471)	(343)
Other, net	(4)	(737)	(82)	(1,373)
Income before income taxes	11,951	15,605	57,194	46,429
Expense for income taxes	3,665	4,287	16,243	13,186
Tax adjustment related to discrete items	66	(320)	(430)	(170)
Total expense for income taxes	<u>3,731</u>	<u>3,967</u>	<u>15,813</u>	<u>13,016</u>
Net income	<u>\$ 8,220</u>	<u>\$ 11,638</u>	<u>\$ 41,381</u>	<u>\$ 33,413</u>
Basic earnings per common share:				
	<u>\$ 0.56</u>	<u>\$ 0.78</u>	<u>\$ 2.78</u>	<u>\$ 2.24</u>
Diluted earnings per common share:				
	<u>\$ 0.53</u>	<u>\$ 0.75</u>	<u>\$ 2.63</u>	<u>\$ 2.14</u>
Dividends declared per common share:				
	<u>\$ 0.1125</u>	<u>\$ 0.1125</u>	<u>\$ 0.4500</u>	<u>\$ 0.4500</u>
Weighted average number of common and common equivalent shares outstanding:				
Basic	<u>14,707</u>	<u>14,838</u>	<u>14,857</u>	<u>14,803</u>
Diluted	<u>15,418</u>	<u>15,448</u>	<u>15,710</u>	<u>15,455</u>

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

	Years Ended December 31,	
	2022	2023
Cash flows from operating activities:		
Net income	\$ 41,381	\$ 33,413
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,799	21,117
Provision for credit losses	2,818	3,050
Stock-based compensation expense	5,959	7,703
Deferred income tax expense	3,036	3,307
Amortization of intangibles	1,286	1,401
Amortization of debt issuance costs	552	699
Amortization and accretion of debt	493	515
Loss on extinguishment of debt	190	—
Net loss on divestitures, disposals and impairment charges	2,029	1,191
Net gain on property damage, net of insurance claims	(3,471)	(343)
Gain on sale of excess land	(155)	(1,407)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts and preneed receivables	(5,358)	(8,122)
Inventories, prepaid and other current assets	2,295	(72)
Intangible and other non-current assets	(1,917)	(3,246)
Preneed funeral and cemetery trust investments	(17,679)	(775)
Accounts payable	(101)	169
Accrued and other liabilities	(9,120)	2,988
Incentive payment from vendor	—	6,000
Deferred preneed funeral and cemetery revenue	1,302	8,968
Deferred preneed funeral and cemetery receipts held in trust	17,685	(966)
Net cash provided by operating activities	<u>61,024</u>	<u>75,590</u>
Cash flows from investing activities:		
Acquisitions of businesses and real estate	(33,876)	(47,050)
Proceeds from divestitures and sale of other assets	5,027	4,132
Proceeds from insurance claims	2,440	1,403
Capital expenditures	(26,081)	(18,039)
Net cash used in investing activities	<u>(52,490)</u>	<u>(59,554)</u>
Cash flows from financing activities:		
Borrowings from the credit facility	155,400	86,100
Payments against the credit facility	(120,100)	(97,700)
Payment of debt issuance costs for the credit facility and senior notes	(922)	—
Payments on acquisition debt and obligations under finance leases	(882)	1,383
Proceeds from the exercise of stock options and employee stock purchase plan contributions	1,745	1,494
Taxes paid on restricted stock vestings and exercise of stock options	(327)	(252)
Dividends paid on common stock	(6,763)	(6,708)
Purchase of treasury stock	(36,663)	—
Net cash used in financing activities	<u>(8,512)</u>	<u>(15,683)</u>
Net increase in cash and cash equivalents	22	353
Cash and cash equivalents at beginning of period	1,148	1,170
Cash and cash equivalents at end of period	<u>\$ 1,170</u>	<u>\$ 1,523</u>

NON-GAAP FINANCIAL MEASURES

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

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

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

- Special items are defined as charges or credits included in our GAAP financial statements that can vary from period to period and are not reflective of costs incurred in the ordinary course of our operations. The change in uncertain tax reserves was not tax effected. Special items were taxed at the operating tax rate.
- Adjusted net income is defined as net income after adjustments for special items that we believe do not directly reflect our core operations and may not be indicative of our normal business operations. Adjusted net income margin is defined as adjusted net income as a percentage of total revenue.
- Consolidated EBITDA is defined as operating income, plus depreciation and amortization expense, non-cash stock compensation and net loss on divestitures, disposals and impairment charges. Consolidated EBITDA margin is defined as consolidated EBITDA as a percentage of total revenue.
- Adjusted consolidated EBITDA is defined as consolidated EBITDA after adjustments for acquisition expenses, severance and separation costs, litigation reserves, disaster recovery and pandemic costs and other special items. Adjusted consolidated EBITDA margin is defined as adjusted consolidated EBITDA as a percentage of total revenue.
- Adjusted free cash flow is defined as cash provided by operating activities, adjusted by special items as deemed necessary, less cash for maintenance capital expenditures, which include facility repairs and improvements, equipment, furniture and vehicle purchases and information technology infrastructure improvements. Adjusted free cash flow margin is defined as adjusted free cash flow as a percentage of total revenue.
- Funeral operating EBITDA is defined as funeral gross profit, plus depreciation and amortization and regional and unallocated costs, less financial EBITDA, ancillary EBITDA and divested EBITDA related to the Funeral Home segment. Funeral operating EBITDA margin is defined as funeral operating EBITDA as a percentage of funeral operating revenue.
- Cemetery operating EBITDA is defined as cemetery gross profit, plus depreciation and amortization and regional and unallocated costs, less financial EBITDA and divested EBITDA related to the Cemetery segment. Cemetery operating EBITDA margin is defined as cemetery operating EBITDA as a percentage of cemetery operating revenue.
- Preneed cemetery sales production is defined as cemetery property, merchandise and services sold prior to death.
- Financial EBITDA is defined as financial revenue, less the related expenses. Financial revenue and the related expenses are presented within *Other revenue* and *Other expenses*, respectively, on the Consolidated Statement of Operations. Financial EBITDA margin is defined as financial EBITDA as a percentage of financial revenue.
- Ancillary revenue is defined as revenues from our ancillary businesses, which include a flower shop, a monument company, a pet cremation business and our online cremation businesses. Ancillary revenue and the related expenses are presented within *Other revenue* and *Other expenses*, respectively, on the Consolidated Statement of Operations.
- Ancillary EBITDA is defined as ancillary revenue, less expenses related to our ancillary businesses noted above. Ancillary EBITDA margin is defined as ancillary EBITDA as a percentage of ancillary revenue.

- Divested revenue is defined as revenues from certain funeral home and cemetery businesses that we have divested.
- Divested EBITDA is defined as divested revenue, less field level and financial expenses related to the divested businesses noted above. Divested EBITDA margin is defined as divested EBITDA as a percentage of divested revenue.
- Overhead expenses are defined as *regional and unallocated funeral and cemetery costs* and *general, administrative and other costs*, excluding home office depreciation and non-cash stock compensation.
- Adjusted basic earnings per share (EPS) is defined as GAAP basic earnings per share, adjusted for special items.
- Adjusted diluted earnings per share (EPS) is defined as GAAP diluted earnings per share, adjusted for special items.

Funeral Operating EBITDA and Cemetery Operating EBITDA

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

Funeral operating EBITDA and cemetery operating EBITDA are defined above. Funeral and cemetery gross profit is defined as revenue less "field costs and expenses" — a line item encompassing these areas of costs: i) funeral and cemetery field costs, ii) field depreciation and amortization expense, and iii) regional and unallocated funeral and cemetery costs. Funeral and cemetery field costs include cost of service, funeral and cemetery merchandise costs, operating expenses, labor and other related expenses incurred at the business level.

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

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

Usefulness and Limitations of These Measures

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

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

Our total field EBITDA, consolidated EBITDA and adjusted consolidated EBITDA are not necessarily comparable to similarly titled measures used by other companies due to different methods of calculation. Our presentation is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Funeral operating EBITDA, cemetery operating EBITDA, financial EBITDA, ancillary EBITDA and divested EBITDA are not consolidated measures of profitability.

Our total field EBITDA excludes certain costs presented in our GAAP statement that we do not allocate to the individual business' field level margins, as noted above. Consolidated EBITDA excludes certain items that we believe do not directly reflect our core operations and may not be indicative of our normal business operations. A reconciliation to operating income, the most directly comparable GAAP measure, is set forth below.

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

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The Non-GAAP financial measures are presented for additional information and are reconciled to their most comparable GAAP measures, all of which are reflected in the tables below.

Reconciliation of Operating income to Consolidated EBITDA, Adjusted consolidated EBITDA (in thousands) and Adjusted consolidated EBITDA margin for the three months and years ended December 31, 2022 and 2023:

	Three Months Ended December 31,		Years Ended December 31,	
	2022	2023	2022	2023
Operating income	\$ 19,628	\$ 23,921	\$ 79,726	\$ 80,979
Depreciation & amortization	5,188	5,494	19,799	21,117
Non-cash stock compensation	1,381	1,548	5,959	7,703
Net loss on divestitures, disposals and impairment charges	2,462	262	2,029	1,191
Consolidated EBITDA	<u>\$ 28,659</u>	<u>\$ 31,225</u>	<u>\$ 107,513</u>	<u>\$ 110,990</u>
Adjusted for:				
Severance and Separation Costs	\$ —	\$ —	\$ 1,431	\$ —
Litigation reserve	—	—	200	—
Disaster recovery and pandemic costs	—	—	168	—
Other special items ⁽¹⁾	—	1,219	—	2,192
Adjusted consolidated EBITDA	<u>\$ 28,659</u>	<u>\$ 32,444</u>	<u>\$ 109,312</u>	<u>\$ 113,182</u>
Total revenue	\$ 93,916	\$ 98,834	\$ 370,174	\$ 382,520
Operating income margin	20.9%	24.2%	21.5%	21.2%
Adjusted consolidated EBITDA margin	30.5%	32.8%	29.5%	29.6%

(1) Other special items represents expenses related to our strategic review process.

Reconciliation of Operating income to Consolidated EBITDA, Adjusted consolidated EBITDA (in thousands) and Adjusted consolidated EBITDA margin for the years ended December 31, 2019, 2020, and 2021:

	2019	2020	2021
Operating income	\$ 47,443	\$ 57,227	\$ 93,660
Depreciation & amortization	17,771	19,389	20,520
Non-cash stock compensation	2,153	3,370	5,513
Net loss on divestitures, disposals and impairment charges	4,846	21,442	666
Consolidated EBITDA	<u>\$ 72,213</u>	<u>\$ 101,428</u>	<u>\$ 120,359</u>
Adjusted for:			
Special items ⁽¹⁾	4,374	2,822	5,802
Adjusted consolidated EBITDA	<u>\$ 76,587</u>	<u>\$ 104,250</u>	<u>\$ 126,161</u>
Total revenue	\$ 274,107	\$ 329,448	\$ 375,886
Adjusted consolidated EBITDA margin	27.9%	31.6%	33.6%

(1)	2019	2020	2021
Acquisition expenses	\$ 2,083	\$ (11)	\$ —
Severance and separation costs	1,205	563	1,575
Litigation reserve	750	270	1,050
Disaster recovery and pandemic costs	—	1,627	2,157
Other special items ⁽²⁾	336	373	1,020
Total	<u>\$ 4,374</u>	<u>\$ 2,822</u>	<u>\$ 5,802</u>

(2) In 2019, the special item represents the cost associated with the recruitment of a former member of the senior leadership team. In 2020, the special item represents the cost associated with a state audit assessment, excluding interest. In 2021, the special item represents a one-time \$1.0 million payment for residual insurance claims.

Special items affecting Adjusted net income (in thousands) for the years ended December 31, 2019, 2020, 2021, 2022 and 2023:

	2019	2020	2021	2022	2023
Acquisition expenses	\$ 2,083	\$ (11)	\$ —	\$ —	\$ —
Severance and separation costs	1,205	563	1,575	1,431	—
Performance awards cancellation and exchange	—	288	—	—	—
Accretion of discount on convert. sub. notes	241	216	20	—	—
Net loss on extinguishment of debt	—	—	23,807	190	—
Net (gain) loss on divestitures and sale of real property	4,217	6,864	(856)	(543)	(1,300)
Impairment of goodwill, intangibles and PPE	963	14,952	500	2,358	454
Litigation reserve	750	270	1,050	200	—
Tax expense related to divested business	911	—	—	—	—
Net gain on property damage, net of insurance claims	(885)	—	—	(3,471)	(343)
Disaster recovery and pandemic costs	—	1,627	2,157	168	—
Change in uncertain tax reserves and other	—	—	—	(533)	—
Tax adjustment related to certain discrete items	—	400	—	—	—
Other special items ⁽¹⁾	336	410	2,354	—	2,192
Total	<u>\$ 9,821</u>	<u>\$ 25,579</u>	<u>\$ 30,607</u>	<u>\$ (200)</u>	<u>\$ 1,003</u>

(1) In 2019, the special item represents the cost associated with the recruitment of a former member of the senior leadership team. In 2020, the special item represents the cost associated with a state audit assessment. In 2021, the special item represents: (1) write-off of certain fixed assets; (2) a one-time \$1.0 million payment for residual insurance claims; and (3) interest paid on our senior notes due 2026 for the two-week period prior to their redemption during which they were outstanding at the same time as our senior notes due 2029. In 2023, special item represents expenses related to our strategic review process.

Special items affecting Adjusted consolidated EBITDA (in thousands) for the years ended December 31, 2019, 2020, 2021, 2022 and 2023:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Acquisition expenses	\$ 2,083	\$ (11)	\$ —	\$ —	\$ —
Severance and separation costs	1,205	563	1,575	1,431	—
Litigation reserve	750	270	1,050	200	—
Disaster recovery and pandemic costs	—	1,627	2,157	168	—
Other special items ⁽¹⁾	336	373	1,020	—	2,192
Total	<u>\$ 4,374</u>	<u>\$ 2,822</u>	<u>\$ 5,802</u>	<u>\$ 1,799</u>	<u>\$ 2,192</u>

(1) In 2019, the special item represents the cost associated with the recruitment of a former member of the senior leadership team. In 2020, the special item represents the cost associated with a state audit assessment, excluding interest. In 2021, the special item represents a one-time \$1.0 million payment for residual insurance claims. In 2023, the special items represents expenses related to our strategic review process.

Reconciliation of GAAP basic earnings per share to Adjusted basic earnings per share for the three months and years ended December 31, 2022 and 2023:

	<u>Three Months Ended December 31,</u>		<u>Years Ended December 31,</u>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
GAAP basic earnings per share	\$ 0.56	\$ 0.78	\$ 2.78	\$ 2.24
Special items	0.12	0.02	(0.02)	0.05
Adjusted basic earnings per share	<u>\$ 0.68</u>	<u>\$ 0.80</u>	<u>\$ 2.76</u>	<u>\$ 2.29</u>

Reconciliation of GAAP basic earnings per share to Adjusted basic earnings per share for the years ended December 31, 2019, 2020 and 2021:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
GAAP basic earnings per share	\$ 0.81	\$ 0.90	\$ 1.90
Special items	0.45	0.98	1.27
Adjusted basic earnings per share	<u>\$ 1.26</u>	<u>\$ 1.88</u>	<u>\$ 3.17</u>

Reconciliation of GAAP diluted earnings per share to Adjusted diluted earnings per share for the three months and years ended December 31, 2022 and 2023:

	<u>Three Months Ended December 31,</u>		<u>Years Ended December 31,</u>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
GAAP diluted earnings per share	\$ 0.53	\$ 0.75	\$ 2.63	\$ 2.14
Special items	0.11	0.02	(0.02)	0.05
Adjusted diluted earnings per share	<u>\$ 0.64</u>	<u>\$ 0.77</u>	<u>\$ 2.61</u>	<u>\$ 2.19</u>

Reconciliation of GAAP diluted earnings per share to Adjusted diluted earnings per share for the years ended December 31, 2019, 2020 and 2021:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
GAAP diluted earnings per share	\$ 0.80	\$ 0.89	\$ 1.81
Special items	0.45	0.97	1.21
Adjusted diluted earnings per share	<u>\$ 1.25</u>	<u>\$ 1.86</u>	<u>\$ 3.02</u>

Reconciliation of Cash provided by operating activities to Adjusted free cash flow (in thousands) for the three months and years ended December 31, 2022 and 2023:

	Three Months Ended December 31,		Years Ended December 31,	
	2022	2023	2022	2023
Cash provided by operating activities	\$ 10,978	\$ 13,741	\$ 61,024	\$ 75,590
Cash used for maintenance capital expenditures	(2,074)	(2,150)	(11,784)	(8,076)
Free cash flow	\$ 8,904	\$ 11,591	\$ 49,240	\$ 67,514
<i>Plus: incremental special items:</i>				
Withdrawal from preneed funeral and cemetery trust investments ⁽¹⁾	\$ —	\$ —	\$ —	\$ (8,599)
Vendor incentive payment ⁽²⁾	—	—	—	(6,000)
Severance and separation costs	—	—	384	—
Disaster recovery and pandemic costs	—	—	168	—
Other special items ⁽³⁾	—	1,219	—	2,192
Adjusted free cash flow	\$ 8,904	\$ 12,810	\$ 49,792	\$ 55,107

(1) During the year ended December 31, 2023, we withdrew \$8.6 million of realized capital gains and earnings from our preneed funeral and cemetery trust investments. In certain states, we are allowed to withdraw these funds prior to the delivery of preneed merchandise and service contracts. While the realized capital gains and earnings are not recognized as revenue, they increase our cash flow from operations.

(2) During the year ended December 31, 2023, we received a \$6.0 million incentive payment from a vendor for entering into a strategic partnership agreement to market and sell prearranged funeral services in the future. While we only recognized \$0.2 million of the incentive payment as *Other revenue* during the year ended December 31, 2023, this payment increased our cash flow from operations.

(3) Other special items represents expenses related to our strategic review process.

2024 Outlook for the estimated year ended December 31, 2024:

Reconciliation of Operating income to Consolidated EBITDA, Adjusted consolidated EBITDA (in thousands) and Adjusted consolidated EBITDA margin for the estimated year ended December 31, 2024:

Operating income	2024E	\$ 81,550
Depreciation & amortization		23,500
Non-cash stock compensation		9,500
Other		—
Consolidated EBITDA		\$ 114,550
Adjusted for:		
Special items		—
Adjusted consolidated EBITDA		\$ 114,550
Total revenue		\$ 385,000
Adjusted consolidated EBITDA margin		29.8%

Reconciliation of GAAP diluted earnings per share to Adjusted diluted earnings per share for the estimated year ended December 31, 2024:

GAAP diluted earnings per share	2024E	\$ 2.25
Special items		—
Adjusted diluted earnings per share		\$ 2.25

Reconciliation of Cash provided by operating activities to Adjusted free cash flow (in thousands) for the estimated year ended December 31, 2024:

	2024E
Cash provided by operating activities	\$ 70,000
Cash used for maintenance capital expenditures	(10,000)
Free cash flow	\$ 60,000
Special items	—
Adjusted free cash flow	\$ 60,000

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This earnings release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and contains certain statements and information that may constitute forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements made herein or elsewhere by us, or on our behalf, other than statements of historical information, should be deemed to be forward-looking statements, which include, but are not limited to, statements regarding any expectations and projections of earnings, revenue, cash flow, investment returns, capital allocation, debt levels, equity performance, death rates, market share growth, cost inflation, overhead, preneed sales or other financial items; any statements of the plans, strategies, objectives, and expectations of management for future operations or financing activities, including, but not limited to, capital allocation, organizational performance, execution of our strategic initiatives and growth plan, planned divestitures, anticipated integration, performance and other benefits of recently completed acquisitions, and cost management and debt reductions; any statements regarding the expectations and successful management of executive transitions; any projections or expectations related to the conclusion of the Board's strategic review; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing and are based on our current expectations and beliefs concerning future developments and their potential effect on us. Words such as "may", "will", "estimate", "intend", "believe", "expect", "seek", "project", "forecast", "foresee", "should", "would", "could", "plan", "anticipate" and other similar words may be used to identify forward-looking statements; however, the absence of these words does not mean that the statements are not forward-looking. While we believe these assumptions concerning future events are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenue and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions, except where specifically noted. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include but are not limited to: our ability to find and retain skilled personnel; the effects of our talent recruitment efforts, incentive and compensation plans and programs, including such effects on our Standards Operating Model and the Company's operational and financial performance; our ability to execute our strategic initiatives and growth plan, if at all; the potential adverse effects on the Company's business, financial and equity performance if management fails to meet the expectations of its strategic initiatives and growth plan; our ability to execute and meet the objectives of our High Performance and Credit Profile Restoration Plan, if at all; the execution of our Standards Operating, 4E Leadership and Strategic Acquisition Models; the effects of competition; changes in the number of deaths in our markets, which are not predictable from market to market or over the short term; changes in consumer preferences and our ability to adapt to or meet those changes; our ability to generate preneed sales, including implementing our cemetery portfolio sales strategy, product development and optimization plans; the investment performance of our funeral and cemetery trust funds; fluctuations in interest rates, including, but not limited to, the effects of increased borrowing costs under our Credit Facility and our ability to minimize such costs, if at all; the effects of inflation on our operational and financial performance, including the increased overall costs for our goods and services, the impact on customer preferences as a result of changes in discretionary income, and our ability, if at all, to mitigate such effects; our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness; our ability to meet the timing, objectives and expectations related to our capital allocation framework, including our forecasted rates of return, planned uses of free cash flow and future capital allocation, including share repurchases, potential strategic acquisitions, internal growth projects, dividend increases, or debt repayment plans; our ability to meet the projected financial and equity performance goals to our full year outlook, if at all; the timely and full payment of death benefits related to preneed funeral contracts funded through life insurance contracts; the financial condition of third-party insurance companies that fund our preneed funeral contracts; increased or unanticipated costs, such as merchandise, goods, insurance or taxes, and our ability to mitigate or minimize such costs, if at all; our level of indebtedness and the cash required to service our indebtedness; changes in federal income tax laws and regulations and the implementation and interpretation of these laws and regulations by the Internal Revenue Service; effects of the application of other applicable laws and regulations, including changes in such regulations or the interpretation thereof; the potential impact of epidemics and pandemics, such as the COVID-19 coronavirus, including any new or emerging public health threats, on customer preferences and on our business; government, social, business and other actions that have been and will be taken in response to pandemics, such as the COVID-19 coronavirus, including potential responses to any new or emerging public health threats; effects and expense of litigation; consolidation in the funeral and cemetery industry; our ability to identify and consummate strategic acquisitions, if at all, and successfully integrate acquired businesses with our existing businesses, including expected performance and financial improvements related thereto; potential adverse impacts resulting from the announcement of the conclusion of the Board's strategic review; economic, financial and stock market fluctuations; interruptions or security lapses of our information technology, including any cybersecurity or ransomware incidents; adverse developments affecting the financial services industry; acts of war or terrorists acts and the governmental or military response to such acts; our failure to maintain effective control over financial reporting; and other factors and uncertainties inherent in the funeral and cemetery industry.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, and in other filings with the SEC, available at www.carriageservices.com. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of the applicable communication and we undertake no obligation to publicly update or revise any forward-looking statements except to the extent required by applicable law.

TRANSITION AGREEMENT

This **TRANSITION AGREEMENT** and exhibits (collectively, this “Agreement”) is made and entered into by Melvin C. Payne (“Employee”) and Carriage Services, Inc. (the “Company”). The Company and Employee may sometimes hereafter be referred to singularly as a “Party” or collectively as the “Parties.”

WHEREAS, Employee and the Company entered into an Employment Agreement dated November 5, 2019, as amended by the First Amendment thereto, dated February 17, 2021, and the Second Amendment thereto, dated June 21, 2023 (as so amended, the “Employment Agreement”); and

WHEREAS, both Employee and the Company hereto desire to enter into this Agreement in order to set forth the terms of the Employee’s separation from employment with the Company and to resolve fully any and all issues and obligations arising out of Employee’s employment and separation from employment including under the Employment Agreement.

NOW, THEREFORE, Employee and the Company agree as follows, in consideration of the mutual covenants and obligations contained herein, and intending to be legally held bound:

1. Employee’s Separation.

(a) Employee hereby will cease to be employed by the Company effective as of February 22, 2024 (the “Separation Date”). In addition, Employee hereby resigns, as of the Separation Date, his positions as Executive Chairman of the Board of Directors of the Company and, except as provided in the following sentence, any other position Employee may hold for the Company’s subsidiaries and affiliates, in each case as of the Separation Date, or earlier if effectuated by a separate action. Employee will remain as a member of the Board of Directors of the Company (the “Board”) until the end of the current three-year term for Class I members of the Board, which term expires at the Company’s 2024 annual meeting of stockholders.

(b) As of the Separation Date, Employee specifically waives all rights to any additional bonus and/or awards, vesting or payment under the Company’s 2017 Omnibus Incentive Plan, the Second Amended and Restated 2006 Long-Term Incentive Plan (the “Equity Plans”), or any other current or past plan or policy of the Company, except as may otherwise be expressly set out in this Agreement. As of the Separation Date, all of Employee’s rights under the Employment Agreement are terminated and Employee hereby waives any and all such rights he may have had under the Employment Agreement prior to the Separation Date.

(c) As of the Separation Date, the Parties hereto agree that Employee shall have incurred a separation from service from the Company and its affiliates within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”).

(d) Employee acknowledges and agrees that he was paid Employee's regular base salary earned through the Separation Date. Employee agrees that, except as may otherwise be expressly set out in this Agreement and except for any benefits listed on Schedule 2 attached hereto, Employee is entitled to no other compensation or benefits from the Company of any kind, and that Employee shall not be entitled to receive any other payment, benefit, equity, or other form of compensation as a result of the Employment or the cessation thereof, including but not limited to sick time, bonus, deferred compensation, additional employer 401(k) plan contributions for periods following the Separation Date, life insurance, accidental death and dismemberment insurance, short and long-term disability insurance, equity interests, or severance. Reimbursement of reasonable business expenses incurred by Employee during the 90-day period preceding the Separation Date may be processed in accordance with Company policy for a period of 30 days following the Separation Date, provided that such business expenses are submitted in accordance with Company policy. Notwithstanding the foregoing, Employee shall be entitled to any benefits due to Employee or his spouse for claims incurred under the Company's medical plan on or prior to the Separation Date and to his benefits under the Company's 401(k) plan that have accrued as of the Separation Date.

2. Special Consideration.

(a) Provided Employee executes this Agreement without revocation, Employee's spouse executes and complies with the general release agreement attached as Exhibit 1 (the "Exhibit Release"), Employee executes without revocation the general release attached as Exhibit 2 at the conclusion of the Consulting Period (as defined below), and Employee complies with all terms of this Agreement, including, without limitation, the Ongoing Restrictive Covenants (as defined below) (collectively, the "Special Consideration Conditions"), conditioned upon the lapse of the applicable period for revocation as specified in Section 3(d), the Company agrees to provide Employee the following rights and benefits in Sections 2(a)(i) through 2(a)(viii) below (collectively, the "Special Consideration"):

(i) The Company will continue to pay Employee's base salary at the bi-weekly rate of \$38,461.54, less all tax withholdings and authorized deductions, for 52 bi-weekly pay periods following the Separation Date (the "Continued Salary"). The Continued Salary shall total \$2,000,000.00. The first payment will be paid on the first regular, bi-weekly Company payroll date following the Effective Date (as defined below) (the "First Payroll Date").

(ii) The Company will pay Employee a lump sum amount of \$1,250,000.00, less all tax withholdings and authorized deductions, in respect of Employee's annual bonus that relates to the 2023 calendar year, which amount shall be payable when annual bonuses in respect of the 2023 calendar year are paid to similarly situated employees of the Company, currently scheduled for February 23, 2024.

(iii) The Company will pay Employee a lump sum amount of \$181,507.00, less all tax withholdings and authorized deductions, in respect of Employee's pro-rated target annual bonus that relates to the 2024 calendar year (i.e., for the period commencing on January 1, 2024 and ending on the Separation Date), which amount shall be payable on the First Payroll Date.

(iv) If Employee becomes eligible to elect continuation coverage under the Company's medical plan pursuant to the Consolidated Omnibus Budget Reconciliation Act ("COBRA") and properly elects such coverage, the Company shall pay on Employee's behalf, 100% of applicable medical continuation premiums for the benefit of Employee and his spouse under the Employee's then-current plan election as of the Separation Date, for so long as Employee and his spouse, as applicable, remain eligible for, and elect, COBRA coverage under applicable law following the Separation Date (i.e., up to 18 months for Employee and up to 36 months for Employee's spouse, as such periods may be reduced under applicable law). In addition, for the "extended period," as hereafter defined, and as applied to each of Employee and his spouse separately (i.e., up to 18 months for Employee and up to 36 months for Employee's spouse), the Company shall pay to Employee, on the first business day of each calendar month, a fully taxable cash payment equal to the applicable COBRA premiums for that month had Employee and his spouse been eligible for, elected and remained enrolled in COBRA coverage under the Company's medical plan based upon Employee's plan election as of the Separation Date, subject to applicable tax withholdings. For this purpose, the "extended period" shall be the 36-month period following the Separation Date, but only for those months that Employee or his spouse, as applicable, are alive during such period, and reduced by the number of months that the Company made COBRA continuation payments on behalf of Employee or his spouse, as applicable, pursuant to the first sentence of this paragraph.

(v) Employee shall retain all outstanding vested equity awards previously granted to Employee under the Equity Plans, subject to the terms and conditions set forth in such vested equity awards and in the applicable Equity Plans. For the avoidance of doubt, 10,260 Restricted Stock Units from the February 22, 2023 grant from the Company to Employee will vest on February 22, 2024, as a result of which a corresponding number of shares of the Company's common stock will be issued to Employee upon settlement of such Restricted Stock Units in accordance with the terms of such grant. Except as provided in the following Section 2(a)(vi), all unvested equity awards previously granted to Employee under the Equity Plans will be cancelled as of the Separation Date and Employee shall have no rights or claims with respect to any unvested equity awards.

(vi) Reference is made to that certain Good to Great II Shareholder Valuation Creation Performance Award Agreement by and between Employee and the Company, dated May 19, 2020, as amended from time to time (the "Good to Great Award"), and capitalized terms used in this Section 2(a)(vi) shall have the respective meanings ascribed thereto in the Good to Great Award. Notwithstanding the preceding Section 2(a)(v), an amount of 117,063.33 Target Performance Shares (i.e., the pro rata portion of the Target Performance Shares attributable to Tier 3 performance under the Good to Great Award for the period within the Performance Period commencing on the Grant Date and ending on the Separation Date) ("Covered Shares"), shall vest as of the Effective Date and be payable, in any event prior to March 15, 2025, as follows:

(A) The Company will pay Employee a lump sum cash amount of \$1,000,000.00, less all tax withholdings and authorized deductions, in respect of a number of Covered Shares (rounded to the nearest two decimal places), based on the Separation Date Closing Price (as defined below), which amount shall be payable on the First Payroll Date;

(B) With respect to each calendar month from March 2024 through February 2025, the Company will pay Employee a cash payment for 12 calendar months from March 2024 through February 2025 equal to (1) the number of Covered Shares remaining after the payment made pursuant to Section 2(a)(vi)(A), multiplied by (2) the Separation Date Closing Price, divided by (3) 24, less all tax withholdings and authorized deductions, which monthly amount shall be payable on the last business day of each such month; and

(C) On March 14, 2025, the Company will pay Employee a cash payment equal to (1) the number of Covered Shares remaining after the payments made pursuant to Section 2(a)(vi)(A) and Section 2(a)(vi)(B), multiplied by (2) the Separation Date Closing Price, less all tax withholdings and authorized deductions.

The term "Separation Date Closing Price" means the closing price of the Company's common stock on the New York Stock Exchange on the Separation Date, as reported by Bloomberg, L.P.

(vii) Employee agrees to serve as a consultant for the Company, as requested and directed by the Company in writing, for 12 months following the Separation Date unless terminated earlier by the Company as provided in this Section 2(a)(vii) (the "Consulting Period"). During the Consulting Period, Employee shall be eligible to earn total potential consulting pay of up to \$1,000,000.00 ("Consulting Pay") for Employee to provide counsel to the Company's Board of Directors and senior management team as a special advisor, as may be requested by the Board of Directors or senior management team during the Consulting Period. Such Consulting Pay shall be provided to Employee with respect to the 12 months following the Separation Date, payable in 12 equal installments of \$83,333.33; provided, however, that the Company may terminate the above-described consulting arrangement, at which time no further installment payments of Consulting Pay shall be payable or provided to Employee, in the event Employee breaches or threatens to breach this Agreement, including, without limitation, the Ongoing Restrictive Covenants, or fails to satisfy any of the Special Consideration Conditions. During the Consulting Period, Employee shall have no authority to bind or to purport to bind, or to act, make any representation, or incur any liability on behalf of, the Company or its affiliates in any way whatsoever. Within 21 days of the termination of the Consulting Period for any reason, Employee shall execute without revocation the general release attached as Exhibit 2; in the event Employee fails to so execute such release without revocation, Employee shall not be entitled to any further Special Consideration.

(viii) Employee shall be reimbursed by the Company for actual legal expenses reasonably incurred in connection with Employee's transition, subject to a maximum amount of \$35,000. Such reimbursement shall be supported by third party invoices and shall be paid within 60 days of the Separation Date or, if later, within 10 days after all such invoices have been received by the Company.

(ix) Solely for the convenience of Employee, the Parties also agree to certain non-compensatory matters listed on Schedule 1.

(b) If Employee dies at any time while the Company is paying consideration pursuant to this Section 2, the Company shall continue making the remaining payments under this Section 2 to the Employee's estate. Such payments to the Employee's estate shall be made in the same manner and at the same times as they would have been paid to the Employee had he not died. Employee acknowledges and agrees that the Special Consideration outlined above constitutes fair and adequate compensation for the promises and covenants of Employee set forth in this Agreement. Employee acknowledges and agrees that the Company may deduct from any of the foregoing payments and benefits in Sections 2(a)(i) through 2(a)(viii): (i) any federal, state or local taxes required by law to be withheld with respect to the foregoing payments and benefits, (ii) all other normal employee deductions made with respect to the Company's employees generally, and (iii) any other amounts specifically authorized to be withheld or deducted by the Employee in accordance with applicable law, it being understood that all such determinations shall be made by the Company. Employee acknowledges that the consideration described in this Section 2 is in lieu of and in full satisfaction of any amounts (or pro rata portions thereof) that might otherwise be payable under any contract, plan, policy or practice, past or present, of the Company, including, without limitation, the Employment Agreement, as well as any other offer letter or employment agreement or understanding, and Employee will have no right or entitlement to any additional compensation, bonus payments, equity grants, severance or benefits of any kind after the Separation Date except as expressly specified in this Agreement. Without limiting the foregoing, Employee acknowledges and agrees that the payments and arrangements described in this Section 2 are in excess of any amounts (or pro rata portions thereof) to which she may be entitled or that otherwise may be due and owed to Employee from the Company. Employee further agrees that any and all past, present or future rights he had, has or hereafter may have, arising out of or relating to any bonus, performance, or incentive compensation plan or programs of the Company, have been permanently extinguished and are of no further force and effect with respect to Employee, except as expressly provided in this Agreement. Employee shall be solely responsible for any taxes related to the Special Compensation under this Section 2 and agrees that neither the Company nor the Releasees (as defined below) have any liability for such tax obligations.

3. General Release and Waiver of Claims.

(a) In consideration of the Company's obligations set forth in this Agreement, Employee, on behalf of himself and his spouse, heirs, executors, administrators, beneficiaries, successors and assigns, hereby voluntarily, knowingly, willingly, unconditionally, and irrevocably releases and forever discharges (i) the Company and the Trust of Carriage Services Capital Trust, (ii) all of their respective subsidiaries and affiliates and their each of their predecessors, successors and assigns, (iii) together with the respective present or former officers, directors, partners, managers, trustees, shareholders, employees, attorneys, and agents of all of the foregoing entities and any and all employee pension or welfare benefits plans, including current and former trustees and administrators of these plans (collectively, the "Releasees"), both individually and in their official capacities, from any and all rights, claims, causes of action, charges, demands, damages, liabilities, losses, debts, and expenses (including attorneys' fees and costs actually incurred) of every kind, type, nature, or description whatsoever, in law or equity, known or unknown, suspected or unsuspected, vested or contingent, accrued or yet to accrue, that Employee or Employee's heirs, executors, administrators, beneficiaries, successors or assigns ever had, now have or hereafter can, shall or may have by reason of any matter, cause or thing whatsoever arising from the beginning of time to the Effective Date. This Release includes, but is not limited to, any rights or claims relating in any way to Employee's employment relationship with the Company or any of the Releasees, the cessation thereof; any claims for unpaid commissions, bonuses, compensation, fees, expenses, wages, back pay, equity, salary, incentive pay, vacation pay, legal fees, fringe benefits, severance, contractor payments, termination payments, or other compensation; any rights or claims arising under any legally waivable federal, state or local constitution, statute, ordinance, or regulation, including without limitation the Age Discrimination in Employment Act of 1967 (the "ADEA"), the Older Workers Benefit Protection Act (the "OWBPA"), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Genetic Information Nondiscrimination Act of 2008, the Equal Pay Act, the anti-retaliation provisions of the Fair Labor Standards Act, the Rehabilitation Act of 1973, the Employee Retirement Income Security Act of 1974, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Worker Adjustment Retraining and Notification ("WARN") Act and any state WARN statutes, Section 1981 of the Civil Rights Act of 1866, the National Labor Relations Act, the Fair Credit Reporting Act, the Occupational Safety and Health Act, any rights or claims arising under the common law or under any plan, program, policy, agreement, contract, understanding or promise, written or oral, express or implied, formal or informal, between the Company or any of the Releasees and Employee, as well as any other offer letter, award agreement, or employment agreement or understanding; and any and all claims for alleged tortious, defamatory or fraudulent conduct, including without limitation intentional infliction of emotional distress, defamation, fraud, and breach of duty (collectively, the "Released Claims"). Notwithstanding the foregoing, nothing in this Agreement shall (u) waive any claim that arises after the Effective Date, (v) waive any claim for contractual payments under this Agreement, (w) waive any rights to payments under the Company's medical plan and 401(k) plan, (x) be construed to prohibit Employee from bringing appropriate proceedings to enforce this Agreement; (y) waive any rights that, pursuant to law, cannot be waived or subject to a release of this kind, such as rights to unemployment or workers' compensation benefits; or (z) waive any rights to indemnification that Employee may have under any organizational documents of the Company or any directors and officers liability insurance policy of the Company or any individual indemnity agreement with the Company.

(b) The Company acknowledges that the Indemnity Agreement between the Company and Employee dated December 18, 2000 (“Indemnity Agreement”) is in full force and effect. The Company also acknowledges that the Employee is covered by indemnity provisions as provided under both the Indemnity Agreement and Article VII of the Company’s By-Laws, whichever provides the broadest protections to Employee. The Company covenants that any D&O Insurance Policies in effect for the period of six years after the date Employee is no longer a member of the Board will provide Employee with the same benefits as the benefits provided to the then-current members of the Board and the then-serving Chief Executive Officer.

(c) **Nothing in this Agreement is intended to (i) interfere with Employee’s right to testify or assist in an investigation, hearing, or proceeding by the Equal Employment Opportunity Commission or a comparable state or local agency (“EEOC”), the Securities and Exchange Commission (“SEC”), the Department of Justice, the Congress, any agency Inspector General; or any other federal, state, or local governmental or self-regulatory authority or entity, (ii) prohibit Employee from reporting possible violations of federal and/or state law or regulation to any federal, state, or local governmental agency or entity, including with respect to alleged criminal conduct or unlawful employment practices, or from making other disclosures that are protected under the whistleblower provisions of federal and/or state law or regulation, (iii) making truthful statements or disclosures regarding alleged unlawful employment practices; or (iv) seek a determination of the validity of the waiver of Employee’s rights under the ADEA or the OWBPA. Employee does not need the prior authorization of the Company to make any such reports or disclosures and Employee is not required to notify the Company that Employee made such reports or disclosures. To the maximum extent permitted by law, Employee agrees that if such a charge or complaint is made, Employee shall not be entitled to recover any individual monetary relief or other individual remedies.** Subject to the foregoing, Employee agrees that Employee will not voluntarily bring or assist others in bringing claims against any of the Releasees and will not cooperate with, supply information to or on behalf of, or assist any litigant or their agents or attorneys in any proceeding against any of the Releasees. For the avoidance of doubt, nothing in this Agreement shall be construed to prohibit Employee from engaging in protected concerted activity under the National Labor Relations Act for the purpose of collective bargaining or other mutual aid or protection, including, without limitation, (w) making disclosures concerning this Agreement in aid of such concerted activities; (x) filing unfair labor practice charges; (y) assisting others who are filing such charges; and (z) cooperating with the investigative process of the National Labor Relations Board or other government agencies.

(d) Employee acknowledges that Section 3(a) includes a waiver of any rights and claims arising under the ADEA and the OWBPA (the “ADEA Release”). Employee acknowledges that the consideration that he is receiving in exchange for this waiver of the rights and claims specified in Section 2 exceeds anything of value to which Employee is already entitled. Employee acknowledges that he has been given a period of at least 21 days within which to consider the release contained in this Section 3 or has knowingly and voluntarily waived the right to do so, with the execution of this Agreement constituting a voluntary waiver. Employee understands that he may revoke the ADEA Release during the seven days following the execution of this Agreement by providing written notice, signed by Employee and received by the Company no later than 5:00 p.m. Central Time on the seventh day of the revocation period by delivering to the Company written notice of revocation by e-mail to Steve Metzger, President, at Steve.Metzger@carriageservices.com. Employee understands that if he revokes the ADEA Release, Employee will not be entitled to any portion of the Special Consideration set forth in Section 2. This Agreement shall become effective on the eighth day after Employee executes this Agreement without revocation (the “Effective Date”).

(e) Employee understands and agrees that he is not entitled to the Special Consideration unless his spouse executes the Exhibit Release concurrently with the execution of this Agreement.

4. Return of Company Property. Employee shall return, in good working order, any and all property of the Company that is in his possession, custody or control within 30 days after the Separation Date. Such property includes, but is not limited to, keys, computers, cell phones, software, calculators, equipment, credit cards, forms, files, manuals, correspondence, business cards, personnel data, lists of or other information regarding customers, contacts and/or employees, contracts, contract information, agreements, leases, plans, brochures, catalogues, training materials, computer tapes and diskettes or other portable media.

5. Non-Admission. Employee and the Company agree that this Agreement and the consideration provided to Employee by the Company is not an admission by either Party of any violation of the other Party’s rights or of any violation of contract or statutory or common law.

6. Non-Disparagement. Employee specifically covenants and agrees not to, directly or indirectly, make, publish or communicate or cause to be made, published or communicated, to anyone any remark, statement or comment, orally or in writing, falsely criticizing or disparaging the Company.

7. Continuing Obligations. Employee acknowledges that in the course of his employment with the Company he has obtained (and during the Consulting Period, he will obtain) confidential and proprietary information including, but not limited to, financial, accounting, business, product, customer and marketing information, plans, lists, agreements, forecasts, trade secrets, management methods, operating techniques, strategies, prospective acquisitions, reports, studies, analyses, this Agreement, and other confidential information and knowledge concerning the business of the Company (collectively “Confidential Information”). Subject to Section 3(b), Employee acknowledges and agrees that he has a continuing obligation to maintain the confidentiality of all such non-public information, even after the Separation Date and that he remains bound by the restrictive covenants contained in Sections 10, 13, 14, 15, 16, 17 and 18 of the Employment Agreement, and that those obligations are reasonable and enforceable (collectively, the “Ongoing Restrictive Covenants”). Employee understands and acknowledges that the Employee’s obligations under this Agreement regarding Confidential Information begin immediately and shall continue until the Confidential Information has become public knowledge other than as a result of the Employee’s breach of this Agreement or a breach by those acting in concert with the Employee or on the Employee’s behalf. As an inducement to the Company to enter into this Agreement and as a condition to the Company’s obligation to provide any benefits to Employee under this Agreement, Employee represents to, and covenants with or in favor of, the Company that Employee will comply with all of Employee’s obligations under this Agreement, including, without limitation, his obligations regarding non-disparagement, Confidential Information and the Ongoing Restrictive Covenants, subject to Section 3(b). Employee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Employee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Employee files a lawsuit for retaliation against the Company for reporting a suspected violation of law, Employee may disclose the Company’s trade secrets to Employee’s attorney and use the trade secret information in the court proceeding if Employee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

8. Cooperation. Employee acknowledges and agrees that from and after the Separation Date, he will cooperate fully with the Company, its officers, employees, agents, affiliates and attorneys in the defense or prosecution of, or in preparation for the defense or prosecution of any lawsuit, dispute, investigation or other legal proceedings (“Proceedings”). Employee further acknowledges and agrees that he will cooperate fully with the Company, its officers, employees, agents, affiliates and attorneys on any matter related to Company business (“Matters”) that occurred during the period of Employee’s employment or were otherwise impacted by Employee’s employment. Such cooperation shall include providing true and accurate information or documents concerning, or affidavits or testimony about, all or any matters at issue in any Proceedings/Matters as shall from time to time be requested by the Company, and shall be with the knowledge of Employee. Such cooperation shall be provided by Employee without remuneration, but Employee shall be entitled to reimbursement for all reasonable and appropriate out of pocket expenses incurred by him in so cooperating, including, by way of example and not by way of limitation, airplane fares, hotel accommodations, meal charges and other similar expenses to attend Proceedings/Matters outside of the city of Employee’s residence. The proposed reasonable fees and expenses of Employee shall be submitted by the Employee in writing to the Company in advance, and only after pre-approval by the Company in writing shall be reimbursed by the Company on a regular, periodic basis upon presentation by Employee of a statement and receipts in accordance with the Company’s customary practices and policies; provided, however, that such reimbursement will be paid no later than December 31st of the calendar year following the calendar year in which Employee incurred the expense. In the event Employee is asked by a third party to provide information regarding the Company, or is called other than by the Company to testify in any Proceeding/Matter related to the Company, he will notify the Company as soon as possible in order to give the Company a reasonable opportunity to respond and/or participate in such Proceeding/Matter.

9. Remedies. In the event of a breach or threatened breach by Employee of any of the provisions of this Agreement, including, without limitation, the Ongoing Restrictive Covenants, Employee hereby consents and agrees that the Company shall be entitled to seek, in addition to all other available remedies, a temporary restraining order, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of providing notice, paying bond, or showing any actual damages or that money damages would not afford an adequate remedy, to the maximum extent permitted by law. Any equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages, or other available relief. Employee further agrees that, in the event Employee breaches or threatens to breach this Agreement, including, without limitation, the Ongoing Restrictive Covenants, or fails to satisfy any of the Special Consideration Conditions, in addition to any other remedies it may have, Employee shall have no right to any Special Consideration and shall forfeit and reimburse the Company for any portion of any previously paid Special Consideration, without waiving the releases provided herein. Company and Employee acknowledge and agree that the prevailing Party shall be entitled to payment of its attorneys’ fees and other costs and expenses incurred in enforcing this provision of this Agreement and/or in prosecuting any counterclaim or cross-claim based on this provision of this Agreement.

10. Reformation. If a court rules that any of the restrictions in this Agreement or any of the Ongoing Restrictive Covenants are unenforceable, then such restriction shall be reduced or modified by the court so that the restriction may be enforced to the maximum extent permitted by law.

11. Consultation with Attorney; Voluntary Agreement. The Company advises Employee to consult with an attorney of his choosing prior to signing this Agreement. Employee understands and agrees that he has the right and has been given the opportunity to review this Agreement and, specifically, the Release in Section 3, with an attorney. Employee also understands and agrees that she is under no obligation to consent to the Release set forth in Section 3. Employee acknowledges and agrees that the promises set forth in this Agreement, including but not limited to the Special Consideration, are sufficient consideration to require him to abide with his obligations under this Agreement, including but not limited to the Release in Section 3. Employee represents that he has read this Agreement, including the Release in Section 3 and understands its terms and that he enters into this Agreement freely, voluntarily, and without coercion. By executing this Agreement, Employee acknowledges that Employee: (a) is not relying upon any statements, understandings, representations, expectations, or agreements other than those expressly set forth in this Agreement; (b) has made Employee's own investigation of the facts and is relying solely upon Employee's own knowledge; (c) knowingly waives any claim that this Agreement was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Agreement based upon presently existing facts, known or unknown; (d) is entering into this Agreement freely and voluntarily; (e) has carefully read and understood all of the provisions of this Agreement; and (f) was provided the opportunity to discuss and did discuss all aspects of this Agreement with his legal counsel of Employee's choosing, including Alan J. Robin Esq. The Parties stipulate that the Company is relying upon these representations and warranties in entering into this Agreement. These representations and warranties shall survive the execution of this Agreement.

12. Fees and Costs. Except as otherwise set forth in this Agreement, the Parties shall bear their own attorneys' fees and costs.

13. Company Non-Disparagement. The Company will direct its directors and officers not to, directly or indirectly, make, publish or communicate or cause to be made, published or communicated, to anyone any remark, statement or comment, orally or in writing, falsely criticizing or disparaging Employee.

14. Successors and Assigns. This Agreement shall inure to the benefit of the Company and its affiliates (and its and their successors and assigns).

15. Section 409A. This Agreement shall be interpreted and administered in a manner so that any compensation or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A. Nevertheless, the tax treatment of the compensation and benefits provided under this Agreement is not warranted or guaranteed to Employee, who is responsible for all taxes assessed on any payments made pursuant to this Agreement, whether under Section 409A or otherwise. Neither the Company nor its directors, officers, employees, or advisors shall be held liable for any taxes, interest, penalties, or other monetary amounts owed by Employee, including as a result of the application of Section 409A. Any installment payment hereunder shall be deemed to be a separate payment, as described in Treas. Reg. Section 1.409A-2(b)(2), for purposes of Section 409A. To the extent that any reimbursements payable to Employee are subject to the provisions of Section 409A: (a) any such reimbursements will be paid no later than December 31 of the year following the year in which the expense was incurred, (b) the amount of expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year, and (c) the right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit. Notwithstanding any provisions of this Agreement to the contrary, if Employee is a "specified employee" (within the meaning of Section 409A and determined pursuant to any policies adopted by the Company consistent with Section 409A), at the time of Employee's separation from service, and if any portion of the payments or benefits to be received by Employee upon separation from service would be considered deferred compensation under Section 409A and cannot be paid or provided to Employee without Employee incurring taxes, interest or penalties under Section 409A of the Code, amounts that would otherwise be payable pursuant to this Agreement and benefits that would otherwise be provided pursuant to this Agreement, in each case, during the six-month period immediately following Employee's separation from service shall instead be paid or made available on the earlier of (x) the first business day of the seventh month following the date of Employee's separation from service and (y) Employee's death.

16. Choice of Law; Venue. This Agreement and all matters or issues relating to the interpretation, construction, validity, and enforcement of this Agreement, Employee's employment, the termination thereof, the restrictive covenants relating to non-disparagement, Confidential Information and the Ongoing Restrictive Covenants, and any other matter between Employee and the Company (or its affiliates) shall be governed by the laws of the State of Texas, without giving effect to any choice-of-law principle that would cause the application of the laws of any jurisdiction other than Texas, and jurisdiction and venue of any action or proceeding must be brought exclusively in a state district court in Harris County, Texas or federal district court in the Southern District of Texas, Houston Division. Each Party submits to the exclusive jurisdiction of such courts and agrees not to raise any objection to such jurisdiction.

17. Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

18. Entire Agreement.

(a) This Agreement, together with the Ongoing Restrictive Covenants, replaces and merges all previous agreements, amendments and discussions between Employee and Company (or any of its affiliates) and constitutes the entire agreement between the Employee and the Company (and any of its affiliates). Any existing employment agreement between the Employee and the Company (or any of its affiliates), including the Employment Agreement, is hereby terminated and no longer of any force or effect. This Agreement may be amended, waived or terminated only by a written instrument that is identified as an amendment, waiver or termination hereto, and is executed on behalf of both Parties.

(b) No oral understandings, statements, promises, terms, conditions, obligations, or agreements contrary or in addition to the terms of this Agreement exist. This Agreement may not be changed by oral representations, and may be amended only by written instrument executed by a duly authorized representative of each of the Parties, or their respective successors or assigns. If any part of this Agreement is found to be illegal or unenforceable by any agency or court, the remaining provisions shall continue in full force and effect.

19. Notices. Subject to Section 3(d), each notice or other communication required or permitted under this Agreement shall be in writing and transmitted by personal delivery or prepaid courier or messenger service (whether overnight or same-day) and by electronic mail, delivery and read receipt required, addressed (in any case) to the other Party at the address below:

To the Company:

Steven D. Metzger
President
Carriage Services, Inc.
3040 Post Oak Blvd.
Houston, TX 77056
Steve.Metzger@carriageservices.com

With a courtesy copy, which does not constitute notice, to:

J. Mark Metts
Sidley Austin LLP
1000 Louisiana St., Suite 5900
Houston, TX 77002
mmetts@sidley.com

To Employee:

Melvin C. Payne
1922 North Boulevard
Houston, TX 77098
mlvnpayne@yahoo.com

With a courtesy copy, which does not constitute notice, to:

Alan J. Robin
2450 Fondren Road, Suite 309
Houston, Texas 77063-2316
alan@alanrobinlaw.com

20. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

[Signature Page Follows; Remainder of Page Left Intentionally Blank]

We the undersigned do hereby sign and agree to the terms set forth in this Agreement, on the dates set forth below.

EMPLOYEE:

/s/ Melvin C. Payne

Melvin C. Payne

THE COMPANY:

CARRIAGE SERVICES, INC.

By: /s/ Steven D. Metzger

Name: Steven D. Metzger

Title: President

[Signature Page to Transition Agreement]

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Melvin C. Payne Transition Agreement 2/22/24

EXHIBIT 1

GENERAL RELEASE

THIS GENERAL RELEASE (this "Release") is made and entered into as of February 21, 2024 (the "Effective Date"), by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Karen Payne (hereafter "Individual"). The Company and Individual may sometimes hereafter be referred to singularly as a "Party" or collectively as the "Parties."

1. Consideration. Individual acknowledges and agrees that she is receiving consideration from the Company pursuant to that certain Transition Agreement by and between Melvin C. Payne and the Company dated as of February 21, 2024 (the "Transition Agreement"), including but not limited to monetary remuneration to provide for COBRA coverage as provided in Section 2(a)(iv) of the Transition Agreement.

2. General Release and Waiver of Claims. In consideration of the Company's obligations set forth in this Release, Individual, on behalf of herself and her spouse, heirs, executors, administrators, beneficiaries, successors and assigns, hereby voluntarily, knowingly, willingly, unconditionally, and irrevocably releases and forever discharges (a) the Company and the Trust of Carriage Services Capital Trust, (b) all of their respective subsidiaries and affiliates and their each of their predecessors, successors and assigns, (c) together with the respective present or former officers, directors, partners, managers, trustees, shareholders, employees, attorneys, and agents of all of the foregoing entities and any and all employee pension or welfare benefits plans, including current and former trustees and administrators of these plans (collectively, the "Releasees"), both individually and in their official capacities, from any and all rights, claims, causes of action, charges, demands, damages, liabilities, losses, debts, and expenses (including attorneys' fees and costs actually incurred) of every kind, type, nature, or description whatsoever, in law or equity, known or unknown, suspected or unsuspected, vested or contingent, accrued or yet to accrue, that Individual or Individual's heirs, executors, administrators, beneficiaries, successors or assigns ever had, now have or hereafter can, shall or may have by reason of any matter, cause or thing whatsoever arising from the beginning of time to the Effective Date ("Release"). This Release includes, but is not limited to, any rights or claims relating in any way to any rights or claims arising under the common law or under any plan, program, policy, agreement, contract, understanding or promise, written or oral, express or implied, formal or informal, between the Company or any of the Releasees and Individual or Individual's spouse, as well as any other offer letter, award agreement, or employment agreement or understanding; and any and all claims for alleged tortious, defamatory or fraudulent conduct, including without limitation intentional infliction of emotional distress, defamation, fraud, and breach of duty (collectively, the "Released Claims"). Individual covenants and agrees (i) that she will not commence, maintain or participate in any suit or proceeding against the Releasees, (ii) that she has not filed any such suit or proceeding, and (iii) that she has not assigned or otherwise transferred any interest in any Released Claim or any interest related to the Company to a third party. Notwithstanding the foregoing, nothing in this Release shall (u) waive any claim that arises after the date Individual signs this Release, (v) waive any claim for contractual payments under the Transition Agreement, (w) waive any rights to payments under the Company's medical plan, (x) be construed to prohibit Individual from bringing appropriate proceedings to enforce this Release; or (y) waive any rights that, pursuant to law, cannot be waived or subject to a release of this kind.

3. Consultation with Attorney; Voluntary Agreement. The Company advises Individual to consult with an attorney of her choosing prior to signing this Release. Individual understands and agrees that she has the right and has been given the opportunity to review this Release with an attorney. Individual also understands and agrees that she is under no obligation to consent to this Release. Individual acknowledges and agrees that the promises set forth in Section 1 of this Release and in the Transition Agreement are sufficient consideration to require her to abide with his obligations under this Release. Individual represents that she has read this Release, and understands its terms and that she enters into this Release freely, voluntarily, and without coercion. By executing this Release, Individual acknowledges that Individual: (a) is not relying upon any statements, understandings, representations, expectations, or agreements other than those expressly set forth in this Release; (b) has made her own investigation of the facts and is relying solely upon her own knowledge; (c) knowingly waives any claim that this Release was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Release based upon presently existing facts, known or unknown; (d) is entering into this Release freely and voluntarily; (e) has carefully read and understood all of the provisions of this Release; and (f) was provided the opportunity to discuss and did discuss all aspects of this Release and of the Transition Agreement with his legal counsel of Individual's choosing, including Alan J. Robin, Esq. The Parties stipulate that the Company is relying upon these representations and warranties in entering into this Release and the Transition Agreement. These representations and warranties shall survive the execution of this Release.

4. Entire Agreement; Amendment and Termination. This Release replaces and merges all previous agreements, amendments and discussions between Individual and the Company (or any of its affiliates) and constitutes the entire agreement between the Individual and the Company (and any of its affiliates). This Release may be amended, waived or terminated only by a written instrument that is identified as an amendment, waiver or termination hereto, and is executed on behalf of both Parties.

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

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

[Signature Page Follows; Remainder of Page Left Intentionally Blank]

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

INDIVIDUAL:

/s/ Karen Payne

Karen Payne

THE COMPANY:

CARRIAGE SERVICES, INC.

By: /s/ Steven D. Metzger

Name: Steven D. Metzger

Title: President

EXHIBIT 2

GENERAL RELEASE

THIS GENERAL RELEASE (this “Release”) is made and entered into as of [●] [●], [●] (the “Effective Date”), by and between Carriage Services, Inc., a Delaware corporation (the “Company”), and Melvin C. Payne (hereafter “Individual”). The Company and Individual may sometimes hereafter be referred to singularly as a “Party” or collectively as the “Parties.” Capitalized terms not otherwise defined herein shall have the respective meanings ascribed in that certain Transition Agreement by and between Individual and the Company dated as of February 21, 2024 (the “Transition Agreement”).

1. General Release and Waiver of Claims.

(a) In consideration of the Company’s obligations set forth in the Transition Agreement, Individual, on behalf of himself and his spouse, heirs, executors, administrators, beneficiaries, successors and assigns, hereby voluntarily, knowingly, willingly, unconditionally, and irrevocably releases and forever discharges (i) the Company and the Trust of Carriage Services Capital Trust, (ii) all of their respective subsidiaries and affiliates and their each of their predecessors, successors and assigns, (iii) together with the respective present or former officers, directors, partners, managers, trustees, shareholders, employees, attorneys, and agents of all of the foregoing entities and any and all employee pension or welfare benefits plans, including current and former trustees and administrators of these plans (collectively, the “Releasees”), both individually and in their official capacities, from any and all rights, claims, causes of action, charges, demands, damages, liabilities, losses, debts, and expenses (including attorneys’ fees and costs actually incurred) of every kind, type, nature, or description whatsoever, in law or equity, known or unknown, suspected or unsuspected, vested or contingent, accrued or yet to accrue, that Individual or Individual’s heirs, executors, administrators, beneficiaries, successors or assigns ever had, now have or hereafter can, shall or may have by reason of any matter, cause or thing whatsoever arising from the beginning of time to the Effective Date. This Release includes, but is not limited to, any rights or claims relating in any way to the Transition Agreement, the Consulting Period, the Consulting Pay, any rights or claims arising under the common law or under any plan, program, policy, agreement, contract, understanding or promise, written or oral, express or implied, formal or informal, between the Company or any of the Releasees and Individual or Individual’s spouse, as well as any other offer letter, award agreement, or employment agreement or understanding; any and all claims for alleged tortious, defamatory or fraudulent conduct, including without limitation intentional infliction of emotional distress, defamation, fraud, and breach of duty; and any rights or claims arising under any legally waivable federal, state or local constitution, statute, ordinance, or regulation, including without limitation the Age Discrimination in Employment Act of 1967 (the “ADEA”), the Older Workers Benefit Protection Act (the “OWBPA”), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Genetic Information Nondiscrimination Act of 2008, the Equal Pay Act, the anti-retaliation provisions of the Fair Labor Standards Act, the Rehabilitation Act of 1973, the Employee Retirement Income Security Act of 1974, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Worker Adjustment Retraining and Notification (“WARN”) Act and any state WARN statutes, Section 1981 of the Civil Rights Act of 1866, the National Labor Relations Act, the Fair Credit Reporting Act, the Occupational Safety and Health Act, any rights or claims arising under the common law or under any plan, program, policy, agreement, contract, understanding or promise, written or oral, express or implied, formal or informal, between the Company or any of the Releasees and Employee, as well as any other offer letter, award agreement, or employment agreement or understanding; and any and all claims for alleged tortious, defamatory or fraudulent conduct, including without limitation intentional infliction of emotional distress, defamation, fraud, and breach of duty (collectively, the “Released Claims”). Notwithstanding the foregoing, nothing in this Release shall (i) waive any claim that arises after the date Individual signs this Release, (ii) waive any rights to payments under the Company’s medical plan and 401(k) plan, (iii) be construed to prohibit Individual from bringing appropriate proceedings to enforce this Release; (iv) waive any rights that, pursuant to law, cannot be waived or subject to a release of this kind; or (v) waive any rights to indemnification that Individual may have under any organizational documents of the Company or any directors or officers liability insurance policy of the Company or any individual indemnity agreement with the Company.

(b) Nothing in this Release is intended to (i) interfere with Individual's right to testify or assist in an investigation, hearing, or proceeding by the Equal Employment Opportunity Commission or a comparable state or local agency ("EEOC"), the Securities and Exchange Commission ("SEC"), the Department of Justice, the Congress, any agency Inspector General; or any other federal, state, or local governmental or self-regulatory authority or entity, (ii) prohibit Individual from reporting possible violations of federal and/or state law or regulation to any federal, state, or local governmental agency or entity, including with respect to alleged criminal conduct or unlawful employment practices, or from making other disclosures that are protected under the whistleblower provisions of federal and/or state law or regulation, (iii) making truthful statements or disclosures regarding alleged unlawful employment practices; or (iv) seek a determination of the validity of the waiver of Employee's rights under the ADEA or the OWBPA. Individual does not need the prior authorization of the Company to make any such reports or disclosures and Individual is not required to notify the Company that Individual made such reports or disclosures. To the maximum extent permitted by law, Individual agrees that if such a charge or complaint is made, Individual shall not be entitled to recover any individual monetary relief or other individual remedies. Subject to the foregoing, Individual agrees that Individual will not voluntarily bring or assist others in bringing claims against any of the Releasees and will not cooperate with, supply information to or on behalf of, or assist any litigant or their agents or attorneys in any proceeding against any of the Releasees. For the avoidance of doubt, nothing in this Release shall be construed to prohibit Individual from engaging in protected concerted activity under the National Labor Relations Act for the purpose of collective bargaining or other mutual aid or protection, including, without limitation, (A) making disclosures concerning this Release in aid of such concerted activities; (B) filing unfair labor practice charges; (C) assisting others who are filing such charges; and (D) cooperating with the investigative process of the National Labor Relations Board or other government agencies.

(c) Individual acknowledges that Section 1 includes a waiver of any rights and claims arising under the ADEA and the OWBPA (the "ADEA Release"). Individual acknowledges that the consideration that he is receiving in exchange for this waiver of the rights and claims specified in this Section 1 exceeds anything of value to which Individual is already entitled. Individual acknowledges that he has been given a period of at least 21 days within which to consider the release contained in this Section 1 or has knowingly and voluntarily waived the right to do so, with the execution of this Release constituting a voluntary waiver. Individual understands that he may revoke the ADEA Release during the seven days following the execution of this Release by providing written notice, signed by Individual and received by the Company no later than 5:00 p.m. Central Time on the seventh day of the revocation period by delivering to the Company written notice of revocation by e-mail to Steve Metzger, President, at Steve.Metzger@carriageservices.com. Individual understands that if he revokes the ADEA Release, Individual will not be entitled to any portion of the Special Consideration set forth in Section 2 of the Transition Agreement and will be deemed to have breached the Transition Agreement. This Release shall become effective on the eighth day after Employee executes this Release without revocation (the "Effective Date").

2. Consultation with Attorney; Voluntary Agreement. The Company advises Individual to consult with an attorney of his choosing prior to signing this Release. Individual understands and agrees that he has the right and has been given the opportunity to review this Release with an attorney. Individual also understands and agrees that he is under no obligation to consent to this Release. Individual acknowledges and agrees that the promises set forth in Section 1 of this Release and the Transition Agreement are sufficient consideration to require her to abide with his obligations under this Release. Individual represents that she has read this Release, and understands its terms and that she enters into this Release freely, voluntarily, and without coercion. By executing this Release, Individual acknowledges that Individual: (a) is not relying upon any statements, understandings, representations, expectations, or agreements other than those expressly set forth in this Release; (b) has made his own investigation of the facts and is relying solely upon her own knowledge; (c) knowingly waives any claim that this Release was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Release based upon presently existing facts, known or unknown; (d) is entering into this Release freely and voluntarily; (e) has carefully read and understood all of the provisions of this Release; and (f) was provided the opportunity to discuss and did discuss all aspects of this Release and the Transition Agreement with his legal counsel of Individual's choosing, including Alan J. Robin, Esq. The Parties stipulate that the Company is relying upon these representations and warranties in entering into this Release and the Transition Agreement. These representations and warranties shall survive the execution of this Release.

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

4. Representations. Individual represents that he has returned all property of the Company and its affiliates and that he has fully complied with all terms of the Transition Agreement and the Ongoing Restrictive Covenants. Individual also acknowledges and agrees that the Company has fully complied with all terms of the Transition Agreement and that Individual has received all Consulting Pay (and any other Special Consideration) to which he is entitled.

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

[Signature Page Follows; Remainder of Page Left Intentionally Blank]

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

INDIVIDUAL:

Melvin C. Payne

THE COMPANY:

CARRIAGE SERVICES, INC.

By: _____
Name:
Title: