Carriage Services, Inc.
(NYSE: CSV)

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Company Highlights

- Founded in 1991; public in 1996; One of the largest death care consolidators in a highly fragmented industry, well positioned for continued growth by acquisition.
- Corporate strategy now defined by three models: Standards Operating Model; 4E Leadership Model; Strategic Acquisition Model; all supported by functional departments in Houston for growth in field operations.
- Most innovative, entrepreneurial, and transparent operating and reporting framework in deathcare industry.
- Decentralized high-performance cultural framework and linked incentive compensation programs attracts top-quality industry talent at both local and corporate level.
- Long term (five year) funeral and interment volume trends are the most favorable in deathcare industry, which is critical for maintenance of operating leverage benefits in high fixed cost distribution network of local operating businesses.
- Long term, low fixed rate capital structure components enable strong and growing Free Cash Flow from operations to finance about 75% of acquisition growth pursuant to our published five year plan, while improving the credit profile of the Company.
- Consecutive record setting revenues, Field and Consolidated EBITDA and Non-GAAP EPS.
- Strong and increasing Free Cash Flow supported the initiation of the Company's first quarterly dividend of 2.5¢ in June 2011 and a $5 million share repurchase plan beginning in November 2011.
- Increasing income from Trust funds have and will add materially to reported funeral and cemetery financial revenue, Field and Consolidated EBITDA and Free Cash Flow.

Stock Price (May 21, 2012) **$7.16**

Stock Data

Fiscal Year-End:	December
Symbol / Exchange:	CSV / NYSE
52 - Week Trading Range:	$5.05 - $7.76
Diluted Common Shares Outstanding (In Mill.):	18.3
Market Capitalization (In Mill.):	$129.11
Total Enterprise Value (In Mill.):	$375.0
Avg. Daily Volume (3 Mos.):	42,751
Float (In Mill.):	20.6
Insider Ownership:	15.0%
Institutional Ownership:	46.0%

Financial Data *(Amounts in Millions)*

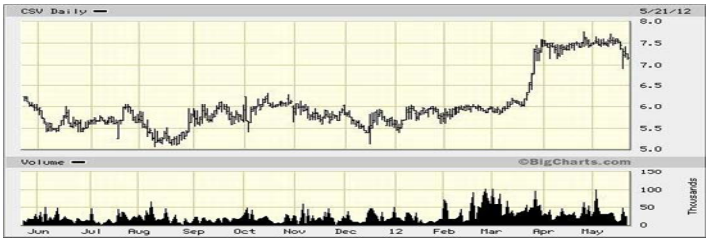
	3/31/2012
Cash & Investments:	$0.9
Total Assets:	$696.5
Total Senior Debt:	$153.7
Total Subordinated Debt:	$89.8
Total Debt:	$243.5
Stockholders' Equity:	$131.5

	Trailing Twelve Months Ending 3/31/12
Total Revenue:	$191.4
Field EBITDA:	$72.0
Adjusted Consolidated EBITDA:	$51.9
GAAP Diluted EPS:	$0.43
Adjusted Diluted EPS:	$0.72
Free Cash Flow:	$24.4

Company Financial Outlook	*Four Qtr. Period Ending 3/31/2013*
Revenues:	$200 - $202
Consolidated EBITDA:	$50-$51
GAAP Diluted EPS:	$0.67 - $0.70
Adjusted Diluted EPS:	$0.80 - $0.83
Cash Provided from Operations:	$24 - $26

Valuation Data (Using Outlook Midpoint)

Price / Yr. 3/31/13(E) EPS:	10.5X
Enterprise Value / 3/31/13(E) Consolidated EBITDA:	7.4X
Equity Market Cap / 3/31/13(E) Free Cash Flow:	6.1X



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Forward-looking statements contained herein are subject to certain risks and uncertainties as further described at the end of this Company & Investment Profile. Please refer to the section Disclosure of Non-GAAP Performance Measures on page 28 that discusses and reconciles non-GAAP financial measures to GAAP financial measures.

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(Noteworthy new or updated information in this edition versus the previous edition in bold)

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This document is being published by Carriage Services in continuation of the Company's stated goal to provide more disclosure and transparency to the investment community regarding Carriage's operations, strategies and industry conditions. It is Carriage's intent to take responsibility for and a proactive role in communicating with the investment community and in providing greater operating and financial transparency.

MISSION STATEMENT: We are committed to being the most professional, ethical, and highest quality funeral and cemetery service organization in our industry.

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

INVESTMENT MERITS

- At the right size at the right time with the right models and reputation to benefit from increased industry consolidation;
- Being the Best vision and strategy supported by specific growth plans;
- Consecutive annual record setting Non-GAAP earnings per share;
- Corporate infrastructure can be leveraged with acquisitions;
- Current balance sheet and strong Free Cash Flow provides financial flexibility for selected acquisitions, dividends and share repurchase program;
- Current equity valuation does not recognize the value of the trust funds and the opportunity for substantial earnings growth through acquisitions;
- Longer term demographics will increase revenues and bottom line performance over time;
- Leadership team deep, qualified and aligned for execution; and
- Strong Board Members with decades of industry operating and financial experience.

A JOURNEY OF TRANSFORMATION

The Company's recent strong operational and financial performance is the culmination of a corporate transformation process since 2003.

- **2003** – Skip Klug joined Carriage in 2002 as Vice President of Information Systems and for the first time this position and function was viewed as operationally strategic and reported to the CEO. Skip subsequently led a drive in 2003 to upgrade our systems in-house, a process that continues today which has been critical to the evolution and effectiveness of our decentralized operating model.

- **2004** – **2012** – Carriage's Funeral and Cemetery Standards Operating Models, designed around the drivers of sustained long term operating and financial performance with a focus on the quality of local leadership and staff, evolved under the guidance of corporate operations leadership and Standards Councils comprised of the best Managing Partners in each region. We began to publish monthly league table Standards Achievement rankings from best to worst business and established a Managing Partner profit sharing program with no upside limits.

- **2005** – Refinanced all remaining senior debt with a $130 million 7⅞% senior note offering due 2015, positioning Carriage to grow again by acquisition using Free Cash Flow and a new bank revolving credit.

- **2006** – **2012** – After two years of Standards Achievement data and analysis, we adopted Jack Welch's and GE's 4E Leadership Model to profile and assess Managing Partners who could effectively execute our Standards Operating Model. Beginning in mid-2006, 4E assessments together with actual Standards Achievement performance led to replacement of more than 65% of Managing Partners and Sales Managers by 2010. Application of our 4E Leadership Model had a similar dramatic impact on turnover and top grading of corporate leadership at all levels.

- **2006** – Combined cemetery organization with funeral organization under common regional leadership and implemented a simplified Cemetery Standards Operating Model. The operations organization was flattened with only one layer of management, our three Regional Partners, between the Chief Operating Officer and the Managing Partner for each business. Redefined responsibilities and duties of the Regional Partner heavily toward leadership versus management, with primary duty to have 4E Leader Managing Partners in charge of each business.

- **2006** – Developed a Strategic Acquisition Model using six strategic criteria to rank acquisition candidates and differentiate pricing. We established a goal of increasing the sustained earning power profile of our deathcare portfolio (Field EBITDA and Field EBITDA Margin) over time by selectively acquiring strong deathcare franchises in strategic markets.

- **2006** – **2012** – Formed Operational Analysis and Planning Group, whose responsibility is to support our Managing Partners with operating and financial analysis of their business with the goal of achieving more Standards over time. This group has become a critical and trusted source of customized reporting and information feedback for our Managing Partners that they use on a real time basis to manage their business.

- **2007** – Implemented long term (five years) and short term (five quarters) trend reports both for public reporting and internal operational reporting in a format linked closely with how we measure Standards Achievement over time for each business. Substantially improved the transparency of our financial results by breaking out the cash earning power profile of our field operations (Field EBITDA Margin), the three major components of Total Overhead, and the cash earning power profile of Carriage's consolidation platform (Consolidated EBITDA Margin).

- **2007** – Acquired seven businesses consistent with our Strategic Acquisition Model using accumulated cash that added $25 million in annual revenue and $6.8 million in Field EBITDA.

- **2008** – Restructured the sales leadership of most of our cemetery portfolio by recruiting top sales leadership talent and increasing the number and quality of sales counselors required to produce consistent results under our revised Cemetery Standards Operating Model.

- **2008** – **2009** – Restructured and repositioned our trust fund portfolio to exploit the extraordinary values available in fixed income and equity securities during the market crash and panic. Now positioned to support funeral and cemetery operations with much higher financial income and realization of gains over time.

- **2008** – **2009** – Completed our $10 million stock repurchase program during which we purchased 3.1 million common shares equivalent to 15% of diluted shares outstanding. We elected to use $10 million of our Free Cash Flow during the height of the financial crisis to increase the ownership of existing shareholders by buying in shares at 50% of book value, an opportunity that seemed too good to pass up.

- **2009** – **2010** –The Strategic Development department completed building a team responsible for execution of our Strategic Acquisition Model over the next five years. Made two small acquisitions at year end 2009, six in 2010 and six in 2011.

- **2009** – Bill Heiligbrodt and Richard Scott joined our Board of Directors to add industry operating and financial knowledge. Our Board subsequently restructured and aligned Executive Team compensation with sustained corporate performance designed to create shareholder value over time.

- **2010** – Achieved a second straight year of EPS and Free Cash Flow records. Realized over $30 million in trust fund gains and added $10 million in acquired annualized funeral revenue.

- **2010** – Completed six acquisitions at a cost of $19.0 million. These businesses generate approximately $10 million in revenue.

- **2011** – Dave DeCarlo and Don Patteson joined our Board of Directors. Bill Heiligbrodt transitioned from an independent director of our Company to the role of key executive with the titles of Vice Chairman, Executive Vice President and Secretary in September. In October 2011 there was a management reorganization positioning the Company for a more efficient strategy to grow revenues and earnings in the future.

- **2011** – Completed a $60 million five year revolving credit facility with Wells Fargo to use along with accelerating Free Cash Flow for selective acquisitions.

- **2011** – Completed six acquisitions and positioned to acquire more funeral homes and cemeteries in the future. The aggregate consideration paid for those businesses was $18.6 million. These businesses are forecast to provide approximately $10.8 million in annualized revenue and approximately $0.05 in diluted EPS.

- **2011 –** In May 2011 the Board of Directors approved the Company's first quarterly dividend of $0.025 per share. In November 2011 the Board of Directors approved a $5 million common stock repurchase program.

- **2012 -** Challenged our entire organization to make 2012 a breakout performance year and themed 2012 as **Carriage Services – 2012 A NEW BEGINNING**.

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TEN YEAR VISION AND STRATEGY

Our vision for Carriage over the next ten years is to affiliate with many of the best remaining independents in mostly large strategic markets. Our industry after almost fifty years of consolidation remains highly fragmented and succession planning issues have become more difficult and complex than ever.

We believe Carriage offers a highly attractive succession planning option for owners who want their legacy family business to remain operationally prosperous in their local communities. We also believe that our decentralized operating framework will continue to attract some of the top, more entrepreneurial talent in our industry. We are the right size with the right models at the right time for Carriage as a consolidation platform to prosper over the next ten years.

Key elements of our Company strategy include the following:

Standards Operating Model

- Focuses on market share, people and financial metrics that drive long term operating and financial performance.
- Designed and weighted to grow market share, volumes and average revenue per contract modestly over time.
- Designed to achieve sustainable Field EBITDA Margins over time.
- Designed to reward Managing Partners with 4E Leadership skills who consistently achieve a high level of standards.

4E Leadership Model

- Standards Operating Model requires strong leadership to grow an entrepreneurial, high value, personal service community business at sustainable Field EBITDA Margins.
- 4E Leaders have a winning, competitive spirit and want to make a difference not only in their business but in Carriage's performance and reputation within the deathcare industry.
- 4E Leaders are motivated by the recognition and rewards related to achievement of our Being the Best Standards, including League Table rankings, service on Regional Standards Councils, and our Being The Best Managing Partner Incentive Bonus Program.

Strategic Acquisition Model

- Modified in late 2011 to focus on the following elements:
- Prequalify the acquisition candidate based on market demographics and consumer preferences, market position, and target business analytics.
- Assess the performance of the target business within the Standards Operating Model so that they fit into our operating strategy.
- Ensure appropriate valuation of the acquisition and exercise financial discipline in pricing.
- Increase both earning power and revenue growth of the company through acquisitions of high performing businesses.

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LEVERAGED INVESTMENT RETURNS

Effective execution of these three Carriage Models should produce superior long-term shareholder returns driven by a combination of unique and simultaneous financial dynamics as follows:

Operating Leverage

- Modest growth in same store revenues and modest increases in Field EBITDA Margins over time produce a higher growth rate in same store Field EBITDA.
- Effective execution of our Standards Operating Model and higher death rates caused by the aging of the "baby boom" generation should increase same store volumes and revenues in the intermediate and long term and compound the leverage inherent in our operating model.

Organizational Overhead Leverage

- Regional and corporate organizations have cost structures that are relatively fixed.
- Variable overhead, primarily incentive compensation related to all three organizational levels (Field, Regional, and Corporate) will increase relative to the achievement of performance standards.

Capital Structure Leverage

- Subordinated convertible preferreds (7% due 2029) and Senior notes (7⅞% due 2015) have long term principal maturity dates and fixed low interest rates, producing a low cost of capital.
- Annual interest of approximately $18 million is fixed and easily covered by Consolidated EBITDA, resulting in substantial Consolidated Free Cash Flow that will be used to make selective acquisitions and for internal growth projects, such as cemetery inventory development and local business expansion.
- Low share count enables $300,000 of incremental Field EBITDA to produce $0.01 per share of EPS.

Consolidation Platform Leverage

- Acquired Field EBITDA will substantially fall to Consolidated EBITDA and Consolidated Free Cash Flow and will be highly accretive to EPS.
- Consolidated Free Cash Flow after fixed interest and maintenance capital expenditures will grow at a faster rate than revenues, a financial benefit that will directly accrue to common shareholders.
- The Company's bank credit facility can be used for acquisitions. At March 31, 2012, we had drawn $17.0 million on the bank credit facility and $40.1 million is available to draw.

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TREND REPORTS

Management monitors consolidated same store and acquisition field operating and financial results both on a most recent rolling five year and five quarters basis ("Trend Reports") to reflect long term and short term trends and seasonality. The Trend Reports highlight trends in volumes, operating revenues, financial revenues, Field EBITDA (controllable profit), Field EBITDA Margin (controllable profit margin), the components of overhead, and Consolidated EBITDA and Consolidated EBITDA Margin which reflect the cash earning power of Carriage as a consolidation platform. Trend reporting allows management to focus on the key operational and financial drivers relevant to the longer term performance and valuation of the Company's portfolio of deathcare businesses.

Same Store results represent the funeral contract volumes (both atneed and preneed), revenues and Field EBITDA for businesses that have been owned for the entirety of the periods presented. The transparency of Carriage's Trend Reports is unique within the public deathcare sector. This transparency enables an investor to track Same Store volumes over long periods of time, which is the key driver of revenues, Field EBITDA and Field EBITDA Margins in a high fixed cost local business. Carriage has historically experienced smaller declines in Same Store contract volumes relative to other public deathcare companies, which we believe demonstrates good execution of a superior operating model.

"Acquisition" is defined as businesses acquired since January 1, 2008. The classification of Acquisitions (businesses acquired during the periods presented) is important in monitoring the results of these businesses to gauge the leveraging performance contribution that a selective acquisition program can have on the total Company performance over a five year timeframe, as well as the returns being generated by management's allocation of capital for acquisitions versus other potential uses.

The following Trend Reports demonstrate the trends in funeral volumes, Operating Revenues, Financial Revenues, Field EBITDA, Field EBITDA Margins, Overhead, Consolidated EBITDA, Consolidated EBITDA Margins, Net Income and Earnings Per Share over both the five year history and the most recent five quarters ended March 31, 2012. The Trend Reports are also presented on a Non-GAAP basis for the trust investment income that was withdrawable for the respective periods and other special charges. The Company has established a practice for the preneed cemetery trusts in certain states where the Company may withdraw the investment income now being generated from those trust portfolios, which is estimated to average approximately $100,000 a month. Under GAAP accounting, Carriage will account for the cash withdrawals by increasing Cash and Deferred Revenue by the withdrawn amount.

Trend reporting allows management to focus on the key operational and financial drivers relevant to the longer term performance and valuation of the Company's portfolio of death care businesses.

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NON-GAAP UNAUDITED INCOME STATEMENT FROM CONTINUING OPERATIONS
Annual Trend
For the Five Years Ended March 31, 2012
($000's)

	Year 2008	Year 2009	Year 2010	Year 2011	Rolling Four Quarters Ending March 31, 2012
Same Store Contracts					
Atneed Contracts	20,609	19,586	19,433	18,930	18,679
Preneed Contracts	4,922	4,707	4,777	5,048	4,893
Total Same Store Funeral Contracts	25,531	24,293	24,210	23,978	23,572
Acquisition Contracts					
Atneed Contracts	-	52	1,307	3,086	3,610
Preneed Contracts	-	17	284	599	648
Total Acquisition Funeral Contracts	-	69	1,591	3,685	4,258
Total Funeral Contracts	**25,531**	**24,362**	**25,801**	**27,663**	**27,830**
Funeral Operating Revenue					
Same Store Revenue	$ 126,488	$ 124,806	$ 124,038	$ 122,758	$ 121,097
Acquisition Revenue	-	311	5,705	14,228	17,555
Total Funeral Operating Revenue	**$ 126,488**	**$ 125,117**	**$ 129,743**	**136,986**	**$ 138,652**
Total Cemetery Operating Revenue	**$ 37,959**	**$ 41,421**	**$ 39,560**	**$ 38,152**	**$ 38,000**
Financial Revenue					
Preneed Funeral Commission Income	$ 2,670	$ 2,024	$ 2,265	$ 1,811	$ 1,789
Preneed Funeral Trust Earnings	5,088	3,911	6,117	6,424	6,670
Cemetery Trust Earnings	2,310	2,751	4,802	5,042	4,901
Preneed Cemetery Finance Charges	1,629	1,514	1,533	1,341	1,361
Total Financial Revenue	**$ 11,697**	**$ 10,200**	**$ 14,717**	**$ 14,618**	**$ 14,721**
Total Revenue	**$ 176,144**	**$ 176,738**	**$ 184,020**	**$ 189,756**	**$ 191,373**
Field EBITDA from Continuing Operations					
Same Store Funeral Field EBITDA	$ 42,253	$ 43,679	$ 40,539	$ 43,500	$ 44,292
Same Store Funeral Field EBITDA Margin	*33.4%*	*35.0%*	*32.7%*	*35.4%*	*36.6%*
Acquisition Funeral Field EBITDA	$ -	$ 105	$ 619	$ 3,590	$ 5,271
Acquisition Funeral Field EBITDA Margin	*0.0%*	*33.8%*	*10.9%*	*25.2%*	*30.0%*
Total Funeral Field EBITDA	**$ 42,253**	**$ 43,784**	**$ 41,158**	**$ 47,090**	**$ 49,563**
Total Funeral Field EBITDA Margin	***33.4%***	***35.0%***	***31.7%***	***34.4%***	***35.7%***
Total Cemetery Field EBITDA	**$ 6,952**	**$ 9,290**	**$ 9,061**	**$ 9,525**	**$ 9,121**
Total Cemetery Field EBITDA Margin	***18.3%***	***22.4%***	***22.9%***	***25.0%***	***24.0%***
Funeral Financial EBITDA	$ 6,070	$ 4,198	$ 6,993	$ 6,859	$ 7,074
Cemetery Financial EBITDA	3,939	4,265	6,335	6,383	6,262
Total Financial EBITDA	**$ 10,009**	**$ 8,463**	**$ 13,328**	**$ 13,242**	**$ 13,336**
Total Financial EBITDA Margin	***85.6%***	***83.0%***	***90.6%***	***90.6%***	***90.6%***
Total Field EBITDA	**$ 59,214**	**$ 61,537**	**$ 63,547**	**$ 69,857**	**$ 72,020**
Total Field EBITDA Margin	***33.6%***	***34.8%***	***34.5%***	***36.8%***	***37.6%***

NON-GAAP UNAUDITED INCOME STATEMENT FROM CONTINUING OPERATIONS
Annual Trend
For the Five Years Ended March 31, 2012
($000's)

	Year 2008	Year 2009	Year 2010	Year 2011	Rolling Four Quarters Ending March 31, 2012
Overhead					
Total Variable Overhead	$ 9,135	$ 2,926	$ 3,554	$ 9,421	$ 10,075
Total Regional Fixed Overhead	3,413	3,093	3,370	3,766	3,643
Total Corporate Fixed Overhead	13,311	13,646	14,306	15,714	15,974
Total Overhead	**$ 25,859**	**$ 19,665**	**$ 21,230**	**$ 28,901**	**$ 29,692**
	14.7%	***11.1%***	***11.5%***	***15.2%***	***15.5%***
Other Income	$ -	$ -	$ 828	$ 845	$ 838
Consolidated EBITDA from Continuing Operations	**$ 33,355**	**$ 41,872**	**$ 43,145**	**$ 41,801**	**$ 43,166**
Consolidated EBITDA Margin from Continuing Operations	***18.9%***	***23.7%***	***23.4%***	***22.0%***	***22.6%***
Special Items					
Withdrawable Trust Income(loss)	$ (546)	$ 236	$ 3,438	$ 4,513	$ 3,875
Performance Based Executive Incentive Compensation	-	-	-	1,064	1,064
Litigation Settlement	3,300	-	-	-	-
Nonrecurring Professional Fees	-	-	-	141	141
Gain on Repurchase of Convertible Junior Subordinated Debentures	-	-	(317)	(845)	(838)
Securities Transactions Expenses	-	-	-	504	366
Loss on Early Extinguishment of Debt	-	-	-	201	201
Acquisition Expenses	-	-	667	1,237	1,526
Severance Costs	969	-	237	1,935	2,301
Non-recurring Legal Fees (Recovery)	-	-	(682)	-	135
Litigation Related Legal Costs	1,638	-	-	-	-
Net Gain on Disposition of Assets	254	-	(511)	-	-
Total of Special Items	**$ 5,615**	**$ 236**	**$ 2,832**	**$ 8,750**	**$ 8,771**
Adjusted Consolidated EBITDA	**$ 38,970**	**$ 42,108**	**$ 45,977**	**$ 50,551**	**$ 51,937**
Adjusted Consolidated EBITDA Margin	***22.1%***	***23.8%***	***25.0%***	***26.6%***	***27.1%***
Property Depreciation & Amortization	$ 10,367	$ 10,338	$ 9,976	$ 9,611	$ 9,642
Non Cash Stock Compensation	1,425	1,455	1,722	1,869	1,824
Interest, net	18,102	18,270	18,022	18,252	18,275
Pretax Income	**$ 9,076**	**$ 12,045**	**$ 16,257**	**$ 20,818**	**$ 22,195**
Income Tax	3,676	4,878	6,512	8,675	9,086
Adjusted Net Income	**$ 5,400**	**$ 7,167**	**$ 9,745**	**$ 12,143**	**$ 13,109**
	3.1%	*4.1%*	*5.3%*	*6.4%*	*6.8%*
Adjusted Diluted EPS from Continuing Operations	$ 0.28	$ 0.40	$ 0.54	$ 0.66	$ 0.72

UNAUDITED INCOME STATEMENT FROM CONTINUING OPERATIONS
Quarter Trend
For the Five Quarters Ended March 31, 2012
($000's)

	Qtr 1 2011	Qtr 2 2011	Qtr 3 2011	Qtr 4 2011	Qtr 1 2012
Same Store Contracts					
Atneed Contracts	5,162	4,691	4,461	4,616	4,724
Preneed Contracts	1,434	1,222	1,168	1,224	1,252
Total Same Store Funeral Contracts	6,596	5,913	5,629	5,840	5,976
Acquisition Contracts					
Atneed Contracts	716	709	705	956	1,227
Preneed Contracts	139	136	156	168	189
Total Acquisition Funeral Contracts	855	845	861	1,124	1,416
Total Funeral Contracts	**7,451**	**6,758**	**6,490**	**6,964**	**7,392**
Funeral Operating Revenue					
Same Store Revenue	$ 34,085	$ 30,122	$ 28,301	$ 30,250	$ 31,312
Acquisition Revenue	3,077	3,172	3,350	4,629	6,138
Total Funeral Operating Revenue	**$ 37,162**	**$ 33,294**	**$ 31,651**	**$ 34,879**	**$ 37,450**
Total Cemetery Operating Revenue	**$ 9,556**	**$ 10,538**	**$ 8,827**	**$ 9,231**	**$ 9,358**
Financial Revenue					
Preneed Funeral Commission Income	$ 473	$ 413	$ 513	$ 412	$ 450
Preneed Funeral Trust Earnings	1,473	1,857	1,525	1,569	1,598
Cemetery Trust Earnings	1,657	1,221	977	1,187	1,487
Preneed Cemetery Finance Charges	348	331	331	331	402
Total Financial Revenue	**$ 3,951**	**$ 3,822**	**$ 3,346**	**$ 3,499**	**$ 3,937**
Total Revenue	**$ 50,669**	**$ 47,654**	**$ 43,824**	**$ 47,609**	**$ 50,745**
Field EBITDA					
Same Store Funeral Field EBITDA	$ 12,228	$ 10,615	$ 9,664	$ 10,992	$ 12,188
Same Store Funeral Field EBITDA Margin	*35.9%*	*35.2%*	*34.1%*	*36.3%*	*38.9%*
Acquisition Funeral Field EBITDA	$ 810	$ 704	$ 814	$ 1,262	$ 2,237
Acquisition Funeral Field EBITDA Margin	*26.3%*	*22.2%*	*24.3%*	*27.3%*	*36.4%*
Total Funeral Field EBITDA	**$ 13,038**	**$ 11,320**	**$ 10,478**	**$ 12,254**	**$ 14,425**
Total Funeral Field EBITDA Margin	***35.1%***	***34.0%***	***33.1%***	***35.1%***	***38.5%***
Total Cemetery Field EBITDA	**$ 2,626**	**$ 3,063**	**$ 1,689**	**$ 2,147**	**$ 2,104**
Total Cemetery Field EBITDA Margin	***27.5%***	***29.1%***	***19.1%***	***23.3%***	***22.5%***
Funeral Financial EBITDA	$ 1,604	$ 1,879	$ 1,666	$ 1,710	$ 1,671
Cemetery Financial EBITDA	2,005	1,552	1,308	1,518	1,889
Total Financial EBITDA	**$ 3,609**	**$ 3,431**	**$ 2,974**	**$ 3,228**	**$ 3,560**
Total Financial EBITDA Margin	***91.3%***	***89.8%***	***88.9%***	***92.3%***	***90.4%***
Total Field EBITDA	**$ 19,273**	**$ 17,814**	**$ 15,141**	**$ 17,629**	**$ 20,089**
Total Field EBITDA Margin	***38.0%***	***37.4%***	***34.5%***	***37.0%***	***39.6%***

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UNAUDITED INCOME STATEMENT FROM CONTINUING OPERATIONS
Quarter Trend
For the Five Quarters Ended March 31, 2012
($000's)

	Qtr 1 2011	Qtr 2 2011	Qtr 3 2011	Qtr 4 2011	Qtr 1 2012
Overhead					
Total Variable Overhead	$ 1,536	$ 1,160	$ 1,966	$ 4,759	$ 1,981
Total Regional Fixed Overhead	906	1,092	974	794	764
Total Corporate Fixed Overhead	3,940	3,904	3,858	4,012	4,135
Total Overhead	**$ 6,382**	**$ 6,156**	**$ 6,798**	**$ 9,565**	**$ 6,880**
	12.6%	***12.9%***	***15.5%***	***20.1%***	***13.6%***
Other Income	$ 7	$ 357	$ 481	$ -	$ -
Consolidated EBITDA	**$ 12,898**	**$ 12,015**	**$ 8,824**	**$ 8,064**	**$ 13,209**
Consolidated EBITDA Margin	***25.5%***	***25.2%***	***20.1%***	***16.9%***	***26.0%***
Special Items					
Withdrawable Trust Income(loss)	$ 1,332	$ 2,249	$ 1,300	$ (368)	$ 1,084
Performance Based Executive Incentive Compensation	-	-	-	1,064	-
Nonrecurring Professional Fees	-	-	-	141	-
Gain on Repurchase of Convertible Junior Subordinated Debentures	(7)	(357)	(481)	-	-
Securities Transactions Expenses	138	323	41	2	-
Acquisition Expenses	88	157	727	265	328
Severance Costs	117	-	50	1,768	483
Loss on Early Extinguishment of Debt	-	-	201	-	-
Non-recurring legal fees	-	-	-	-	135
Total of Special Items	**$ 1,668**	**$ 2,372**	**$ 1,838**	**$ 2,872**	**$ 2,030**
Adjusted Consolidated EBITDA	**$ 14,566**	**$ 14,387**	**$ 10,662**	**$ 10,936**	**$ 15,239**
Adjusted Consolidated EBITDA Margin	***28.7%***	***30.2%***	***24.3%***	***23.0%***	***30.0%***
Property Depreciation & Amortization	$ 2,397	$ 2,522	$ 2,272	$ 2,420	$ 2,492
Non Cash Stock Compensation	447	648	491	283	433
Interest Expense	4,554	4,509	4,765	4,477	4,588
Other (Income)	(22)	(2)	(13)	(16)	(17)
Pretax Income	**$ 7,190**	**$ 6,710**	**$ 3,147**	**$ 3,771**	**$ 7,742**
Income Tax	2,912	2,717	1,275	1,771	3,003
Adjusted Net Income	**$ 4,278**	**$ 3,992**	**$ 1,873**	**$ 2,000**	**$ 4,739**
	8.4%	*8.4%*	*4.3%*	*4.2%*	*9.3%*
Diluted Shares	18,268	18,407	18,461	18,420	18,320
GAAP Diluted EPS from continuing operations	$ 0.18	$ 0.14	$ 0.04	$ 0.02	$ 0.19
Non-GAAP Diluted EPS	$ 0.23	$ 0.22	$ 0.10	$ 0.11	$ 0.26

MANAGEMENT REORGANIZATION

Mel Payne will head operations and long term vision and strategy

Near Term Goals:

1) Lead an updating and roll out of Carriage's Standards Operating Model with a goal over the next five years of achieving same store revenue growth of 3% annually at sustainable Field EBITDA Margins as appropriate for each business.

2) Lead a portfolio optimization process whereby businesses that cannot grow revenue over time at the standard portfolio growth rate will be sold and the proceeds allocated to our acquisition program for reinvestment in higher revenue growth and return businesses.

3) Lead a complete revamping of Training and Development as a strategic function focused more heavily on recruiting and/or developing Managing Partners with 4E Leadership skills and local staff with motivations and skills to provide high value personal services and sales to our client families.

Bill Heiligbrodt will head growth and financing strategies, legal and investor relations

Near Term Goals:

1) Lead the development and execution of a much more advanced Strategic Acquisition Model that will directly link to our Standards Operating Model to create a long term Value Creation Model within the Carriage portfolio of funeral and cemetery businesses.

2) Lead the investor relations effort to attract new long term shareholders by explaining the value of Carriage's Operating Model when properly executed and the compounding value creation dynamic of adding high quality acquisitions that can quickly be integrated successfully into the Standards Operating Model framework.

3) Lead the revision of our external reporting to a consistent Non-GAAP valuation format that is transparently reconciled to GAAP in press releases and in our Company and Investment Profile.

FIVE YEAR GOALS

Long term shareholder returns are driven by improvements in operating performance, a low share count, long term low fixed rate capital structure and strong Free Cash Flow. Carriage's Free Cash Flow provides most of the financing for our selective acquisition strategy. These elements in combination produce high single digit revenue growth that leverages into increasing and sustainable Consolidated EBITDA Margins and double digit rates of growth in Consolidated EBITDA and diluted EPS. There is also the possibility of Enterprise Value and EPS multiple expansion as higher death rates based on the aging of the "baby boom" generation become more visible.

Our long-term financial outlook, which is also our five year strategic plan, is as follows:

Long Term Outlook – Through 2016 (Base Year 2011)
Revenue growth of 6-7% annually, including acquisitions
Consolidated EBITDA growth of 8-10% annually, including acquisitions
Consolidated EBITDA Margin range of 24-26%
EPS growth of 15%-20% annually, including acquisitions

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2010 RECORD PERFORMANCE

For the year ended December 31, 2010, Carriage completed six acquisitions and reported the following results compared to the comparable period of 2009:

- Record Total Revenue of $184.9 million, an increase of 4.1% compared to $177.6 million in 2009;
- Record Consolidated EBITDA of $42.1 million, an increase of 1.3% compared to $41.6 million in 2009;
- Record Net Income of $8.1 million, an increase of 14.6% compared to $7.0 million in 2009;
- Record EPS of $0.45 per diluted share, an increase of 12.5% compared to $0.40 per diluted share in 2009; and
- Record Free Cash Flow of $18.6 million, an increase of 31.0% compared to adjusted free cash flow of $14.2 million in 2009.

2011 RECORD PERFORMANCE

For the year ended December 31, 2011, Carriage completed six acquisitions and reported the following results compared to the comparable period of 2010:

- Record Total Revenue of $190.6 million, an increase of 3.1% compared to $184.9 million in 2010;
- Record Total Field EBIDTA of $69.9 million, an increase of 10.0% compared to $63.6 million in 2010;
- Record Non-GAAP Consolidated EBITDA of $50.6 million, an increase of 10.0% compared to $46.0 million in 2010;
- Record Non-GAAP EPS of $0.66 per diluted share, an increase of 22.2% compared to Non-GAAP EPS of $0.54 per diluted share in 2010; and
- Record Free Cash Flow of $24.4 million, an increase of 31.2% compared to $18.6 million in 2010.

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REVENUE & CASH FLOW FORECAST

The Ability to Substantially Self-Finance Acquisitions
Amounts In Million - except per share amounts

	Annualized Revenue Estimates						
	2011A	2012	2013	2014	2015	2016	CAGR
Existing Revenue	$187.3	$189.6	$193.4	$197.2	$201.2	$205.2	
2011 Acquired Revenue	3.3	6.6	8.0	8.2	8.4	8.5	
2012 Acquired Revenue		5.0	10.0	10.2	10.4	10.6	
2013 Acquired Revenue			5.0	10.0	10.2	10.4	
2014 Acquired Revenue				5.0	10.0	10.2	
2015 Acquired Revenue					5.0	10.0	
2016 Acquired Revenue						5.0	
	$190.6	**$201.2**	**$216.4**	**$230.6**	**$245.1**	**$259.9**	6.4%
Consolidated EBITDA Margin	**22.0%**	**24.9%**	**25.4%**	**25.9%**	**26.4%**	**26.9%**	
Consolidated EBITDA	**$41.9**	**$50.0**	**$54.9**	**$59.6**	**$64.6**	**$69.8**	10.7%
Free Cash Flow	**$24.4**	**$22.5**	**$21.0**	**$23.0**	**$23.8**	**26.9**	2.0%
Beginning Cash	$1.3	$1.1	$1.0	$1.0	$1.0	$1.0	
Debt Reduction	0.6	0.5	0.5	0.5	0.5	0.5	
Debt Borrowings (Repayments)	(2.5)	(9.0)	(6.4)	(4.4)	(3.6)	(0.5)	
Stock Repurchases	0.7	4.3	–	–	–	–	
Dividends	1.4	1.9	1.9	1.9	2.0	2.0	
Growth Cap-ex	3.8	5.0	5.0	5.0	5.0	5.0	
Acquisition Cost	18.6	20.0	20.0	20.0	20.0	20.0	
Other	2.0	–	–	–	–	–	
Ending Cash	$1.1	$1.0	$1.0	$1.0	$1.0	$1.0	
Diluted Earnings per Share	**$0.38**	**$0.64**	**$0.74**	**$0.81**	**$0.90**	**$1.00**	21.2%
Non-GAAP Diluted Earnings per Share	**$0.66**	**$0.80**	**$0.89**	**$0.96**	**$1.05**	**$1.15**	

Five Year Take-away points:
- **36% increase in Revenue**
- **66% increase in Consolidated EBITDA**
- **163% Increase in EPS**

CAPITAL STRUCTURE FACILITATES GROWTH

There are four primary components in our capital structure: (1) $130 million of 7⅞% senior notes that have a 2015 maturity, (2) a $60 million revolving credit facility with an accordion provision for an additional $15 million that matures in October 2014, (3) $89.8 million in outstanding 7% convertible junior subordinated debentures which have the ability to defer payments of interest and have a 2029 maturity (TIDES), and (4) common stock. At March 31, 2012, we had drawn $17.0 million on the credit facility.

Our capital structure includes relatively low fixed rate mezzanine and senior debt similar to an LBO structure. In addition, our senior notes and TIDES require no principal reductions until maturity. Consequently, we are using our cash and Free Cash Flow to selectively acquire funeral home and cemetery businesses and to fund internal growth projects such as cemetery inventory development. Every $300,000 of Field EBITDA either acquired or produced from same store operations approximates $0.01 per share of net earnings.

CAPITAL STRUCTURE METRICS FORECAST

Amounts In Million - except per share amounts

	2011A	2012	2013	2014	2015	2016	CAGR
Consolidated EBITDA	$41.9	$50.0	$54.9	$59.6	$64.6	$69.8	10.7%
Net Senior Debt	$138.7	$147.3	$153.2	$157.1	$160.2	$160.2	2.9%
Convertible Subordinated Security	89.8	89.8	89.8	89.8	89.8	89.8	
Stockholders' Equity	126.8	138.7	152.6	168.2	185.8	205.4	10.1%
Enterprise Value (Book)	$355.3	$375.8	$395.6	$415.1	$435.8	$455.4	5.1%
EV/Consolidated EBITDA Multiple	8.5x	7.5x	7.2x	7.0x	6.7x	6.5x	(5.1)%
Senior Debt/Consolidated EBITDA	3.3x	2.9x	2.8x	2.6x	2.5x	2.3x	(7.0)%
Total Debt/Equity	1.8x	1.7x	1.6x	1.5x	1.3x	1.2x	(7.5)%
Diluted Shares Outstanding	18.4	18.6	18.9	19.2	19.5	19.7	1.4%

Five Year Take-away points:
- **Declining Leverage Multiples**
- **Increasing Book Value of Shareholder Equity**

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CARRIAGE'S THREE MODELS

We are uniquely positioned to attract the best talent and the best independent businesses to our Company because we can differentiate our strategy within the deathcare industry, as defined by the following three models:

Standards Operating Model

Our "Being the Best" standards focus on market share, people and operating and financial metrics that drive long-term performance. To date, the Standards Operating Model has driven significant changes in our organization, leadership and operating practices. Most importantly, the Standards Operating Model allows us to determine the sustainable revenue growth and earning power of our portfolio of deathcare businesses. The funeral and cemetery standards are designed to drive longer-term performance by growing market share and creating new heritage and producing consistent, modest revenue growth and a sustainable, increasing level of earnings and cash flow. The standards are not designed to produce maximum short-term earnings because Carriage does not believe such performance is sustainable without ultimately stressing the business, which often leads to declining market share, revenues and earnings.

The Standards Operating Model eliminated the use of financial budgets (budget and control model) which freed up enormous amounts of time to work on growing each local business and improving the quality and skills of the staff. Standards Achievement is the measure by which we judge the success of each business. All Standards are measured monthly except for our two people standards, which are judged quarterly using both qualitative and quantitative metrics.

- *Standards Council* – The Standards Operating Model was originally developed by a group of former owner partners and top managers (termed the "Standards Council"). The Standards Council studied and evaluated the key drivers of success at Carriage's best businesses over a five-year period. Their work led to the development of the Standards Operating Model and the related incentive compensation plan. At the end of each year the Standards Council members for each of our three Regions meet, review and approve the Standards Achievement and related incentive compensation awards for each business.
- *Incentives Aligned with Standards* – Each Managing Partner participates in a variable annual bonus plan whereby they earn a percentage of their business' calendar year earnings based upon the actual standards achieved for that year and a long-term (5 year) variable bonus plan. Each Managing Partner has the opportunity to share in the earnings of the business as long as the performance exceeds our minimum standard of 50% of Total Standards Achievement for that calendar year.
- *League Tables* – League tables are published each month within Carriage ranking the Managing Partners and their business by percentage of Standards Achievement (maximum 100%) from top to bottom.

4E Leadership Model

The Standards Operating Model requires strong leadership to grow an entrepreneurial, high-value, personal service and sales business at sustainable Field EBITDA Margins. Our 4E Leadership Model is based upon principles established by Jack Welch during his tenure at General Electric, and is based upon **4E** qualities essential to succeed in a high performance culture: **Energy** to get the job done; the ability to **Energize** others; the **Edge** necessary to make difficult decisions; and the ability to **Execute** and produce results. To achieve a high level of standards in a business year after year, we must have "A Players" in charge who have the 4E leadership skills to grow the business by hiring, training and developing highly motivated and productive teams that produce results.

Our Managing Partners participate in variable bonus plans in which they earn a percentage of their business' earnings based upon the actual standards achieved. We believe our Managing Partners have the opportunity to be compensated at close to the same level as if they owned the business. We currently employ the strongest group of operational leaders in the Company's history, and the bonus plans foster a growing reputation that "A Players" can thrive and be rewarded and recognized in our performance-based culture.

Strategic Acquisition Model

We believe a primary driver of higher revenue and profits in the future will be the execution of our Strategic Acquisition Model using strategic ranking criteria to assess acquisition and divestiture candidates. As we execute this strategy over the next five years, we will acquire larger, higher margin strategic businesses. All businesses will be prequalified to be able to perform under our Standards Operating Model. We believe we can execute our acquisition strategy without material incremental investment in our consolidation platform infrastructure or additional fixed regional and corporate overhead. Consequently, the sustained earning power of our portfolio as defined by our Consolidated EBITDA Margin should incrementally increase over time as we execute the Strategic Acquisition Model.

The long term growth or decline of a local branded business is strongly reflected by the criteria used in our assessment of acquisition candidates. These include territory demographics, customer preferences, market size, market share, barriers to entry, and volume and price trends. We use these criteria to rank the strategic position of each of the acquisition candidates. The valuation of the acquisition candidate is then determined through the application of an appropriate after-tax cash return on investment that exceeds the Company's cost of capital. This process gives us the ability to also apply appropriate discounts and premiums and increases the flexibility to structure the transaction at the same time ensuring value addition through the increase of Free Cash Flow.

CARRIAGE PRENEED FUNERAL AND CEMETERY BUSINESS STRATEGY

On July 20, 2011, Carriage Services, Inc. announced that it received a total of $8.5 million in cash withdrawals from its affiliated preneed cemetery trusts in California ($8.1 million) and Nevada ($0.4 million). The $8.1 million from the trust funds in California was released by the bank Trustee for withdrawal following the completion of the 2010 audit of preneed cemetery merchandise and service trusts for Carriage's five cemetery businesses in California. The $0.4 million from the trust funds in Nevada was released upon state regulatory review of the calculation of excess income for Carriage's three cemeteries in Las Vegas, Nevada. It was determined that these trusts had substantial excess realized income over the state mandated amounts and that $8.5 million was available for withdrawal upon request by the Company. The Company can use this additional capital for any purpose. The withdrawal increased Carriage's Consolidated Free Cash Flow by $8.5 million for the third quarter. An additional $1.3 million was withdrawn in the fourth quarter.

Going forward the Company established a policy for the preneed cemetery trusts in these two states of withdrawing monthly the investment income now being generated from the trust portfolios, which is estimated to be approximately $1.5 million to $2.0 million annually, thereby increasing Carriage's Consolidated Free Cash Flow. The Company's policy will be to withdraw the income as long as the trust market values equal or exceed the statutory required amounts and use the cash for higher return purposes. The trust fund investments will also be reviewed quarterly for unrealized net gains (in excess of unrealized losses) that can be withdrawn upon realization without putting the Company at risk of injecting cash into these trusts to cover market losses.

Preneed Funeral

The business goal and purpose of Carriage's preneed funeral strategy is to defend and grow future market share by offering client families in the communities where we operate an opportunity to lock in today's prices and to preplan and choose the products and services that adequately commemorate their lives without the distress of an imminent death. The financial strategy related to our preneed program is to prefund preneed funerals using either a trust or third party insurance product whose investment return growth over time will exceed the increase in delivery costs at the time of death in order to sustain and protect our gross profit on the sale.

As a matter of business strategy, Carriage has elected to have its preneed funeral strategy either aggressive, moderate or passive depending on the unique competitive dynamics in each market. We have generally aggressive preneed funeral programs in markets where we have aggressive programs being used by competitors, which only occurs in a small percentage of our stand alone funeral markets. Instead, we have emphasized decentralized management and an emphasis on atneed market share gains and the maintenance of pricing power which have been the major performance drivers of our Standards Operating Model and five year same store volume and revenue trends. We believe our business strategy and Models have produced long term same store volume, revenue and sustainable Field EBITDA Margins (cash earnings power) that are unmatched by any other consolidator, public or private.

Approximately 20% of our total funeral volumes and revenues have been presold, with about 8% of total funeral revenues represented by presold trust contracts and about 12% by presold insurance contracts. Our preneed funeral revenue and earnings represented by trust contracts have been increasing more rapidly than those represented by insurance contracts because of the much higher recurring income as a result of our successful trust fund repositioning strategy during the 2008/2009 market and financial crisis. Nevertheless, our recognized preneed funeral trust revenue and earnings have greatly lagged the actual preneed funeral trust performance because our accounting methodology requires a death (delivery) to occur and the related cash in the trust to be withdrawn before revenue and earnings are recognized.

Preneed Cemetery

The cemetery business is different from the funeral business in that the cemetery business is more of a sales driven business whereas the funeral business is primarily a service driven business. The primary business strategy for the cemetery business is to build family heritage in our cemeteries by selling property, whose purpose is to provide future sales to other family members. This business strategy is driven in large part by sales of property on a preneed basis through a full time, highly motivated and incentivized local sales team. Approximately 55% of Carriage's recognized Cemetery Revenue comes from preneed sales with the other 45% provided by atneed revenue and financial revenue from several sources including two types of trust funds. Along with the purchases of cemetery property, the families typically purchase merchandise such as markers and monuments, and services, none of which are recognizable until death and delivery. Preneed sales of cemetery property are recorded as revenue at the time that 10% or more of the sales price is received in cash. Preneed sales of cemetery merchandise and services and the related merchandise and service trust funds are highly regulated by each state. Most states require all or a significant portion of the cash collected held in trust until the cemetery delivers the merchandise and service. The states also regulate when you may withdraw the income earned from the merchandise and service trust funds. The majority of the states allow the income withdrawals only at the time of delivery which has been the primary reason that the income is recognized for GAAP at delivery. Approximately 40% of Carriage's cemetery revenues are generated in California, and California regulations allow the withdrawal of income monthly once you reach the statutory required amounts. Since Carriage has reached that point, the California withdrawal rules will provide an increase in Consolidated Free Cash Flow now and going forward.

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EXECUTIVE TEAM

Our management team, headed by founder Mel Payne, is characterized by a dynamic culture that reacts quickly and proactively to address changing market conditions and emerging trends. This culture has been critical to recent successful efforts and will provide an important advantage as the deathcare industry evolves. We are committed to operating an efficient corporate organization and strengthening corporate and local business leadership. Our Being the Best operating model will ensure this commitment at all levels of the organization. The funeral and cemetery divisions are reorganized into three Regions, each headed by a Regional Partner. This change engenders more cooperation and synergy between our funeral and cemetery operations and supports the goal of market-share and volume growth in our most significant markets. The following are bios for the executive team.

Melvin C. Payne, a management founder of Carriage, has been our Chairman of the Board and Chief Executive Officer since December 1996. Mr. Payne has been a director and Chief Executive Officer of Carriage since our inception in 1991. Prior to co-founding Carriage, Mr. Payne spent 10 years in the private company turnaround business involving numerous industries. Prior to his turnaround career, Mr. Payne worked 10 years in the corporate lending business, initially with Prudential Insurance Company and later with Texas Commerce Bank in Houston. Mr. Payne was selected to serve on our Board because he is our Chief Executive Officer and our founder and has proven management skills. Mr. Payne's diverse industry and financial experience coupled with his personal leadership and founder's vision for Carriage make him highly qualified to serve as Chairman of the Board.

L. William Heiligbrodt has been our Vice Chairman of the Board, Executive Vice President and Secretary since September 2011. From February 2009 to September 2011, Mr. Heiligbrodt was an independent director of Carriage. From February 2003 until his appointment on our Board, Mr. Heiligbrodt was a private investor and managing partner in a family business. From February 1999 to February 2003, he served as a consultant to Service Corporation International, a funeral services corporation ("SCI"). Mr. Heiligbrodt was the President and Chief Operating Officer of SCI until February 1999, and, prior to holding such positions, served in various management positions with SCI beginning in February 1990. Prior to joining SCI, Mr. Heiligbrodt served as President of Provident Services, Inc. from March 1988 to February 1990. Prior to that, he served for five years as Vice Chairman and Chief Executive Officer of WEDGE Group Incorporated. Before Wedge Group Inc., Mr. Heiligbrodt served as Chairman of Texas Commerce Bank, Houston and Vice Chairman of Texas Commerce Bancshares, Inc. and as a director of both companies. Mr. Heiligbrodt was selected to serve on our Board because of his significant experience in banking, corporate finance and death care industry operations and growth strategies. Our Board believes that this experience makes Mr. Heiligbrodt uniquely qualified to serve as our Vice Chairman, Executive Vice President and Secretary.

Terry E. Sanford is our Senior Vice President and Chief Accounting Officer. Having joined Carriage in 1997 as the Financial Controller, Mr. Sanford was promoted in 2000 to Vice President and Corporate Controller and in 2006 to Chief Accounting Officer and Treasurer and from September 2008 to March 2012 in the additional role of Senior Vice President and Chief Financial Officer. Prior to joining Carriage, Mr. Sanford held senior financial positions in manufacturing, financial services and consumer products companies and public accounting. Mr. Sanford is a CPA and possesses a BBA in Accounting and an MBA in Finance.

George J. Klug has been with Carriage since July 2001 and has served as our Senior Vice President of Information Systems and Chief Information Officer since May 2002. Before joining Carriage, Mr. Klug served from 1997 to 2000 as Vice President of Information Technology at Allright Corporation, an owner operator of parking facilities both national and international. Prior to Allright, Mr. Klug served as Vice President of Information Technology for various retail companies including Oshmans (currently The Sports Authority, Inc.), Sports Town USA Inc., and Zaks Inc. He also has a background in operations and accounting and has been in management positions for almost 40 years.

DIRECTORS

David J. DeCarlo was elected to our Board in May 2011. He has had more than 24 years of experience in the death care industry, having served as an executive officer in various roles for Matthews International ("Matthews"), a leading worldwide supplier of death care products, including serving as President of the Bronze Division and Group President of the Memorialization Group. Mr. DeCarlo also served as a director of Matthews for 22 years. He retired from Matthews as Vice Chairman of the Board of Directors in 2008. Before joining Matthews in 1985, Mr. DeCarlo held diverse management and executive roles in finance, manufacturing, operations, sales, marketing and management and information systems at several Fortune 500 companies. Mr. DeCarlo has an MBA in Finance, a Masters of Arts in Economics and Statistics, and a Ph.D. in Applied Economics and Finance (all but dissertation) from the Wharton School of Finance and University of Pennsylvania, as well as a Bachelor of Science degree in Industrial Management from West Virginia University. Mr. DeCarlo was selected to serve on our Board as a result of his long history in the death care industry and experience in a multitude of executive roles in other industries, which make him highly qualified to be a member of our Board.

Barry K. Fingerhut was elected to our Board in March 2012. Mr. Fingerhut has been the Chief Executive Officer and majority equity owner of Certification Partners, LLC, a developer and global distributor of IT certification programs, since the fall of 2010. Prior to 2010, he focused much of his career in investing in small capitalization companies in the for-profit education and training, publishing, media, consumer services, hydrocarbon, investment and financial services industries. He served as President of GeoCapital, LLC from 1981 to 2004, following two years at First Manhattan Co. and four years as a Limited Partner, then as General Partner of Weiss, Peck & Greer. In 1992, he co-founded Wheatley Partners, a venture capital partnership, specializing in investments in new technologies and services. In 2004, he formed Fingerhut Management, a family and friends investment office in New York City. In 2009, he co-founded The Caregiver Institute, LLC, formed to address the enormous challenges of aiding the work of home caregivers in the United States. Mr. Fingerhut also served on our Board for the period from 1995 through 1999. Mr. Fingerhut was selected to serve on our Board due to his past experience with Carriage and his extensive investment knowledge. Our Board believes that this experience and knowledge makes him a highly qualified member of our Board.

Donald D. Patteson, Jr. was elected to our Board in August 2011. He is the founder and Chairman of the Board of Directors of Sovereign Business Forms, Inc. ("Sovereign"), a consolidator in the wholesale manufacturing of custom business forms and related products segment of the printing industry. Prior to founding Sovereign in August 1996, he served as Managing Director of Sovereign Capital Partners, an investment firm specializing in leveraged buyouts. Mr. Patteson also previously served as President and Chief Executive Officer of WBC Holdings, Inc., a consolidator in the rent-to-own industry, and was President and Chief Executive Officer of Temple Marine Drilling, Inc./R.C. Chapman Drilling Co., Inc., a consolidation and workout subsidiary of GE Capital in the drilling industry. He was President, Chief Executive Officer and Director of Temple Drilling and held various other executive and financial management positions in the offshore drilling industry. Mr. Patteson began his business career with Arthur Andersen's management consulting practice. Mr. Patteson currently serves on the Board of Directors of Rosetta Resources, Inc. as a member of the Audit Committee and Chairman of the Compensation Committee. Mr. Patteson was selected to serve on our Board based on his experience with executive and financial management roles as well as his experience in the consolidation industry.

Richard W. Scott is a seasoned financial services executive with over 30 years of capital markets experience. Since January 2009, he has served as the Senior Vice President and Chief Investment Officer of Loews Corporation, a diversified holdings company, and from 2001 to 2008 he was a senior executive in Insurance Portfolio Management with AIG Investments, a global company engaged in asset management, including service as the Chief Investment Officer–Insurance Operations. His career has included extensive executive and professional responsibility for all aspects of fixed income and insurance portfolio management on both domestic and global platforms, as well as extensive experience as a mergers and acquisitions and capital markets attorney. Mr. Scott brings multidimensional experience to Carriage. He was selected to serve on our Board because of his extensive experience in merger and

acquisition transaction analysis, investment management, capital markets strategy and financial performance measurement, all of which provide valuable insight to Carriage.

Melvin C. Payne, refer to *Executive Team* on page 21 for a complete biography.

L. William Heiligbrodt, refer to *Executive Team* on page 21 for a complete biography.

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FIRST QUARTER OF 2012 RESULTS

HIGHLIGHTS OF THE 2012 FIRST QUARTER (Compared to the 2011 First Quarter):

- Total Revenue of $52.3 million, an increase of 3.2%;
- Total Acquisition Funeral Field EBITDA of $2.5 million, an increase of 208%;
- Total Acquisition Funeral Field EBITDA Margin of 38.9%, an increase of 1,260 basis points;
- Total Funeral Field EBITDA of $15.5 million, an increase of 19.0%;
- Total Funeral Field EBITDA Margin of 39.9%, an increase of 480 basis points;
- Total Field EBITDA of $21.4 million, an increase of 11.2%;
- Total Field EBITDA Margin of 41.0%, an increase of 300 basis points;
- Total Adjusted Consolidated EBITDA of $16.0 million, an increase of 9.5%;
- Total Adjusted Consolidated EBITDA Margin of 30.5%, an increase of 180 basis points;
- Total GAAP EPS of $0.23, an increase of 28%; and
- Total Adjusted EPS of $0.29, an increase of 26%.

The record 2012 first quarter performance was driven by record high Field EBITDA Margins in our funeral business portfolio, funeral business acquisitions and a continued strong GAAP and Non-GAAP contribution from our trust portfolios. The revenue increase of $1.6 million was comprised of a $3.3 million increase in Funeral Acquisition Revenue, offset by a $1.7 million or 4.9% decline in our Same Store Funeral Revenue.

After Bill Heiligbrodt joined the Company full time in September 2011, he and his team of corporate development and analytical specialists revised our Strategic Acquisition Model to more effectively and efficiently screen and assess both quantitatively and qualitatively our growing pipeline of acquisition candidates. As a result, the three funeral business acquisitions made since mid-December have all been high quality, dominant franchises in their local markets which were closed quickly and fully integrated into our Standards Operating Model almost from the date of closing, thereby contributing substantially to the first quarter increase of 208% in Acquisition Funeral Field EBITDA and the increase of 1,260 basis points in Acquisition Funeral EBITDA Margin.

The combination of a 480 basis point increase in our Total Funeral Field EBITDA Margin and $3.3 million increase in Funeral Acquisition Revenue were the primary drivers in producing an increase in Total Field EBITDA of $2.2 million, which was 38% greater than the Total Revenue increase of $1.6 million. The broad and strong execution of our Funeral Standards Operating Model was a remarkable achievement considering that same store funeral cremation rates increased 190 basis points and same store volumes were down 6.2% because of the low death rate environment. The record Adjusted Consolidated EBITDA Margin of 30.5% was only the second time the cash earning power of our company has exceeded 30% during a quarter, the first being the second quarter of 2011 when we recognized substantial gains in our trust funds during the first seven months of last year.

GAAP diluted earnings per share for the quarter was $0.23, up 28% from 2011, while Adjusted EPS was $0.29, up 26% from 2011. Adjusted EPS this quarter excludes $1.0 million of Special Items of expense equivalent to 3.3¢ per share related to acquisitions, severance costs and non-recurring legal matters, and includes Withdrawable Trust Income of $0.7 million equivalent to 2.3¢ per share. Our Adjusted Net Income of $5.2 million was another milestone achievement, as this performance metric for the first time equaled 10% of Total Revenue.

Withdrawable Trust Income was higher last year because of $7.6 million in realized equity and fixed income gains in the first quarter of 2011 following almost $30 million of realized gains in 2010, creating substantially over-funded amounts in certain cemetery merchandise and service trusts compared to state mandated amounts. During the first quarter of 2012 and for the foreseeable future Withdrawable Trust Income will result primarily from substantial, recurring income from our discretionary trust portfolio, which will make this continuing and substantial Non-GAAP (Adjusted) source of revenue and earnings more predictable. As of March 31, 2012, our discretionary trust portfolio is comprised of 80% in investment grade and high yield fixed income securities, 1% cash and only 19% in a small group of core equities.

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Management views Non-GAAP or Adjusted Consolidated EBITDA, EPS and Free Cash Flow metrics as the more relevant metrics for valuation of the market value of the Company's equity. Management also believes Non-GAAP accounting, since it adjusts for income and expense items that are not part of continuing operations, provides for better performance comparison between accounting periods and also makes the five Quarter and five Year Trend Reports more transparent for investors. The Non-GAAP reporting format is relevant for the Company as we have made major strides in positioning to achieve a higher and sustainable operating and financial performance in 2012 and thereafter.

Acquisitions

Carriage acquired two funeral home businesses during the first quarter of 2012; the James J. Terry Funeral Home in Downingtown, Pennsylvania on February 21, 2012, and the Connor Westbury Funeral Home in Griffin, Georgia on March 13, 2012. These businesses contributed $0.3 million in revenue for the quarter, but on an annualized basis are expected to serve approximately 710 families and generate revenue of approximately $4.2 million. Carriage has acquired eight funeral home businesses during the previous twelve months.

These acquisitions are expected to add materially to our acquisition portfolio performance and the company's diluted EPS in 2012 and thereafter. We have established a policy of announcing acquisitions when we have closed the transaction and integrating expected proforma results of newly announced acquisitions into our Rolling Four Quarter Outlook in conjunction with the subsequent quarterly earnings release.

Free Cash Flow

Carriage achieved a Free Cash Flow from continuing operations in the first quarter of 2012 of $2.6 million compared to Free Cash Flow from continuing operations of $2.1 million for the corresponding period in 2011. The sources and uses of cash for the first quarter of 2011 and 2012 consisted of the following (in millions):

	2011	**2012**
Cash flow provided by operations	$ 3.4	$ 3.5
Cash used for maintenance capital expenditures	(1.3)	(0.9)
Free Cash Flow	**$ 2.1**	**$ 2.6**
Cash at beginning of year	1.3	1.1
Acquisitions	–	(11.6)
Net (payments) borrowings under credit facility	(0.6)	13.9
Cash used for growth capital expenditures	(0.6)	(2.2)
Cash used for dividends	–	(0.4)
Repurchase of common stock	–	(2.7)
Cash provided by discontinued operations	0.2	–
Other investing and financing activities, net	(0.1)	0.2
Cash at March 31st	**$ 2.3**	**$ 0.9**
Credit Facility borrowings at March 31st	**$ –**	**$ 17.0**

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 Forward-looking statements contained herein are subject to certain risks and uncertainties as further described at the end of this Company & Investment Profile. Please refer to the section Disclosure of Non-GAAP Performance Measures on page 28 that discusses and reconciles non-GAAP financial measures to GAAP financial measures.

Trust Fund Performance

During the first quarter of 2012, Carriage continued to realize the benefit of the major asset reallocation of the discretionary trust portfolio that was completed during the second half of 2011. Carriage's discretionary trust fund portfolio had a total return of 9.4% in the first quarter compared to 12.6% for the S&P 500, 5.3% for the Barclay's High Yield Bond Index, and 6.4% for our 50/50 index benchmark. We believe that the current structure of our portfolio is unique in the industry and will provide substantial but less volatile returns in the future because of the large amount of recurring current income that should increase over time. This growing, recurring current income from the fixed income portfolio will continue to be recognized on preneed funeral and cemetery contracts upon maturity and in our cemetery perpetual care trusts on a monthly basis. Carriage continued to actively manage the equity portion of the trust fund portfolio in the first quarter by decreasing the allocation to large-cap cyclical companies and increasing the allocation to large-cap growth companies.

Shown below are consolidated performance metrics for the combined trust fund portfolios (preneed funeral, cemetery merchandise and services, and cemetery perpetual care) at key dates.

Investment Performance

	Investment Performance[1]		Index Performance		
Timeframe	Discretionary	Total Trust	DJIA	S&P 500	50/50 index Benchmark
5 years ended 12/31/11	51.2%	49.0%	12.4%	(1.2)%	0.9%
3 years ended 12/31/11	68.7%	63.4%	51.7%	48.6%	32.0%
1 year ended 12/31/11	(3.1)%	(2.5)%	8.3%	2.1%	5.0%
3 months ended 3/31/12	9.4%	8.1%	8.8%	12.6%	6.4%

[1] Investment performance includes realized income and unrealized appreciation (depreciation).

Asset Allocation as of March 31, 2012

	Discretionary Trust Funds		Total Trust Funds	
Asset Class	MV	%	MV	%
Equities	$ 33,377	19%	$ 47,871	21%
Fixed Income	138,133	80%	161,445	72%
Cash	2,106	1%	16,035	7%
Total Portfolios	$ 173,616	100%	$ 225,351	100%

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FINANCIAL OUTLOOK

To better understand how improved execution of the Standards Operating Model and Strategic Acquisition Model will drive future operating results, we provide a rolling twelve month outlook after each quarter that reflects the trending progress we are making toward achieving the sustainable earning power of our portfolio of operating assets. We believe that a rolling forecast updated for acquisitions and dispositions will result in a more timely and accurate near term Outlook that is not constrained by a fixed and arbitrary "finish line" at the end of each calendar year.

The Four Quarter Outlook reflects management's current opinion on the performance of the portfolio of businesses for the rolling four quarter period ending March 31, 2013 and the performance of the trusts as well as our view of the financial markets. Management takes into consideration the performance of the trusts and incorporates our view of the economy and the financial markets. Factors affecting our analysis include, among others, funeral contract volumes, average revenue per funeral service, cemetery interment volumes, preneed cemetery sales, capital expenditures, execution of our funeral Standards Operating Model, acquisitions and Withdrawable Trust Income.

The Four Quarter Outlook includes the Terry Funeral Home acquisition that closed in February and the Connor Westbury Funeral Home acquisition that closed in March.

ROLLING FOUR QUARTER OUTLOOK – Period Ending March 31, 2013
(amounts in millions, except per share amounts)

	Range
Revenues	$200 – $202
Consolidated EBITDA	$50 – $51
Net Income	$12 – $13
GAAP Diluted EPS	$0.67 – $0.70
Non-GAAP EPS	$0.80 – $0.83
Cash Flow from Operations	$24 – $26
Free Cash Flow	$20 – $22

Revenues, Consolidated EBITDA and Net Income for the four quarter period ending March 31, 2013 are expected to improve relative to the same period ended March 31, 2012, for the following reasons:

- Increases in Same Store Funeral Revenue averages and Same Store Funeral Field EBITDA Margins;
- Increases in Acquired Funeral Revenue and Acquired Funeral Field EBITDA from the 2011 and first quarter 2012 acquisitions; and
- Increases in Financial Revenue from all three categories of trust funds.

The Outlook also includes the Company's new policy of withdrawing realized gains and income in excess of regulatory mandated amounts on a monthly basis from certain cemetery merchandise and services trust funds which are estimated to be in the range of $1.5 million to $2.0 million for the rolling four quarter period.

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CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

In addition to historical information, this Company & Investment Profile contains forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements typically are identified by terms expressing our future expectations or projections of revenues, earnings, earnings per share, cash flow, market share, capital expenditures, effects of operating and acquisition initiatives, gross profit margin, debt levels, interest costs, tax benefits and other financial items. All forward-looking statements, although made in good faith, are based on assumptions about future events and are therefore inherently uncertain, and actual results may differ materially from those expected or projected. Forward-looking statements speak only as of the date of this report, and we undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur. Readers should carefully review the Cautionary Statements described in this and other documents we file from time to time with the Securities and Exchange Commission, including Annual Reports on Form 10-K and Current Reports on Form 8-K filed by Carriage in the future. A copy of the Company's Form 10-K, and other Carriage Services information and news releases, are available at www.carriageservices.com.

DISCLOSURE OF NON-GAAP PERFORMANCE MEASURES

We report our financial results in accordance with generally accepted accounting principles ("GAAP"). However, this investment profile uses the following Non-GAAP financial measures: "Free Cash Flow," "Funeral and Cemetery Field EBITDA," "Total Field EBITDA," "Consolidated EBITDA or EBITDA," "Adjusted Consolidated EBITDA" and "Non-GAAP Diluted EPS". Both Free Cash Flow (cash provided by operating activities less maintenance capital expenditures) and EBITDA are used by investors to value common stock. The Company considers Free Cash Flow to be an important indicator of its ability to generate cash for acquisitions and other strategic investments. The Company has included EBITDA in this investment profile because it is widely used by investors to compare the Company's financial performance with the performance of other death care companies. The Company also uses Total Field EBITDA and Total Field EBITDA Margin to monitor and compare the financial performance of the individual funeral and cemetery field businesses. EBITDA does not give effect to the cash the Company must use to service its debt or pay its income taxes and thus does not reflect the funds actually available for capital expenditures. In addition, the Company's presentation of EBITDA may not be comparable to similarly titled measures other companies report. 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. Reconciliations of the Non-GAAP financial measures to GAAP measures are provided at the back of the investment profile.

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CARRIAGE SERVICES, INC.
Selected Financial Data

Selected Balance Sheet Data:	**December 31, 2011**	**(unaudited) March 31, 2012**
Cash and short-term investments	$ 1,137	$ 869
Total Senior Debt (a)	139,783	153,712
Days sales in funeral accounts receivable	19.1	18.3
Senior Debt to total capitalization	39.2	41.0
Senior Debt to EBITDA (rolling twelve months)	3.3	3.6
Senior Debt to Adjusted Consolidated EBITDA (rolling 12 mos.)	2.8	3.0

a) - Senior debt does not include the convertible junior subordinated debentures.

Reconciliation of Non-GAAP Financial Measures:

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

Reconciliation of Net Income from continuing operations to Non-GAAP Net Income from continuing operations for the three months ended March 31, 2011 and 2012:

	Three months ended March 31,	
	2011	**2012**
Net Income from continuing operations	$ 3,285	$ 4,210
Special items, net of tax	993	1,034
Non-GAAP Net Income from continuing operations	$ 4,278	$ 5,244

Reconciliation of Diluted EPS from continuing operations to Non-GAAP Diluted EPS from continuing operations for the three months ended March 31, 2011 and 2012:

	Three months ended March 31,	
	2011	**2012**
Diluted EPS from continuing operations	$ 0.18	$ 0.23
Effect of special items	0.05	0.06
Non-GAAP Diluted EPS from continuing operations	$ 0.23	$ 0.29

Reconciliation of Non-GAAP Financial Measures (unaudited), Continued:

Reconciliation of Net Income from continuing operations to Adjusted Consolidated EBITDA from continuing operations for the three months ended March 31, 2011 and 2012 and the estimated rolling four quarters ended March 31, 2013 (presented at approximately the midpoint of the range identified in the release)(in 000's):

	Three months ended March 31,	
	2011	**2012**
Net income from continuing operations	$ 3,285	$ 4,210
Provision for income taxes	2,236	2,668
Pre-tax earnings from continuing operations	5,521	6,878
Net interest expense, including loan cost amortization	4,554	4,572
Other income	(21)	(17)
Noncash stock compensation	447	402
Depreciation & amortization	2,397	2,428
Special items	1,668	1,689
Adjusted Consolidated EBITDA from continuing operation	$ 14,566	$ 15,952
Revenue from continuing operations	$ 50,669	$ 52,286
Adjusted EBITDA Margin	28.7%	30.5%

	Rolling Four Quarter Outlook
	March 31, 2013 E
Net income from continuing operations	$ 12,500
Provision for income taxes	8,100
Pre-tax earnings from continuing operations	20,600
Net interest expense, including loan cost amortization	18,500
Depreciation & amortization, including stock compensation	11,400
Consolidated EBITDA from continuing operations	$ 50,500

Reconciliation of Non-GAAP Financial Measures (unaudited), Continued:

Reconciliation of Field income from continuing operations before income taxes to field EBITDA from continuing operations for the three months ended March 31, 2011 and 2012:

Funeral Home

	Three months ended March 31,	
	2011	**2012**
Income from continuing operations before income taxes	$ 11,829	$ 14,103
Depreciation & amortization	1,400	1,454
Regional & unallocated costs	1,413	1,773
Net financial income	(1,604)	(1,819)
Funeral Home EBITDA	$ 13,038	$ 15,511
Funeral Home Revenue	$ 37,162	$ 38,828
Funeral Home EBITDA Margin	35.1%	39.9%

Cemetery

	Three months ended March 31,	
	2011	**2012**
Income from continuing operations before income taxes	$ 3,220	$ 2,826
Depreciation & amortization	744	721
Regional & unallocated costs	667	559
Net financial income	(2,005)	(1,884)
Cemetery EBITDA	$ 2,626	$ 2,222
Cemetery Revenue	$ 9,556	$ 9,404
Cemetery EBITDA Margin	27.5%	23.6%

Reconciliation of cash provided by continuing operating activities to Free Cash Flow from continuing operations (in 000's):

	Three months ended March 31,	
	2011	**2012**
Cash provided by continuing operating activities	$ 3,420	$ 3,523
Less maintenance capital expenditures	(1,335)	(919)
Free Cash Flow from continuing operations	$ 2,085	$ 2,604

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Reconciliation of Non-GAAP Financial Measures (unaudited), Continued:

Reconciliation of Consolidated EBITDA from continuing operations to Free Cash Flow from continuing operations for the estimated rolling four quarters ending March 31, 2013 (in 000's):

	Rolling Four Quarter Outlook March 31, 2013 E
Consolidated EBITDA from continuing operations	$ 50,500
Interest paid	(17,800)
Cash Income taxes	(5,300)
Maintenance capital expenditures	(6,400)
Free Cash Flow from continuing operations	$ 21,000

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