

CARRIAGE SERVICES, INC.
(the “Company”)

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER

(Revised March 5, 2012)

The Board of Directors (the “Board”) of Company has established the Audit Committee of the Board (the “Committee”) with authority, responsibility and specific duties as described in this Audit Committee Charter (this “Charter”).

I. PURPOSE

The purposes of the Committee are to:

A. Assist the Board in fulfilling its oversight responsibilities regarding the:

1. integrity of the financial statements of the Company;
2. qualifications and independence of the independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other, review or attest services for the Company (the “independent auditor”);
3. performance of the Company’s internal audit function and independent auditors; and
4. compliance by the Company with legal and regulatory requirements.

B. Annually prepare the report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement for its annual meets of stockholders; and

C. Perform such other functions as the Board may assign to the Committee from time to time.

II. COMMITTEE MEMBERSHIP

The Committee shall consist of no fewer than three members. The members of the Committee shall meet the independence and experience requirements of the New York Stock Exchange, and at least one member of the Committee shall be an “Audit Committee financial expert” (as defined by applicable rules of the SEC). The members of the Committee shall be appointed by the Board on the recommendation of the Corporate Governance Committee. Committee members may be replaced by the Board.

The members of the Committee shall be selected annually by the Board on the recommendation of the Corporate Governance Committee. The members of the Committee shall

serve for such term or terms as the Board may determine or until earlier resignation or death. Any vacancy may be filled and/or any Committee member may be removed by the affirmative vote of a majority of the Board. If a Chairman is not designated by the Board or present at a meeting, the Committee may designate a Chairman by majority vote of the Committee members then in office.

Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

III. COMMITTEE AUTHORITY AND RESPONSIBILITIES

The Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Committee.

A. Authority

The Committee shall have the authority to:

1. Conduct or authorize investigations into any matter, including, but not limited to, complaints relating to accounting, internal accounting controls or auditing matters, within the scope of the responsibilities delegated to the Committee as it deems appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Committee or any advisors engaged by the Committee.

2. Retain and determine funding for special legal, accounting or other consultants to advise the Committee. The Committee may also utilize the services of the Company's regular outside legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of (a) compensation to any independent auditor engaged for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company; (b) compensation to any advisors employed by the Committee; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

3. Delegate to its Chairman, any one of its members, or any subcommittee it may form, the responsibility and authority for any particular matter, as it deems appropriate from time to time under the circumstances. Each subcommittee shall keep minutes and regularly report to the Committee.

B. Financial Statements and Disclosure Matters

The Committee, to the extent it deems necessary or appropriate to perform its duties, shall:

1. Annually, review and discuss with management and the independent

auditor the Company's annual audited financial statements and disclosures by the independent auditor regarding its independence and disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.

2. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Quarterly Reports on Form 10-Q, including the results of the independent auditors' reviews of the quarterly financial statements and the Company's disclosures made in management's discussion and analysis.

3. Discuss with management and the independent auditor and establish a separate system of reporting significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including *Matters to be Communicated to the Audit Committee*, any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and security, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.

4. Discuss with management and the independent auditor the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be in general terms (*i.e.*, discussion of the types of information to be disclosed and the types of presentations to be made).

5. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

6. Discuss with management the Company's guidelines and policies with respect to risk assessment and risk management and the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

7. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 114, "The Auditor's Communication With Those Charged With Governance," as then in effect, relating to the conduct of the audit. In particular, discuss:

(a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.

(b) Any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise).

(c) Any communications between the audit team and the independent

auditor's national office respecting auditing or accounting issues presented by the engagement.

(d) The management letter provided by the independent auditor and the Company's response to that letter.

(e) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management and management's responses to such matters.

8. Discuss with the independent auditor the report that such firm is required to make to the Committee regarding: (a) all accounting policies and practices to be used that the independent auditor identifies as critical; (b) all alternative treatments of financial information within GAAP for policies and practices related to material items that have been discussed among management and the independent auditor, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (c) all other material written communications between the independent auditor and management of the Company, such as any management letter, management representation letter, reports on observations and recommendations on internal control over financial reporting, the independent auditor's engagement letter, the independent auditor's independence letter, schedule of unadjusted audit differences and a listing of adjustments and classifications not recorded, if any.

9. Review with the independent auditor and management the extent to which any changes or improvements in financial or accounting practices, recommended by the Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

C. *Oversight of the Company's Independent Auditor*

1. The Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to stockholder ratification), and shall approve all audit engagement fees and terms and all significant non-audit engagements with the independent auditors. The Committee shall consult with management but shall not delegate these responsibilities. Before the independent auditor is engaged by the Company or its subsidiaries to render audit or non-audit services, the Committee shall pre-approve the engagement. Committee pre-approval of audit and non-audit services is not required if the engagement for the services is entered into pursuant to pre-approved policies and procedures established by the Committee. The Chairman of the Committee has the authority to grant pre-approvals, provided such approvals are within the pre-approval policy and presented to the Committee at a subsequent meeting.

The Committee, to the extent it deems necessary or appropriate to perform its duties, shall:

2. Review the experience and qualifications of the senior members of the

independent auditor team.

3. Obtain and review a report from the independent auditor at least annually regarding:

(a) the auditor's internal quality-control procedures;

(b) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;

(c) any steps taken to deal with any such issues; and

(d) all relationships between the independent auditor and the Company.

4. Discuss with representatives of the independent auditor its independence from the Company and consider the impact that any relationships or services may have on the objectivity and independence of the independent auditor.

5. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditor. The Committee shall present its conclusions to the Board and, if so determined by the Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditor.

6. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis. Also, consult with the independent auditor concerning rotation of its lead audit partner on a periodic basis to insure that the auditor is in compliance with SEC requirements.

7. Review and evaluate the lead partner of the independent auditor.

8. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account.

9. Discuss with the national office of the independent auditor issues on which they were consulted by the Company's audit team and matters of audit, quality and consistency.

10. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

11. Set clear hiring policies for employees or former employees of the independent auditor.

D. *Oversight of the Company's Internal Audit Function*

The Committee, to the extent it deems necessary or appropriate to perform its duties, shall:

1. Review the appointment and replacement of the senior internal auditing executive.
2. Review the significant reports to management prepared by the internal auditing department and management's responses.
3. Discuss with the independent auditor the internal audit department responsibilities, budget, and staffing and any recommended changes in the planned scope of the internal audit.
4. Annually review the activities and structure of the internal audit function.
5. Meet separately with management on a periodic basis to discuss matters related to the Company's internal control over financial reporting and other matters related to the Company's internal audit function.
6. Review and discuss with management and the independent auditor the Company's report on internal control over financial reporting prior to filing the Company's Annual Report on Form 10-K.

E. *Compliance Oversight Responsibilities*

The Committee, to the extent it deems necessary or appropriate to perform its duties, shall:

1. Obtain from the independent auditor assurance that Section 10A(b) of the Securities Exchange Act of 1934 has not been implicated.
2. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding potential violations of applicable laws, rules and regulations or of the Company's codes, policies and procedures. The Committee shall also establish procedures for the confidential and anonymous submission by employees of the Company of concerns regarding questionable compliance matters.
3. Obtain reports from management, the Company's senior internal auditing executive and the independent auditor that the Company and its foreign subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.

4. Review at least annually with the Company's legal counsel the Company's Corporate Code of Business Conduct and Ethics and its enforcement.

5. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential and anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

6. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements, financial reporting process, internal audit function or accounting policies. Review of employee complaints shall be conducted on a confidential basis and in a manner that preserves the anonymity of employee complaints submitted on an anonymous basis.

7. Discuss with the Company's legal counsel such legal matters that may have a material impact on the financial statements or the Company's compliance policies and corporate securities trading policies.

8. Review annually the adequacy and succession planning of the Company's accounting and financial personnel.

9. Review disclosures by the Company's Chief Executive Officer and Chief Financial Officer (or equivalent, thereof) during their certification process for the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein.

10. Perform any other activity consistent with this Charter, the Company's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

F. *Other Powers and Responsibilities*

To the extent the Committee deems necessary or appropriate the following shall occur:

1. The independent auditor shall report directly to the Committee and the Committee shall routinely review such firm's performance. In addition, the Committee shall oversee the resolution of any disagreements between the Company's management and the independent auditor regarding financial reporting.

2. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

3. The Committee shall meet with management, any internal auditor and the independent auditor in separate executive sessions at least quarterly. Such executive sessions may (but need not) be combined with any executive sessions of the non-management members of the Board.

4. The Committee shall make regular reports to the Board. These reports shall include a discussion of any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditor, the performance of the Company's internal audit function or any other matter the Committee determines is necessary or advisable to report to the Board.

5. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review the Committee's own performance and shall submit itself to a review and evaluation by the Board.

IV. LIMITATION OF AUDIT COMMITTEE'S ROLE

The Committee's responsibilities are limited to oversight. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

V. PROCEDURES

A. **Meetings.** The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall meet at the call of its Chairman, two or more members of the Committee or the Chairman of the Board. Meetings of the Committee may be in person, by conference call or by unanimous written consent, in accordance with the Company's By-Laws. Meetings of the Committee shall be held at such time and place, and upon such notice, as its Chairman may from time to time determine. The Committee shall keep such records of its meetings as it deems appropriate. Meetings may, at the discretion of the Committee, include non-independent directors, members of the Company's management, independent advisors and consultants, representatives of the independent auditor, the internal auditor, any other financial personnel employed or retained by the Company or any other persons whose presence the Committee believes to be necessary or appropriate. Those in attendance may observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. Notwithstanding the foregoing, the Committee may also exclude from its meetings any persons it deems appropriate, including, but not limited to, any director that is not a member of the Committee.

B. **Quorum and Approval.** A majority of the Committee's members shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Committee may also act by unanimous written

consent in lieu of a meeting.

C. **Rules.** The Committee may determine additional rules and procedures, including designation of a Chair pro tempore in the absence of its Chairman and designation of a secretary of the Committee at any meeting thereof.

D. **Reports.** The Committee shall maintain minutes of its meetings and make regular oral or written reports to the Board, directly or through its Chairman, of its actions and any recommendations to the Board. These reports shall include a discussion of any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditor, the performance of the internal audit function or any other matter the Committee determines is necessary or advisable to report to the Board.

E. **Fees; Reimbursement of Expenses.** Each member of the Committee as well as the Chairman shall be paid the fee set by the Board for his or her services as a member, or Chairman, as the case may be, of the Committee. Subject to the Company's Corporate Governance Guidelines and other policies, Committee members, including the Chairman, will be reimbursed by the Company for all reasonable expenses incurred in connection with their duties as Committee members or as Chairman.

VI. POSTING REQUIREMENT

The Company shall make this Charter available on or through the Company's website as required by applicable rules and regulations. In addition, the Company shall disclose in its proxy statement for its annual meeting of stockholders that a copy of this Charter is available on the Company's website and provide the website address.

1. * * *

While the Committee members have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the Committee members, except to the extent otherwise provided under applicable federal or state law.