Carriage Services Receiving $8.5 Million Cash Payment from Trust Funds and Entering Into a New $60 Million Five Year Bank Revolving Credit Facility

Increased Liquidity and Free Cash Flow for Acquisition Program
Increased Transparency and Explanation of Trust Fund and Preneed Accounting

HOUSTON, July 20, 2011 /PRNewswire/ -- Carriage Services, Inc. (NYSE: CSV) announced that it is receiving 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 earlier today 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 are pending 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 withdrawals will increase Carriage's Consolidated Free Cash Flow by $8.5 million for the third quarter, the results of which will be reported in early November 2011.

Going forward, the Company has 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 $100,000, thereby increasing Carriage's Consolidated Free Cash Flow by approximately $1.2 million annually. 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fund investments will also be reviewed quarterly for unrealized net gains (in excess of unrealized losses) that can be withdrawn upon realization without putting the Company at risk of injecting cash into these trusts to cover market losses.

Melvin C. Payne, Chairman and Chief Executive Officer, commented: "I am excited to report this good news to our shareholders and debt holders. The $8.5 million in cash withdrawals and our new policy going forward are reflective of the rapidly increasing cash earnings power and improving credit profile of our Company as a result of the success of our trust fund repositioning strategy during the 2008/2009 market and financial crisis. Though we will recognize this $8.5 million under GAAP as revenue and earnings as contracts mature in the future, it is permanent future pre-tax equity capital that can be used in the meantime to fund our very active acquisition program or for other corporate purposes. Assuming a 15-18% pretax return on new acquisitions, this $8.5 million in new capital alone would produce over $4 million in annual acquired operating revenue, over $1.5 million in annual Consolidated EBITDA and about 4.5¢ per share in future annual EPS using today's diluted shares outstanding."

"I look forward to reporting our second quarter results in a few weeks. Even before this good news, we had established a Consolidated Free Cash Flow Outlook for 2011 of approximately $20 million. With this cash withdrawal and the recurring withdrawal income over the next six months, we could now potentially reach $30 million of Consolidated Free Cash Flow for this year if we achieve a strong operational performance during the second half of 2011, which I am confident we will do. With approximately 18 million shares outstanding and an equity market value of about $100 million, our Consolidated Free Cash Flow for 2011 could approximate 30% of our current equity market value, a substantial undervaluation condition compared to peer companies in our industry. Our growing Consolidated Free Cash Flow and earnings are the primary reasons we instituted our first quarterly dividend policy of 2.5¢ per share on June 1, 2011."

"I am also very pleased to announce that we are entering into a new $60 million revolving credit facility with Wells Fargo on more favorable terms than the present credit facility. The new credit facility can be expanded to $75 million if we have a need. We see unparalleled opportunities to grow Carriage by making smart and highly selective acquisitions over the next five years and we have ample, cost-effective liquidity and financing to achieve our goals."

CARRIAGE PRENEED FUNERAL AND CEMETERY BUSINESS STRATEGY

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 (generally a 2-3% growth factor) because of the excess realized net gains (over losses) and 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, especially in 2010 and the first six months of 2011, 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.

TRUST FUND ACCOUNTING

Carriage will account for this cash withdrawal by increasing Cash and Deferred Revenue by $8.5 million and thereby will also reflect this amount in third quarter Consolidated Free Cash Flow. The Company will recognize the withdrawn cash as revenue and earnings in the future in accordance with its current accounting policies when the preneed contracts from which this cash was withdrawn "mature" upon the death of the persons covered, and the merchandise and services are then "delivered", but there would be no additional Consolidated Free Cash Flow attached to the future earnings of the currently withdrawn cash.

Since the withdrawn cash is "excess" beyond the state statutory amounts required, the economics of the associated underlying preneed contracts remains "normal", i.e. the costs of delivery are covered by the remaining amounts in trust and a "normal" gross profit and pre-tax Free Cash Flow is produced upon delivery. While the $8.5 million will be recognized as revenue and earnings over time on a contract by contract basis when death and delivery occur, we have shown below for proforma non-GAAP third quarter reporting purposes, the excess revenue and earnings related to the withdrawn cash assuming deaths and delivery occur today on all underlying contracts:

Non-GAAP Proforma Presentation	
	(000's)
Financial Revenue	$ 8,500
Financial EBITDA	8,500
Consolidated EBITDA	8,500
Consolidated Free Cash Flow	8,500

Pretax Income	8,500
Net Income	5,060
EPS	$ 0.28

Attached for review are schedules of various performance metrics for same store trust funds in place as of January 1, 2008 through June 30, 2011, by year and for the first six months of 2011. These schedules reflect the significant lag between the net gains and income realized within the trusts and the revenue and income that has been recognized using current GAAP methodology in Carriage's income statement over this period of time. During the three and one-half year period, the Company has realized total gains and income of $9.1 million in the California and Nevada cemetery and merchandise trusts and $14.4 million in cemetery merchandise and service trusts in other states, for a total of $23.5 million. Yet we have only recognized and reported in our income statements as revenue and earnings $0.7 million for California and Nevada and $1.7 million for the other states, or $2.4 million in total. Thus $21.1 million of total gains and income has been realized over this period in our trust funds but has not yet been recognized by current accounting methodology, an excess that will be recorded as revenue and pretax income in future years as deaths occur and the underlying preneed contracts mature.

PRENEED VERSUS ATNEED BALANCE SHEET ACCOUNTING

Also attached for your review and to help understand the accounting for preneed activities is the Company's Consolidated Balance Sheet as of December 31, 2010, separated on a non-GAAP basis into its atneed and preneed businesses, which is the perspective used by management in managing its corporate assets and debt obligations. We have found that the accounting for preneed activities can be very confusing to equity investors, both as to the perception of lower earnings power (delayed revenue and earnings recognition), and the perception of high total liabilities to stockholders equity balance sheet leverage (Deferred Revenue shown in the liability section of balance sheet).

The following discussion of these points is intended to educate equity investors as to how senior management and the Board of Directors, as well as our Bank, Senior Note holders, and Convertible Preferred Security holders (TIDES), view the distinction between atneed operations (current cash earnings power and leverage relating to our current credit profile) and preneed operations (well into the future cash earnings power not relating to our current credit profile).

Total Assets for the Preneed Business as of December 31, 2010 of $419.3 million represent the future cash that will flow into the Company's operations as deaths occur and the underlying contracts are delivered. The Total Assets for the Preneed Business includes the trust investments totaling $182.7 million that will produce investment income through the date of death and delivery in the future. The five categories within the liability section of the Preneed Business are actually Deferred Preneed Revenue until death and delivery and not liabilities as shown, although GAAP methodology requires Deferred Revenue accounts to be classified in the liability section of the Balance Sheet. As contracts mature upon death sometime in the future, the face amount of the original preneed sale to the family (prices of products and services fixed and guaranteed at time of sale) plus accumulated investment income will be removed from the Deferred Revenue accounts and recorded as currently recognized revenue, and the difference between recognized revenue and the current cost to deliver all merchandise and services shown as recognized gross profit. The accounts labeled Deferred Preneed Receipts Held In Trust equal the asset accounts labeled Preneed Trust Investments. The accounts labeled Deferred Preneed Revenue represent the Preneed Receivables from Customers, the Receivables from Preneed Funeral Trusts and cash that was allowed to be retained by the Company under state regulations at the time of sale, or investment income that was withdrawn from trust funds prior to death and delivery.

Preneed funeral contracts that were written in the form of life insurance contracts are not on our Consolidated Balance Sheet based on current GAAP methodology even though they are a very material part of our Preneed Funeral Business and strategy. There is no difference between a preneed funeral contract secured by a trust and a preneed funeral contract secured by a life insurance policy to the customer, but to Carriage we have a greater discretionary ability to impact future investment strategy, asset allocations and returns for our trust funds with our active investment advisor in Houston than through third party insurance providers. The difference between the Total Assets of the Preneed Business and the Total Deferred Preneed Revenue of the Preneed Business is equal to the combined cash retained at the time of sale and the gains and income earned over time and withdrawn from the trust funds.

As investment income is earned and accumulates on the Preneed trust investments and gains and losses (both realized and unrealized) occur on the Preneed investments, both accruing over time on a contract by contract basis, both the asset accounts and the deferred revenue accounts increase or decrease by exactly the same amount. Because the deferred revenue accounts are shown in the liability section, this means that if our trust investments rise substantially in market value, the liability section that includes Deferred Revenue also rises substantially, which can be confusing without a deeper analysis and understanding of preneed accounting methodology.

The above comprehensive explanation of our preneed and trust accounting, and attachment of Non-GAAP trust fund and

balance sheet schedules was intended to make these areas more transparent and to educate investors on the growing cash earnings power and balance sheet strengths of Carriage. Any follow-up questions or comments by readers of this press release or listeners on our related conference call tomorrow morning are welcomed. Please contact Terry Sanford, Chief Financial Officer, directly at telephone number 713-332-8475, or email terry.sanford@carriageservices.com.

CONFERENCE CALL

Carriage Services has scheduled a conference call for tomorrow, Thursday, July 21, 2011 at 10:30 a.m. eastern time to discuss this announcement in greater detail and answer questions from the investment community. To participate in the call, please dial 800-860-2442 at least ten minutes before the conference call begins and ask for the Carriage Services conference call. A telephonic replay of the conference call will be available through July 28, 2011 and may be accessed by dialing 877-344-7529 and using pass code 445590. An audio archive will also be available on the Company's website at www.carriageservices.com shortly after the call and will be accessible for approximately 90 days. For more information, please contact Terry Sanford, Executive Vice President and Chief Financial Officer, at terry.sanford@carriageservices.com or 713-332-8475.

Carriage Services is a leading provider of death care services and products. Carriage operates 151 funeral homes in 25 states and 33 cemeteries in 12 states.

Carriage Services, Inc.

Recap of Discretionary Trust Activity

I. Discretionary Trust Funds (Same Store: January 1, 2008-June 30, 2011)

A. California & Nevada Preneed Cemetery Merchandise and Service Trust Funds Only					
1.	**2008**	**2009**	**2010**	**2011 YTD**	**Total**
Beginning Market Value	**$20,279**	**$15,565**	**$24,452**	**$29,817**	**$20,279**
Deposits	(1,840)	(2,020)	(2,053)	(1,154)	**(7,067)**
Withdrawals	1,599	1,603	1,599	1,074	**5,875**
Change in Market Value	**(4,714)**	**8,887**	**5,365**	**725**	**10,263**
Ending Market Value	**$15,565**	**$24,452**	**$29,817**	**$30,542**	**$30,542**

2.	**2008**	**2009**	**2010**	**2011 YTD**	**Total**
Income	$ 837	$ 1,032	$ 1,195	$ 679	**$ 3,743**
Realized Gains	617	2,078	4,341	3,612	**10,648**
Realized Losses	(2,143)	(2,629)	(323)	(236)	**(5,331)**
Total Earnings in the Trusts	$ **(689)**	$ **481**	**$ 5,213**	**$ 4,055**	**$ 9,060**

3.	**2008**	**2009**	**2010**	**2011 YTD***	**Total**
Recognized Trust Financial Revenue	$ 131	$ 250	$ 152	$ 169	**$ 702**
Recognized Financial EBITDA	131	250	152	169	**702**
Recognized Pretax Income	131	250	152	169	**702**
Less: Cash Income Taxes	(6)	(5)	(7)	(35)	**(53)**
Recognized Free Cash Flow	$ 125	$ 245	$ 145	$ 134	**$ 649**

A. All Other Preneed Cemetery Merchandise and Service Trust Funds					
1.	**2008**	**2009**	**2010**	**2011 YTD**	**Total**
Beginning Market Value	$40,511	$28,586	$42,828	$50,486	**$40,511**
Deposits	(2,823)	(2,857)	(2,691)	(1,393)	**(9,764)**
Withdrawals	3,232	3,404	3,394	2,070	**12,100**
Change in Market Value	**(11,925)**	**14,242**	**7,658**	**(2,286)**	**7,689**
Ending Market Value	**$28,586**	**$42,828**	**$50,486**	**$48,200**	**$48,200**

2.	**2008**	**2009**	**2010**	**2011 YTD**	**Total**
Income	$ 1,214	$ 2,031	$ 2,235	$ 1,170	**$ 6,650**
Realized Gains	972	2,454	9,386	6,515	**19,327**
Realized Losses	(4,720)	(6,025)	(519)	(362)	**(11,626)**
Total Earnings in the Trusts	**$ (2,534)**	**$ (1,540)**	**$11,102**	**$ 7,323**	**$14,351**

3.	2008	2009	2010	2011 YTD*	Total
Recognized Trust Financial Revenue	$ 696	$ 147	$ 409	$ 409	**$ 1,661**
Recognized Financial EBITDA	696	147	409	409	**1,661**
Recognized Pretax Income	696	147	409	409	**1,661**
Less: Cash Income Taxes	(82)	(3)	(18)	(93)	**(196)**
Recognized Free Cash Flow	$ 614	$ 144	$ 391	$ 316	**$ 1,465**

II. Growth of Same Store (as of January 1, 2008) Financial Revenue, EBITDA and FCF Contribution

Total Discretionary Trust Funds (Same Store: January 1, 2008-June 30, 2011)					
1.	**2008**	**2009**	**2010**	**2011 YTD**	**Total**
Beginning Market Value	**$137,751**	**$101,552**	**$153,608**	**$178,276**	**$137,751**
Deposits	(6,750)	(6,945)	(6,888)	(3,352)	**(23,935)**
Withdrawals	10,597	9,515	12,460	7,396	**39,968**
Change in Market Value	**(36,199)**	**52,056**	**24,668**	**(5,161)**	**35,364**
Ending Market Value	**$101,552**	**$153,608**	**$178,276**	**$173,115**	**$173,115**

2.	2008	2009	2010	2011 YTD	Totals
Income	$ 4,659	$ 7,230	$ 8,408	$ 4,488	**$ 24,785**
Realized Gains	3,764	12,235	32,033	23,551	**71,583**
Realized Losses	(14,185)	(22,765)	(2,147)	(1,191)	**(40,288)**
Total	**$ (5,762)**	**$ (3,300)**	**$ 38,294**	**$26,848**	**$ 56,080**

Realized Gain/(Loss) Breakdown	2008	2009	2010	2011 YTD	Totals
Equity	$ (9,204)	$(14,002)	$ 21,239	$ 7,639	**$ 5,672**
Fixed Income	(1,220)	3,513	8,516	14,564	**25,373**
Other	3	(14)	131	157	**247**
Total	**$(10,421)**	**$(10,530)**	**$ 29,886**	**$22,360**	**$ 31,295**

3.	2008	2009	2010	2011 YTD*	Totals
Recognized Trust Financial Revenue	$ 7,416	$ 6,658	$ 10,932	$ 5,530	**$ 30,536**
Recognized Other Financial Revenue	4,327	3,556	3,822	1,990	**13,695**
Recognized Financial Revenue	$11,743	$10,214	$ 14,754	$ 7,520	**$ 44,231**
Recognized Financial EBITDA	10,055	8,477	13,370	5,941	**37,843**

CARRIAGE SERVICES, INC.
Consolidated Balance Sheet
Unaudited
December 31, 2010
(in thousands)

III.

	Non-GAAP			
	Atneed Business	**Preneed Business**	**Reclassifications to GAAP**	**GAAP Combined**
Cash and cash equivalents	$ 1,279	-	-	$ 1,279
Accounts receivable, net of allowance for bad debts	8,063	$ 7,524	-	15,587
Inventories and other current assets	10,828	-	-	10,828
Total current assets	$ 20,170	$ 7,524	-	$ 27,694
Preneed cemetery trust investments	-	$ 79,691	-	$ 79,691
Preneed funeral trust investments	-	81,143	-	81,143

Preneed receivables, net of allowance for bad debts	-	24,099	-	24,099
Receivables from preneed funeral trusts	-	21,866	-	21,866
Preneed funeral life insurance contracts	-	205,000	(205,000)	-
Property, plant and equipment, net of allowance for depreciation	128,472	-	-	128,472
Cemetery property	71,128	-	-	71,128
Goodwill	183,324	-	-	183,324
Deferred charges and other non-current assets	7,860	-	-	7,860
Cemetery perpetual care trust investments	45,735	-	-	45,735
Total assets	$ 456,689	$ 419,323	$ (205,000)	$ 671,012
Current portion of long-term debt and capital leases	$ 563	-	-	$ 563
Accounts payable, accrued expenses and other liabilities	24,596	-	-	24,596
Total current liabilities	$ 25,159	-	-	$ 25,159
Senior long-term debt	$ 132,416	-	-	$ 132,416
Convertible junior subordinated debenture due in 2029 to affiliate	-	-	$ 92,858	92,858
Obligations under capital leases	4,289	-	-	4,289
Deferred preneed cemetery receipts held in trust	-	79,691	-	79,691
Deferred preneed funeral receipts held in trust	-	81,143	-	81,143
Deferred preneed cemetery revenue	-	50,125	-	50,125
Deferred preneed funeral revenue	-	39,517	-	39,517
Deferred preneed funeral life insurance contracts	-	205,000	(205,000)	-
Cemetery perpetual care trusts' corpus	-	-	45,941	45,941
Total liabilities	$ 161,864	-	$ 389,455	$ 551,139
Total deferred preneed revenue	-	$ 455,476	(455,476)	-
Cemetery perpetual care trusts' corpus	45,941	-	(45,941)	-
Preferred stock	200	-	-	200
Convertible preferred securities	92,858	-	(92,858)	-
		-	-	-
Total stockholders' equity	119,673	-	-	119,673
Total liabilities and stockholders' equity	$ 420,536	$ 455,476	$ (205,000)	$ 671,012
Senior debt to stockholders' equity	1.15 to 1			1.15 to 1
Senior debt to total capitalization	0.39 to 1			0.39 to 1
Total liabilities to stockholders' equity	1.35 to 1			4.60 to 1
Senior Debt to Consolidated EBITDA	3.26 to 1			3.26 to 1
Fixed Charge Coverage ratio	1.68 to 1			1.68 to 1

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