

CARRIAGE SERVICES INC
Form 8-K
May 31, 2018

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d)

of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 31, 2018

Carriage Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction

of incorporation)

1-11961
(Commission

File Number)

76-0423828
(I.R.S. Employer

Identification No.)

3040 Post Oak Boulevard, Suite 300

Houston, Texas
(Address of principal executive offices)

(713) 332-8400

77056
(Zip Code)

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).
Emerging growth company

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

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

Indenture and Securities

On May 31, 2018, Carriage Services, Inc. (the **Company**) completed the issuance of \$325 million in aggregate principal amount of 6.625% Senior Notes due 2026 (the **Notes**) and related guarantees by the Subsidiary Guarantors (as defined below) (the **Guarantees** and, together with the Notes, the **Securities**) in a private offering (the **Private Offering**) under Rule 144A and Regulation S of the Securities Act of 1933, as amended (the **Securities Act**).

The Company used approximately \$291.4 million of the net proceeds, before expenses, of approximately \$320.1 million for the sale of the Notes, to repay its existing indebtedness under its existing secured credit facility. The Company intends to use the remainder of such net proceeds for general corporate purposes, including acquisitions.

The Securities were issued under an indenture, dated as of March 31, 2018 (the **Indenture**), among the Company, certain of the Company's existing subsidiaries (collectively, the **Subsidiary Guarantors**), as guarantors, and Wilmington Trust, National Association., as trustee (**Collateral Trustee**).

The Notes will bear interest at an annual rate of 6.625%. Interest is payable semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2018, to holders of record on each May 15 and November 15 preceding an interest payment date. The Notes mature on June 1, 2026, unless earlier redeemed or purchased. The Notes are unsecured, senior obligations of the Company. The Notes are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by each of the Subsidiary Guarantors.

The Company may redeem all or part of the Notes at any time prior to June 1, 2021 at a redemption price equal to 100% of the principal amount of Notes redeemed, plus a make whole premium, and accrued and unpaid interest, if any, to the date of redemption. The Company has the right to redeem the Notes at any time on or after June 1, 2021 at the redemption prices described in the Indenture, plus accrued and unpaid interest, if any, to the date of redemption. Additionally, at any time before June 1, 2021, the Company may redeem up to 40% of the aggregate principal amount of the Notes issued with an amount equal to the net proceeds of certain equity offerings, at a price equal to 106.625% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the date of redemption; provided that (1) at least 60% of the aggregate principal amount of the Notes (including any additional Notes) originally issued under the Indenture remain outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company); and (2) each such redemption must occur within 180 days of the date of the closing of each such equity offering.

If a change of control occurs, holders of the Notes will have the option to require the Company to purchase for cash all or a portion of their Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest. In addition, if the Company makes certain asset sales and does not reinvest the proceeds thereof or use such proceeds to repay certain debt, it will be required to use the proceeds of such asset sales to make an offer to purchase the Notes at a price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest.

The Indenture contains restrictive covenants limiting the ability of the Company and its Restricted Subsidiaries (as defined in the Indenture) to, among other things, incur additional indebtedness or issue certain preferred shares, create liens on certain assets to secure debt, pay dividends or make other equity distributions, purchase or redeem capital stock, make certain investments, sell assets, agree to certain restrictions on the ability of Restricted Subsidiaries to make payments to the Company, consolidate, merge, sell or otherwise dispose of all or substantially all assets, or engage in transactions with affiliates. The Indenture also contains customary events of default.

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A copy of the Indenture is attached as Exhibit 4.1 to this Current Report on Form 8-K and is hereby incorporated by reference herein. The form of the Notes (included as Exhibit A of the Indenture filed as Exhibit 4.1 hereto) is filed as Exhibit 4.2 to this Current Report on Form 8-K and is hereby incorporated by reference herein. The descriptions of the material terms of the Indenture and the Securities are qualified in their entirety by reference to such exhibits.

New Credit Facility

On May 31, 2018, in connection with the issuance of the Securities, the Company entered into a new \$150 million senior secured revolving credit facility (the **New Credit Facility**) with the Credit Facility Guarantors (as defined below), the financial institutions party thereto, as lenders, and Bank of America, N.A., as administrative agent, (**BofA**). At closing, the Company had no outstanding borrowings under the New Credit Facility and \$148 million of availability after giving effect to the \$2.0 million of letters of credit previously issued under the Former Credit Agreement (as defined below) and that were deemed issued under (and remain outstanding under) the New Credit Facility.

The New Credit Facility includes an accordion feature allowing for future increases in the facility size by an additional amount of up to \$75 million. The New Credit Facility matures on May 31, 2023. Interest will accrue on amounts outstanding under the New Credit Facility based on the Company's Total Leverage Ratio (as defined in the New Credit Facility) in accordance with the following pricing grid:

Pricing Level	Applicable Rate		Eurodollar Rate /Letter of Credit Fees	Base Rate
	Total Leverage Ratio			
1	< 3.50 : 1.00		1.625%	0.625%
2	< 4.25 : 1.00 but ³ 3.50 : 1.00		1.750%	0.750%
3	< 5.00 : 1.00 but ³ 4.25 : 1.00		1.875%	0.875%
4	³ 5.00 : 1.00		2.000%	1.000%

The Company's obligations under the New Credit Facility are unconditionally guaranteed on a joint and several basis by the same subsidiaries which guarantee the Notes and certain of the Company's subsequently acquired or organized domestic subsidiaries (collectively, the **Credit Facility Guarantors**).

The New Credit Facility is secured by a first-priority perfected security interest in and lien on substantially all of the Company's personal property assets and those of the Credit Facility Guarantors, and will include provisions which require the Company and such subsidiaries, upon the occurrence of an event of default under the New Credit Facility, to grant additional liens on real property assets accounting for no less than 50% of the Company's and the Credit Facility Guarantor's funeral operations.

The New Credit Facility contains customary affirmative covenants, including, but not limited to, covenants with respect to the use of proceeds, payment of taxes and other obligations, continuation of the Company's business and the maintenance of existing rights and privileges, the maintenance of property and insurance, amongst others.

In addition, the New Credit Facility also contains customary negative covenant, including, but not limited to, covenants that, among other things, restrict (subject to certain exceptions) the ability of the Company and the Credit Facility Guarantors to incur indebtedness, grant liens, make investments, engage in acquisitions, mergers or consolidations, and pay dividends and other restricted payments, and the following financial covenants: a Total Leverage Ratio (as defined in the New Credit Facility) not to exceed 5.50 to 1.00, and a Fixed Charge Coverage Ratio of not less than 1.20 to 1.00 as of the end of any period of four consecutive fiscal quarters. The financial covenants will be calculated for the Company and its subsidiaries on a consolidated basis.

The foregoing description of the New Credit Facility is qualified in its entirety by reference to the New Credit Facility, a copy of which is attached hereto as Exhibit 10.1, and incorporated by reference herein.

ITEM 1.02. TERMINATION OF A MATERIAL DEFINITIVE AGREEMENT

On May 31, 2018, a portion of the net proceeds received from the Private Offering was used to repay all amounts outstanding under that certain Credit Agreement, dated as of August 30, 2012 (as amended, the **Former Credit Agreement**) among the Company, BofA, as administrative agent, and the other lenders party thereto, and all commitments thereunder were terminated. In connection with the repayment in full of all amounts due thereunder, the Former Credit Agreement was retired and \$2.0 million of letters of credit previously issued under the Former Credit Agreement were deemed issued under (and remain outstanding under) the New Credit Facility. There were no material early termination penalties incurred by the Company in connection with the repayment of the Former Credit Agreement.

ITEM 2.03. CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT

The disclosures above under Item 1.01 of this Current Report on Form 8-K are also responsive to Item 2.03 of this Current Report on Form 8-K and are hereby incorporated by reference into this Item 2.03.

ITEM 7.01. REGULATION FD DISCLOSURE

On May 31, 2018, the Company issued a press release announcing the closing of the transactions contemplated by the Private Offering and the New Credit Facility. The press release is attached hereto as Exhibit 99.1 of this Current Report on Form 8-K and is incorporated by reference herein.

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

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

- 4.1 Indenture, dated as of May 31, 2018, among the Company, the Guarantors (as defined therein) and Wilmington Trust, National Association, as Trustee.
- 4.2 Form of 6.625% Senior Notes due 2026 (included with the Indenture filed as Exhibit 4.1).
- 10.1 Credit Agreement dated as of May 31, 2018, among Carriage Services, Inc., the financial institutions party thereto, as lenders, and Bank of America, N.A., as administrative agent.
- 99.1 Press Release of Carriage Services, Inc. dated May 31, 2018.

SIGNATURES

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

Date: May 31, 2018

CARRIAGE SERVICES, INC.

By: /s/ Viki K. Blinderman
Viki K. Blinderman
Senior Vice President, Principal Financial
Officer and Secretary