

CARRIAGE SERVICES INC

Form DEF 14A

April 20, 2009

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Carriage Services, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

**CARRIAGE SERVICES, INC.
3040 Post Oak Boulevard, Suite 300
Houston, Texas 77056**

April 20, 2009

Dear Carriage Stockholder:

I am pleased to invite you to the 2009 Annual Meeting of Stockholders of Carriage Services, Inc. (Carriage). The meeting will be held at the Lakes on Post Oak Conference Center, 3050 Post Oak Boulevard, 2nd Floor, Houston, Texas 77056, on Tuesday, May 19, 2009, at 9:00 a.m., Central Daylight Time. If you cannot be present at the Annual Meeting, I ask that you participate by completing the enclosed proxy card and returning it at your earliest convenience.

At the meeting, you and the other stockholders will elect two directors to Carriage s Board of Directors and ratify our independent registered public accounting firm. You will also have the opportunity to hear what has happened in our business in the past year and to ask questions. I encourage you to read the enclosed Notice of Annual Meeting and Proxy Statement, which contains information about the Board of Directors and its committees and the executive management of Carriage.

We hope you can join us on May 19th. Whether or not you can attend personally, it is important that your shares are represented at the Annual Meeting. Please **mark** your votes on the enclosed proxy card, **sign and date** the proxy card, and **return** it to us in the enclosed envelope. Your vote is important, so please return your proxy card promptly.

Sincerely,

MELVIN C. PAYNE
*Chairman of the Board,
President and Chief Executive Officer*

Table of Contents

**CARRIAGE SERVICES, INC.
3040 Post Oak Boulevard, Suite 300
Houston, Texas 77056**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held May 19, 2009**

Carriage Services, Inc. (the Company or Carriage) will hold its Annual Meeting of Stockholders (Annual Meeting) at the Lakes on Post Oak Conference Center, 3050 Post Oak Boulevard, 2nd Floor, Houston, Texas, 77056, on Tuesday, May 19, 2009, at 9:00 a.m., Central Daylight Time.

We are holding this meeting:

To elect two Class I directors to serve for a three-year term expiring at the annual meeting of stockholders in 2012 and until each respective successor is elected and qualified.

To ratify the selection of KPMG LLP (KPMG) as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

To transact such other business as may properly come before the annual meeting or any adjournments thereof.

The Company s Board of Directors has selected March 23, 2009 as the record date for determining stockholders entitled to vote at the meeting. A list of stockholders as of that date will be available for inspection at our corporate headquarters, 3040 Post Oak Boulevard, Suite 300, Houston, Texas for ten days before the Annual Meeting.

You are cordially invited to attend the Annual Meeting. If you are unable to attend the Annual Meeting, you are requested to sign and date the accompanying proxy card and return it promptly in the enclosed envelope. If you attend the Annual Meeting, and wish to do so, you may vote in person regardless of whether you have given your proxy. In any event, a proxy may be revoked at any time before it is exercised.

This Notice of Annual Meeting Proxy Statement, proxy card and Carriage s 2008 Annual Report to Stockholders are being distributed on or about April 20, 2009.

By Order of the Board of Directors

J. Bradley Green
Senior Vice President, General Counsel and Secretary

Houston, Texas
April 20, 2009

**Important Notice Regarding
the Availability of Proxy Materials
for the Annual Meeting of Stockholders of Carriage Services, Inc.
to be Held on May 19, 2009**

The Proxy Statement and 2008 Annual Report to Stockholders
is available on the Internet at: www.carriageservices.com

TABLE OF CONTENTS

	Page No.
<u>GENERAL INFORMATION</u>	2
<u>RECORD DATE AND VOTING SECURITIES</u>	4
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	5
<u>Corporate Governance Guidelines</u>	6
<u>Organization and Committees of the Board</u>	8
<u>Director Compensation</u>	9
<u>2008 Director Compensation Table</u>	10
<u>PROPOSAL NO. 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	11
<u>Audit Fees</u>	11
<u>Audit-Related Fees</u>	11
<u>Tax Fees</u>	11
<u>All Other Fees</u>	11
<u>Pre-Approval Policy for Services of Independent Registered Public Accounting Firm</u>	11
<u>Audit Committee Report</u>	11
<u>SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS</u>	12
<u>Stock Ownership of Management</u>	12
<u>Stock Ownership of Certain Beneficial Owners</u>	13
<u>Section 16(A) Beneficial Ownership Reporting Compliance</u>	13
<u>EXECUTIVE MANAGEMENT</u>	14
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	14
<u>Compensation Program Objectives</u>	15
<u>Elements of the Compensation Program</u>	15
<u>Base Salaries</u>	15
<u>Annual Cash Incentive Bonuses</u>	15
<u>Long-Term Share-Based Incentives</u>	15
<u>Other Benefits and Perquisites</u>	16
<u>Tax and Accounting Considerations</u>	16
<u>COMPENSATION COMMITTEE REPORT</u>	17
<u>Compensation Committee Interlocks and Insider Participation</u>	17
<u>EXECUTIVE COMPENSATION</u>	18
<u>Executive Compensation Table</u>	18
<u>Grants of Plan-Based Awards in 2008</u>	19
<u>Employment Agreements</u>	19
<u>Outstanding Equity Awards at Fiscal Year-End</u>	20
<u>Pension Benefits</u>	21
<u>Nonqualified Defined Contributions and Other Nonqualified Deferred Compensation Plans</u>	21

<u>Potential Payments upon Termination or Change in Control</u>	21
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	22
<u>Policies and Procedures for Approval of Related Party Transactions</u>	22
<u>OTHER BUSINESS</u>	22
<u>STOCKHOLDER PROPOSALS</u>	22
<u>ADDITIONAL INFORMATION</u>	22
<u>Annual Report</u>	22
<u>Number of Proxy Statements and Annual Reports</u>	23

Table of Contents

**CARRIAGE SERVICES, INC.
PROXY STATEMENT
GENERAL INFORMATION**

Q: Who is soliciting my proxy?

A: We, the Board of Directors (Board) of Carriage Services, Inc. (the Company or Carriage), are sending you this Proxy Statement in connection with our solicitation of proxies for use at Carriage s 2009 Annual Meeting of Stockholders (the Annual Meeting). Certain directors, officers and employees of Carriage and American Stock Transfer & Trust Company (AST) also may solicit proxies on our behalf by mail, phone, fax, or in person.

Q: Who is paying for this solicitation?

A: Carriage will pay for the solicitation of proxies, including the cost of preparing and mailing this Proxy Statement. Carriage also will reimburse banks, brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses to forward our proxy materials to the beneficial owners of Carriage stock. No additional fee beyond the \$950 monthly fee paid to AST to act as Carriage s transfer agent, together with AST s out-of-pocket expenses, will be paid to AST.

Q: What am I voting on?

A: (1) The re-election of Melvin C. Payne and the election of Richard W. Scott to the Board of Directors as Class I directors.

(2) The ratification of KPMG as our independent registered public accounting firm for the fiscal year 2009.

Q: Who can vote?

A: Stockholders as of the close of business on March 23, 2009 are entitled to vote at the Annual Meeting.

Q: How do I vote?

A: You may vote your shares either in person or by proxy. To vote by proxy, you should mark, date, sign and mail the enclosed proxy card in the prepaid envelope. Giving a proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person by voting in person you automatically revoke your proxy. Directions to attend the meeting in person can be obtained by contacting the Corporate Secretary of Carriage at 713-332-8400. You also may revoke your proxy at any time before the Annual Meeting by giving the Corporate Secretary written notice of your revocation or by submitting a later-dated proxy. If you return your proxy card but do not mark your voting preference, the individuals named as proxies will vote your shares **FOR** the election of the nominees for director and **FOR** the other proposal described in this Proxy Statement.

Q: How does the Board recommend I vote on the proposal?

A: The Board recommends votes:

FOR the election of each of the director nominees for Class I director.

FOR the ratification of KPMG as our independent registered public accounting firm for the fiscal year 2009.

Q: Is my vote confidential?

A: Proxy cards, ballots and voting tabulations that identify individual stockholders are mailed or returned directly to Carriage and handled in a manner intended to protect your voting privacy. Your vote will not be disclosed *except*: (1) as needed to permit Carriage to tabulate and certify the vote; (2) as required by law; or (3) in limited circumstances, such as a proxy contest in opposition to the Board (which is not currently anticipated). Additionally, all comments written on the proxy card or elsewhere will be forwarded to management, but your identity will be kept confidential unless you ask that your name be disclosed.

2

Table of Contents

Q: How many shares can vote?

A: As of the record date, March 23, 2009, Carriage had outstanding 17,924,973 shares of common stock, par value \$0.01 per share (Common Stock). Each share of Common Stock is entitled to one (1) vote.

Q: What happens if I withhold my vote for the directors?

A: Because the directors are elected by a plurality of the votes cast at the Annual Meeting, a withheld vote will not have an effect on the outcome of the election of an individual director.

Q: Can I vote on other matters?

A: Carriage's By-laws limit the matters presented at an Annual Meeting to those in the notice of the meeting and those otherwise properly presented before the Annual Meeting. We do not expect any other matter to come before the Annual Meeting. If any other matter is presented at the Annual Meeting, your signed proxy gives the individuals named as proxies authority to vote your shares on such matters at their discretion.

Q: Why is it important to send in my proxy card so that it is received on or before May 19, 2009?

A: Carriage cannot conduct business at the Annual Meeting unless a quorum is present. A quorum will only be present if a majority of the outstanding shares of Common Stock as of March 23, 2009 is present at the Annual Meeting in person or by proxy. It is for this reason that we urge you to send in your completed proxy card as soon as possible, so that your shares can be voted even if you cannot attend the Annual Meeting.

Table of Contents

RECORD DATE AND VOTING SECURITIES

Only holders of record of the Common Stock at the close of business on March 23, 2009, the record date for the Annual Meeting, are entitled to notice of and to vote at the Annual Meeting. On that date, Carriage had outstanding 17,924,973 shares of Common Stock, each of which is entitled to one vote.

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the total voting power of the issued and outstanding shares of Common Stock is necessary to constitute a quorum to transact business. In the absence of a quorum at the Annual Meeting, the Annual Meeting may be adjourned without notice, other than announcement at the meeting, until a quorum shall be formed.

With respect to the election of the directors, stockholders may vote (a) in favor of the nominees or (b) to withhold votes as to the nominees. If a quorum is present at the Annual Meeting, the nominees for the Class I director will be elected by a plurality vote. Votes withheld, or abstentions, will be treated as present for purposes of determining a quorum; however, because directors are elected by a plurality, votes withheld will not affect the outcome of the election. With respect to each proposal (and any other matter properly brought before the Annual Meeting), other than the election of the directors, the affirmative vote of the holders of a majority of the voting power present or represented by proxy at the Annual Meeting will be required for approval. Abstentions will have the effect of a vote against any of these proposals.

Under the rules of the New York Stock Exchange (NYSE), the proposal to elect the directors is considered a discretionary item. This means that brokerage firms may vote in their discretion on this matter on behalf of clients who have not furnished voting instructions at least ten days before the date of the Annual Meeting.

All properly signed proxies received prior to the Annual Meeting will be voted in accordance with the choices specified. If no choice has been specified in the proxy, the shares will be voted in favor of all proposals described in this Proxy Statement and in the discretion of the persons named in the proxy in connection with any other business that may properly come before the Annual Meeting. A stockholder giving a proxy may revoke it at any time before it is voted at the Annual Meeting by filing with the Corporate Secretary an instrument revoking it, by signing and delivering to the Corporate Secretary a proxy bearing a later date, or by voting in person at the Annual Meeting after giving notice to the Chairman of the Meeting of the stockholder's intention to vote in person notwithstanding the fact that the stockholder previously delivered a proxy.

Table of Contents**PROPOSAL NO. 1
ELECTION OF DIRECTORS**

We currently have five directors on our Board who each serve staggered three-year terms. At the Annual Meeting, the stockholders will elect two individuals to serve as Class I directors for a new three-year term expiring on the date of the 2012 annual meeting and until his successor is duly elected and qualified. Melvin C. Payne is the current Class I director standing for re-election and Richard W. Scott is the current Class I director standing for election to the Board. Joe R. Davis, a Class I director, and Gary L. Forbes, a Class II director, each resigned from the Board, effective February 25, 2009. On February 25, 2009, the Board appointed Mr. Scott as a Class I director of the Company and Chairman of the Corporate Governance Committee and Mr. L. William Heiligbrodt as a Class II director of the Company and Chairman of the Compensation Committee. Our Corporate Governance Committee has recommended that we nominate Mr. Payne for re-election and Mr. Scott for election at the Annual Meeting to serve as Class I directors for a new three-year term. Proxies may be voted for the Class I directors. The biography description for Mr. Payne and Mr. Scott are set forth below.

We recommend that you vote FOR the election of the nominees listed in Proposal No. 1 as Class I directors. The individuals named as proxies will vote the enclosed proxy FOR the election of the nominees unless you direct them to withhold your votes for the nominees.

You may not cumulate your votes in the election of the directors. You may withhold authority to vote for the nominees for director. If the nominees become unable to serve as directors before the Annual Meeting (or decide not to serve), the individuals named as proxies will vote **FOR** such other nominees as we may designate as a replacement or substitute.

The following table sets forth the name, age and title of the persons who have been nominated for election as Class I directors and our other current directors.

Name	Age	Title
Nominees for Class I Director (Current term expiring at 2009 Annual Meeting, unless elected; if elected term expires at 2012 Annual Meeting)		
Melvin C. Payne	66	Chairman of the Board, Chief Executive Officer, President and Director
Richard W. Scott ⁽¹⁾⁽³⁾	55	Director
Continuing Class II Directors (Term expiring at 2010 Annual Meeting)		
Vincent D. Foster ⁽¹⁾⁽²⁾⁽³⁾	52	Director
L. William Heiligbrodt ⁽¹⁾⁽²⁾	67	Director
Continuing Class III Director (Term expires at 2011 Annual Meeting)		
Ronald A. Erickson ⁽²⁾⁽³⁾	72	Director

(1) Member of
Compensation
Committee

(2) Member of
Audit
Committee

- (3) Member of
Corporate
Governance
Committee

Messrs. Erickson, Foster, Heiligbrodt and Scott are independent within the meaning of NYSE's Corporate Governance Guidelines.

Table of Contents

Set forth below is a brief description of the business experience of the directors of the Company.

Directors (listed in same order as table set forth above)

Melvin C. Payne, a management founder of Carriage, has been Chairman of the Board and Chief Executive Officer since December 1996, prior to which he had been a director and Chief Executive Officer since Carriage's inception in 1991. Prior to co-founding Carriage, Mr. Payne spent ten years in the private company turnaround business involving numerous industries including refining, chemicals, trucking, hotel, offshore petroleum supply boat and rent-to own retail industries. Prior to his turnaround career, Mr. Payne spent ten years in the corporate lending business, initially with Prudential Insurance Company and later with Texas Commerce Bank in Houston.

Richard W. Scott is a financial services executive with over thirty years of capital markets experience. He is currently the Vice President and Chief Investment Officer of Loews Corporation and formerly Chief Investment Officer, Insurance Portfolio Management, with AIG Investments. 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 acquisition and capital markets professional, both as an investment professional and as a practicing attorney.

Vincent D. Foster has served as one of our directors since 1999. Since 2007, Mr. Foster has served as the Chairman and Chief Executive Officer of Main Street Capital Corporation, a specialty investment company. Since 2002, Mr. Foster has also been the Senior Managing Director of Main Street Mezzanine Management, LLC and Main Street Capital Partners, LLC. Mr. Foster has also been the Senior Managing Director of the general partner for Main Street Capital II, L.P., a licensed small business investment corporation managed by Main Street Capital Partners, LLC, since 2006. He also served as Senior Managing Director of Main Street Equity Ventures II, L.P. (and its predecessor firm), a private equity firm, from 1997 through 2002. From 1988 through 1997, Mr. Foster was a partner of Andersen Worldwide and Arthur Andersen LLP, where he served as the director of the corporate finance practice and the mergers and acquisitions practice in the southwestern United States. Mr. Foster has served as a director of the Texas TriCities chapter of the National Association of Corporate Directors, of which he is a founding member, since 2002. He is also a director of Quanta Services, Inc., a specialty contracting company that services the electrical transmission and distribution sector, U.S. Concrete, Inc., a ready-mixed concrete provider, and Team Industrial Services, Inc., a provider of specialty industrial services.

L. William Heiligbrodt is 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 he had served in various management positions with SCI since 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.

Ronald A. Erickson has been a director of Carriage since it went public in August 1996. Mr. Erickson is the Chairman and Chief Executive Officer of Holiday Companies, Minneapolis, Minnesota, a privately held business consisting primarily of convenience stores. Mr. Erickson is Vice-Chairman of the Board of Gander Mountain Company, a publicly held company engaged in sporting goods business, Mr. Erickson is also Chairman of the Board of Bio-E, a non-public bio-technology company and a director of North American Tungsten, a publicly listed junior Canadian mining company.

Corporate Governance Guidelines

We have long been committed to integrity, reliability and transparency in our disclosures to the public. In early 2003, before the corporate governance listing standards of the NYSE and adopted regulations of the Securities and Exchange Commission (SEC) became effective, we adopted new charters for our Board committees, a set of corporate governance guidelines, and a code of business conduct and ethics for our directors, officers and employees, and we moved to increase the independence of our Board members. In 2004, following the final release of the NYSE and SEC rules, we amended the committee charters and corporate governance guidelines, and the corporate governance guidelines and the charter for the Corporate Governance Committee were again modified in early 2005. All of these materials as well as our code of business conduct and ethics are accessible through the Investor Relations Section of our website at www.carriageservices.com, or you may receive copies without charge by writing to us at Carriage

Table of Contents

Independence. Our corporate governance guidelines require that our Board composition comply with the NYSE rules, including the requirement that a majority of our Board consist of independent directors. Under the NYSE rules, a director qualifies as independent if the Board determines that he or she has no material relationship with Carriage (either directly or as a stockholder, partner or officer of an organization that has a relationship with Carriage). Further, under the NYSE guidelines, a director will not be considered independent if:

The director is, or in the past three years has been, an employee of Carriage, or has an immediate family member who is or in the past three years has been, an executive officer of Carriage;

The director or an immediate family member (other than an immediate family member who is a non-executive employee) receives, or in the past three years has received, more than \$120,000 per year in direct compensation from Carriage (other than director fees and pension or other forms of deferred compensation for prior service that is not contingent in any way on continued service);

The director is, or in the past three years has been, affiliated with or employed by, or has an immediate family member who is or in the past three years has been, affiliated with or employed in a professional capacity by a present or former auditor of Carriage;

The director is, or in the past three years has been, an executive officer, or has an immediate family member who is, or in the past three years has been, an executive officer of another company where any of Carriage's present executives serves on that company's compensation committee; or

The director is, or in the past three years has been, an executive officer or an employee, or has an immediate family member who is, or in the past three years has been, an executive officer of another company that makes payments to, or receives payments from, Carriage for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

Our Corporate Governance Committee reviewed our Board composition and determined that Messrs. Erickson, Foster, Heiligbrodt and Scott meet the independence standards set forth above. In addition, all directors serving on our Audit, Compensation and Corporate Governance Committees satisfy these independence requirements.

Executive Sessions; Lead Director. In accordance with our corporate governance guidelines, the non-management directors meet in executive session at least quarterly, outside of the presence of management directors or other members of management, both with the independent auditors and then without anyone else present. In connection with the 2005 amendments to our corporate governance guidelines, the Board established the position of Lead Director, who is required to be qualified as independent and will be appointed by a majority of the non-management directors. The Lead Director's role is to facilitate the functioning of the Board independently of management and to enhance the quality of the Board's governance. The Lead Director is required to be a member of the Corporate Governance Committee and, among other things, will preside at the executive sessions of the non-management directors. In 2005, Mr. Foster, Chairman of the Audit Committee, was appointed as the first Lead Director and continues to serve in that capacity.

Board Composition. The Corporate Governance Committee is responsible for reviewing the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. Nominees for directorship will be selected by the Corporate Governance Committee in accordance with the policies and principles in its charter. The Corporate Governance Committee believes that the minimum qualifications for serving as a director are that a nominee demonstrate an ability to make a meaningful contribution to the Board's oversight of our business and affairs and have a reputation for ethical conduct. Nominees for director will include individuals who, taking into account their diversity, age, skills, and experience in the context of the needs of the Board, as well as other relevant factors such as conflicts of interest and other commitments, would enhance the Board's ability to manage and direct our affairs and business. No director may serve on more than five other public company boards or on the audit committee for more than three other public companies. We have not established term limits as we do not wish to risk losing the contribution of directors who have been able to develop, over a period of time, increasing insight into our business and

operations. However, we have determined that no director may be nominated to a new term if he or she would be age 75 or older at the time of the election.

Table of Contents

The Corporate Governance Committee identifies candidates by asking our current directors and executive officers to notify the Committee if they become aware of individuals who meet the criteria described above. The Corporate Governance Committee also has the authority to engage firms that specialize in identifying director candidates. The Corporate Governance Committee will also consider candidates recommended by stockholders. A stockholder may recommend nominees for director by giving the Corporate Secretary a written notice not less than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting. For the annual meeting in 2010, the deadline will be February 18, 2010, based upon this year's meeting occurring on May 19. The notice must include the name and address of the stockholder giving notice and the number of shares of our voting stock owned by the stockholder. The notice must also include the full name, age, business address, principal occupation or employment of the nominee, the number of shares of Common Stock that the nominee beneficially owns, any other information about the nominee that must be disclosed in proxy solicitations under Regulation 14A of the Securities Exchange Act of 1934, and the nominee's written consent to the nomination and to serve, if elected.

Once the Corporate Governance Committee has identified a potential candidate, the Committee collects and reviews available information regarding the individual, and if the Committee determines that the candidate warrants further consideration, the Committee Chair or another Committee member will contact the person. Generally, if the individual expresses a willingness to be considered for election to the Board, the Corporate Governance Committee will request information from the candidate, review the individual's qualifications, and conduct one or more interviews with the candidate. When the Corporate Governance Committee has completed this process, it tenders its recommendation to the full Board for consideration.

Board's Interaction With Stockholders. Our Chief Executive Officer and other corporate officers are responsible for establishing effective communications with our stockholders. It is our policy that management speaks for Carriage. This policy does not preclude independent directors from meeting with stockholders, but where appropriate, management should be present at such meetings. Stockholders and other interested parties may contact any member of our Board or Committee thereof via U.S. mail, by addressing any correspondence to the Board, the applicable Committee, the non-management directors as a group or any individual director by either name or title, in care of Carriage Services, Inc., 3040 Post Oak Boulevard, Suite 300, Houston, Texas 77056; Attn: Corporate Secretary. In the case of communications addressed to the non-management directors, the Corporate Secretary will send appropriate stockholder communications to the Lead Director. In the case of communications addressed to a committee of the Board, the Corporate Secretary will send appropriate stockholder communications to the Chairman of such committee.

Board and CEO Evaluation. In 2004, we instituted an annual process for the Board and each Committee to perform self-evaluations. These are conducted through written questionnaires compiled on a confidential basis by the Chairman of the Corporate Governance Committee with summary results presented to the full Board annually. In addition, the Compensation Committee performs an annual evaluation of the Chief Executive Officer's performance. As part of the long-range planning, the Corporate Governance Committee is charged with evaluating Chief Executive Officer succession, both in the event of emergency and upon retirement.

Business Conduct and Ethics. Our code of business conduct and ethics requires all of our directors, officers and employees to adhere to certain basic principles to uphold our mission to be the most professional, ethical and highest quality service organization in the death care industry. Our code requires them to comply with the law, avoid conflicts of interest, compete fairly and honestly, maintain a safe and healthy work environment, and preserve company assets. We do not presently believe that there would be any occasion requiring any changes in or waivers under the code, but in the event of exceptional circumstances in which such a change or waiver becomes necessary, it would require Board approval and, where appropriate, prompt public disclosure. Our code includes specific compliance procedures and a mechanism for reporting violations through our Human Resources Department. You can access our code of business conduct and ethics on our website at www.carriageservices.com.

Organization and Committees of the Board

During 2008, the Board met seven times and acted by unanimous written consent five additional times. Each of the directors attended all of the meetings of the Board. The functions of the Audit, Compensation and Corporate Governance Committees of the Board, and the number of meetings held during 2008, are described below.

The Compensation Committee reviews and makes recommendations to the Board concerning the compensation of Carriage's executive officers and approves grants to all officers and employees under our stock

Table of Contents

incentive plans. The members of the Compensation Committee are L. William Heiligbrodt, Chairman, Vincent D. Foster and Richard W. Scott. Gary L. Forbes was the Chairman of the Compensation Committee through February 25, 2009. In 2008, the Compensation Committee met once and acted by unanimous consent once. Each member of the Compensation Committee was present at all meetings. See the report of the Compensation Committee on page 17 of this Proxy Statement.

The Audit Committee evaluates, appoints and engages Carriage's independent registered public accounting firm and reviews the plan, scope and results of the audit with the auditors and Carriage's officers. The Audit Committee also reviews with the auditors the principal accounting policies and internal accounting controls of Carriage. The members of the Audit Committee are Vincent D. Foster, Chairman, L. William Heiligbrodt and Ronald A. Erickson. The Audit Committee met five times during 2008. Each member of the Audit Committee was present at all meetings. See the report of the Audit Committee on page 11 of this Proxy Statement.

The NYSE, requires that each of its listed companies maintain an independent audit committee. None of the members of our Audit Committee has a relationship with Carriage that may interfere with the exercise of his independence from management or Carriage. No member of our Audit Committee is or has been in the last three years an employee of Carriage, or Carriage's auditor, or in a business relationship with Carriage. Also, no immediate family member related to a member of our Audit Committee is an executive officer of Carriage, or Carriage's auditor, or any of its affiliates. See above, under the heading Corporate Governance Guidelines, for a specific description of independence which we apply to our independent directors.

In addition to the independence standard, the NYSE requires that each member of the Audit Committee be financially literate and at least one member must have accounting or related financial management expertise. Each member of our Audit Committee is financially literate. Mr. Foster meets the definition of audit committee financial expert, as such term is defined under the rules of the SEC, and is a certified public accountant with over 20 years of public accounting experience. Currently, Mr. Foster is the Chairman and Chief Executive Officer of an investment company for which he reviews and analyzes financial statements as part of his daily functions.

The Corporate Governance Committee provides oversight with respect to our corporate governance guidelines, which includes reviewing the structure of the full Board and making recommendations regarding the size of the Board and the number and classification of directors. The Corporate Governance Committee also conducts a search for suitable and qualified candidates to serve as directors when the terms of office are up for election at each year's annual meeting of stockholders, and submits the names of candidates for such positions for consideration by the Board. The members of the Corporate Governance Committee are Richard W. Scott, Chairman, Vincent D. Foster and Ronald A. Erickson. Joe R. Davis was the Chairman of the Corporate Governance Committee through February 25, 2009. The Corporate Governance Committee met once in 2008 (and all Committee members were present). The Corporate Governance Committee met in early 2009 in conjunction with the appointment of Messrs. Heiligbrodt and Scott to the Board of Directors.

Director Compensation

We compensate our directors through cash payments, including quarterly retainers and meeting attendance fees, and through stock-related incentives. Each independent director was entitled to a quarterly retainer of \$10,000. Independent directors in 2008 consist of Messrs. Davis, Erickson, Forbes and Foster. Effective February 25, 2009, Messrs. Davis and Forbes resigned and the Board appointed Messrs. Heiligbrodt and Scott as independent directors. The Directors Compensation Policy provides that any new director will receive upon admission to the Board a grant of \$100,000 in shares of Common Stock. In addition, the Chair of the Audit Committee receives an annual grant of fully vested shares of our Common Stock, the number of shares to be determined by dividing \$25,000 by the market value of the shares on the Annual Meeting date.

As a general rule, each independent director is entitled to \$1,000 for each regular or special meeting of the full Board attended in person, and \$500 if attended by phone. In addition, Audit Committee members receive \$1,500 for each committee meeting held in person and \$1,000 for each such meeting held by phone, except that those amounts are reduced by one-half if the committee meeting occurs on the same day as a full Board meeting. Members of the other committees receive \$750 for each committee meeting held in person and \$500 for each such meeting held by phone. The amounts are \$1,125 and \$750, respectively, for the chair of such committees, and no attendance fees are

payable for these other committees for a meeting that occurs on the same day as a full Board meeting.

Independent directors may elect to receive all or any portion of the cash retainer and attendance fees in shares of our Common Stock, based on the fair market value thereof as of the date the amount is earned. In 2008, Mr.

Table of Contents

Davis received 100% of his fees in Common Stock, Messrs. Forbes and Foster received 50% of their respective fees in Common Stock, and Mr. Erickson received 100% of his fees in cash through September 30, 2008 and then elected to receive 100% of his fees thereafter in Common Stock.

The Director Compensation Policy provides for Common Stock grants under our 2006 Long-Term Incentive Plan. We issued 3,000 fully vested shares on the day of our 2008 annual stockholder meeting to Messrs. Davis, Erickson, Forbes and Foster. The directors will receive a grant of 3,000 Shares of Common Stock on May 19th, the day of the 2009 Annual Meeting.

2008 Director Compensation Table

Name	Fees Earned and Paid in Cash⁽¹⁾	Stock Awards⁽¹⁾⁽²⁾	Option Awards	All other Compensation	Total
Joe R. Davis	\$ 29 ⁽⁴⁾	\$69,311			\$69,340
Vincent D. Foster	\$ 19,552	\$64,704			\$84,256
Ronald A. Erickson	\$ 37,754	\$34,836			\$72,590
Gary L. Forbes	\$ 19,234	\$53,980			\$73,214
L. William Heiligbrodt ⁽³⁾					
Richard W. Scott ⁽³⁾					

(1) Messrs. Davis, Foster, Erickson and Forbes elected to receive Common Stock totaling 12,294, 9,802, 6,289 and 9,730 shares respectively, in lieu of their cash retainer and attendance fees valued at the fair market value of the Common Stock on the date the fees were earned.

(2) Messrs. Davis, Foster, Erickson and Forbes received a fully vested common stock grant of 3,000 shares of Common Stock on May 20, 2008 valued at the fair market value.

Mr. Foster also received an annual grant of 3,434 shares of Common Stock for his service as Chairman of the Audit Committee valued at the grant date fair market value.

- (3) Messrs. Heiligbrodt and Scott were appointed as directors by the Board effective February 25, 2009 and did not receive any fees in 2008.
- (4) The amount of fees earned and paid in cash for Mr. Davis is the remainder of the calculation for fees paid in Common Stock.

Table of Contents

PROPOSAL NO. 2

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected KPMG LLP to audit our consolidated financial statements. KPMG served as our independent registered public accounting firm for 2007 and 2008.

Representatives of KPMG will be present at the Annual Meeting and will have the opportunity to make a statement if they desire and will be available to respond to appropriate questions from stockholders.

Although ratification is not required by Delaware law or our By-laws or otherwise, the Board is submitting the Audit Committee's selection of KPMG to our stockholders for ratification as a matter of good corporate practice. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders. If the appointment of KPMG is not ratified, the Audit Committee will evaluate the basis for the stockholders' vote when determining whether to continue the firm's engagement.

We recommend that you vote FOR the ratification of the selection of KPMG as our independent registered public accounting firm.

Audit Fees

The fees billed for services by KPMG during 2007 and 2008 related to the audits of Carriage's annual consolidated financial statements and internal controls over financial reporting and reviews of quarterly financial statements filed in the reports on Form 10-Q and Form 10-K totaled \$682,500 and \$577,000, respectively.

Audit-Related Fees

There were no fees billed to Carriage by KPMG for audit-related services during 2007 and 2008.

Tax Fees

There were no fees billed to Carriage by KPMG for tax services during 2007 and 2008.

All Other Fees

There were no fees billed to Carriage by KPMG for any other professional services during 2007 and 2008.

Pre-Approval Policy for Services of Independent Registered Public Accounting Firm

As part of its duties, the Audit Committee is required to pre-approve audit and non-audit services performed by the independent registered public accounting firm in order to assure that the provision of such services does not impair the audit firm's independence. If a type of service to be provided by the independent registered public accounting firm has not received pre-approval during this annual process, it will require specific pre-approval by the Audit Committee. The Audit Committee does not delegate to management its responsibilities to pre-approve services performed by the independent auditors.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed Carriage's audited financial statements for the fiscal year ended December 31, 2008 with management. It has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standard No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. Additionally, the Audit Committee has received the written disclosures and the letter from the independent auditors at KPMG, as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence, and has discussed with the independent auditors their independence.

In an effort to maintain the auditor's independence, the Audit Committee considers whether KPMG's rendering of non-audit services is compatible with maintaining its independence. No non-audit services were approved or rendered during 2007 and 2008.

Table of Contents

Based on the Audit Committee's review and discussions with management and the independent registered public accountants referred to above, and its review of the representation of management and the report of the independent registered public accountants to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Carriage's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for filing with the SEC.

Audit Committee

Vincent D. Foster, Chairman

Ronald A. Erickson

L. William Heiligbrodt

**SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS
AND CERTAIN BENEFICIAL OWNERS**

The following table sets forth, as of March 23, 2009, the number of shares beneficially owned and percent of the Common Stock held by: (a) each director and director nominee of Carriage, (b) the Chief Executive Officer, (c) the other executive officers named in the Summary Compensation Table set forth under Executive Compensation, and (d) all current executive officers and directors of Carriage as a group. Under the rules of the SEC, on any day a person is deemed to own beneficially all securities as to which that person owns or shares voting or investment power, as well as all securities which such person may acquire within 60 days of such date through the exercise of currently available conversion rights or options. Each person named in the table below has sole voting and investment power with respect to the shares indicated, except as otherwise stated in the notes to the table.

Stock Ownership of Management

Beneficial Owner	Common	Stock	Number of Shares Beneficially Owned	Percent of
	Stock	Options ⁽¹⁾		Common Stock
Melvin C. Payne ⁽²⁾	1,320,977	360,000	1,680,977	9.02%
Ronald A Erickson	12,289	80,000	92,289	*
Vincent D. Foster	66,491	95,000	161,491	*
L. William Heiligbrodt ⁽³⁾	63,420		63,420	*
Richard W. Scott ⁽³⁾	63,420		63,420	*
Terry Sanford	156,129	10,000	166,129	*
Jay D. Dodds	111,542	96,212	207,754	1.11%
J. Bradley Green	49,945		49,945	*
George J. Klug	118,817	35,000	153,817	*
Joseph Saporito ⁽⁴⁾	158,773		158,773	*
Billy D. Dixon ⁽⁴⁾				*
All directors and executive officers as a group (11 persons)	2,121,803	676,212	2,798,015	15.04%

* Indicates less than one percent.

(1)

The ownership of stock options shown in the table includes shares which may be acquired within 60 days upon the exercise of outstanding stock options granted under our stock option plans. All options are currently 100% vested.

- (2) Mr. Payne has pledged 551,000 shares of his Common Stock to a bank as secondary collateral on real estate loans.
- (3) Mr. Heiligbrodt and Mr. Scott were appointed to the Board effective February 25, 2009. Mr. Scott is a nominee for Class I director at the 2009 Annual Meeting. A grant of 63,420 of Common Stock was made to each upon their appointment to the Board.
- (4) Mr. Saporito served as the Company's principal

financial officer
until April 30,
2008 and
Mr. Dixon
served in that
capacity from
July 14, 2008
through
August 29,
2008.

Table of Contents**Stock Ownership of Certain Beneficial Owners**

As of March 23, 2009, the persons named below were, to our knowledge, the only beneficial owners of more than 5% of our outstanding Common Stock, determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act), other than directors and executive officers whose beneficial ownership is described in the above table.

Beneficial Owner	Number of Shares Beneficially Owned	Percent of Common Stock
FMR LLC ⁽¹⁾ 82 Devonshire Street Boston, MA 02109	2,934,437	15.7%
Zazove Associates, LLC ⁽²⁾ 1001 Tahoe Blvd. Incline Village, NV 89451	2,778,722	14.9%
Dimensional Fund Advisors LP ⁽³⁾ 1299 Ocean Avenue Santa Monica, CA 90401	1,563,445	8.4%
First Wilshire Securities Management, Inc. ⁽⁴⁾ 1224 East Green Street, Suite 200 Pasadena, CA 91106	1,354,737	7.3%
Renaissance Technologies LLC ⁽⁵⁾ 800 Third Avenue New York, NY 10022	940,800	5.0%
Total	9,572,141	51.3%

(1) Based solely on Schedule 13G filed with the SEC on February 17, 2009. FMR LLC has sole voting and dispositive power as to 2,934,437 shares.

(2) Based solely on Schedule 13G filed with the

SEC on February 13, 2009. Zazove Associates, LLC has sole voting and dispositive power as to 2,778,722 shares, which shares are issuable upon the conversion of Carriage Services Capital Trust Preferred Securities. Such conversion had not occurred as of the record date.

(3) Based solely on Schedule 13G filed with the SEC on February 9, 2009. Dimensional Fund Advisors LP has sole voting power as to 1,540,038 shares and sole dispositive power as to 1,563,445 shares.

(4) Based solely on Schedule 13G filed with the SEC on February 13, 2009. First Wilshire Securities Management, Inc. has sole voting power as to 77,000 shares and sole

dispositive
power as to
1,354,737
shares.

- (5) Based solely on
Schedule 13G
filed with the
SEC on
February 13,
2009.
Renaissance
Technologies
LLC has sole
voting and
dispositive
power as to
940,800 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Carriage's directors and executive officers, and persons who own more than 10% of a registered class of Carriage's equity securities, to file with the SEC and the NYSE reports of ownership and changes in ownership of Common Stock and other equity securities of Carriage on Forms 3, 4 and 5. Executive officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish Carriage with copies of all Forms 3, 4 and 5 they file.

Based solely on a review of the copies of such reports furnished to Carriage or written representations from reporting persons that no Form 5 is required, Carriage believes that all filing requirements applicable to its executive officers, directors and greater than 10% beneficial owners were complied with during 2008, except for the following: A late Form 4 report was filed on behalf of Mr. Payne, with respect to two transactions related to gifts of 12,000 shares of Common Stock. A late Form