

# CARRIAGE SERVICES INC

## **FORM 8-K** (Current report filing)

Filed 05/12/17 for the Period Ending 05/12/17

Address	3040 POST OAK BOULEVARD SUITE 300 HOUSTON, TX 77056
Telephone	713-332-8400
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Industry	Personal Services
Sector	Consumer Non-Cyclicals
Fiscal Year	12/31

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

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**FORM 8-K**

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**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 12, 2017**

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**Carriage Services, Inc.**

*(Exact name of registrant as specified in its charter)*

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Delaware  
*(State or other jurisdiction  
of incorporation)*

1-11961  
*(Commission  
File Number)*

76-0423828  
*(IRS Employer  
Identification No.)*

3040 Post Oak Boulevard, Suite 300  
Houston, Texas 77056  
*(Address, including zip code, of principal executive offices)*

Registrant's telephone number, including area code:  
(713) 332-8400

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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 communication 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 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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**ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS**

The Compensation Committee of the Board of Directors and Mr. Payne have agreed to amend the terms of the Mr. Payne's employment agreement to provide for a "double trigger" arrangement. That employment agreement now provides that the voluntary termination by Mr. Payne of his employment pursuant to Section 2.3(b) (not for Good Reason) at any time will automatically result in the termination of all further compensation and benefits as of the effective date of Mr. Payne's employment termination, including unvested awards. The Company will, however, remain required to pay that portion of Mr. Payne's base salary accrued through the date on which his employment was terminated as well as all benefits payable under the governing provisions of any benefit plan or program of the Company in which Mr. Payne participated at his employment termination date.

The foregoing is a summary only of the Third Amendment to the Second Amended and Restated Employment Agreement the ("Third Amendment") between Mr. Payne and the Company and is qualified in its entirety by reference to the full text of the Third Amendment, a copy of which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

**ITEM 7.01 REGULATION FD**

On May 12, 2017, Carriage Services, Inc. (the "Company") entered into a Third Amendment to the Second Amended and Restated Employment Agreement, dated effective as of March 14, 2012 and amended by the First Amendment (dated effective as of March 3, 2014) and Second Amendment (dated effective as of March 21, 2017) between Melvin C. Payne, its Chairman of the Board of Directors and Chief Executive Officer.

On May 12, 2017, The Company issued a press release discussing the amendment to Mr. Payne's employment agreement. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

In accordance with General Instruction B.2 of Form 8-K, the information presented herein under Item 7.01 and set forth in the attached Exhibit 99.1 is deemed to be "furnished" solely pursuant to Item 7.01 of this Current Report on Form 8-K and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information or the exhibit be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS .**

(d) Exhibits.

The following exhibit is filed as part of this current report on Form 8-K:

10.1 Third Amendment to the Second Amended and Restated Employment Agreement by and between Carriage Services, Inc. and Melvin C. Payne, dated effective as of May 12, 2017.

The following exhibit is filed as part of this current report on Form 8-K:

99.1 Press Release dated May 12, 2017, discussing the amendment to Mr. Payne's Employment Agreement.

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**SIGNATURE**

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

CARRIAGE SERVICES, INC.

Dated: May 12, 2017

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

**THIRD AMENDMENT TO  
SECOND AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

**THIS THIRD AMENDMENT TO SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT** (this “*Third Amendment*”) is executed and agreed to by and between Carriage Services, Inc., a Delaware corporation (the “*Company*”), and Melvin C. Payne “*Employee*”), effective as of May 12, 2017 (the “*Amendment Effective Date*”).

**WHEREAS**, the Company and Employee have heretofore entered into that certain Second Amended and Restated Employment Agreement, dated effective as of March 14, 2012 and amended by the First Amendment (dated effective as of March 3, 2014), and further amended by the Second Amendment (dated effective as of March 21, 2017) (as amended, the “*Agreement*”); and

**WHEREAS**, the Company and Employee desire to amend the Agreement in certain respects.

**NOW, THEREFORE**, in consideration of the premises set forth above and the mutual agreements set forth herein, the Company and Employee hereby agree that the Agreement shall be amended as hereafter provided, effective as of the Amendment Effective Date:

1. Section 5.3 of the Agreement shall be deleted in its entirety and the following shall be substituted therefor:

**5.3 Termination for Cause, Resignation By Employee for Good Reason Not Within a Corporate Change Period, or Resignation By Employee Not for Good Reason**. If Employee’s employment hereunder is terminated: (i) by the Company for Cause at any time pursuant to Section 2.2(b) above; (ii) by Employee pursuant to Section 2.3(a) above and the date of such termination occurs at any time other than during a Corporate Change Period (as defined below), or (iii) by Employee pursuant to Section 2.3(b) above at any time, then all compensation and all benefits to Employee hereunder shall terminate contemporaneously with the effective date of the termination of his employment, except that the Company shall pay to Employee that portion of Employee’s Base Salary accrued through the date on which Employee’s employment terminated and all benefits payable under the governing provisions of any benefit plan or program of the Company in which Employee participated.

2. Section 5.5 of the Agreement shall be deleted in its entirety and the following shall be substituted therefor:

**5.5. Termination By the Company Without Cause or Resignation By Employee for Good Reason Within a Corporate Change Period**. If, within the period that begins the date of a Corporate Change (as defined below) and ends on the date that is 24 months after the date of a Corporate Change (the “**Corporate Change Period**”), Employee’s employment is terminated: (i) by the Company for any reason (other than Cause or Employee’s death or due to the issuance of a non-extension by the Company pursuant to Section 2.1); or (ii) by

Employee pursuant to Section 2.3(a) above, then all compensation and all benefits to Employee hereunder shall terminate contemporaneously with the effective date of the termination of his employment, except that the Company shall pay to Employee that portion of Employee's Base Salary accrued through the date on which Employee's employment terminated and all benefits payable under the governing provisions of any benefit plan or program of the Company in which Employee participated. In addition, subject to Section 5.7 below, the Company shall provide Employee:

- (a) a lump sum payment equal to three times the sum of (i) Employee's annual Base Salary, plus (ii) Employee's target Annual Bonus, which such payment shall be made on the First Payment Date; and
- (b) for that period beginning on the date of the termination of Employee's employment and for so long during the 36-month period following the date of termination that Employee remains eligible to receive, and elects to receive, continuation of coverage under a Company group health plan under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), the Company shall provide reimbursement of the premiums paid by Employee, if any, for such continuation coverage; provided, however, that to receive such reimbursement, Employee must not be eligible to receive health insurance benefits under any other employer's group health plan and Employee must provide Company with documentation evidencing his payment of the applicable premiums within thirty (30) days of their payment. The Company's payments of COBRA reimbursements shall be made within thirty (30) days of its receipt of such documentation; provided, however, the Company will provide the first COBRA reimbursement referenced in this Section 5.5(b) after the Release has been executed by Employee and become irrevocable, and the first such reimbursement payment shall include all payments, without interest, that otherwise would have been made pursuant to this Section 5.5(b) between the date of Employee's termination of employment and the date that the Release became irrevocable.

As used herein, a " **Corporate Change** " means: (a) the dissolution or liquidation of the Company; (b) a reorganization, merger or consolidation of the Company with one or more corporations (other than a merger or consolidation effecting a reincorporation of the Company in another state or any other merger or consolidation in which the stockholders of the surviving corporation and their proportionate interests therein immediately after the merger or consolidation are substantially identical to the stockholders of the Company and their proportionate interests therein immediately prior to the merger or consolidation) (collectively, a " **Corporate Change Merger** "); (c) the sale of all or substantially all of the assets of the Company; or (d) the occurrence of a Change in Control. A " **Change in Control** " shall be deemed to have occurred if (a) individuals who were directors of the Company immediately prior to a Control Transaction shall cease, within two years of such Control Transaction to constitute a majority of the Board (or of the board of directors of any successor to the Company or to a company which has acquired all or substantially all its assets) other

than by reason of an increase in the size of the membership of the applicable board that is approved by at least a majority of the individuals who were directors of the

Company immediately prior to such Control Transaction; or (b) any entity, person or Group acquires shares of the Company in a transaction or series of transactions that result in such entity, person or Group directly or indirectly owning beneficially 50% or more of the outstanding shares of Common Stock. As used herein, “ **Control Transaction** ” means (a) any tender offer for or acquisition of capital stock of the Company pursuant to which any person, entity, or Group directly or indirectly acquires beneficial ownership of 20% or more of the outstanding shares of Common Stock; (b) any Corporate Change Merger of the Company; (c) any contested election of directors of the Company; or (d) any combination of the foregoing, any one of which results in a change in voting power sufficient to elect a majority of the Board. As used herein, “ **Group** ” means persons who act “in concert” as described in Sections 13(d)(3) and/or 14(d)(2) of the Securities Exchange Act of 1934, as amended. As used herein, “ **Common Stock** ” means the common stock of the Company, \$.01 par value per share, or any stock or other securities hereafter issued or issuable in substitution or exchange for the Common Stock.

3. Section 5.6 of the Agreement shall be deleted in its entirety and the following shall be substituted therefor:

**5.6 Consequences to Equity Awards.** The impact of a Corporate Change and/or Employee’s termination from employment with the Company on stock option, restricted stock and other share-based awards made pursuant to a Company incentive plan shall be governed by the terms of such plan. Where, in the discretion of the Company, the applicable plan(s) is/are silent about the impact of a Corporate Change and/or Employee’s termination from employment on the vesting of Employee’s stock option, restricted stock and other share-based awards, then the following terms shall apply, with respect to the applicable vested and unvested stock options, restricted stock and other share-based awards awarded to Employee, without any changes thereto permitted pursuant to the discretion of the Company:

Reason for Termination	Stock Options	Restricted Stock	Other share-based awards
Termination by the Company for Cause pursuant to Section 2.2(b) above	Forfeit all unvested awards	Forfeit all unvested awards	Forfeit all unvested awards

<p>Involuntary Termination by the Company without Cause (and not due to death or Disability) pursuant to Section 2.2(c) above or by Employee for Good Reason pursuant to Section 2.3(a) above (other than during the Corporate Change Period)</p>	<p>Forfeit all unvested awards; Employee has 3 months from the date of termination to exercise all vested awards</p>	<p>Forfeit all unvested awards</p>	<p>Forfeit all unvested awards</p>
<p>Voluntary Termination By Employee (not for Good Reason) pursuant to Section 2.3(b) above at any time</p>	<p>Forfeit all unvested awards; Employee has 3 months from the date of termination to exercise all vested awards</p>	<p>Forfeit all unvested awards</p>	<p>Forfeit all unvested awards</p>
<p>Termination during the Corporate Change Period for one of the reasons specified in Section 5.5 above.</p>	<p>Immediate vesting of all unvested awards; Employee has 3 months from the date of termination to exercise all vested awards</p>	<p>Immediate vesting of all unvested awards</p>	<p>Payouts made within 60 days following the end of the performance period as if Employee had been employed during the entirety of the period, pro rata of the guaranteed amount of the performance target, provided that applicable performance targets have been met</p>
<p>Death</p>	<p>Immediate vesting of all unvested awards; Employee's estate has 12 months to exercise all vested awards</p>	<p>Immediate vesting of all unvested awards</p>	<p>Awards will be prorated based on termination date and prorated payouts will be made within 60 days following the end of the performance period, provided that applicable performance targets have been met</p>

Disability	Immediate vesting of all unvested awards; Employee has 12 months to exercise all vested awards	Immediate vesting of all unvested awards	Awards will be prorated based on termination date and prorated payouts will be made within 60 days following the end of the performance period, provided that applicable performance targets have been met
Retirement pursuant to a plan or policy adopted by the Company, if any, or on terms approved by the Board of Directors	Forfeit all unvested awards; Employee has 3 months to exercise all vested awards	Immediate vesting of all unvested awards	Awards will be prorated based on termination date and prorated payouts will be made within 60 days following the end of the performance period, provided that applicable performance targets have been met.

4. “Except as expressly modified by this Third Amendment, the terms of the Agreement shall remain in full force and effect and hereby are confirmed and ratified.

B. [Remainder of Page Intentionally Blank; Signature Page Follows]

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Third Amendment as of the date set forth above.

**COMPANY:**

Carriage Services, Inc.

/s/ Viki K. Blinderman

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Viki K. Blinderman

Senior Vice President, Principal Financial Officer, Chief Financial Officer and Secretary

**EMPLOYEE:**

/s/ Melvin C. Payne

\_\_\_\_\_  
Melvin C Payne

SIGNATURE PAGE TO  
THIRD AMENDMENT TO  
SECOND AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

## CARRIAGE SERVICES ANNOUNCES AMENDMENT TO MR. PAYNE'S EMPLOYMENT AGREEMENT

HOUSTON, May 12, 2017 /PRNewswire/ -- Carriage Services, Inc. (NYSE: CSV) In response to recent shareholder engagement regarding our 2017 proxy statement, the Board of Directors of Carriage Services announces an additional amendment to Melvin C. Payne's Employment Agreement dated, March 14, 2012, to address language related to potential payments and equity awards under certain circumstances relating to a voluntary resignation. The amended changes ensure Mr. Payne's employment agreement is consistent with our outstanding executive employment agreements and our proposed Omnibus Incentive Plan so that potential severance payments will be subject to a 'double trigger'. It is the Board's intent to include 'double trigger' provisions in all future executive employment agreements consistent with this amendment.

Melvin C. Payne, Chief Executive Officer, stated, "When I recently heard as a result of our current outreach that some of our large shareholders and a proxy advisory firm had an issue with my employment agreement related to a "Modified Single-Trigger Arrangement" if I voluntarily leave after a change in control, my first reaction was, "What is that anyway, as I didn't ask for it or even know I had it!" (This arrangement was subsequently determined to be carryover provision from a previous employment contract.) It was explained that we need to amend my employment agreement to have a "Double-Trigger" provision which is more of a good governance standard for executive officers of a public company - to which my second reaction was, "That sounds twice as bad as a Single-Trigger!"

The dirty little secret with me is that I have never asked for or frankly wanted an employment agreement in my entire career. I have always believed that my ability to learn and build knowledge and skill (mostly from making mistakes) and to have the leadership vision that others wanted to follow is better employment protection than any agreement that any lawyers could conjure up. Anyone who has thoughtfully read and reflected on my recent 40 page Annual Shareholder Letter would completely understand this point.

Finally, I spend 100% of my time and leadership capacity developing other like-minded leaders so that as a team we are thinking and leading the outstanding execution of our three core models with a goal of creating outsized shareholder returns over the next 5 to 10 years. In other words, we are focused completely on the long term upside for our company and its shareholders. We may be considered a small capitalization company, but put it in the bank that we are big thinkers when it comes to what we can achieve over the next 5 to 10 years for employees, leaders, and long term shareholders," concluded Mr. Payne.

Carriage Services is a leading provider of funeral and cemetery services and merchandise in the United States. Carriage operates 171 funeral homes in 28 states and 32 cemeteries in 11 states.