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CARBO CERAMICS INC
Form DEF 14A
March 08, 2002

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

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- | | |
|--|---|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> Soliciting Material Pursuant to Rule 14a-12 | |

CARBO CERAMICS, 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):

(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

[] Fee paid previously with preliminary materials.
[] 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:

CARBO CERAMICS INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Shareholders of CARBO Ceramics Inc.:

Notice is hereby given that the Annual Meeting of Shareholders of CARBO Ceramics Inc. will be held Tuesday, April 9, 2002 at 9:00 A.M. local time, at the Mansion on Turtle Creek, 2821 Turtle Creek Boulevard, Dallas, Texas, for the following purposes:

1. To elect six directors, the names of whom are set forth in the accompanying proxy statement, to serve until the 2003 Annual Meeting.
2. To ratify the appointment of Ernst & Young LLP as independent auditors of the Company.
3. To transact such other business as may properly be brought before the meeting.

Shareholders of record at the close of business on February 15, 2002 are the only shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders.

By Order of the Board of Directors,

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/s/ PAUL G. VITEK

Paul G. Vitek
Secretary/Treasurer
March 11, 2002

IMPORTANT

Whether or not you expect to attend the meeting, please vote, sign, date and return the enclosed proxy in the enclosed self-addressed envelope as promptly as possible. If you attend the meeting, you may vote your shares in person, even though you have previously signed and returned your proxy.

CARBO CERAMICS INC.
6565 MacArthur Boulevard
Suite 1050
Irving, Texas 75039

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

The enclosed Proxy is solicited on behalf of the Board of Directors of CARBO Ceramics Inc. (the "Company") for use at the Company's Annual Meeting of Shareholders ("Annual Meeting") to be held April 9, 2002 at 9:00 A.M local time, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at the Mansion on Turtle Creek, 2821 Turtle Creek Boulevard, Dallas, Texas.

The Company's principal executive offices are located at 6565 MacArthur Boulevard, Suite 1050, Irving, Texas 75039. The telephone number at that address is (972) 401-0090.

The cost of preparing, assembling and mailing the proxy material, and of reimbursing brokers, nominees and fiduciaries for the out-of-pocket and clerical expenses of transmitting copies of the proxy material to the beneficial owners of shares held of record by such persons, will be borne by the Company. The Company does not intend to solicit proxies otherwise than by use of the mail, but certain employees of the Company, without additional compensation, may use personal efforts, by telephone or otherwise, to obtain proxies. These proxy solicitation materials are being mailed on or about March 11, 2002 to all shareholders entitled to vote at the Annual Meeting.

A shareholder giving a proxy pursuant to this solicitation may revoke it at any time before its use by delivering to the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

DEADLINE FOR RECEIPT OF SHAREHOLDER PROPOSALS

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Proposals of shareholders of the Company that are intended to be presented at the Company's 2003 Annual Meeting must be received by the Secretary of the Company no later than November 10, 2002 in order to be considered for inclusion in the proxy statement and form of proxy for that meeting.

RECORD DATE, SHARES OUTSTANDING AND VOTING

Only shareholders of record at the close of business on February 15, 2002 are entitled to notice of, and to vote at, the Annual Meeting. At the record date, 14,949,600 shares of the Company's Common Stock were issued and outstanding and entitled to be voted at the meeting.

Every shareholder is entitled to one vote for each share held with respect to each matter, including the election of directors, that comes before the Annual Meeting. Shareholders do not have the right to cumulate their votes in the election of directors. If a shareholder specifies how the proxy is to be voted with respect to any of the proposals for which a choice is provided, the proxy will be voted in accordance with such specifications. If a shareholder fails to specify with respect to such proposals, the proxy will be voted FOR all director nominees and FOR the ratification of the appointment of Ernst & Young LLP as independent auditors. Broker non-votes and abstentions are not treated as votes cast or shares entitled to vote with respect to such proposals.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists as of March 1, 2002, with respect to each person who is known to the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock of the Company, the name and address of such owner, the number of shares of Common Stock beneficially owned and the percentage such shares comprised of the outstanding shares of Common Stock of the Company. Except as indicated, each holder has sole voting and dispositive power over the listed shares.

| NAME AND ADDRESS OF BENEFICIAL OWNER | SHARES BENEFICIALLY OWNED | |
|---|------------------------------|---------|
| | NUMBER | PERCENT |
| William C. Morris(1) 100 Park Avenue New York, New York 10017 | 3,982,600 | 26.49% |
| Lewis L. Glucksman(2) 388 Greenwich Street New York, New York 10013 | 1,380,000 | 9.18% |
| Robert S. Rubin | 1,200,000 | 7.98% |

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320 Park Avenue
New York, New York 10022

| | | |
|---|---------|-------|
| Kayne Anderson Rudnick Investment Management, LLC(3) 1800 Avenue of the Stars Los Angeles, CA 90067 | 972,957 | 6.47% |
| George A. Weigers 871 Cooley Mesa Road Gypsum, CO 81637 | 802,900 | 5.34% |
| FMR Corporation(4) 82 Devonshire Street Boston, MA 02109 | 792,500 | 5.27% |

- (1) Shares shown as beneficially owned by Mr. Morris include 670,000 shares of Common Stock owned by Mr. Morris' wife and certain charitable foundations as to which shares Mr. Morris disclaims any beneficial ownership.
- (2) Shares shown as beneficially owned by Mr. Glucksman include 460,000 shares of Common Stock owned by Mr. Glucksman's wife as to which shares Mr. Glucksman disclaims any beneficial ownership.
- (3) Based on a Schedule 13G filed with the Securities and Exchange Commission as of December 31, 2001. Kayne Anderson Rudnick Investment Management, LLC reported sole dispositive or voting power as to none of the shares and reported that various persons shared the right to receive or the power to direct dividends from, or the proceeds from the sale of, the shares. Kayne Anderson Rudnick Investment Management, LLC disclaims any beneficial ownership of the shares reported.
- (4) Based on a Schedule 13G filed with the Securities and Exchange Commission as of December 31, 2001. FMR Corp. reported sole voting power as to 491,800 shares and sole dispositive power as to 792,500 shares and reported that various persons shared the right to receive or the power to direct dividends from, or the proceeds from the sale of, the shares.

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The following table sets forth the number of shares of Common Stock of the Company beneficially owned by each of the current directors and executive officers and by all directors and executive officers as a group as of March 1, 2002.

| DIRECTORS | AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP | | PERCENT OF COMMON STOCK BENEFICIALLY OWNED |
|----------------------|--|------------------------------|--|
| | CURRENTLY OWNED | ACQUIRABLE WITHIN 60 DAYS | |
| Claude E. Cooke, Jr. | 1,500 | 0 | * |
| William C. Morris(1) | 3,982,600 | 0 | 26.49% |
| John J. Murphy | 3,500 | 0 | * |
| Jesse P. Orsini | 500,000 | 100,000 | 3.96% |
| C. Mark Pearson | 2,600 | 110,000 | * |

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| | | | |
|---|-----------|---------|--------|
| Robert S. Rubin | 1,200,000 | 0 | 7.98% |
| OTHER EXECUTIVE OFFICERS | | | |
| Paul G. Vitek | 0 | 25,000 | * |
| DIRECTORS AND EXECUTIVE OFFICERS AS A GROUP (1) | | | |
| | 5,690,200 | 235,000 | 38.81% |

*Less than 1% of total shares outstanding

(1) Shares shown as beneficially owned by Mr. Morris include 670,000 shares of Common Stock owned by Mr. Morris' wife and certain charitable foundations as to which shares Mr. Morris disclaims any beneficial ownership.

ELECTION OF DIRECTORS

NOMINEES

A board of six directors is to be elected at the meeting. Each director elected to the board will hold office until the next Annual Meeting or until his or her successor has been elected and qualified. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the six nominees named below, all of whom are presently directors of the Company. In the event that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy, unless the size of the Board is reduced. The proxies cannot be voted for a greater number of persons than the number of nominees named in this proxy statement. It is not expected that any nominee will be unable or will decline to serve as a director.

| NAME (AGE) ----- | BUSINESS EXPERIENCE DURING PAST 5 YEARS AND OTHER INFORMATION ----- |
|---------------------------|---|
| William C. Morris (63) | Chairman of the Board of the Company; Chairman of the Board of Directors of J. & W. Seligman & Co., Incorporated (investment advisory firm); Chairman of the Board of Tri-Continental Corporation; Chairman of each of the investment companies in the Seligman Group of Funds; and Director of Kerr-McGee Corporation. |
| Claude E. Cooke, Jr. (72) | Of Counsel with Baker Botts LLP (law firm); Partner, Hutcheson & Grundy LLP (law firm) from 1996 to 1997; Of Counsel with Pravel, Hewitt, Kimball & Krieger (law firm) from 1990 to 1996; employed by Exxon Production Research Company from 1954 to 1986; the inventor of sintered bauxite, the original ceramic proppant. |

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| NAME (AGE) ----- | BUSINESS EXPERIENCE DURING PAST 5 YEARS AND OTHER INFORMATION ----- |
|----------------------|--|
| John J. Murphy (70) | Chairman of the Board of Dresser Industries, Inc. (hydrocarbon energy services and products) in 1996; Chairman and Chief Executive Officer of Dresser Industries, Inc. from 1983 to 1995; President of Dresser Industries, Inc. from 1982 to 1992; Director of PepsiCo., Inc., Kerr-McGee Corporation, W.R. Grace & Co. and Shaw Industries, Ltd. |
| Jesse P. Orsini (61) | President and Chief Executive Officer of the Company and its predecessors from its founding in 1987 to April 2001. |
| C. Mark Pearson (46) | President and Chief Executive Officer of the Company since April 2001. Senior Vice President, Marketing & Technology of the Company from January to April 2001; Vice President, Marketing & Technology of the Company from March, 1997 to 2001; Associate Professor of Petroleum Engineering at the Colorado School of Mines from 1995 to March, 1997; Atlantic Richfield Company from 1984 to 1995. |
| Robert S. Rubin (70) | Senior Vice President of Bank One Corporation since 2002. Director of Salomon Smith Barney (investment banking firm) and predecessor firms from 1989 to 2001. |

COMMITTEES OF THE BOARD OF DIRECTORS AND MEETING ATTENDANCE

The Board of Directors met four times during the last fiscal year. The Board of Directors has Audit and Compensation Committees, each comprised of three members. The Board of Directors does not have a nominating committee. Each director attended at least 75% of the aggregate number of meetings of the Board of Directors and the committees of which such director is a member.

The Audit Committee consists of Claude E. Cooke, Jr. (Chairman), John J. Murphy and Robert S. Rubin. The members of the Audit Committee have no relationship to the Company that may interfere with the exercise of their independence from management and the Company. The Audit Committee recommends engagement of the independent auditors, considers the fee arrangement and scope of the audit, reviews the financial statements and the independent auditors' report, considers comments made by the independent auditors with respect to the Company's internal control structure, and reviews internal accounting procedures and controls with the Company's financial and accounting staff. The Audit Committee is governed by a written charter approved by the Board of Directors.

The Compensation Committee consists of William C. Morris (Chairman), Robert S. Rubin and John J. Murphy. The Committee met four times during the last fiscal year. The Compensation Committee establishes policies relating to the compensation of executive officers and key management employees of the Company, reviews and approves the President and Chief Executive Officer's recommendations on incentive compensation awards and oversees the administration of the Company's stock option plan.

REPORT OF THE AUDIT COMMITTEE

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The Committee met twice during the last fiscal year. In addition, the Committee Chairman, on behalf of the Committee, reviewed with management and the independent auditors the interim financial information included in the Company's March 31, 2001, June 30, 2001 and September 30, 2001 quarterly reports on Form 10-Q prior to their filing with the Securities and Exchange Commission.

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The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee has reviewed with management the audited financial statements in the Company's annual report on Form 10-K including a discussion of the acceptability and quality of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the acceptability and quality of the Company's accounting principles and such other matters appropriate for discussion with the Committee under generally accepted auditing standards. In addition, the Committee has discussed with the independent auditors their independence from management and the Company and considered the compatibility of nonaudit services with the auditor's independence.

The Committee discussed with the Company's independent auditors the overall scope and plans for their audit. The Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the annual report on Form 10-K for the year ended December 31, 2001 for filing with the Securities and Exchange Commission. The Committee and the Board have also recommended, subject to shareholders' ratification, the selection of the Company's independent auditors.

CARBO Ceramics Inc. Audit Committee

Claude E. Cooke, Jr., Chairman
John J. Murphy
Robert S. Rubin

March 11, 2002

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EXECUTIVE COMPENSATION

The following table sets forth certain information concerning annual compensation for the Company's Chief Executive Officer and executive officers whose total salary and bonus exceeded \$100,000 for services rendered in all capacities to the Company during the year ended December 31, 2001.

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SUMMARY COMPENSATION TABLE

| NAME AND PRINCIPAL POSITION | YEAR | ANNUAL COMPENSATION | | | LONG-T |
|--|------|---------------------|------------|--------------------------------|--------------|
| | | SALARY | BONUS (1) | OTHER ANNUAL COMPEN-SATION (2) | COMPENS AWAR |
| | | | | | NUMBER |
| | | | | | SECURI |
| | | | | | UNDERL |
| | | | | | OPTIO |
| C. Mark Pearson, President and Chief Executive Officer(3) | 2001 | \$ 180,400 | \$ 314,136 | \$ 14,558 | 100,0 |
| | 2000 | 105,000 | 120,000 | 13,879 | |
| | 1999 | 98,580 | 75,000 | 13,074 | |
| Paul G. Vitek, Senior Vice President of Finance & Administration and Chief Financial Officer | 2001 | 128,000 | 240,000 | 14,558 | 30,0 |
| | 2000 | 105,000 | 115,000 | 13,879 | |
| | 1999 | 98,580 | 75,000 | 13,074 | |
| Jesse P. Orsini, Director, Former President and Chief Executive Officer(4) | 2001 | 76,771 | 236,225 | 14,558 | |
| | 2000 | 275,000 | 131,608 | 13,879 | |
| | 1999 | 275,000 | 81,315 | 13,074 | |

- (1) For Messrs. Pearson and Vitek, bonus includes deferred amounts under the Company's incentive compensation plan, which are payable in equal annual amounts over a consecutive three-year period and may be forfeited to the Company under certain circumstances. The deferred portion of the bonus for Messrs. Pearson and Vitek was \$30,000, and \$110,000, respectively for 2001 and \$25,000 each for 2000. No deferred bonus was awarded in 1999.
- (2) Consists of Company contributions to the savings and profit sharing plan.
- (3) Mr. C. Mark Pearson became President and Chief Executive Officer on April 10, 2001. He had previously served as Senior Vice President of Marketing and Technology and Vice President of Marketing.
- (4) Mr. Jesse P. Orsini retired as President and Chief Executive Officer of Carbo Ceramics on April 10, 2001. In connection with his retirement, Mr. Orsini received a prorated base salary for April 2001 and prorated incentive bonus for the first quarter of 2001. The Company allowed his options to remain exercisable until April 10, 2004. Mr. Orsini held 200,000 fully vested options at retirement, which originally were set to expire on the earlier of April 26, 2006 or 30 days after cessation of employment. The Company entered into a consulting agreement with Mr. Orsini for a one-year period starting April 10, 2001, which provided for a fixed monthly fee of \$6,250 (not included in the table), reimbursement of certain business expenses and continuation of medical insurance coverage on the same terms as an employee. Mr. Orsini also remained a member of the Board of Directors.

The following table sets forth certain information concerning options granted during 2001 to the named executives:

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INDIVIDUAL GRANTS (1)

| NAME | NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED | % OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR | EXERCISE OR BASE PRICE PER SHARE | EXPIRATION DATE | GRA PRESEN |
|-----------------|--|---|--|--------------------|---------------|
| C. Mark Pearson | 100,000 | 47.85% | \$34.52 | 4/10/2011 | \$1, |
| Paul G. Vitek | 30,000 | 14.35% | \$34.52 | 4/10/2011 | \$ |

(1) All options become exercisable in four equal annual installments commencing on the first anniversary of the date of grant or earlier upon the change in control of the Company.

(2) Option values reflect Black-Scholes model output for options. The assumptions used in the model were expected volatility of .507, risk-free rate of return of 4.45%, dividend yield of 1.0%, and time to exercise of five years.

The following table sets forth certain information concerning options exercised during 2001 and presents the value of unexercised options held by the named executives at December 31, 2001:

| NAME | SHARES ACQUIRED ON EXERCISE (#) | VALUE REALIZED | NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END EXERCISABLE (E)/ UNEXERCISABLE (U) | VAL UNEX IN-TH OP AT FISCAL EXERCIS UNEXERC |
|-----------------|---------------------------------------|----------------|---|---|
| C. Mark Pearson | -- | \$ -- | 110,000E 100,000U | \$ 2,0 4 |
| Paul G. Vitek | 30,000 | 792,695 | 25,000E 30,000U | 5 1 |
| Jesse P. Orsini | 65,600 | 1,426,674 | 184,400E | 4,0 |

The Company has entered into an employment agreement with Mr. Pearson pursuant to which Mr. Pearson is employed as President and Chief Executive Officer of the Company through December 31, 2002. During the term of this agreement, Mr. Pearson will receive an annual base salary of not less than \$200,000 and an incentive bonus for each fiscal year (prorated for 2001) equal to the sum of (a) 0.5% of the Company's earnings before interest and taxes for such fiscal year ("EBIT") up to \$20,000,000 plus (b) 1.0% of EBIT in excess of \$20,000,000. Mr. Pearson will also be entitled to continue to participate in all benefit plans available to other executive officers of the Company during the employment term, other than the Company's Incentive Compensation Plan. In the event of Mr. Pearson's death or disability during the employment term, Mr. Pearson, or his estate, will receive a prorated incentive bonus for the year in which his employment terminates. In the event that Mr. Pearson's employment is terminated

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by the Company without cause during the employment term, Mr. Pearson will receive two years' base salary, payable in installments, and a prorated incentive bonus, any unvested stock options that he holds under the Company's stock option plan will vest immediately and all of his outstanding options under the Company's stock option plan will be exercisable for a period of 30 days following termination. In the event that Mr. Pearson's employment is terminated by the Company or that Mr. Pearson voluntarily terminates his employment for good reason (as defined), during the one-year period following a change in control of the Company, Mr. Pearson will receive two years' base salary, payable in installments, and a prorated incentive bonus, any unvested stock options that he holds under the Company's stock option plan will vest immediately and all of his outstanding options under the Company's stock option plan will be exercisable for a period of 30 days following termination. In the event that Mr. Pearson's employment is terminated for any other reason, Mr. Pearson will receive his base salary earned to the date of termination and any earned but unused vacation and any stock options that he holds will terminate in accordance with the terms of the Company's stock option plan. The agreement also contains a two-year non-competition covenant that would become effective upon termination of Mr. Pearson's employment for any reason.

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DIRECTORS' FEES

Directors who are employees of the Company are not compensated for serving as directors. Directors who are not employees of the Company are paid \$4,000 per calendar quarter plus \$1,000 per meeting for attending meetings of the Board of Directors or meetings of any committee thereof not immediately preceding or following a meeting of the Board of Directors. The Chairman of the Board of Directors is paid \$8,000 per calendar quarter plus \$1,000 per meeting for attending meetings of the Board of Directors or meetings of any committee thereof not immediately preceding or following a meeting of the Board of Directors. All directors are reimbursed for out-of-pocket expenses incurred by them in attending meetings of the Board of Directors and its committees and otherwise in performing their duties as directors.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

COMPENSATION POLICY. The goal of the Company's compensation policy is to ensure that executive compensation is related to and supports the Company's overall objectives of improving profitability and enhancing shareholder value. To achieve this goal, the Compensation Committee has adopted the following guidelines to direct compensation decisions:

- o provide a competitive compensation package that enables the Company to attract and retain superior management personnel;
- o relate compensation to the performance of the Company and the individual; and
- o align employee objectives with the objectives of shareholders by encouraging executive stock ownership.

ELEMENTS OF COMPENSATION. The Committee believes that the above objectives are best achieved by combining current and deferred cash compensation with equity

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based compensation. The Company's compensation program for executive officers and other key managers consists of (i) base salary; (ii) performance-based current and deferred bonuses based upon the Company's net income before tax; (iii) stock option grants under the Company's 1996 Stock Option Plan for Key Employees; and (iv) matching contributions and discretionary contributions under the Company's Savings and Profit Sharing Plan.

Base Salary. Executives' base salary levels are reviewed annually to determine whether they are near the median range for persons holding similar positions with companies that are of a similar size. It is the goal of the Compensation Committee to set salary ranges for the Company's executive officers at the 50th percentile when compared to these similar businesses. The Compensation Committee uses various salary surveys, prepared by independent compensation analysts, to determine the salary level that falls at the 50th percentile. Individual salaries are established within the salary range based on individual performance in the most recently completed twelve months.

Current and Deferred Bonuses. Since the inception of the Company, it has been management's objective to have a significant portion of key employee compensation performance-based. In order to achieve this objective the Company established the CARBO Ceramics Inc. Incentive Compensation Plan (the "Incentive Compensation Plan") that generates an incentive compensation "pool", the size of which is determined by the net income before tax that is generated by the Company annually. Upon its formation, the Compensation Committee reviewed and ratified the Incentive Compensation Plan.

The President and Chief Executive Officer of the Company recommends to the Compensation Committee a distribution of the pool among key employees, including executive officers, of the Company. Individual performance is the key factor considered by the President and Chief Executive Officer in determining the recommended distribution for each key employee and executive officer. In order to retain the services of key employees and executive officers, it is intended that a portion of the amount awarded under the Incentive Compensation Plan be paid on a deferred basis over a three year period and is subject to forfeiture if the executive's employment with the Company ceases for any reason other than death, permanent disability or normal retirement. In 2001, the portion of incentive compensation that was deferred for executive officers, excluding the President and Chief Executive Officer was approximately 46 percent.

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Stock Options. The Compensation Committee strongly believes that the interests of shareholders and executives become more closely aligned when executives are provided with an opportunity to acquire a proprietary interest in the Company through ownership of the Company's Common Stock. Accordingly, key employees and executive officers of the Company are eligible to participate in the 1996 Stock Option Plan for Key Employees whereby they are granted options to purchase shares of the Company's Common Stock in the future at a price that is specified at the time of the grant. Stock options are granted with an exercise price of no less than the fair market value on the date of the grant and are exercisable in four equal annual installments beginning one year after the date of the grant. Individual stock option grants are determined based on individual and company performance.

CEO COMPENSATION. C. Mark Pearson was appointed to the position of President and Chief Executive Officer of the Company effective April 10, 2001. Mr. Pearson's compensation package has been designed to encourage short and long-term performance in line with shareholder interests. Mr. Pearson has an employment agreement with the Company that will expire on December 31, 2002. Under the terms of the agreement, Mr. Pearson will receive an annual base salary of not

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less than \$200,000 per year and an incentive bonus based on the net income before tax generated by the Company. In light of the existence of the employment agreement between the Company and Mr. Pearson, none of the incentive bonus earned under the terms of the agreement is deferred. In 1997, Mr. Pearson was granted options to purchase 110,000 shares of the Company's Common Stock at a weighted average price of \$20.20 per share under the terms of the 1996 Stock Option Plan for Key Employees. In 2001, at the time of his appointment as President and Chief Executive Officer of the Company, Mr. Pearson was granted additional options to purchase 100,000 shares of the Company's Common Stock at a weighted average price of \$34.52 per share under the terms of the 1996 Stock Option Plan for Key Employees. The Compensation Committee believes that Mr. Pearson's total compensation is reflective of his position and responsibility and that he is paid comparably to chief executive officers of companies of similar size and complexity.

INTERNAL REVENUE CODE SECTION 162(m). Section 162(m) of the Internal Revenue Code and the regulations thereunder place a limit of \$1,000,000 on the amount of compensation that may be deducted by the Company in any year with respect to certain of the Company's most highly compensated officers. Section 162(m) does not however, disallow a deduction for qualified "performance-based compensation," the material terms of which are disclosed to and approved by shareholders. Awards pursuant to the Company's 1996 Stock Option Plan for Key Employees generally should qualify as "performance-based compensation," provided the plan is approved by shareholders. The Board of Directors plans to take such actions in the future to satisfy the requirements of Section 162(m) and minimize the loss of tax deductions related to compensation as they deem necessary and appropriate in light of the Company's compensation objectives.

CARBO Ceramics Inc. Compensation Committee

William C. Morris, Chairman
John J. Murphy
Robert S. Rubin

March 11, 2002

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Lewis L. Glucksman, previously a holder of more than 10 percent of the outstanding shares of Common Stock of the Company, belatedly filed two Forms 4 covering sales of shares of the Company's Common Stock in February and May 2001. William C. Morris, a director of the Company, belatedly filed two Forms 4 covering sales of shares of the Company's Common Stock in May and June 2001.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Subject to ratification by the shareholders, the Board of Directors has reappointed Ernst & Young LLP as independent auditors to audit the financial statements of the Company for the current fiscal year. Fees for the last fiscal year were annual audit \$108,000, audit related services \$60,000, and all other nonaudit services \$59,000.

Ernst & Young LLP has acted as auditors for the Company since its formation in 1987. Representatives of the firm of Ernst & Young LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

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The Audit Committee and the Board of Directors recommend the shareholders vote "FOR" such ratification.

OTHER MATTERS

The Board of Directors knows of no other matters to be brought before the Annual Meeting. However, if other matters should properly come before the Annual Meeting, it is the intention of each of the persons named in the proxy to vote in accordance with his judgment on such matters.

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STOCK PERFORMANCE GRAPH

The following graph sets forth the cumulative total shareholder return (assuming reinvestment of dividends) to CARBO Ceramics Inc. shareholders during the period beginning December 31, 1996, and ending December 31, 2001, as well as an overall stock market index (The S&P Composite Index) and a peer group index (Oil and Gas Field Service Stocks, Source: Media General Financial Services):

[PERFORMANCE GRAPH]

| | 12/31/96 | 12/31/97 | 12/31/98 | 12/31/99 | 12/31/2000 | 12/31/2001 |
|--------------------------------|-----------|-----------|-----------|-----------|------------|------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| CARBO CERAMICS | \$ 100.00 | \$ 154.22 | \$ 85.18 | \$ 107.96 | \$ 186.69 | \$ 210.00 |
| S&P COMPOSITE | \$ 100.00 | \$ 133.36 | \$ 171.48 | \$ 207.56 | \$ 188.66 | \$ 210.00 |
| OIL & GAS FIELD SERVICE STOCKS | \$ 100.00 | \$ 152.79 | \$ 80.60 | \$ 112.48 | \$ 157.43 | \$ 210.00 |

The stock performance graph assumes \$100 was invested on December 31, 1996. For CARBO Ceramics Inc. the December 31, 1996 closing price of \$21.00 per share was used to establish the value as of December 31, 1996.

PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF
CARBO CERAMICS INC.

The undersigned hereby appoints C. Mark Pearson and Paul G. Vitek, or any one of them, as proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent and to vote, as designated on the reverse side, all the shares of Common Stock of Carbo Ceramics Inc. held of record by the undersigned on February 15, 2002 at the Annual Meeting of Shareholders to be held on April 9, 2002, or any adjournment or continuation thereof.

(PLEASE SEE REVERSE SIDE)

o FOLD AND DETACH HERE o

PLEASE MARK YOUR
VOTES AS INDICATED
IN THIS EXAMPLE [X]

1. To elect six Directors.

2. Proposal to ratify the appointment of Ernst & Young LLP, certified public accountants, as independent auditors for the fiscal year ending December 31, 1988.

3. In their vote upon business come before

FOR all nominees listed WITHHOLD AUTHORITY to vote for all nominees listed below

FOR AGAINST ABSTAIN

INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE STRIKE A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW:

- CLAUDE E. COOKE, JR.
WILLIAM A GRIFFIN, JR.
WILLIAM C. MORRIS
JOHN J. MURPHY
JESSE P. ORSINI
ROBERT S. RUBIN

THE BOARD RECOMMEND FOR THE N PROPOSAL THIS PROX EXECUTED THE MANNE BY THE UN SHAREHOLD IS GIVEN, VOTED FOR THE PROPO

DATED: -----

(SIGNATU

(SIGNATU

Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign as attorney, executor, administrator, trustee or guardian, please give full title as such. If a sign full corporate name by president or other authorized officer. If a partnership, please sign name by authorized person.

o FOLD AND DETACH HERE o