HARTE HANKS INC
Form DEF 14A
April 03, 2014

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

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 o

Check the appropriate box:

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

HARTE-HANKS, 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):

x No fee required.

o 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:
(5)	Total fee paid:

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:

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HARTE-HANKS, INC.

9601 McAllister Freeway, Suite 610

San Antonio, Texas 78216

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 14, 2014

As a stockholder of Harte-Hanks, Inc., a Delaware corporation, you are hereby given notice of, and invited to attend in person or by proxy, Harte Hanks   2014 annual meeting of stockholders. The annual meeting will be held at the **Hyatt Regency O Hare, 9300 Bryn Mawr Avenue, Rosemont, Illinois 60018, on Wednesday, May 14, 2014, at 7:30 a.m. Central Time,** for the following purposes:

1. To elect three Class III directors, each for a three-year term;

2. To ratify the appointment of KPMG LLP as Harte Hanks   independent registered public accounting firm for 2014;

3. To approve (on an advisory basis) the compensation of our named executive officers; and

4. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 20, 2014, as the record date for determining stockholders entitled to notice of and to vote at the annual meeting and any adjournment or postponement thereof.

Please note that we are requiring a form of personal identification and, for beneficial owners, appropriate proof of ownership of our common stock to attend the annual meeting. For more information, please refer to the enclosed proxy statement.

As permitted by the Securities and Exchange Commission (SEC), Harte Hanks is sending a Notice of Internet Availability of Proxy Materials (the   Notice) to all stockholders of record. All stockholders will have the ability to access the Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the   Annual Report) on a website referred to in the Notice, or to request a printed set of these materials at no charge. Instructions for how to access these materials on the internet or request a printed copy are provided in the Notice.

In addition, stockholder mays request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. Stockholders who receive future proxy materials by email will save us the cost of printing and mailing documents and will reduce the impact of annual meetings on the environment. A stockholder s election to receive proxy materials by email will remain in effect until terminated by them.

The proxy statement and our Form 10-K for the year ended December 31, 2013 are also available on our website at *www.hartehanks.com*, under   Annual Reports and Proxies   in the   Financials & Filings   section of the   Investors   tab. Additionally, and in accordance with SEC rules, you may access our proxy statement and Form 10-K at http://viewproxy.com/harte-hanks/2014/, which does not have   cookies   that identify or track visitors to the site.

Most stockholders have a choice of submitting a proxy (1) online, (2) by telephone, or (3) by mail using a traditional proxy card. Please refer to the Notice, proxy card or other voting instructions included with these proxy materials for information on the voting methods available to you.

Your vote is important. We urge you to review the accompanying materials carefully and to submit your proxy as soon as possible so that your shares will be represented at the meeting.

Thank you for your continued interest and support.

By Order of the Board of Directors,

Robert L. R. Munden
Senior Vice President,
General Counsel & Secretary

San Antonio, Texas

April 3, 2014

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HARTE-HANKS, INC.

9601 McAllister Freeway, Suite 610

San Antonio, Texas 78216

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 14, 2014

This proxy statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors (the Board) of Harte-Hanks, Inc. for use at our 2014 annual meeting. In this proxy statement, references to Harte Hanks, the company, we, us, our and similar expressions refer to Harte-Hanks, Inc., unless the context of a particular reference provides otherwise. We refer to various websites in this proxy statement. Neither the Harte Hanks website nor any other website included in this proxy statement is intended to function as a hyperlink, and the information contained on such websites is not a part of this proxy statement.

GENERAL INFORMATION

2014 Annual Meeting Date and Location

Our 2014 annual meeting of stockholders will be held on Wednesday, May 14, 2014 at 7:30 a.m. (Central Time) at the Hyatt Regency O Hare, 9300 Bryn Mawr Avenue, Rosemont, Illinois 60018, or at such other time and place to which the meeting may be adjourned or postponed. References in this proxy statement to the annual meeting also refer to any adjournments, postponements or changes in location of the meeting, to the extent applicable.

Delivery of Proxy Materials

Mailing Date

The approximate date on which this proxy statement and accompanying proxy are first being sent or given to stockholders is April 4, 2014.

Important Notice Regarding Availability of Proxy Materials For Annual Meeting To Be Held On May 14, 2014

As permitted by the Securities and Exchange Commission (SEC), Harte Hanks is sending a Notice of Internet Availability of Proxy Materials (the Notice) to all stockholders of record. All stockholders will have the ability to access the Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the Annual Report) on a website referred to in the Notice, or to request a printed set of these materials at no charge. Instructions for how to access these materials on the internet or request a printed copy are provided in the Notice. Stockholders who received a Notice of Internet Availability of Proxy Materials (the Notice) by mail will not receive a printed copy of these materials except as described below. Instead, the Notice contains instructions as to how stockholders may access and review all of the important information contained in the materials on the Internet, including how stockholders may submit proxies.

In addition, any stockholder may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. Choosing to receive future proxy materials by email will save us the cost of printing and mailing documents and will reduce the impact of annual meetings on the environment. A stockholder s election to receive proxy materials by email will remain in effect until the stockholder terminates that election.

The proxy statement and our Annual Report are also available on our website at www.hartehanks.com, under Annual Reports and Proxies in the Financials & Filings section of the Investors tab. Additionally, and in accordance with SEC rules, you may access our proxy statement and Annual Report at http://viewproxy.com/harte-hanks/2014/, which does not have cookies that identify or track visitors to the site.

Stockholders Sharing an Address

Registered Stockholders Each registered stockholder (you are a registered stockholder if you own shares in your own name on the books of our transfer agent, Computershare Trust Company, N.A.) will receive one copy of the Notice per account even if at the same address.

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Street-name Stockholders Most banks and brokers are delivering only one copy of the Notice to consenting street-name stockholders (you are a street-name stockholder if you own shares beneficially in the name of a bank, broker or other holder of record on the books of our transfer agent) who share the same address. This procedure reduces our printing and distribution costs. Those who wish to receive separate copies may do so by contacting their bank, broker or other nominee, or (if offered) by checking the appropriate box on the voting instruction card sent to them. Similarly, most street-name stockholders who are receiving multiple copies of the Notice at a single address may request that only a single Notice be sent to them in the future by checking the appropriate box on the voting instruction card sent to them or by contacting their bank, broker or other nominee.

Voting

Stockholders Entitled to Vote

The record date for determining the common stockholders entitled to notice of and to vote at the meeting and any adjournment or postponement thereof was the close of business on March 20, 2014, at which time we had issued and outstanding 63,254,680 shares of common stock, which were held by approximately 2,000 holders of record. Please refer to Security Ownership of Management and Principal Stockholders for information about common stock beneficially owned by our directors, executive officers and principal stockholders as of the date indicated in such section. Record date stockholders are entitled to one vote for each share of common stock owned as of the record date. For a period of at least ten days prior to the annual meeting, a complete list of stockholders entitled to vote at the annual meeting will be open to the examination of any stockholder for any purpose germane to the meeting, during ordinary business hours at our corporate headquarters located at 9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216.

Voting of Proxies By Management Proxy Holders

The Board has appointed Messrs. Carlos M. Alvarado (Vice President, Finance & Controller), Robert L. R. Munden (Senior Vice President, General Counsel & Secretary) and Douglas C. Shepard (Executive Vice President and Chief Financial Officer), as the management proxy holders for the annual meeting. Your shares will be voted in accordance with the instructions on the proxy card you submit by mail, or the instructions provided for any proxy submitted by telephone or online, as applicable. For stockholders who have their shares voted by duly submitting a proxy online, by mail or telephone, the management proxy holders will vote all shares represented by such valid proxies reflecting the Board s recommendations, unless a stockholder appropriately specifies otherwise:

- *Proposal I* (*Election of Directors*) **FOR** the election of each of the persons named under Proposal I Election of Directors as nominees for election as Class III directors;

- *Proposal II (Ratification of the Appointment of Independent Registered Public Accounting Firm)* **FOR** the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm (independent auditors) for fiscal 2014; and

- *Proposal III* (*Advisory Say-on-Pay*) **FOR** the approval (on an advisory basis) of the compensation of our named executive officers.

As of the date of printing of this proxy statement, the Board is not aware of any other business or nominee to be presented or voted upon at the annual meeting. Should any other matter requiring a vote of stockholders properly arise, the proxies in the enclosed form confer upon the person or persons entitled to vote the shares represented by such proxies discretionary authority to vote the same in accordance with their best judgment in the interest of the company. Where a stockholder has appropriately specified how a proxy is to be voted, it will be voted by the management proxy holders in accordance with the specification.

Quorum; Required Votes

The presence at the meeting, in person or by proxy, of the stockholders entitled to cast at least a majority of the votes that all common stockholders are entitled to cast is necessary to constitute a quorum for the transaction of business at the annual meeting. Each vote represented at the meeting in person or by proxy will be counted toward a quorum. Abstentions and broker non-votes (which are described below) are counted as present at the annual meeting for purposes of determining whether a quorum is present. If a quorum is not present, the meeting may be adjourned or postponed from time to time until a quorum is obtained.

Under the current rules of the New York Stock Exchange (NYSE), brokers holding shares of record for a customer have the discretionary authority to vote on some matters if the brokers do not receive timely instructions from the customer regarding how the customer wants the shares voted. There are also non-discretionary matters for which brokers do not have discretionary authority to vote, even if they do not receive timely instructions from the customer. When a broker does not have discretion to vote on a particular matter and the customer has not given timely instructions

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on how the broker should vote, a broker non-vote results. Although any broker non-vote would be counted as present at the meeting for purposes of determining a quorum, it would be treated as not entitled to vote with respect to non-discretionary matters. Brokers will not have discretionary authority in the absence of timely instructions from their customers for proposals I or III, but brokers will have discretionary authority in the absence of timely instructions from their customers for proposal II.

- *Proposal I* (*Election of Directors*) To be elected, each nominee for election as a Class III director must receive the affirmative vote of a plurality of the votes cast at the annual meeting in person or by proxy. This means that director nominees with the most votes are elected. Votes may be cast in favor of or withheld from the election of each nominee. Abstentions and broker non-votes, if any, will not be counted as having been voted and will have no effect on the outcome of the vote on the election of directors.

- *Proposal II (Ratification of the Appointment of Independent Registered Public Accounting Firm)* Ratification of the appointment of KPMG LLP as our independent registered public accounting firm (independent auditors) for fiscal 2014 requires the affirmative vote of the majority of the votes cast at the annual meeting in person or by proxy. Broker non-votes and abstentions will not be counted in determining the number of votes cast and will have no effect on the approval of this proposal.

- *Proposal III* (Advisory *Say-on-Pay*) Approval of the advisory resolution on executive compensation requires the approval of a majority of the shares represented in person or by proxy and entitled to vote at the Annual Meeting. Broker non-votes and abstentions will not be counted in determining the number of votes cast and will have no effect on the approval of this proposal.

Submission of Proposal II for ratification by the stockholders is not legally required. However, the Board and its Audit Committee believe that such submission is an opportunity for stockholders to provide feedback to the Board and its Audit Committee on an important issue of corporate governance. If the stockholders do not ratify the selection of KPMG LLP, the Audit Committee will reconsider the selection of such firm as independent auditors, although the results of the vote are not binding on the Audit Committee. The Audit Committee has the sole authority and responsibility to retain, evaluate, and, where appropriate, replace the independent auditors. Ratification by the stockholders of the appointment of KPMG LLP does not limit the authority of the Audit Committee to direct the appointment of new independent auditors at any time during the year or thereafter.

Voting Procedures

Registered Stockholders Registered stockholders may vote their shares or submit a proxy to have their shares voted by one of the following methods:

- *By Mail*. You may submit a proxy by signing, dating and returning your proxy card in the enclosed pre-addressed envelope.

- *By Telephone*. You may submit a proxy by telephone using the toll-free number listed on the proxy card. Please have your proxy card in hand when you call. Telephone voting facilities will close and no longer be available on the date and time specified on the proxy card.

- *Online*. You may submit a proxy online using the website listed on the proxy card. Please have your proxy card in hand when you log onto the website. Online voting facilities will close and no longer be available on the date and time specified on the proxy card.

- *In Person*. You may vote in person at the annual meeting by completing a ballot; however, attending the meeting without completing a ballot will not count as a vote.

Street-name Stockholders Street-name stockholders may generally vote their shares or submit a proxy to have their shares voted by one of the following methods:

- *By Mail*. You may submit a proxy by signing, dating and returning your proxy card in the enclosed pre-addressed envelope.

- *By Methods Listed on Proxy Card*. Please refer to your proxy card or other information forwarded by your bank, broker or other holder of record to determine whether you may submit a proxy by telephone or online, following the instructions on the proxy card or other information provided by the record holder.

- *In Person with a Proxy from the Record Holder*. A street-name stockholder who wishes to vote in person at the meeting will need to obtain a legal proxy from their bank, broker or other nominee. Please

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consult the voting form or other information sent to you by your bank, broker or other nominee to determine how to obtain a legal proxy in order to vote in person at the annual meeting.

Revoking Your Proxy

If you are a registered stockholder, you may revoke your proxy at any time before the shares are voted at the annual meeting by:

- timely delivery of a valid, later-dated executed proxy card;
- timely submitting a proxy with new voting instructions using the telephone or online voting system;
- voting in person at the meeting by completing a ballot; however, attending the meeting without completing a ballot will not revoke any previously submitted proxy; or
- filing an instrument of revocation received by the Secretary of Harte-Hanks, Inc. at 9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216, by 4:00 p.m., Central Time, on Tuesday, May 13, 2014.

If you are a street-name stockholder and you vote by proxy, you may change your vote by submitting new voting instructions to your bank, broker or nominee in accordance with that entity s procedures.

Annual Meeting Admission

If you wish to attend the annual meeting in person, you must present a form of personal identification. If you are a beneficial owner of Harte Hanks common stock that is held of record by a bank, broker or other nominee, you will also need proof of ownership to be admitted to the meeting. A recent brokerage statement or a letter from your bank or broker are examples of proof of ownership. No cameras, recording equipment, large bags, briefcases or packages will be permitted in the meeting.

Solicitation Expenses

We will bear all costs incurred in the solicitation of proxies by our Board. In addition to solicitation by mail, our directors, officers and employees may solicit proxies personally or by telephone, e-mail, facsimile or other means, without additional compensation. We may also make arrangements with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of shares of common stock held by such persons, and we may reimburse these brokerage houses and other custodians, nominees and fiduciaries for reasonable expenses incurred in connection therewith.

Copies of the Annual Report

A copy of our Annual Report, including the financial statements and the financial statement schedules, if any, but not including exhibits, will also be furnished at no charge to each person to whom a proxy statement is delivered upon the written request of such person addressed to Harte-Hanks, Inc., Attn: Secretary, 9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216. Our Annual Report and the exhibits filed with it are also available on our website, www.hartehanks.com, under Annual Reports and Proxies in the Financials & Filings section of the Investors tab. Our Annual Report and the exhibits filed with it do not constitute a part of the proxy solicitation material.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and related rules of the SEC require our directors and officers, and persons who own more than 10% of a registered class of our equity securities, to file initial reports of ownership and reports of changes in ownership with the SEC. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) reports that they file. As with many public companies, we provide assistance to our directors and executive officers in making their Section 16(a) filings pursuant to powers of attorney granted by our insiders. To our knowledge, based solely on our review of the copies of Section 16(a) reports received by us with respect to fiscal 2013, including those reports that we have filed on behalf of our directors and executive officers pursuant to powers of attorney, or written representations from certain reporting persons, we believe that all filing requirements applicable to our directors, officers and persons who own more than 10% of a registered class of our equity securities have been satisfied.

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DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information about our current directors and executive officers:

Name	Age	Position
Stephen E. Carley	61	Director (Class II)
David L. Copeland	58	Director (Class I)
William F. Farley	70	Director (Class II)
Christopher M. Harte	66	Director (Class I); Chairman of the Board
Scott C. Key	55	Director (Class I)
Judy C. Odom	61	Director and Nominee (Class III)
Robert A. Philpott	53	Director and Nominee (Class III); President & CEO
Karen A. Puckett	53	Director and Nominee (Class III)
Gavin Pommernelle	47	Executive Vice President & Chief Human Resources Officer
Douglas C. Shepard	46	Executive Vice President & CFO
Robert L. R. Munden	45	Senior Vice President, General Counsel & Secretary
Carlos M. Alvarado	40	Vice President, Finance & Controller
Brian J. Dames	45	Vice President
Jeannine L. Falcone	47	Vice President
Andrew P. Harrison	43	Vice President

Class III directors are to be elected at our 2014 annual meeting, and Judy C. Odom, Robert A. Philpott and Karen A. Puckett are nominees for election. The term of Class I directors expires at the 2015 annual meeting of stockholders, and the term of Class II directors expires at the 2016 annual meeting of stockholders.

Stephen E. Carley joined Harte Hanks as a director on March 17, 2013. Mr. Carley currently serves as the Chief Executive Officer, and as a director, of Red Robin Gourmet Burgers, Inc., a casual dining restaurant chain. Prior to joining Red Robin, Mr. Carley served from April 2001 to August 2010 as the Chief Executive Officer of El Pollo Loco, Inc., a privately held restaurant company. Prior to his service at El Pollo Loco, Mr. Carley served in various management positions with several companies, including, PhotoPoint Corp., Universal City Hollywood, PepsiCo, Inc., and the Taco Bell Group.

We believe that Mr. Carley brings to the board of directors, among his other skills and qualifications, extensive retail and consumer-focused industry experience and valuable executive leadership, which he has gained as a chief executive officer of a corporation with significant, large-scale operations. In addition, he has extensive knowledge and understanding of marketing from a retail perspective, which should prove valuable for our company given the number of our retail-based clients.

David L. Copeland has served as a director of Harte Hanks since 1996. He has been employed by SIPCO, Inc., the management and investment company for the Andrew B. Shelton family, since 1980, and currently serves as its President. Since 1998, he has served as a director of First Financial Bankshares, Inc., a financial holding company. Currently, he serves on the executive and nominating committees and is also the audit committee chairman of First Financial Bankshares.

We believe that Mr. Copeland s qualifications for our board include his experience serving on various committees for a publicly traded financial holding company. We also believe he offers us extensive knowledge of financial instruments, financial and economic trends and accounting expertise from serving as president of SIPCO, Inc. and on the audit committee of First Financial Bankshares. Mr. Copeland, a certified public accountant and a chartered financial analyst, qualifies as a financial expert on our audit committee.

William F. Farley has served as a director of Harte Hanks since 2003. Currently, he is a Principal with Livingston Capital, a private investment business he started in 2002. Since 2005, he has served on the board of trustees for Blue Cross Blue Shield of Minnesota and is a member of its technology committee and the chair of its investment committee. He served as Chairman and Chief Executive Officer of Science, Inc., a medical device company, from 2000 to 2002. He also served as Chairman and Chief Executive Officer of Kinnard Investments, a financial services holding company, from 1997 to 2000. From 1990 to 1996, he served as Vice Chairman of U.S. Bancorp, a financial services holding company.

We believe that Mr. Farley s qualifications for our board include his extensive leadership experience at various financial institutions serving in roles as chairman and chief executive officer. We believe he provides important

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perspectives on financial markets, complex securities and financial and economic trends, as well as a broad prospective on corporate governance and risk management issues facing businesses today. Mr. Farley qualifies as a financial expert on our audit committee.

Christopher M. Harte has served as a director of Harte Hanks since 1993. Serving as our Chairman since July 1, 2013, he is also a private investor. He was Chairman and subsequently publisher of the Minneapolis Star Tribune from March 2007 through September 2009. The Minneapolis Star Tribune entered bankruptcy in January 2009 and emerged from bankruptcy in September 2009. He had previously been President and publisher of Knight-Ridder newspapers in State College, Pennsylvania and Akron, Ohio, and later President of the newspaper in Portland, Maine. He serves as a director of Geokinetics, Inc., a provider of three-dimensional seismic acquisition services to U.S. and international oil and gas businesses. He was a director of Crown Resources Corporation from 2002 until its merger with Kinross Gold Corporation in 2006. Mr. Harte is the nephew of Houston H. Harte, our former Vice Chairman.

We believe that Mr. Harte s qualifications for our board include his extensive experience in managing, investing in and serving on the board of directors of a number of media companies in various segments of the media industry. Also, he offers the perspective of a seasoned board member having served on our board of directors when it was a private company and a public company.

Scott C. Key joined the Harte Hanks board on March 17, 2013. Mr. Key serves as President and (since 2013) Chief Executive Officer of IHS, Inc., a leading source of information and analytics. Mr. Key also serves on IHS board of directors. Mr. Key joined IHS in 2003, and has served in a variety of roles of progressively greater responsibility, most recently as IHS Chief Operating Officer (in 2011), Senior Vice President, Global Products and Services (in 2010) and President and Chief Operating Officer of IHS Global Insight (September 2008 December 2009). From 2007-2008, he served as President and Chief Operating Officer of IHS Jane s and chairman of IHS Fairplay, and led an integrated sales team on a global basis. From 2003-2007, he served as IHS Senior Vice President of Corporate Strategy and Marketing, and led Energy Strategy, Products, Marketing and Software Development. Prior to joining IHS in 2003, Mr. Key served as a senior executive in energy technology and services.

We believe Mr. Key s extensive experience in global data- and analytics-intensive businesses brings a keen perspective as our company continues to develop more and different data-driven marketing offerings for our clients. In addition, his current service as Chief Executive Officer of a fast growing company will provide a valuable perspective on our board as we develop and deploy a new strategy for our company.

Judy C. Odom has served as a director of Harte Hanks since 2003. Ms. Odom has also served on the board of directors of Leggett & Platt, Incorporated, a diversified manufacturing company, since November 2002. In March 2014, Ms. Odom joined the board of directors of Sabre Corporation, a leading technology solutions provider to the global travel and tourism industry; she also serves as the chair of Sabre s Audit Committee. From 1985 until 2002, she held numerous positions, most recently chief executive officer and chairman of the board, at Software Spectrum, Inc., a global business to business software services company, which she co-founded in 1983. Prior to founding Software Spectrum, she was a partner with the international accounting firm, Grant Thornton.

We believe that Ms. Odom s qualifications to serve on our board include her board service with several companies allowing her to offer a broad leadership perspective on strategic and operating issues facing companies today. Her experience co-founding Software Spectrum, growing it to a large public company before selling it to another public company and serving as board chair provides the insight and perspective of a successful entrepreneur and long-serving chief executive officer with international operating experience. As a partner in an international accounting firm she supervised audits of many companies in various industries.

Robert A. Philpott joined our board when became our President and Chief Executive Officer on July 1, 2013. Mr. Philpott is career marketing executive and has held senior leadership roles in Europe, Asia and the Americas. Mr. Philpott was most recently a member of the board of directors of Aegis Group PLC, from 2010 through 2012, and Chief Executive Officer of Synovate, a global market research firm. He joined Synovate in 1997, and after progressing through several operating positions was appointed Chief Executive Officer in 2009; he left Synovate in 2011 after its sale to Ipsos SA.

In addition to the inherent value of having our company s senior leadership team represented on the board, Mr. Philpott brings over 20 years of industry experience from leading marketing companies at all stages of growth and in markets across the globe. We believe this leadership experience and market knowledge will provide the board with valuable perspectives as the company develops and deploys its new strategy.

Karen A. Puckett has served as a director of Harte Hanks since 2009. Ms. Puckett is currently an Executive Vice President and Chief Operating Officer with CenturyLink, Inc., and has served as CenturyLink s Chief Operating Officer

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since 2000. CenturyLink is the third largest telecom communications company in the U.S. and a leader in network services as well as a global leader in cloud infrastructure and hosted IT solutions for enterprise customers. CenturyLink provides data voice and managed services in local, national and select international markets.

We believe that Ms. Puckett s qualifications for our board include her perspective as an active chief operating officer based on her leadership experience at CenturyLink. In addition, she recently helped lead CenturyLink s combination with Qwest Communications International, Inc. We believe her involvement in the transformation and expansion of CenturyLink gives her broad perspective on all aspects of growing businesses.

Gavin Pommernelle was appointed as our Executive Vice President and Chief Human Resources Officer in December 2013, and responsible for our talent strategy and its implementation, as well as internal communication and corporate social responsibility. Mr. Pommernelle has over 20 years of global experience in executive leadership roles and building human resource functions, most recently at Synovate, a global market research company (Executive Vice President and Global Human Resources Officer, 2006 2011) and Talent Driven Value LLC, a talent development and communications consultancy (Founder and Principal 2012 present).

Douglas C. Shepard has served as our Executive Vice President and Chief Financial Officer since December 2007. From September 2006 to December 2007, he served as Chief Financial Officer and Treasurer of Highmark s vision holding company, HVHC Inc. From November 2004 to December 2007, he served Eye Care Centers of America, Inc., as its Executive Vice President, Chief Financial Officer, Treasurer and Secretary, and for over seven years prior to that as Vice President of Finance and Controller. Prior to his employment with ECCA, Mr. Shepard served at a publicly traded restaurant company and at Deloitte & Touche, LLP.

Robert L. R. Munden joined the company in April 2010 as our Senior Vice President, General Counsel and Secretary. From April 2005 through March 2010, Mr. Munden served as Vice President and Corporate Counsel of Safeguard Scientifics, Inc. From June 2002 through April 2005, he served as Corporate Counsel, North America for Taylor Nelson Sofres, a market research company (now a division of WPP PLC). Prior to that, Mr. Munden served as General Counsel to an online marketing and database services firm, as an associate with the law firm Brobeck, Phleger & Harrison, and as an armor and cavalry officer in the U.S. Army.

Carlos M. Alvarado has served as the Vice President, Finance and Controller since June 2013. Prior to joining Harte Hanks, he was Director of Accounting for Visionworks of America, Inc., a subsidiary of Highmark s vision holding company, HVHC Inc. Prior to joining HVHC, Mr. Alvarado spent six years in public accounting with Ernst & Young and Arthur Andersen, and two years at a retail grocery company.

Brian J. Dames has served as our Vice President, Customer Solutions since the 2012. Mr. Dames leads our database and data services businesses, as well as Aberdeen, Trillium Software and our other software and technology market solutions businesses. Prior to joining Harte Hanks in 2007 as a leader in our database business, Mr. Dames held marketing and senior management positions with Experian, Claritas, EthnicGrocer.com, IXI Corporation, and Sears, Roebuck & Co. His two decades of experience span retail, financial services, automotive, media, consumer products and telecommunications, among other markets.

Jeannine L. Falcone serves as our Vice President, Customer Strategy and Engagement, where she leads Harte Hanks advertising agency businesses (The Agency Inside Harte Hanks and Mason Zimbler), as well as all of sales, business development and marketing across the organization. Ms. Falcone has worked for Harte Hanks for nearly twenty years in positions of progressively increasing responsibility, most recently as Senior Vice President of Client Service and then Managing Director of The Agency Inside Harte Hanks. Ms. Falcone s clients span a wide variety of industries, including automotive, consumer brands, financial services, pharmaceutical, health and wellness, and insurance.

Andrew P. Harrison is our Vice President, Contact Centers, where he leads our network network of contact centers spanning four continents. These centers provide inbound and outbound services for industry leaders in mobile devices, tech, professional services, retail, consumer, streaming entertainment, energy, pharma, and healthcare. Mr. Harrison has worked in a variety of roles for Harte Hanks for nearly 20 years, in the most recent years preceding his promotion serving as Vice President, Human Resources for our direct marketing division.

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CORPORATE GOVERNANCE

We believe that strong corporate governance helps to ensure that our company is managed for the long-term benefit of our stockholders. During the past year, we continued to review our corporate governance policies and practices, the applicable federal securities laws regarding corporate governance, and the corporate governance standards of the NYSE, the stock exchange on which our common stock is listed. This review is part of our continuing effort to enhance our corporate governance and to communicate our governance policies to stockholders and other interested parties.

You can access and print, free of charge, the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee (Governance Committee), as well as our Corporate Governance Principles, Business Conduct Policy, Code of Ethics and certain other policies and procedures on our website at *www.hartehanks.com* under the   Corporate Governance   section of our   Investors   tab. Additionally, stockholders can request copies of any of these documents free of charge by writing to the following address:

Harte-Hanks, Inc. (Attention: Secretary)

9601 McAllister Freeway, Suite 610

San Antonio, Texas 78216

From time to time, these governance documents may be revised in response to changing regulatory requirements, our evaluation of evolving best practices and industry norms and input from our stockholders and other interested parties. We encourage you to check our website periodically for the most recent versions.

Board of Directors and Board Committees

Our business is managed under the direction of our Board. The Board elects the Chief Executive Officer (CEO) and other corporate officers, acts as an advisor to and resource for management, and monitors management s performance. The Board, with the assistance of the Compensation Committee, also assists in planning for the succession of the CEO and certain other key positions. In addition, the Board oversees the conduct of our business and strategic plans to evaluate whether the business is being properly managed, and reviews and approves our financial objectives and major corporate plans and actions. Through the Audit Committee, the Board reviews and approves significant changes in the appropriate auditing and accounting principles and practices, provides oversight of internal and external audit processes, financial reporting and internal controls.

The Board meets on a regularly scheduled basis to review significant developments affecting our company, to act on matters requiring approval by the Board and to otherwise fulfill its responsibilities. It also holds special meetings when an important matter requires action or review by the Board between regularly scheduled meetings. The Board met seven times (with no director missing more than one meeting) and acted by unanimous written consent 11 times during 2013.   In addition, in 2013 each director participated in at least 75% of the meetings of the Board committee(s) of which he or she was a member.

The Board has separately designated standing Audit, Compensation and Governance Committees. The following table provides Board and committee membership and meeting information for each of the Board s standing committees:

Director	**Independent (1)**	**Audit**	**Compensation**	**Governance**
Stephen E. Carley	Yes		Member	Member
David L. Copeland	Yes	Member (2)	Chair	
William F. Farley	Yes	Chair (2)		Member
Christopher M. Harte	Yes	Member		
Scott C. Key	Yes			
Judy C. Odom	Yes		Member	Chair
Robert A. Philpott	No			
Karen A. Puckett	Yes		Member	
Number of Meetings in 2013		7	9	3
Number of Written Consents in 2013		0	3	2

(1) The Board has determined that the director is independent as described under Independence of Directors.

(2) The Board has determined that the director is an audit committee financial expert as described under Audit Committee Financial Experts and Financial Literacy.

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In accordance with our Corporate Governance Principles, the Board rotated the chairs of its committees effective with the conclusion of the 2013 annual meeting, and in December rotated some of the Compensation Committee and Governance Committee members.

A brief description of the principal functions of each of the Board s three standing committees follows. The Board retains the right to exercise the powers of any committee to the extent consistent with applicable rules and regulations, and may do so from time to time. For additional information, please refer to the committee charters that are available on our website at *www.hartehanks.com* under the Corporate Governance section of our Investors tab.

- *Audit Committee* The primary function of the Audit Committee is to assist the Board in fulfilling its oversight of (1) the integrity of our financial statements, including the financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance, (2) the qualifications and independence of our independent auditors, (3) the performance of our internal audit function and independent auditors, and (4) our compliance with legal and regulatory requirements.

- *Compensation Committee* The primary functions of the Compensation Committee are to (1) review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO s performance in light of those goals and objectives, and together with the other independent directors (as directed by the Board), determine and approve the CEO s compensation level based on this evaluation, (2) review and recommend to the Board (as directed by the Board) non-CEO officer compensation, incentive-compensation plans and equity-based plans, and (3) review and discuss with management the company s Compensation Discussion and Analysis and produce a committee report on executive compensation as required by the SEC to be included in our annual proxy statement or annual report on Form 10-K filed with the SEC.

- *Governance Committee* The primary functions of the Governance Committee are to (1) develop, recommend to the Board, implement and maintain our company s corporate governance principles and policies, (2) identify, screen and recruit, consistent with criteria approved by the Board, qualified individuals to become Board members, (3) recommend that the Board select the director nominees for the next annual meeting of stockholders, (4) assist the Board in determining the appropriate size, function, operation and composition of the Board and its committees, and (5) oversee the evaluation of the Board and management.

Director Nomination Process

The Governance Committee is responsible for managing the process for the nomination of new directors. The Governance Committee may identify potential candidates for first-time nomination as a director using a variety of sources recommendations from current Board members, our management, stockholders or contacts in communities served by Harte Hanks, or by conducting a formal search using an outside search firm selected and engaged by the Governance Committee.

Following the identification of a potential director nominee, the Governance Committee commences an inquiry to obtain sufficient information on the background of a potential new director nominee. Included in this inquiry is an initial review of the candidate with respect to whether the individual would be considered independent under NYSE and SEC rules and whether the individual would meet any additional requirements imposed by law or regulation on the members of the Audit and Compensation Committees of the Board. The Governance Committee evaluates candidates for director nominees in the context of the current composition of the Board, taking into account all factors it considers appropriate, including the characteristics of independence, diversity, age, skills, background and experience, financial acumen, availability of service to Harte Hanks, tenure of incumbent directors on the Board and the Board s anticipated needs. Candidates should also have the skills and fortitude to assess and challenge the way things are done and recommend alternative solutions to problems; the independence necessary to make an unbiased evaluation of management performance and effectively carry out responsibilities of oversight; an awareness of both the business and social environment in which today s corporation operates; and a sense of urgency and spirit of cooperation that will enable them to interact with other Board members in directing the future and profitable growth of the company. The Governance Committee has determined that it is desirable for the Board to have a variety of differences in viewpoints, professional experiences, educational background, skills, race, gender and age, and considers issues of diversity and background in determining the appropriate composition of the Board and identifying director nominees. However, the company does not have a formal policy concerning diversity considerations, nor any formal means of assessing the efficacy of its diversity consideration.

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The Governance Committee will consider potential nominees recommended by our stockholders taking into account the same considerations as are taken into account for other potential nominees. Stockholders may recommend candidates by writing to the Governance Committee in care of our Secretary at Harte-Hanks, Inc., 9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216. Our by-laws provide additional procedures and requirements for stockholders wishing to nominate a director for election as part of the official business to be conducted at an annual stockholders meeting, as described further under Submission of Stockholder Proposals for 2013 Annual Meeting and in our by-laws.

Assuming a satisfactory conclusion to the Governance Committee s review and evaluation process, the Governance Committee presents the candidate s name to the Board for nomination for election as a director and, if applicable, inclusion in our proxy statement.

Independence of Directors

Questionnaires are used on an annual basis (or when a new director is added) to gather input to assist the Governance Committee and the Board in their determinations of the independence of the non-employee directors. Based on the foregoing and on such other due consideration and diligence as it deemed appropriate, the Governance Committee presented its findings to the Board on the independence of (1) Stephen E. Carley, (2) David L. Copeland, (3) William F. Farley, (4) Christopher M. Harte, (5) Scott C. Key, (6) Judy C. Odom and (7) Karen A. Puckett, in each case in accordance with applicable federal securities laws and the rules of the NYSE. The Board determined that, other than in their capacity as directors, none of these non-employee directors had a material relationship with Harte Hanks, either directly or as a partner, stockholder or officer of an organization that has a relationship with Harte Hanks. The Board further determined that (i) each such non-employee director is otherwise independent under applicable NYSE listing standards for purposes of serving on the Board, the Audit Committee, the Compensation Committee and the Governance Committee, (ii) each such non-employee director satisfies the additional audit committee independence standards under Rule 10A-3 of the SEC and (iii) for purposes of serving on the Audit Committee, each such non-employee director is financially literate and, where applicable, certain of such directors are audit committee financial experts as such term is defined in the applicable SEC rules.

When assessing the materiality of a director s relationship with us, if any, the Board considers all known relevant facts and circumstances, not merely from the director s standpoint, but from that of the persons or organizations with which the director has an affiliation, the frequency or regularity of the services, whether the services are being carried out at arm s length in the ordinary course of business and whether the services are being provided substantially on the same terms to us as those prevailing at the time from unrelated parties for comparable transactions. Material relationships can include commercial, banking, industrial, consulting, legal, accounting, charitable and familial relationships. In making its most recent independence determinations, the Board considered the following matters with respect to Messrs. Copeland and Key and Ms. Puckett and determined that they do not constitute material relationships with Harte Hanks or otherwise impair their independence as members of the Board or any of its committees, including the Audit Committee:

- As previously disclosed in our 2013 proxy statement, Mr. Copeland s son is a member of the transaction services group of KPMG LLP, our independent registered public accounting firm. This issue was previously reviewed and discussed by the Board in connection with assessing the continued independence of Mr. Copeland. This review process included discussing with KPMG the nature of its transaction services group and whether there was any relation to KPMG s audit or tax compliance groups. As a result of this diligence and discussions with KPMG, it was determined that KPMG s transaction services group is a separate and distinct group from KPMG s audit and tax compliance practice groups. Accordingly, based on the nature of the services provided by the transaction services group and the fact that Harte Hanks has not purchased such transaction services from KPMG, this matter was not deemed to constitute a material relationship with Harte Hanks.

• As disclosed in our 2013 proxy statement and further in this proxy statement, in accordance with SEC rules, Mr. Copeland has reported, but disclaimed, beneficial ownership of approximately 8.4% of our outstanding shares of our common stock that are owned by (1) various trusts for which Mr. Copeland serves as trustee or co-trustee, (2) a limited partnership of which he is an officer of the general partner, and (3) the Shelton Family Foundation, of which he is one of nine directors and an employee. Based on the nature of Mr. Copeland s role with these entities, his absence of any pecuniary interest in these shares and his disclaimer of any beneficial ownership in these shares, this matter is not deemed to constitute a material relationship with Harte Hanks.

• As previously disclosed in our 2013 proxy statement, Ms. Puckett serves as an executive officer of CenturyLink, Inc., which is both a client and a vendor of the company. In 2013, CenturyLink purchased or licensed approximately $860,000 of software, data and services from our Trillium Software and Data

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Services business units, and we purchased approximately $750,000 telecommunications services from CenturyLink, all in the ordinary course of business. Ms. Puckett is not compensated directly or indirectly as a result of these transactions other than that the company s payments to CenturyLink add to the overall revenue of CenturyLink. Moreover, Ms. Puckett did not actively participate in negotiating or consummating the terms of the applicable transactions between the company and CenturyLink and did not have any direct or indirect material interest in such transactions.

- Mr. Key serves as an executive officer of IHS Inc., which is a client of the company. In 2013, IHS purchased or licensed approximately $50,000 of data and services from our Aberdeen Group and Trillium Software business units, all in the ordinary course of business. Mr. Key is not compensated directly or indirectly as a result of these transactions other than that the company s payments to IHS add to the overall revenue of IHS. Moreover, Mr. Key did not actively participate in negotiating or consummating the terms of the applicable transactions between the company and IHS and did not have any direct or indirect material interest in such transactions.

Board Leadership Structure

The past year brought significant change to our Board and Committees, with three new directors joining and three incumbents retiring. We began 2013 with a Board comprised of eight directors (seven of whom were independent), with our then-CEO (Larry D. Franklin) serving as Chairman as he had for many years. In January, William D. Gayden retired, and in March we appointed two new directors, Stephen E. Carley and Scott C. Key. Houston H. Harte, who served as our Vice Chairman and as a director for over 60 years, retired from Board service in May. In July Robert A. Philpott succeeded Mr. Franklin as President and CEO, and joined our Board. At the same time, the Board determined that the company should split the roles of Chairman and CEO, and elected Christopher M. Harte (previously our Lead Director) to serve as our independent Chairman. Mr. Franklin resigned as a Director in November, leaving us with the Board reflected in the foregoing table.

The non-management and independent members of the Board meet in executive session outside the presence of management directors at every regular meeting of the Board, and as-needed at special meetings. We believe having a substantial majority of independent, experienced directors comprising our Board benefits the company and its stockholders.

Board leadership structures should vary for companies depending on their circumstances. Although as part of our Lead Director Policy (see below) we regularly evaluate whether to combine or separate the roles of CEO and Chairman, the retirement of Mr. Franklin as Chairman presented us with an additional opportunity to review our board leadership structure. After considering a range of factors, including the significant workload required for the Board and a CEO in a CEO transition and the need to develop a new corporate strategy, the Board determined that in our current situation the company would be best served by an independent Chairman. The board believes that this leadership structure will allow our new CEO the time and resources to assess the company and then focus on leading the company in the development and implementation of a new corporate strategy. Our board and stockholders will likewise benefit from the continuity provided by an independent Chairman who is very familiar with the company from his long service on our board. Mr. Harte, our Chairman, will lead the board and its activities, and is responsible for the effective operation of the board and its responsiveness to stockholders.

Notwithstanding the change to our board leadership, the board still maintains a Lead Director Policy, which provides that:

- the Board shall conduct an annual evaluation of whether to combine (or continue combining, as the case may be) the roles of Chairman of the Board and CEO, with a view to ensuring significant independent oversight of management;

- when the Chairman of the Board is also the CEO, the independent members of the Board shall elect one of the independent Directors to serve as Lead Director, such director to serve in such role for a one-year term;

- at each regular meeting of the Board, the independent directors shall meet in executive session; and

- the Lead Director shall have the following powers and duties (1) presiding over all meetings of the Board at which the Chairman of Board is not present, (2) presiding over executive sessions of independent and/or non-management directors, (3) calling meetings of the independent directors, and (4) serving as a liaison between the Chairman of the Board and the independent directors if so requested.

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Our Board conducts an annual evaluation in order to determine whether it and its committees are functioning effectively. As part of this annual self-evaluation, the Board evaluates whether the current leadership structure continues to be optimal for Harte Hanks and its stockholders. Our corporate governance guidelines provide the flexibility for our Board to modify or continue our leadership structure in the future, as it deems appropriate.

Executive Sessions

Our Corporate Governance Principles provide that the non-management members of the Board will hold regular executive sessions in connection with regular Board meetings to consider issues that they may determine from time to time without the presence of any member of management. If the Chairman of the Board is not a member of management, the Chairman will chair each such session and report any material issues to the full Board. If the Chairman is a member of management, the Lead Director serves as the chairman of the executive sessions. If the non-management directors include directors who are not independent under applicable NYSE and SEC rules, then the independent directors will hold an executive session at least once a year. The Chairman of the Board, if an independent director, will chair each such session and report any material issues to the full Board. If the Chairman is not an independent director, the Lead Director serves as the chairman of such sessions.

Risk Oversight

Our Board is responsible for overseeing the risk management process. The Board focuses on our general risk management strategy and the most significant risks we face (such as information security and data protection), and ensures that appropriate risk mitigation strategies are implemented by management. The Board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters.

In performing the risk management process, the Board reviews with management (1) our policies with respect to risk assessment and management of risks that may be material to us, (2) our system of disclosure controls and system of internal controls over financial reporting, and (3) our compliance with legal and regulatory requirements. The Board also reviews major legislative and regulatory developments that could materially impact our contingent liabilities and risks. Our other Board committees also consider and address risk as they perform their respective committee responsibilities. For example, our Compensation Committee evaluates the risks associated with our compensation plans and policies, and our Audit Committee monitors risks relating to our financial controls and reporting. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise level risk. The leadership structure of our Board described above in the Board Leadership Structure section also ensures that management is properly overseen by independent directors.

Management is responsible for day-to-day risk management. Our finance, treasury, general counsel and internal audit departments serve as the primary monitoring and testing function for company-wide policies and procedures, and manage the day-to-day oversight of the risk management strategy for our ongoing business. This oversight includes identifying, evaluating and addressing potential risks that may exist at the enterprise, strategic, financial and operational levels, as well as compliance and reporting.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing the company and that our Board leadership structure supports this approach.

Audit Committee Financial Experts and Financial Literacy

The Board has determined that David L. Copeland, William F. Farley and Christopher M. Harte, the current members of the Audit Committee, are each financially literate as interpreted by the Board in its business judgment based on applicable NYSE rules, and that Messrs. Copeland and Farley each further qualifies as an audit committee financial expert, as such term is defined in applicable SEC rules.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee of our Board is or has been an officer or employee of the company. All members of the Compensation Committee participate in decisions related to compensation of our executive officers. No interlocking relationship exists between our Board and the board of directors or compensation committee of any other company.

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Communications with Non-Management Directors and Other Board Communications

The Board provides a process to enhance the ability of stockholders and other interested parties to communicate directly with the non-management directors as a group, the entire Board, Board committees or individual directors, including the Chairman and chair of any Board committee.

Stockholders and other interested parties may communicate by writing to: Board of Directors Stockholder Communication, Harte-Hanks, Inc., 9601 McAllister Freeway, Mail Box 8, San Antonio, Texas 78216. Our independent directors have instructed the Chair of the Governance Committee to collect and distribute all such communications to the intended recipient(s), assuming she reasonably determines in good faith that such communications do not relate to an improper or irrelevant topic.

Concerns about accounting or auditing matters may be forwarded on a confidential or anonymous basis to the Audit Committee by writing to: Audit Committee, Harte-Hanks, Inc., 9601 McAllister Freeway, Mail Box 8, San Antonio, Texas 78216, in an envelope labeled To be opened by the Audit Committee only. Submitted pursuant to Audit Committee s whistleblower policy. These complaints will be reviewed and addressed under the direction of the Audit Committee.

Items unrelated to the duties and responsibilities of the Board, such as mass mailings, business solicitations, advertisements and other commercial communications, surveys and questionnaires, and resumes or other job inquiries, will not be forwarded.

Director Attendance at Annual Meetings

Although we do not have a formal policy regarding director attendance at the annual meeting of stockholders, all directors are encouraged to attend. All directors then serving attended the 2013 annual meeting of stockholders.

Policies on Business Conduct and Ethics

We have established a corporate compliance program as part of our commitment to responsible business practices in all of the communities in which we operate. The Board has adopted a Business Conduct Policy that applies to all of our directors, officers and employees, which promotes the fair, ethical, honest and lawful conduct in our business relationships with employees, customers, suppliers, competitors, government representatives, and all other business associates. In addition, we have adopted a Code of Ethics applicable to our CEO and all of our senior financial officers. The Business Conduct Policy and Code of Ethics form the foundation of a compliance program that includes policies and procedures covering a variety of specific areas of professional conduct, including compliance with laws, conflicts of interest, confidentiality, public corporate disclosures, insider trading, trade practices, protection and proper use of company assets, intellectual property, financial accounting, employment practices, health, safety and environment, and political contributions and payments.

Both our Business Conduct Policy and our Code of Ethics are available on our website at *www.hartehanks.com*, under the Corporate Governance section of our Investors tab. In accordance with NYSE and SEC rules, we intend to disclose any future amendments to our Code of Ethics, or waivers from our Code of Ethics for our CEO, Chief Financial Officer (CFO) and Controller, by posting such information on our website (*www.hartehanks.com*) within the time period required by applicable SEC and NYSE rules.

Certain Relationships and Related Transactions

The Board has adopted certain policies and procedures relating to its review, approval or ratification of any transaction in which Harte Hanks is a participant and that is required to be reported by the SEC s rules and regulations regarding transactions with related persons. As set forth in the Governance Committee s charter, except for matters delegated by the Board to the Audit Committee, all proposed related transactions and conflicts of interest should be presented to the Governance Committee for its consideration. If required by law, NYSE rules or SEC regulations, such transactions must obtain Governance Committee approval. In reviewing any such transactions and potential transactions, the Governance Committee may take into account a variety of factors that it deems appropriate, which may include, for example, whether the transaction is on terms comparable to those that could be obtained in arm s length dealings with an unrelated third party, the value and materiality of such transaction, any affiliate transaction restrictions that may be included in our debt agreements, any impact on the Board s evaluation of a non-employee director s independence or on such director s eligibility to serve on one of the Board s committees and any required public disclosures by Harte Hanks.

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Indemnification of Officers and Directors

Our certificate of incorporation and bylaws require us to indemnify our officers and directors to the fullest extent permitted by the Delaware General Corporation Law. These documents also contain provisions that provide for the indemnification of our directors for third party actions and actions by or in the right of Harte Hanks that mirror Section 145 of the Delaware General Corporation Law.

Our certificate of incorporation also states that Harte Hanks has the power to purchase and maintain insurance, at its expense, to protect itself and any such director, officer, employee or agent of Harte Hanks or another corporation, partnership, joint venture, trust or other enterprise against such expense, liability or loss, whether or not we would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law. We also have and intend to maintain director and officer liability insurance, if available on reasonable terms.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the Securities Act), may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Management Certifications

In accordance with the Sarbanes-Oxley Act of 2002 and SEC rules thereunder, our CEO and CFO have signed certifications under Sarbanes-Oxley Section 302, which have been filed as exhibits to our annual report on Form 10-K for the year ended December 31, 2013. In addition, our CEO submitted his most recent annual certification to the NYSE under Section 303A.12(a) of the NYSE listing standards on June 28, 2013.

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SECURITY OWNERSHIP OF MANAGEMENT AND PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the number of shares of our common stock beneficially owned by (1) our named executive officers (the five executive officers and two former executive officer included in the Summary Compensation Table below), (2) each current Harte Hanks director and each nominee for director, (3) each person known by Harte Hanks to beneficially own more than 5% of the outstanding shares of our common stock, and (4) all current Harte Hanks directors and executive officers as a group. Except as otherwise noted, (a) the persons named in the table have sole voting and investment power with respect to all shares beneficially owned by them, and (b) ownership is as of March 20, 2014, when 63,254,680 shares of our common stock outstanding.

Name and Address of Beneficial Owner (1)	**Number of Shares of Common Stock**	**Percent of Class**
Named Executive Officers		
Robert A. Philpott	100,000	*
Douglas C. Shepard (2)	320,361	*
Robert L. R. Munden (3)	108,596	*
Brain J. Dames (4)	110,309	*
Jeannine L. Falcone (5)	141,706	*
Larry D. Franklin (6)	5,948,415	9.4%
Michael P. Paulsin (7)	15,876	*
Directors		
Stephen E. Carley	19,731	*
David L. Copeland (8) (9)	5,455,262	8.6%
William F. Farley (8) (10)	85,292	*
Christopher M. Harte (8) (11)	1,032,415	1.6%
Scott C. Key	19,827	*
Judy C. Odom (8)	60,452	*
Robert A. Philpott	100,000	*
Karen A. Puckett	41,620	*
Other Known 5% Holders		
BlackRock, Inc. (including subsidiaries) (12)	5,222,293	8.2%
Houston H. Harte (13)	6,609,680	10.5%
Heartland Advisors, Inc. (14)	4,380,986	6.9%
Vanguard Group, Inc.(15)	3,197,877	5.1%
All Current Executive Officers and Directors as a Group (15 persons) (16)	7,586,551	12.0%

* Less than 1%.

(1) The address of (a) Larry D. Franklin is 12500 San Pedro, Suite 404, San Antonio, Texas 78216, (b) BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022, (c) Houston H. Harte is P.O. Box 17424, San Antonio, Texas 78217, (d) Heartland Advisors, Inc. is 789 North Water Street, Milwaukee, Wisconsin 53202, (e) Vanguard Group, Inc. is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355, and (f) each other beneficial owner is c/o Harte-Hanks, Inc., 9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216.

(2) Includes 253,750 shares that may be acquired upon the exercise of options exercisable within the next 60 days.

(3) Includes 68,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days.

(4) Includes 76,750 shares that may be acquired upon the exercise of options exercisable within the next 60 days.

(5) Includes 102,500 shares that may be acquired upon the exercise of options exercisable within the next 60 days.

(6) Includes 350,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 395,374 shares held in trusts for Mr. Franklin, his wife and children; 728,795 shares held by his spouse; and the following shares to which he disclaims beneficial ownership: (a) 3,258,558 shares owned by eight trusts for which he serves as co-trustee and holds shared voting and dispositive power, and (b) 25,305 shares owned by the Franklin Family Foundation, of which he is one of four directors.

(7) Includes 3,504 shares held by his wife.

(8) Includes 8,400 shares that may be acquired upon the exercise of options exercisable within the next 60 days.

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(9) Includes the following shares to which Mr. Copeland disclaims beneficial ownership: (a) 46,200 shares held as custodian for unrelated minors, (b) 2,009,071 shares that are owned by 22 trusts for which he serves as trustee or co-trustee, (c) 200,500 shares held by a limited partnership of which he is sole manager of the general partner, and (e) 3,062,465 shares owned by the Shelton Family Foundation, of which he is one of nine directors and an employee.

(10) Includes 124 shares owned indirectly by Mr. Farley s spouse, as to which beneficial ownership is disclaimed.

(11) Includes 768,939 shares held by Spicewood Family Partners, Ltd., of which he is the sole member and manager of the limited liability company that is the sole general partner, with exclusive voting and dispositive power over all the partnership s shares, and the following shares to which he disclaims beneficial ownership: (a) 450 shares owned indirectly by his wife, (b) 300 shares held as custodian for Mr. Harte s step-children and child, (c) 46,380 shares held by trusts for which Mr. Harte and (for some) his wife serve as co-trustees, and (d) 120,001 shares held by other trusts for which Mr. Harte serves as a co-trustee.

(12) Represents shares held by investment advisory clients of BlackRock, Inc. s (BlackRock) investment advisory subsidiaries (BlackRock Advisors (UK) Limited, BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Fund Management Ireland Limited, BlackRock Institutional Trust Company, N.A., BlackRock International Limited, BlackRock Investment Management (Australia) Limited, BlackRock Investment Management, LLC, BlackRock Japan Co Ltd.), no one of which to the knowledge of BlackRock owns more than 5.0% of the class. Information relating to this stockholder is based on the stockholder s Schedule 13G/A, filed with the SEC on January 29, 2014.

(13) All such shares are held in a trust for which Mr. Harte and his wife are co-trustees and beneficiaries, except for 3,062 shares held in partnerships of which Mr. Harte is the controlling partner.

(14) Represents shares that may be deemed beneficially owned within the meaning of Rule 13d-3 of the Act by (a) Heartland Advisors, Inc. (Heartland) by virtue of its investment discretion and voting authority granted by certain clients, which may be revoked at any time; and (b) William J. Nasgovitz, by virtue of his control of Heartland. Mr. Nasgovitz disclaims beneficial ownership of such shares. Heartland shares voting and dispositive power with respect to all such shares. 4,250,000 of such shares (6.1% of the class) are owned by the Heartland Value Plus Fund, but otherwise, to the best of Heartland s knowledge, no account owns more than 5.0% of the class. Information relating to this stockholder is based on the stockholder s Schedule 13G/A, filed with the SEC on February 6, 2014.

(15) Represents shares held by Vanguard Group, Inc. and (a) 73,139 shares beneficially owned by its Vanguard Fiduciary Trust Company subsidiary and (b) 2,300 shares beneficially owned by its Vanguard Investments Australia, Ltd. subsidiary. Information relating to this stockholder is based on the stockholder s Schedule 13G, filed with the SEC on February 11, 2014.

(16) Includes 545,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis (CD&A) provides a discussion of the compensation philosophy and objectives that underlie our executive compensation program and how we evaluated and set our executives compensation for 2013. This CD&A provides qualitative information concerning how 2013 compensation was awarded to and earned by our executives, identifies the most significant factors relevant to our 2013 executive compensation decisions and gives context to the data presented in the tables included below in this proxy statement. Committee within this CD&A means the Compensation Committee of the Board. Our executive officers are our senior executives who are listed above under the heading Directors and Executive Officers. Our named executive officers listed in the Summary Compensation Table and other compensation tables that follow are listed below, and are drawn from executive officers who served in 2013:

- Robert Philpott President and Chief Executive Officer (from July 1, 2013);
- Doug Shepard Executive Vice President and Chief Financial Officer;
- Robert Munden Senior Vice President, General Counsel and Secretary;
- Brian Dames Vice President, Customer Solutions;
- Jeannine Falcone Vice President, Customer Strategy & Engagement;
- Larry Franklin Chairman, President and Chief Executive Officer (through June 30, 2013); and
- Mike Paulsin Senior Vice President and President, Shoppers (through September 27, 2013).

Executive Summary

We seek to design and implement executive compensation programs that align our executives interests and motivations with those of our stockholders, while avoiding the encouragement of inappropriate risk-taking. In 2013, our total direct compensation program for our named executive officers consisted of base salary, annual cash incentives (based on pre-established goals), long-term equity incentives (stock options, time-vesting restricted stock and performance units) and limited perquisites.

As further detailed below, 2013 was a year of significant change for Harte Hanks, with several events affecting the Company and 2013 executive compensation decisions and participants:

- *CEO Recruiting and Transition*: we recruited a new CEO, and in June Mr. Franklin retired as our Chairman, President and CEO, with Mr. Philpott succeeding him as President and CEO (the CEO Transition);

- *New and Independent Chairman*: coincident with the CEO Transition, the Board separated the Chairman and CEO roles, and elected one of its independent directors (Mr. Harte) as Chairman;

- *Sale of Shoppers Division*: in September, we sold one of our two operating divisions (our California Shoppers business The Pennysaver), with its President, Mr. Paulsin, leaving the Company to stay with that business;

- *Board Changes*: three new directors joined our Board (Messrs. Carley and Key in March, and Mr. Philpott in July), and three incumbent directors retired (Mr. Gayden in January, Mr. Houston Harte in May, and Mr. Franklin in November);

- *Committee Changes*: the chairs of each of our committees rotated in May, and the membership of the Compensation Committee and Governance Committee was changed in December; and

- *Senior Human Resources Leader*: in December, the company appointed Gavin Pommernelle as its Executive Vice President and Chief Human Resources Officer (a newly-created position), to serve as our senior human resources leader, including regarding compensation matters.

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The Company began 2013 focused on maintaining profitability, with an expectation of growth in the second half. The Company s performance suffered declines in the mixed economic environment, reporting decreases in operating income from continuing operations (-31.9%), net income from continuing operations (-30.9%) and diluted earnings per share from continuing operations (-30.4%) in 2013 from fiscal 2012. However, our stock price increased 32.5%, yielding a total stockholder return of 37.4% for the year.

Based on the economic environment, the Company s performance in 2012, anticipated changes to the Company and its leadership, and the Committee s compensation philosophy and objectives, the Committee approved the following compensation decisions for the named executive officers in 2013:

- Salary increases of approximately 2% - 3% for named executive officers, other than Mr. Paulsin (who received no increase) and Mr. Franklin (who received a 17% raise as he was substantially below our target 50th percentile for salary).

- Bonus payments consistent with our performance relative to pre-established goals set by the Committee in January 2013. As discussed further below, actual payouts as a percent of each named executives maximum bonus opportunity ranged from 0% to 19%.

- Grants of stock options, restricted stock awards and performance units (in varying amounts and combinations) to address compensation gaps identified by our benchmarking.

- Compensation for our new CEO which was largely consistent with market benchmarks.

The Committee engaged Meridian Compensation Partners (Meridian) in early 2014 to assist with a comprehensive review of our director and executive officer compensation programs. The Committee will review and evaluate Meridian s report when making its 2014 compensation determinations.

The remainder of this CD&A provides further detail on the compensation philosophy, process, and decisions for 2013. Certain information regarding our 2012 and 2014 compensation determinations and policies is also included to the extent we believe it provides helpful context for our discussion of 2013 executive compensation.

Executive Compensation Philosophy and Objectives

Our executive compensation program is designed to achieve a number of key objectives and thereby support our overall efforts to create long-term value for our stockholders:

- *Attract and Retain Top Talent* Attract and retain high-performing individuals who will significantly contribute to our long-term success and the creation of long-term stockholder value by providing competitive compensation compared to peer companies, competitors or companies in the same market for executive talent.

- *Pay for Performance* Motivate our executives to work in the best interests of our stockholders by closely tying compensation to company, business unit (for certain executive officers, as appropriate) and individual performance on both a short-term and long-term basis.

- *Place Significant Portion of Pay At Risk* Align executive compensation with stockholder interests by placing a significant portion of total direct compensation at risk, such that the executive will not realize value unless company performance goals are achieved (for example, annual bonuses and restricted stock with vesting dependent upon company performance) or our stock price appreciates (for example, stock options).

- *Require Significant Ongoing Executive Stock Ownership* Align executive and stockholder interests by including a significant equity component in our total compensation awards and by requiring executives to accumulate and maintain a sizeable equity position through our stock ownership guidelines.

As an integral part of our compensation philosophy and objectives, we seek to design an executive compensation program that does not encourage inappropriate risks that would threaten the long-term value of our company. We believe our compensation philosophy has assisted in achieving our goals. The Committee reviews our compensation philosophy on a periodic basis to judge whether the goals and objectives are being met, and what, if any, changes may be needed to the philosophy. The Committee considered our compensation philosophy and objectives in establishing the elements and amounts of 2013 compensation for each of our named executive officers. Our 2013 compensation philosophy was consistent for all of our executive officer positions, and was consistent with the philosophy for our 2012 compensation program.

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Elements of 2013 Executive Compensation Program

The following table highlights the elements of our 2013 executive compensation program and the primary purpose of each element. The overall 2013 compensation elements are consistent with our 2012 executive compensation program elements. The elements are also generally consistent for all of our executive officer positions. Each element is discussed in further detail below in this CD&A.

Element	Objectives and Basis	Form
Base Salary	Provide base compensation that is competitive for each role to reward and motivate individual performance	Cash
Annual Incentive Compensation (or bonus)	Annual incentive to drive company and, where applicable, business unit performance	Cash
Bonus Restricted Stock Elections	Encourage greater stock ownership by executive officers by allowing each to elect to receive up to 30% of their bonus in the form of restricted stock vesting on the first anniversary of the grant, with executive officers receiving 125% of the value of the forgone cash bonus in shares of restricted stock	Restricted stock
Long-Term Incentive Awards	Long-term incentive to drive company performance and align executives interests with stockholders interests, and to retain executives through long-term vesting and potential wealth accumulation	Stock options, restricted stock and performance awards
Perquisites	Enhance the competitiveness of our executive compensation program through limited additional benefits	Automobile allowances and death benefits
Pension and Retirement	Provide our executives with a competitive retirement income program to supplement the 401(k) plan available to all of our employees	Participation and vesting in our non-qualified restoration pension plan
Severance Agreements	Attract and retain key talent by providing certain compensation in the event of a change in control	Cash severance, equity vesting and COBRA reimbursement
Qualified Deferred Compensation	Provide tax-deferred means to save for retirement	Same benefit made generally available to our employees to participate in our 401(k) plan with a company match
Non-Qualified Deferred Compensation	Provide tax-deferred means to save for retirement	Participation in our non-qualified deferred compensation program
Other	Offer other competitive benefits, such as medical, dental and other health and welfare benefits	Same benefit made generally available to our employees to participate in health and welfare plans

Consistent with past practice, for 2013 the Committee modified the bonus restricted stock program for Mr. Franklin such that he was eligible to elect to receive all of any 2013 cash bonus as bonus restricted stock, but only receive 100% (versus 125% for other executives) of such value in such shares of restricted stock, but Mr. Philpott s employment agreement provides for the same treatment as other named executive officers.

Compensation Committee

The Committee currently consists of Messrs. Copeland (Chair) and Carley and Mmes. Odom and Puckett. The Board has determined that each member of the Committee meets the independence requirements of the rules of the NYSE. Each Committee member is also considered to be an outside director in accordance with Section 162(m) of the Internal Revenue Code (the Code), and a non-employee director as defined in Rule 16b-3 under the Exchange Act with regard to compensation and benefit plans subject to SEC Rule 16b-3. Each member of the Committee either

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currently serves, or has served, as a director or senior executive of a large corporation, and has had significant experience with compensation matters relating to senior executives of these organizations.

The Committee s purpose is to assist the Board in fulfilling its oversight responsibilities for compensation of executive officers and administration of the company s equity incentive plans, with the goals of (1) supporting the company s business objectives, (2) attracting, motivating and retaining high quality leadership, and (3) linking compensation with business objectives and performance. In accordance with its charter and NYSE rules, the Committee s responsibilities include the following:

- reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO s performance in light of those goals and objectives, and together with the other independent directors (as directed by the Board), determining and approving the CEO s compensation level based on this evaluation;

- making recommendations to the Board with respect to non-CEO officer compensation, and incentive-compensation and equity-based plans that are subject to board approval;

- assisting the Board by (i) evaluating potential candidates for officer positions, (ii) recommending terms for the hiring, promotion and severance of officers, and (iii) overseeing the development of officer succession plans;

- participating with management in reviewing the annual goals and objectives with respect to compensation for the company s officers and, to the extent the Committee deems necessary or appropriate, other key employees of the company or its subsidiaries (collectively, Principal Executives);

- periodically (but no less frequently than annually) evaluating the performance of the Principal Executives in light of established goals and objectives and, based upon this evaluation and any compensation recommendations for the Principal Executives made by the CEO, approve or (in the case of officers, and as directed by the Board) making recommendations to the Board with respect to the compensation for the Principal Executives; and

- periodically (but no less frequently than annually) evaluating the competitiveness of the company s executive compensation program in reference to its peers and broader trends, including consideration of base salaries, annual incentives, long-term incentives and equity-based compensation, considering (among other things) the company s performance and relative stockholder return, the value of similar incentive awards to similarly situated executives at comparable companies, and the awards given to such person in prior years.

The Committee may appoint subcommittees for any purpose that it deems appropriate and may delegate to subcommittees such power and authority as it deems appropriate. However, no subcommittee may consist of fewer than two members, and no subcommittee may be delegated any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole. No subcommittees were formed or met in 2013. The Committee has delegated to our CEO a limited authority to grant stock options and restricted stock to non-officers, principally for new hires, recognition, retention and promotions.

You may view the Committee s full charter on our website at *www.hartehanks.com* under the Corporate Governance section of our Investors tab.

The Committee meets in executive session at most of its meetings (as it deems appropriate) to review and consider executive compensation matters without the presence of our executive officers. These executive sessions may also include other non-employee directors. The Committee met in executive session with other non-employee directors at its January 2013 regular meeting, which is the meeting when the Committee made its annual 2013 executive compensation determinations, and in all meetings where matters relating to the CEO Transition were considered.

Other Participants in the Executive Compensation Process

In addition to the Committee and other non-Committee members of the Board who also may be in attendance at the Committee s meetings, our management and, when engaged by the Committee from time to time, outside compensation consultants also participate in and contribute to our executive compensation process. Ultimately, the Committee exercises its independent business judgment with respect to recommendations and opinions of these other participants and the Committee (or our independent directors as a group) makes final determinations about our executive officer compensation.

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Management and Chairman of the Board

Mr. Franklin, our former Chairman, President and CEO, participated in the Committee s executive compensation processes through the first half of 2013 and assisted the Committee and regularly attended Committee meetings, other than executive sessions. Mr. Franklin provided his perspective to the Committee regarding executive compensation matters generally and the performance of the executive officers reporting to him. He also presented recommendations to the Committee on the full range of annual executive compensation decisions made in January, including (1) annual incentive bonus plan structure and participants, (2) long-term incentive compensation strategy, (3) competitive positioning of our executive compensation program, and (4) total direct compensation for each executive officer, including base salary adjustments, bonus opportunity targets and equity grants.

At the Committee s January 2013 meeting, Mr. Franklin presented the Committee with specific 2013 compensation recommendations for the compensation amounts and elements of all executive officers other than himself. The Committee made final decisions about each officer s 2013 compensation without the applicable executive officer being present, taking into account Mr. Franklin s recommendations and views.

Mr. Philpott undertook a similar role vis-à-vis the Committee in the second half of 2013. The Committee anticipates that Mr. Pommernelle will also take an active role consistent with his position, which should allow Mr. Philpott to focus more on other business areas while still effectively interacting with the Committee.

Compensation Consultants

The Committee believes that engaging a consultant for comprehensive reviews on a periodic basis is more appropriate than having regular annual engagements. In the fall of 2010, the Committee engaged Meridian to assist the Committee with its evaluations and determinations for our 2011 executive compensation program, as well as to conduct a comprehensive evaluation of our compensation philosophy, policies and practices for executive officers and other executive positions. Using information provided by management and gathered from proxy statements, other public information and proprietary surveys, Meridian:

- reviewed our company peer group used for benchmarking executive compensation, taking into account input from the Committee;

- analyzed total direct compensation, and the individual components of total direct compensation, for each of our executive positions and assessed target and actual compensation relative to market (based on compensation data from the peer group and broad market survey data) and alignment with Harte Hanks compensation philosophy and objectives;

- recommended specific improvements for ensuring that compensation remains aligned with the goal of enhancing stockholder value through competitive programs which allow the company to attract, properly motivate and retain key executives who will contribute to Harte Hanks long-term success; and

- provided advice and recommendations regarding best practices and compensation trends.

In late 2011, the Committee engaged Meridian again to refresh its findings, in particular with respect to the CEO, executive officers and other key positions in the company. In January 2012, the Committee made its 2012 annual executive compensation determinations, taking into account the results of Meridian s updated reports and analysis, among other factors. The Committee also engaged Meridian in 2012 to conduct a full review of director compensation programs (similar in scope to the 2010 review). For 2013, the Committee engaged Meridian to assist in some of the Committee s 2013 executive compensation determinations (including providing advice regarding the compensation offered to Messrs. Philpott and Pommernelle).

As mentioned in the Executive Summary, the Committee has engaged Meridian for 2014 to assist with a comprehensive review of our director and executive officer compensation programs. The Committee will review and evaluate Meridian s findings when making its 2014 compensation determinations.

For the foregoing engagements, Meridian has been selected and retained by and reported directly to the Committee. Meridian has not been separately engaged by our management, but has provided to management corresponding evaluations of selected non-executive officer positions and compensation policy and practice matters. Harte Hanks has no relationship with Meridian (other than the relationship undertaken by the Committee), and the Committee re-evaluated and confirmed Meridian s independence in accordance with its charter and NYSE requirements prior to engaging Meridian.

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Principal Factors That Influenced 2013 Executive Compensation

When making its 2013 annual compensation decisions, the Committee considered the compensation philosophy and principles that underlie our executive compensation program, including the desire to link executive compensation to annual and long-term performance goals and to be able to attract and retain high performing individuals who will significantly contribute to our long-term success and the creation of long-term stockholder value. The Committee did not use formulas, rigidly set the compensation of our executives based solely on market data or on any one factor in isolation, or assign a specific weighting or ranking to the various factors it considered. Rather, the Committee s ultimate decisions were influenced by a number of factors that were collectively taken into consideration in the Committee s business judgment and that included a number of subjective determinations in addition to the specific formula-based performance criteria established in our annual incentive plan and long term incentive performance awards. In establishing the individual elements and amounts of 2013 executive compensation, the principal factors taken into consideration by the Committee included the following:

- competitive market data to assess how our executive pay compared to other companies, considering the individual elements of our compensation program, the relative mix of those compensation elements and total direct compensation amounts, with then-current market data provided by Meridian;

- recommendations and input from non-Committee members of the Board, including Mr. Franklin (then our Chairman, President and CEO), with regard to base salary proposals, long-term incentive awards, individual executive officer performance and related matters;

- recent company performance compared to our financial (earnings per share, operating income and revenues) and operational expectations for our company as a whole, and for our Shoppers and Direct Marketing businesses individually;

- the initiation of a CEO transition process, with the need to attract a pool of highly-qualified CEO candidates and potentially candidates for other positions;

- the anticipated sale of our Shoppers business, and reorganization of our remaining operations;

- ongoing and anticipated efforts to transform our Direct Marketing business that were expected to result in continued significant additional work commitments by our executive officers;

- a general assessment of individual executive officer performance and contributions in support of our strategies, individual officer responsibilities, tenure and experience in his or her position and the overall financial performance of the businesses or functional areas for which an officer is responsible;

- providing competitive compensation to reflect new or expanded roles for some of our executives;

- retention considerations in light of an anticipated CEO transition, as well as a recent history of relatively low bonus payouts to executive officers based on recent company performance and diminished equity compensation values because of fluctuating stock price and recent earnings per share performance;

- individual officer compensation history, including stock options and other equity awards in prior years and value realized from prior equity awards;

- internal pay equity (*i.e.*, considering pay for similar jobs and jobs at different levels within Harte Hanks and considering the relative importance of a particular position to Harte Hanks); and

- tax and regulatory considerations, including our policy to take reasonable and practical steps to maximize the tax deductibility of compensation payments to executives under §162(m) of the Code, the impact of expensing equity grants under Statement of Financial Accounting Standards (SFAS) No. 123(R) (SFAS 123R), and the impact of §409 relating to non-qualified deferred compensation.

In addition, for Messrs. Philpott and Pommernelle (whose compensation was considered after our usual annual determinations), compensation determinations were also affected by the numerous events cited above in our Executive Summary and:

- perceived advantages, disadvantages, strengths and weaknesses of the candidates considered for their positions;

- timing considerations (such as when they would be available to start);

- the compensation they (and others considered for their positions) received in their current and recent employment; and

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- their residence location, expected main office location and related travel requirements.

Tally Sheets

To assist the Committee in making its 2013 annual executive compensation determinations, the Committee reviewed tally sheets for each executive officer, as it has done in prior years. Tally sheets are used as a reference to ensure that Committee members understand the total compensation provided to executives each year, over a multi-year period and in various change in control or other termination events. The Committee uses tally sheets to consider individual elements of our compensation program, the relative mix of those compensation elements and total annual and long-term compensation amounts provided to a particular executive. The tally sheets illustrate, for each executive officer:

- cash compensation (base pay, bonus and automobile allowance) for the current year under consideration and each of the past two years;
- values of long-term incentive awards (options, restricted stock and performance awards) for the current year under consideration and each of the past two years;
- salary continuation benefits (similar in effect to life insurance benefits);
- estimated pension benefits upon retirement;
- actual realized and estimated future values for previous equity compensation awards;
- stock ownership guideline compliance; and
- estimated amounts the executive could realize upon a change in control or termination of employment.

For comparison purposes, the tally sheets also incorporate applicable competitive market compensation data for base salary, annual incentive awards and long-term incentive awards.

Setting the Pay Mix Cash Versus Equity; At Risk Versus Fixed

We believe a mixture of both long-term and short-term compensation elements provides the proper balance and incentives. The Committee reviews each of these elements separately and then all of the elements combined to determine the amount and mix of compensation for our executives. For 2013, all long-term incentives were in the form of equity, and all short-term incentives were paid in cash. The following chart and table show the split of 2013 compensation for our named executive officers between equity and cash:

2013 Cash v. Equity Compensation for Named Executive Officers (1)

By Individual

Named Executive Officer	**Cash**	**Equity**
Robert Philpott	15%	85%
Doug Shepard	46	54
Robert Munden	45	55
Brian Dames	48	52
Jeannine Falcone	47	53
Larry Franklin (2)	39	61
Mike Paulsin (2)	39	61

Equity Compensation   Cash Compensation

(1) This chart was created using the sum of the amounts in columns (c) (salary) and (g) (non-equity incentive plan compensation) from the Summary Compensation table below as the amount of 2013 cash compensation, and using the sum of the amounts in column (l) (grant date fair value of stock and option awards) from the Grants of Plan Based Awards table below as the amount of 2013 equity compensation.

(2) Excludes cash amounts paid or payable to such individuals in connection with their separation from the company.

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The Committee also believes that a substantial portion of the potential cash compensation (the sum of base salary and the potential annual incentive compensation) should be at risk or variable and, therefore, subject to meeting financial performance criteria. In 2013, as shown below, over half of the potential cash compensation (assuming maximum bonus payout) for the named executive officers was at risk.

The Committee also reviewed the compensation risks associated with the pay mix of its executive officers, and in that context considers risk as well as motivation when establishing performance criteria and compensation structures. For 2013, the Committee reviewed the company s incentive compensation plans to determine whether the company s compensation policies and practices foster risk taking above the level of risk associated with the company s business model. In the course of its examination, the Committee evaluated, among other things:

- whether any of our business units has much more inherent risk, a significantly different compensation structure, or different profitability basis or results;

- whether the compensation mix appropriately balanced between annual and long-term incentive awards;

- the relationship between annual and long-term performance measures and payouts, and whether measures are aligned (or complementary) to ensure that they encourage consistent behaviors and sustainable results without conflict;

- whether the long-term performance measures and equity vehicles potentially encourage excessively risky behavior;

- whether targets require performance at such a high level that executives would take improper risks to achieve them;

- the overlap of performance criteria and vesting periods to reduce incentives to maximize performance in any one period; and

- whether the mix of equity incentives serve the best interests of stockholders by rewarding the right measures.

On the basis of this review, the Compensation Committee determined that the company s incentive compensation plans are appropriately structured to not encourage executive officers to take unnecessary or excessive risks and do not create risks that are reasonably likely to have a material adverse effect on the company.

2013 Potential Cash Compensation for Named Executive Officers: Fixed vs. Variable (or At Risk) (1)

By Individual

Named Executive Officer	Fixed	Variable
Robert Philpott (2)	32%	68%
Doug Shepard	50	50
Robert Munden	54	46
Brian Dames	59	41
Jeannine Falcone	59	41
Larry Franklin (2)(3)	37	63
Mike Paulsin (3)	51	49

Fixed Variable

(1) This chart reflects the overall ratio of 2013 salary received (fixed) to 2013 maximum potential annual incentive compensation (variable) for the named executive officers.

(2) Reflects bonus potential prorated for service period.

(3) Excludes cash amounts paid or payable to such individuals in connection with their separation from the company.

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Market Benchmarking

As mentioned above, the Committee typically refers to executive compensation surveys and other benchmark data when it reviews and approves executive compensation. This market data is intended to reflect compensation levels and practices for executives holding comparable positions at comparable companies, which helps the Committee set compensation at levels designed to attract and retain high performing individuals. Market data typically consists of (1) publicly available data from a selected group of peer companies, and (2) more broad-based, aggregated survey data of a large number of companies of similar size or in similar industries. The market data comprising aggregated survey data does not include the identity of the individual comparable companies and is either provided by outside compensation consultants or derived from information that has been previously provided by these consultants. For the 2010 Meridian report (and subsequent supplements) and as considered in connection with our CEO Transition, the broad survey data was derived from published surveys, including printing and publishing industry segment data from those surveys.

In selecting the peer companies, the Committee considers a variety of criteria, including industry, revenues, market capitalization and assets. The Committee also believes that it is important to include a sufficient number of peer group companies to enhance the overall comparability of the peer company data for purposes of setting our executives compensation. Our peer group was selected by the Committee from U.S.-listed companies based on those which have competitive (or complementary) products or services, and represent a range of sizes (in terms of revenues, profits and employees) and history. We are reevaluating our peer group for 2014 (and anticipate changes), but our 2013 peer group consisted of the following companies:

2013 Compensation Peer Group

Acxiom Corporation	Equifax, Inc.	Sapient Corp.
Alliance Data Systems Corporation	Gartner, Inc.	Sykes Enterprises, Incorporated
Cenveo, Inc.	Informatica Corp.	TechTarget, Inc.
Consolidated Graphics, Inc.	Interpublic Group of Companies, Inc.	Valassis Communications, Inc.
Convergys Corporation	Meredith Corporation	ValueClick, Inc.
The Dun & Bradstreet Corporation		

The Committee compares each executive s total direct compensation, which is comprised of (1) salary, (2) total potential bonus opportunity and (3) estimated long-term incentive compensation value, both separately and in the aggregate, to amounts paid for similar positions based on the benchmark data. In looking at overall compensation for our executive officers, in general, and in response to the Meridian reports and current market practices, the Committee considers its philosophy of targeting each element of compensation (as well as target total direct compensation) to fall at approximately the 50th percentile of market compensation over time, but tolerating individual variations due to factors such as individual performance, company performance, tenure, promotion, market factors and internal pay equity.

As discussed above, however, benchmark data is merely a starting point; the Committee does not rigidly apply formulas to set the compensation of our executives based solely on market data or on any one factor in isolation. Rather, the Committee s ultimate determinations are influenced by a number of factors that are collectively taken into consideration in the Committee s business judgment, as further described above under Principal Factors That Influenced 2013 Executive Compensation. Accordingly, the Committee retains discretion to set compensation levels using a combination of elements that it believes are appropriate, and the Committee is not required to set compensation levels at specific benchmark data percentiles.

Based on the total target direct annual compensation approved in the Committee s January 2013 meeting for our named executive officers compared to the peer and market data reviewed by the Committee at its January 2013 meeting, only Mr. Dames and Ms. Falcone were above the 50th percentile, with Mr. Franklin falling well below the 50th percentile.

As mentioned above in Principal Factors That Influenced 2013 Executive Compensation, Mr. Philpott s initial compensation was the result of our negotiations with him, in which the Committee was guided by Mr. Franklin s current compensation level (and its relationship to peer and market data), market data and analysis by Meridian, the experience and advice of the executive recruiter hired for the CEO Transition, and a variety of other individual factors relating to Mr. Philpott s particular circumstances. The primary goal of the Committee in setting his compensation was to provide significant motivation to improve the company s performance, and accordingly a large proportion of his initial compensation both cash and equity were at risk.

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Additional Analysis of Executive Compensation Elements

The following discussion provides additional information and analysis regarding the specific elements of our 2013 executive compensation program. This discussion should be read in conjunction with the remainder of this CD&A (including the section above, Principal Factors That Influenced 2013 Executive Compensation) and the compensation tables that follow.

Base Salary

We set executive base salaries at levels we believe are appropriate based on each individual executive s roles, responsibilities and experience in his or her position, as well as our understanding of how that role may come to change based on our strategy and other events. We believe that a competitive base salary, providing a fixed level of income over a certain period, is a necessary and important element to include in the compensation packages for our executives. We review base salaries for executive officers on an annual basis, and at the time of hire, promotion or other change in responsibilities. Base salary changes also impact target bonus amounts and potential cash severance amounts, which are based on a percentage of base salary.

When reviewing each executive s base salary in January 2013, the Committee considered, in addition to the other factors:

- the level of responsibility and complexity of the executive s job;

- the relative importance of the executive s role and responsibilities in Harte Hanks; whether, in the Committee s business judgment and taking into account input from our CEO and other Board members, prior individual performance was particularly strong or weak;

- how the executive s salary compares to the salaries of other Harte Hanks executives and to the 50th percentile market salary information based on benchmark data for the same or similar positions;

- and the combined potential total direct compensation value of an executive s salary, annual bonus opportunity and long-term incentive awards;

- the economic environment; and

- Harte Hanks financial performance and internal pay equity.

Based upon these factors, the Committee decided to increase the base salaries of Messrs. Franklin, Shepard, Munden and Dames and Ms. Falcone (although all but Mr. Dames and Ms. Falcone remained below the 50th percentile based on market information).

Annual Incentive Compensation

We provide an annual incentive bonus opportunity for executive officers to drive company and, where appropriate, business unit performance on a year-over-year basis. We believe this annual short-term cash incentive opportunity provides an incentive for our executives to manage our businesses to achieve targeted financial results. Our 2013 executive bonus plan was administered under the company s 1996 Incentive Compensation Plan (as filed as an exhibit with the company s Annual Report), but we anticipate that future bonus plans will be administered under our 2013 Omnibus Incentive Plan (the 2013 Plan), which was approved by our stockholders in May 2013. For 2013, maximum bonus opportunity amounts were expressed as a percentage of year-end base salary as follows; none changed from 2012:

2013 Named Executive Officer Bonus Opportunities

(Relative to 2013 Base Salary Paid)

Title	**Named Executive Officer(s)**	**Maximum Bonus Opportunity**
President & CEO	Robert Philpott*, Larry Franklin*	200%
Executive Vice President	Doug Shepard	100%
Senior Vice President	Robert Munden, Mike Paulsin	85%
Vice President	Brian Dames, Jeannine Falcone	70%

*Pro-rated for period of employment (six months)

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Actual annual incentive compensation awards for our executive officers are determined based on achievement against the Committee s previously established financial performance goals, as certified by the Committee, typically at its regular January meeting. From time to time, individual non-financial goals may also be established for one or more executive officers to better align an executive s incentives with goals such as organizational effectiveness, strategic focus and personal development. For the 2013 executive bonus plan, none of our named executive officers had individual non-financial performance goals. The financial performance goals are based on the strategic financial and operating performance objectives for our company and those of our business segments. In setting the financial performance targets, the Committee considers target company performance under our annual operating plan, the potential payouts based on achievement at different levels and whether the portion of incremental earnings paid as bonuses rather than returned to stockholders or reinvested in our business is appropriate. The Committee reserves the right to adjust the financial performance targets during the year, but did not do so in 2013.

For 2013, each named executive officer s annual bonus potential was based on actual achievement against established incremental target performance levels for the following performance criteria, each of which was weighted for a particular executive to reflect the nature of that executive s areas of responsibility and focus:

Bonus Performance Criteria Weighting

(Relative to 2013 Maximum Bonus)