

HARTE HANKS INC
Form DEF 14A
April 15, 2013
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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

Filed by a Party other than the Registrant

Check the appropriate box:

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

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| (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 29, 2013

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' 2013 annual meeting of stockholders. The annual meeting will be held at the **Embassy Suites Hotel, 10110 US Highway 281 North, San Antonio, Texas 78216, on Wednesday, May 29, 2013, at 8:30 a.m. Central Time**, for the following purposes:

1. To elect three Class II directors, each for a three-year term;
2. To ratify the appointment of KPMG LLP as Harte-Hanks' independent registered public accounting firm for fiscal 2013;
3. To approve of the company's 2013 Omnibus Incentive Plan; 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 April 1, 2013 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.

Pursuant to rules promulgated by the Securities and Exchange Commission (SEC), we have elected to provide access to our proxy materials (the proxy statement and our Form 10-K for the year ended December 31, 2012, which we are distributing in lieu of a separate annual report to stockholders) on the Internet instead of mailing a printed copy of these materials to each stockholder. Stockholders who received a Notice of

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Internet Availability of Proxy Materials (the Notice) by mail will not receive a printed copy of these materials other than 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. **If you received the Notice by mail and would prefer to receive a printed copy of the company s proxy materials, please follow the instructions for requesting printed copies included in the Notice.**

The proxy statement and our Form 10-K for the year ended December 31, 2012 are also available on our website at www.harte-hanks.com, under the heading About Us in the section for Investors. Additionally, and in accordance with SEC rules, you may access our proxy statement and Form 10-K at <http://viewproxy.com/harte-hanks/2013/>, which does not have cookies that identify 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 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,

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

San Antonio, Texas

April 15, 2013

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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 29, 2013

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 2013 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

2013 Annual Meeting Date and Location

Our 2013 annual meeting of stockholders will be held on Wednesday, May 29, 2013 at 8:30 a.m. (Central Time) at the Embassy Suites Hotel, 10110 US Highway 281 North, San Antonio, Texas 78216, 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 15, 2013.

Important Notice Regarding Availability of Proxy Materials For Annual Meeting To Be Held On May 29, 2013

Pursuant to rules promulgated by the Securities and Exchange Commission (SEC), we have elected to provide access to our proxy materials (the proxy statement and our Form 10-K for the year ended December 31, 2012, which we are distributing in lieu of a separate annual report to stockholders) via the Internet instead of mailing a printed copy of these materials to each stockholder. 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. **If you received the Notice by mail and would prefer to receive a printed copy of our proxy materials, please follow the instructions for requesting printed copies included in the Notice.**

The proxy statement and our Form 10-K for the year ended December 31, 2012 are available on our website at www.harte-hanks.com, under the heading About Us in the section for Investors. Additionally, and in accordance with SEC rules, you may access our proxy statement and Form 10-K at <http://viewproxy.com/harte-hanks/2013/>, which does not have cookies that identify 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.

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.

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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 April 1, 2013, at which time we had issued and outstanding 63,243,691 shares of common stock, which were held by approximately 2,125 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. Douglas C. Shepard, our Executive Vice President and Chief Financial Officer, and Robert L. R. Munden, our Senior Vice President, General Counsel & Secretary, 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 II directors;
- *Proposal II (Ratification of the Appointment of Independent Auditors)* **FOR** the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm (independent auditors) for fiscal 2013; and
- *Proposal III (Approval of Harte-Hanks 2013 Omnibus Incentive Plan)* **FOR** the approval of the Harte-Hanks 2013 Omnibus Incentive Plan.

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 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 II 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. Votes that are withheld from a director's election will be counted toward a quorum, but will not affect the outcome of the vote on the election of such director. Broker non-votes are not deemed to be votes cast and, therefore, will not affect the outcome.
- *Proposal II (Ratification of the Appointment of Independent Auditors)* Ratification of the appointment of KPMG LLP as our independent auditors for fiscal 2013 requires the affirmative vote of the majority of the votes

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cast at the annual meeting, in person or by proxy. Abstentions may be specified on this proposal and will have the same effect as a vote against this proposal.

- *Proposal III (Approval of Harte-Hanks 2013 Omnibus Incentive Plan)* To be approved, the Harte-Hanks 2013 Omnibus Incentive Plan must receive the affirmative vote of a majority of the votes cast at the annual meeting, in person or by proxy. Abstentions may be specified on this proposal and will have the same effect as a vote against this proposal. Broker non-votes are not deemed to be votes cast and, therefore, will not affect the outcome.

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 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 5:00 p.m., Central Time, on Tuesday, May 28, 2013.

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.

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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. In connection with this proxy statement, we have engaged Alliance Advisors, LLC to solicit proxies on our behalf, and estimate that the fees incurred in connection with such solicitation will be under \$15,000.

Copies of the Annual Report

A copy of our annual report on Form 10-K for the year ended December 31, 2012, 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 Form 10-K and the exhibits filed with it are also available on our website, www.harte-hanks.com under the heading About Us in the section for Investors. Our Form 10-K 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 2012, 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.

Table of Contents**DIRECTORS AND EXECUTIVE OFFICERS**

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

Name	Age	Position
Stephen E. Carley	60	Director and Nominee (Class II)
David L. Copeland	57	Director (Class I)
William F. Farley	69	Director and Nominee (Class II)
Larry D. Franklin	70	Director and Nominee (Class II); Chairman, President and Chief Executive Officer
Christopher M. Harte	65	Director (Class I); Lead Director
Houston H. Harte	86	Director (Class III); Vice Chairman
Scott C. Key	54	Director (Class I)
Judy C. Odom	60	Director (Class III)
Karen A. Puckett	52	Director (Class III)
Douglas C. Shepard	45	Executive Vice President and Chief Financial Officer
Robert L. R. Munden	44	Senior Vice President, General Counsel & Secretary
Michael P. Paulsin	50	Senior Vice President and President, Shoppers

Class II directors are to be elected at our 2013 annual meeting. Messrs. William F. Farley, Larry D. Franklin and Stephen E. Carley are nominees for election as Class II directors. The term of Class I directors expires at the 2015 annual meeting of stockholders, and the term of Class III directors expires at the 2014 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

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

Larry D. Franklin serves as our Chairman of the Board and, since January 2009, also serves as our President and Chief Executive Officer. Mr. Franklin joined Harte-Hanks in 1971, has been a director since 1974, and was previously our Chief Executive Officer from 1991 until 2002 and executive Chairman until the end of 2005. Mr. Franklin also has served in a variety of other

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management and leadership roles at Harte-Hanks, including as Chief Financial Officer and Chief Operating Officer. From 1994 to 2005, he was a director at John Wiley and Sons, a global publisher, serving on the governance committee and as audit committee chairman.

Mr. Franklin's qualifications for our board include his demonstrated leadership skills as our Chief Executive Officer and in his various other roles with Harte-Hanks, including as our former Chief Financial Officer and Chief Operating Officer. He is highly experienced in driving operational and financial performance at Harte-Hanks as both a private and public company in a number of economic market conditions.

Christopher M. Harte has served as a director of Harte-Hanks since 1993, and is our current Lead Director. He is 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 director Houston H. Harte.

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.

Houston H. Harte has served as a director of Harte-Hanks since 1952 and served as Chairman of the Board from 1972 until May 1999. Since May 1999, Mr. Harte has served as Vice Chairman of the Board of Harte-Hanks. Mr. Harte is the uncle of director Christopher M. Harte.

We believe that Mr. Harte's service on our board for over sixty years provides us with invaluable historical perspective and experience in various economic climates. In addition, he has witnessed our evolution from a newspaper holding company to a traditional media company and finally to our present targeted marketing operations, and thus brings valuable insights on industry transformations driven by technological change. Mr. Harte is retiring from Board effective at the annual meeting.

Scott C. Key joined the Harte-Hanks board on March 17, 2013. Since January 2011, Mr. Key has served as President and Chief Operating Officer of IHS, Inc., a leading source of information and analytics. Mr. Key joined IHS in 2003, and has served in a variety of roles of progressively greater responsibility, most recently as IHS 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 will bring 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.

Judy C. Odom has served as a director of Harte-Hanks since 2003. Since November 2002, she has also served on the board of directors of Leggett & Platt, Incorporated, a diversified manufacturing company. She served on the board of Storage Technology Corporation, a provider of data storage hardware and software products and services, from November 2003 to August 2005. 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.

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 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

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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.

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 as the Executive Vice President, Chief Financial Officer, Treasurer and Secretary of Eye Care Centers of America, Inc. (ECCA). From March 1997 to November 2004, he served as ECCA's Vice President of Finance and Controller. Mr. Shepard joined ECCA in March 1995. 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., a NYSE-listed company. 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). From November 1999 through December 2001, Mr. Munden served as Vice President, General Counsel and Secretary of Naviant, Inc., an internet marketing and database services firm. Prior to his employment with Naviant, Mr. Munden was an associate with the law firm Brobeck, Phleger & Harrison, and an armor and cavalry officer in the U.S. Army.

Michael P. Paulsin has served as our Senior Vice President and President, Shoppers since September 2011, with responsibility for our entire Shoppers division. From April 2007 to August 2011, he served as Vice President and President, California Shoppers. He previously served in a variety of financial and leadership positions with Shoppers beginning in 1988.

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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 corporate governance at Harte-Hanks 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 at our website at www.harte-hanks.com under the heading About Us in the section for Corporate Governance. 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 nine times and acted by unanimous written consent twice during 2012. In 2012, each director participated in all Board meetings, except for William K. Gayden (who attended six meetings) and Mr. H. Harte (who attended three meetings). In addition, in 2012 each director participated in each meeting of a Board committee of which he or she was a member, except for Mr. Farley (who missed one Audit Committee Meeting) and Mr. Gayden (who missed two Compensation Committee and two Governance

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Committee meetings). Mr. Gayden resigned from the Board on January 15, 2013, and Mr. H. Harte will retire from the Board at the 2013 annual meeting.

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 Committee	Compensation Committee	Governance Committee
Stephen E. Carley (2)	Yes			
David L. Copeland	Yes	Chair (3)		
William F. Farley	Yes	Member (3)	Member	
Larry D. Franklin	No			
Christopher M. Harte	Yes	Member		Chair
Houston H. Harte	No			
Scott C. Key (2)	Yes			
Judy C. Odom	Yes		Chair	Member
Karen A. Puckett	Yes		Member	
Number of Meetings in 2012		9	4	3
Number of Written Consents in 2012		0	0	0

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

(2) Messrs. Carley and Key joined the Board on March 17, 2013, and have not yet been assigned to any committees.

(3) 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 has determined to rotate the chairs of its committees effective with the conclusion of the 2013 annual meeting. At that time, Mr. Farley will become the Chair of our Audit Committee, Mr. Copeland will join and become Chair of our Compensation Committee, and Ms. Odom will become Chair of our Governance Committee.

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.harte-hanks.com under the heading "About Us" in the section for "Corporate Governance."

- *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 Corporate 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,

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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.

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

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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 2012 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 2012 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 2012 proxy statement, Ms. Puckett serves as an executive officer of CenturyLink, Inc., which is both a client and a vendor of the company. In 2012, CenturyLink purchased or licensed approximately \$850,000 of software, data and services from our Trillium Software and Data Services business units, and we purchased approximately \$600,000 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 2012, IHS purchased or licensed approximately \$100,000 of data and services from our Aberdeen Group and Trillium Software business

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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

As previously mentioned, seven of our nine Board members are independent directors. Mr. Franklin serves as our Chairman of the Board and since January 2009, he has served as our CEO and President. Mr. Franklin has been a member of the Board since 1974. 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.

We recognize that different board leadership structures may be appropriate for companies in different situations and believe that no one structure is suitable for all companies. We believe our current Board leadership structure is appropriate for us because it demonstrates to our employees, suppliers, customers and other stakeholders that we are under strong leadership, with a single person having primary responsibility for managing our operations. Having a single leader for both the company and the Board eliminates the potential for confusion or duplication of efforts, and provides clear leadership. We believe Harte-Hanks, like many other U.S. companies, has been well-served by this leadership structure.

The Board has adopted a Lead Director Policy for the company, and elected Christopher M. Harte as Lead Director. The Lead Director Policy 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. Our current Chairman, Mr. Franklin, has also served as our President and CEO since January 2009.

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

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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 (including Mr. Copeland, who will join this committee after the 2013 annual meeting) 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.

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.

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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 he 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 except Ms. Puckett attended the 2012 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

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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.harte-hanks.com, under the heading "About Us" in the section for "Corporate Governance." In accordance with NYSE and SEC rules, we currently 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.harte-hanks.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.

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, 2012. 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 22, 2012.

Table of Contents**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, which, for purposes of this proxy statement, refers to the four executive officers and one former executive officer included in the Summary Compensation Table below in this proxy statement, (2) each current Harte-Hanks director and each nominee for director, and (3) all current Harte-Hanks directors and executive officers as a group. The following table also sets forth information with respect to the number of shares of common stock beneficially owned by each person known by Harte-Hanks to beneficially own more than 5% of the outstanding shares of our common stock. 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 April 1, 2013. As of April 1, 2013, there were 63,243,691 shares of our common stock outstanding.

Name and Address of Beneficial Owner (1)	Number of Shares of Common Stock	Percent of Class
Houston H. Harte (2)	6,609,380	10.5%
Larry D. Franklin (3)	5,848,365	9.3%
David L. Copeland (4) (5)	5,461,703	8.6%
Pzena Investment Management LLC (6)	4,237,405	6.7%
Fiduciary Management, Inc. (7)	4,063,585	6.4%
Heartland Advisors, Inc. (8)	3,951,023	6.3%
BlackRock, Inc. (including subsidiaries) (9)	3,530,238	5.6%
FMR LLC (10)	3,360,000	5.3%
Christopher M. Harte (11) (5)	1,015,293	1.6%
Douglas C. Shepard (12)	257,990	*
Michael P. Paulsin (13)	245,210	*
Robert L. R. Munden (14)	78,712	*
William F. Farley (15) (16)	78,304	*
Judy C. Odom (16)	56,893	*
Karen A. Puckett (17)	33,061	*
Stephen E. Carley (18)	6,265	*
Scott C. Key (18)	6,265	*
All Current Executive Officers and Directors as a Group (13 persons) (20)	19,705,259	31.2%

* Less than 1%.

(1) The address of (a) Pzena Investment Management LLC is 120 West 45th Street, 20th Floor, New York, New York 10036, (b) Fiduciary Management, Inc. is 100 East Wisconsin Avenue, Suite 2200, Milwaukee, Wisconsin 53202, (c) Heartland Advisors, Inc. is 789 North Water Street, Milwaukee, Wisconsin 53202, (d) BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022, (e) FMR LLC is 82 Devonshire Street, Boston, Massachusetts 02109, and (f) each other beneficial owner is c/o Harte-Hanks, Inc., 9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216.

(2) All such shares are held in a trust for which Mr. Harte and his wife are co-trustees and beneficiaries.

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(3) Includes 225,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 64,419 shares of stock subject to certain restrictions until February 2014; 10,000 shares of stock subject to certain restrictions until February 2015; 10,000 shares of stock subject to certain restrictions until February 2016; 1,144,518 shares held in trusts for Mr. Franklin, his wife and children; 354,223 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) 50,305 shares owned by the Franklin Family Foundation, of which he is one of four directors.

(4) Includes the following shares to which Mr. Copeland disclaims beneficial ownership: (a) 44,200 shares held as custodian for unrelated minors, (b) 2,026,071 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.

(5) Includes 8,400 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 5,194 shares of stock subject to certain restrictions until February 2014; 3,841 shares of stock subject to certain restrictions until February 2015; and 2,159 shares of stock subject to certain restrictions until February 2016.

(6) Represents shares held by investment advisory clients of Pzena Investment Management LLC (Pzena), no one of which to the knowledge of Pzena owns more than 5.0% of the class. Of such shares, Pzena has sole voting power as to 3,810,280 shares and sole dispositive power as to all shares. Information relating to this stockholder is based on the stockholder's Schedule 13G/A, filed with the SEC on February 7, 2013.

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(7) Represents shares held by investment advisory clients of Fiduciary Management, Inc. (Fiduciary), no one of which to the knowledge of Fiduciary owns more than 5.0% of the class. Includes 7,400 shares as to which Fiduciary has shared voting and dispositive power. Information relating to this stockholder is based on the stockholder s Schedule 13G/A, filed with the SEC on February 10, 2012.

(8) Represents shares that may be deemed beneficially owned within the meaning of Rule 13d-3 of the Act by (1) 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 (2) 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. 3,850,000 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 7, 2013.

(9) Represents shares held by investment advisory clients of BlackRock, Inc. s (BlackRock) investment advisory subsidiaries (BlackRock Advisors, LLC, BlackRock Investment Management, LLC, BlackRock Asset Management Australia Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Advisors (UK) Limited, BlackRock Fund Advisors, BlackRock International Limited, BlackRock Institutional Trust Company, N.A. and 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 February 8, 2013.

(10) Represents shares held Fidelity Low-Priced Stock Fund, of which Fidelity Management & Research Company (a subsidiary of FMR LLC) serves as investment advisor. FMR LLC has no voting power (but does have dispositive power) with respect such shares. Information relating to this stockholder is based on the stockholder s Schedule 13G, filed with the SEC on February 14, 2012.

(11) Includes 768,939 shares held by Spicewood Family Partners, Ltd., of which he 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) 35,745 shares held by trusts for which Mr. Harte and 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) Includes 185,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 19,534 shares of stock subject to certain restrictions until February 2014; 15,000 shares of stock subject to certain restrictions until February 2015; and 10,000 shares of stock subject to certain restrictions until February 2016.

(13) Includes 194,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 14,667 shares of stock subject to certain restrictions until February 2014; and 12,333 shares of stock subject to certain restrictions until February 2015; 8,334 shares of stock subject to certain restrictions until February 2016; and 3,504 shares held by his wife.

(14) Includes 33,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 2,000 shares of stock subject to certain restrictions until April 2013; 15,667 shares of stock subject to certain restrictions until February 2014; 12,333 shares of stock subject to certain restrictions until February 2015; and 8,334 shares of stock subject to certain restrictions until February 2016.

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

(16) Includes 13,400 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 5,194 shares of stock subject to certain restrictions until February 2014; 3,841 shares of stock subject to certain restrictions until February 2015; and 2,159 shares of stock subject to certain restrictions until February 2016.

(17) Includes 5,194 shares of stock subject to certain restrictions until February 2014; 3,841 shares of stock subject to certain restrictions until February 2015; and 2,159 shares of stock subject to certain restrictions until February 2016.

(18) Includes 2,088 shares of stock subject to certain restrictions until March 2014; 2,088 shares of stock subject to certain restrictions until March 2015; and 2,089 shares of stock subject to certain restrictions until March 2016.

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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 2012. This CD&A provides qualitative information concerning how 2012 compensation was awarded to and earned by our executives, identifies the most significant factors relevant to our 2012 executive compensation decisions and gives context to the data presented in the tables included below in this proxy statement. Certain information regarding our 2011 and 2013 compensation determinations and policies is also included to the extent we believe it provides helpful context for our discussion of 2012 executive compensation. 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 2012:

- Larry Franklin Chairman, President and Chief Executive Officer;
- Doug Shepard Executive Vice President and Chief Financial Officer;
- Robert Munden Senior Vice President, General Counsel and Secretary;
- Mike Paulsin Senior Vice President and President, Shoppers; and
- Gary Skidmore Executive Vice President and President, Direct Marketing (through July 31, 2012).

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 2012 compensation for each of our named executive officers. Our 2012 compensation philosophy was consistent for all of our executive officer positions, and was consistent with the philosophy for our 2011 compensation program.

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The following table highlights the elements of our 2012 executive compensation program and the primary purpose of each element. The overall 2012 compensation elements are consistent with our 2011 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
<i>Base Salary</i>	Provide base compensation that is competitive for each role to reward and motivate individual performance	Cash
<i>Annual Incentive Compensation (or bonus)</i>	Annual incentive to drive company and, where applicable, business unit performance	Cash
<i>Bonus Restricted Stock Elections</i>	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
<i>Long-Term Incentive Awards</i>	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
<i>Perquisites</i>	Enhance the competitiveness of our executive compensation program through limited additional benefits	Automobile allowances and death benefits
<i>Pension and Retirement</i>	Provide our executives with a competitive retirement income program to supplement savings through our 401(k) plan	Participation and vesting in our non-qualified pension restoration plan
<i>Severance Agreements</i>	Attract and retain key talent by providing certain compensation in the event of a change in control	Cash severance, equity vesting and COBRA reimbursement
<i>Qualified Deferred Compensation</i>	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
<i>Non-Qualified Deferred Compensation</i>	Provide tax-deferred means to save for retirement	Participation in our non-qualified deferred compensation program
<i>Other</i>	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 2012 the Committee modified the bonus restricted stock program for Mr. Franklin such that he was eligible to elect to receive all of any 2012 cash bonus as bonus restricted stock, but only receive 100% (versus 125% for other executives) of such value in such shares of restricted stock.

Compensation Committee

The Committee currently consists of Judy C. Odom (Chair), William F. Farley and Karen A. Puckett; as previously disclosed, after the 2013 annual meeting, David L. Copeland will join the Committee and serve as its Chair. The Board has determined that each

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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 currently serves, or has served, as a 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.

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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 2012. The Committee has delegated to our CEO limited stock option grant authority, principally used for non-officer new hires and promotions. You may view the Committee's full charter in the corporate governance section of the company website.

The Committee meets in executive session as it deems appropriate to review and consider executive compensation matters without the presence of our executive officers. These executive sessions frequently include other non-employee directors. The Committee met in executive session with other non-employee directors at its January 2012 regular meeting, which is the meeting when the Committee made its annual 2012 executive compensation determinations.

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.

Management and Chairman of the Board

Mr. Franklin, our Chairman, President and CEO, participated in the Committee's executive compensation processes throughout 2012 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, including (1) annual incentive bonus plan structure and participants, (2) long-term incentive compensation strategy, (3) competitive

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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 2012 meeting, Mr. Franklin presented the Committee with specific 2012 compensation recommendations for the compensation amounts and elements of all executive officers other than himself. The Committee made final decisions about each officer's 2012 compensation without the applicable executive officer being present, taking into account Mr. Franklin's recommendations and views.

Compensation Consultants

The Committee believes that engaging a consultant on a periodic basis is more appropriate than having recurring or annual engagements. In the fall of 2010, the Committee engaged Meridian Compensation Partners (Meridian), an outside compensation consultant, to assist the Committee with its evaluation 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, including:

- a review of the peer group of companies used for benchmarking executive compensation, taking into account input from the Committee;
- an analysis of total direct compensation, and the individual components of total direct compensation, for each of our executive positions and assess how target and actual compensation positioning to the market (based on compensation data from the peer group and broad market survey data) aligned with Harte-Hanks' compensation philosophy and objectives;
- recommendations of 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
- advice and recommendations regarding best practices and compensation trends, for consideration by the Committee in its 2011 compensation decisions for the CEO and other executive officers.

Meridian was selected and engaged by, and reported directly to, the Committee, using information provided by management and gathered from proxy statements, other public information and proprietary surveys. Meridian was not separately engaged by our management, but did provide to management corresponding evaluations of selected non-executive officer positions and compensation policy and practice matters. The company has no relationship with Meridian (other than the relationship undertaken by the Committee), and therefore the Committee believes that Meridian is independent.

In late 2011, the Committee engaged Meridian again to refresh its findings, in particular with respect to executive officer 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 engaged Meridian again in 2012 to assist in some of the Committee's 2013 executive compensation determinations, but has not yet determined whether it will engage an outside consulting firm during 2013 for the Committee's 2014 executive compensation determinations.

Principal Factors That Influenced 2012 Executive Compensation

When making its 2012 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 2012 executive compensation, the principal factors taken into consideration by the Committee included the following:

- competitive market data to assess how our executive pay levels 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 our Chairman, Mr. Franklin (who also serves as our President and CEO), with regard to base salary proposals, long-term incentive awards, individual executive officer performance and related matters;

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- 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;
- ongoing and anticipated restructuring efforts 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;
- CEO succession planning considerations;
- providing competitive compensation to reflect new or expanded roles for some of our executives;
- retention considerations in light of a recent history of relatively low bonus payouts to executive officers based on recent company performance, and reduced historical 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 Section 162(m) of the Code, the impact of expensing equity grants under Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment (SFAS 123R), and the impact of Section 409 relating to non-qualified deferred compensation.

Tally Sheets

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To assist the Committee in making its 2012 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: (1) values for cash compensation (base pay, bonus and automobile allowance) for the current year under consideration and each of the past two years; (2) modeled values for long-term incentive awards (options, restricted stock and performance awards) for the current year under consideration and each of the past two years; (3) salary continuation benefits (similar in effect to life insurance benefits); (4) estimated pension benefits upon retirement; (5) actual realized and estimated future values for previous equity compensation awards; (6) stock ownership guideline compliance; and (7) estimated amounts the executive could realize upon a change in control or other termination of employment pursuant to the executive's severance agreement. 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 (equity) and short-term (cash) 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. The following chart shows the split of 2012 compensation for our named executive officers between equity and cash:

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2012 Cash Versus Equity Compensation for Named Executive Officers (1) (2)

(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 2012 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 2012 equity compensation, excluding the value of bonus restricted stock grants (which related to 2011 compensation and performance, even though they were granted in 2012).

(2) For our individual named executive officers, their 2012 cash to equity compensation ratios (calculated as described in footnote (1) above) were approximately as follows: Franklin 92% cash / 8% equity; Shepard 47% cash / 53% equity; Munden 48% cash / 52% equity; Paulsin 48% cash / 52% equity; Skidmore 49% cash / 51% equity. Individual circumstances and other factors, such as mid-year promotions, start dates, departure dates and volatility in our stock price, may cause significant fluctuations in these percentages from year to year, thereby affecting their year-to-year comparability.

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 2012, as shown below, well over half of the potential cash compensation (assuming a 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 2012, 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:

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- 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.

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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.

Percentage of 2012 Potential Cash Compensation for Named Executive Officers: Fixed vs. Variable (or At Risk) (1) (2)

(1) This chart reflects the overall ratio of 2012 salary received (fixed) to 2012 maximum potential annual incentive compensation (variable) for the named executive officers, excluding Mr. Skidmore, who was ineligible for a bonus due to his departure.

(2) Individual percentages of 2012 variable cash compensation (calculated as described in footnote (1) above) were approximately as follows: Franklin 68%; Shepard 51%; Munden 46%; and Paulsin 48%. Prior to his departure, Mr. Skidmore's comparable ratio was 50%. Individual circumstances and other factors may cause significant fluctuations in these percentages from year to year, thereby affecting their year-to-year comparability.

Market Benchmarking

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 by aging information that has been previously provided by these consultants. For the 2010 Meridian report, 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. In response to the 2010 Meridian report, industry consolidations and changes to the competitors we encounter in the marketplace since the Committee's last external evaluation of our peer group, the Committee adopted a revised peer group for 2011. This 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. Because GSI Commerce, Inc. (part of our 2011 peer group) no longer publicly files compensation information, for 2012 the Committee removed it and added Informatica Corporation and Sapient Corporation. Our current peer group consists of the following companies (those with an asterisk being newly added):

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2012 Compensation Peer Group

Axiom 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 report and current market practices, the Committee maintained its philosophy that targeted 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 2012 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 compensation approved in the Committee's January 2012 meeting for our named executive officers compared to the peer and market data reviewed by the Committee at its January 2012 meeting, Mr. Paulsin was at approximately the 50th percentile, Messrs. Shepard, Skidmore and Munden were between the 25th and 50th percentiles and Mr. Franklin was below the 25th percentile.

Additional Analysis of Executive Compensation Elements

The following discussion provides additional information and analysis regarding the specific elements of our 2012 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 2012 Executive Compensation*) and the compensation tables that follow.

Base Salary

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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. 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 2012, 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 position to Harte-Hanks, whether, in the Committee's business judgment and taking into account input from our CEO, Chairman 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. Additionally, the Committee considered the uneven improvements in the economy, Harte-Hanks' financial performance and internal pay equity, and decided to increase the base salaries of Messrs Franklin, Shepard, Munden and Paulsin (although all but Mr Paulsin remained below the 50th percentile based on market information).

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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. For our fiscal 2012 executive bonus plan (administered under the company's 1996 Incentive Compensation Plan, as filed as an exhibit with the company's Annual Report), maximum bonus opportunity amounts were expressed as a percentage of year-end base salary as follows; none changed from 2011:

2012 Named Executive Officer Bonus Opportunities

(Relative to 2012 Base Salary Paid)

Named Executive Officer	Maximum Bonus Opportunity
Larry Franklin	200%
Doug Shepard	100%
Robert Munden	85%
Mike Paulsin	85%
Gary Skidmore	100%

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 2012 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 2012.

For 2012, 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 2012 Base Salary Paid)

Harte-Hanks	Unit- Level (1)
Revenue	Revenue

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Named Executive Officer	Earnings Per Share	Operating Income	Operating Income	Maximum Payout	
Larry Franklin	90%	80%	30%	200%	
Doug Shepard	45	40	15	100	
Robert Munden	38.25	34	12.75	85	
Mike Paulsin (2)			42.5%	42.5%	85
Gary Skidmore		20	30	50	100

- (1) Shoppers for Mr. Paulsin and Direct Marketing for Mr. Skidmore.
- (2) Further subdivided among California (70% of total), Print (20% of total) and WEB (10% of total).

The determination of any bonus amount ultimately payable to each executive for 2012 was based on the following threshold, target and maximum performance levels:

Bonus Performance Thresholds

(in thousands, except per share data)

Level	Harte-Hanks		Direct Marketing				Shoppers				WEB Operating Income
	Earnings Per Share	Operating Income	Revenue	Revenue	Operating Income	California Revenue	California Operating Income	Print Revenue	Print Operating Income	WEB Revenue	
Threshold	\$0.71	\$76,200	\$819,100	\$594,400	\$81,500	\$183,200	\$13,280	\$218,400	\$10,140	\$8,370	(\$1,250)
Target	0.79	88,600	873,700	632,300	89,200	192,800	16,600	232,300	13,000	9,100	(1,000)
Maximum	0.84	93,900	893,400	657,600	94,600	198,600	18,260	236,900	13,910	10,010	(600)

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Bonus payouts were determined on a five-step graduated scale ranging from the threshold of 19% to 100% of the maximum potential payout. Actual bonus payouts for 2012 were approved at the Board's January 2013 meeting based on the following actual performance results and achievement payout levels:

2012 Actual Bonus Payout Results

(in thousands, except per share data and percentages)

Level	Harte-Hanks		Direct Marketing				Shoppers		WEB Operating Income		
	Earnings Per Share	Operating Income	Revenue	Revenue	Operating Income	California Revenue	California Operating Income	Print Revenue		Print Operating Income	
Actual	\$0.52	\$62,884	\$803,828	\$581,092	\$75,398	\$178,135	\$5,038	\$214,233	(\$625)	\$8,504	838
(1) Payout	0	0	0	0	0	0	0	0	0	22%	100%

(1) Operating Income amounts do not include the Shoppers goodwill impairment charges taken in 2012.

In establishing the performance criteria and the incremental target performance levels for each performance criteria, it is anticipated that the executives are likely to receive at least the threshold portion of their year-end cash bonuses, and that they will often receive their target bonuses (which are tied to budgeted performance), with higher levels of payout being more difficult and less likely to occur. Achieving the maximum bonus award is anticipated, at the time of establishing the award, to be very difficult to achieve based on our company's annual budget performance assumptions and outlook for the company. After applying the company's achievement relative to the established performance thresholds and the named executive officer's bonus criteria weighting, Mr. Paulsin was the only named executive officer to receive a bonus payouts for 2012 performance (\$14,333 or 5.3% of his salary).

Bonus Restricted Stock Elections

As part of our executive compensation program, an executive officer may elect to receive up to 30% (or 100% in the case of the CEO) of his bonus in the form of restricted stock. An executive who so elects receives 125% (or 100% in the case of the CEO) of the value of the forgone cash portion of the bonus in shares of restricted stock. This program is considered by the Committee each year, and was approved again with respect to 2012 executive bonuses, which were potentially payable (and in fact, were paid) in early 2013. The Committee believes this program encourages the accumulation of executive stock ownership, and provides another avenue for our executive officers to reach compliance with our stock ownership guidelines. Mr. Munden made a bonus restricted stock election for his 2012 bonus to be paid in early 2013.

For bonuses based on 2011 performance and paid in 2012, Mr. Franklin received a bonus of \$50,625 and elected to receive the full amount in the form of restricted stock. As a result, the Committee awarded Mr. Franklin a restricted stock award of 5,108 shares on February 5, 2012, vesting on February 5, 2013 (as shown in the Grants of Plan Based Awards Table). Messrs. Skidmore and Munden elected to defer \$51,322 and \$1,526 of their bonuses, respectively, and received similar grants for 6,473 and 192 shares, respectively. No other named executives elected to receive their 2011 bonuses in the form of restricted stock in 2012. For bonuses based on 2012 performance and paid in 2013, Mr. Munden elected to receive a portion his bonus in the form of restricted stock; no bonus was earned, so the election was moot.

Long-Term Incentive Awards

We design our long-term incentive compensation program to drive company performance over a multi-year period, align the interests of executives with those of our stockholders and retain executives through long-term vesting and wealth accumulation. The Committee believes that a significant portion of executive compensation should be dependent on value created for our stockholders. The Committee reviews long-term incentive compensation strategy and vehicles as part of its annual executive compensation determinations. In May 2005, we adopted the Harte-Hanks 2005 Omnibus Incentive Plan (the 2005 Plan), a stockholder approved plan pursuant to which we may issue various equity securities to directors, officers, employees and consultants. The 2005 Plan forms the basis of our long-term incentive plan for executives. We are submitting a successor plan the Harte-Hanks 2013 Omnibus Incentive Plan for stockholder approval at the 2013 annual meeting and, if approved, future grants will be made under it.

Although the 2005 Plan provides for other vehicles, the primary long-term incentive vehicles used by the Committee have been stock options (time vesting), restricted stock with time vesting (restricted stock) and restricted stock with performance vesting (performance awards). In general, stock options align our executives' interests with the interests of stockholders by having value only if our stock price increases over time. Restricted stock better serves the retention goal by ensuring that the awards will have value if they vest because the ultimate value of restricted stock, unlike stock options, does not depend solely on our stock price increasing over time. Our performance awards require performance over a multi-year measurement period and thereby help align our executive compensation program with longer term company performance.

The Committee has established standardized terms for stock options and restricted stock: stock options vest in four equal annual installments, and restricted stock (other than bonus restricted stock grants) vests in three equal installments, each beginning the first

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anniversary of the grant date. Prior to 2011, the vesting for stock options began on the second anniversary of the grant date, and restricted stock had three-year cliff vesting. Stock options have an exercise price equal to the market value of our common stock on the date of grant, and have a term of ten years, assuming the recipient remains in service to the company. In 2010, the Committee determined, in accordance with its discretion under the 2005 Plan, that all outstanding equity awards, as well as any future awards, would vest in full upon a change of control (as defined in the 2005 Plan).

Performance awards represent the right to receive one share of common stock (or in the Committee's sole discretion, the cash equivalent) for each vested unit, with performance determined on a future date (currently set as the third anniversary of the grant date). In 2012 performance awards represented approximately 28.2% (by reportable expense) of long-term incentive grants made to executive officers. The 2012 performance awards vest based on the company's 2014 earnings per share (EPS), at levels of 0%, 50%, 75% or 100% of the stated award amount. In establishing the performance levels, it was generally anticipated that at least some portion of the performance units will vest, with increasing degrees of difficulty in achieving the higher levels of vesting. Achieving the 75% vesting level was linked to expected EPS performance, while maximum vesting level would require the company to significantly exceed the EPS growth, each as anticipated in the company's strategic plans.

Our Board has adopted a policy of granting annual awards on February 5 each year a fixed date anticipated to be during a window period (more than two days following the release of our annual earnings for the prior year). We also grant interim awards from time to time in connection with mid-year hires, acquisitions, promotions or other reasons, based on a date selected by the Committee on or after the date of the Committee action at a meeting or by unanimous written consent.

In January 2012, the Board (based on Committee recommendations) approved a combination of stock options, restricted stock and performance awards for our executive officers, reflecting the Committee's long term incentives approach. The Committee determined that a combination of awards weighted toward awards with some performance aspect would be the best way to align our executive compensation program with the needs of our company and our stockholders. Likewise, this approach was more in line with practices in the market as reflected in the peer group comparisons provided by Meridian. The award structure and increased size adopted by the Committee also addressed the finding in the Meridian report that the absolute value, and value relative to cash compensation, of recent equity awards to our named executives was low relative to those of our peer group.

When reviewing each executive's proposed equity awards in 2012, the Committee considered the level of responsibility and complexity of the executive's job, whether, in the Committee's business judgment and taking into account input from our CEO, Chairman and other Board members, prior individual performance was particularly strong or weak, how the executive's proposed equity award value compares to the equity award values of other Harte-Hanks executives and to the 50th percentile market information based on benchmark data for the same or similar positions provided by Meridian, and the combined potential total direct compensation value of an executive's salary, annual bonus opportunity and long-term equity incentive awards. As a result of the Committee's review, the following long term incentive grants were made on February 5, 2012:

Named Executive Officer	Stock Options (shares)	Restricted Stock (shares)	Performance Awards (units)
Larry Franklin	0	0	0
Doug Shepard	40,000	15,000	15,000
Robert Munden	28,000	12,000	12,000
Mike Paulsin	28,000	12,000	12,000
Gary Skidmore	28,000	12,000	12,000

Please refer to the Grants of Plan Based Awards table below for further details about these grants.

Perquisites

Consistent with previous years, our 2012 executive compensation program included limited executive perquisites. The aggregate incremental cost of providing perquisites and other benefits to our named executive officers is included in the amount shown in the All Other Compensation column of the Summary Compensation table below and detailed in the subsequent All Other Compensation table. We believe the limited perquisites we provide to our executives are representative of comparable benefits offered by companies with whom we compete for executive talent, and therefore offering these benefits serves the objective of attracting and retaining top executive talent by enhancing the competitiveness of our compensation program. Our perquisites are:

- *Salary Continuation Benefits* We provide salary continuation benefits (which are similar in effect to life insurance benefits) to our executive officers. This benefit provides the estates of our executive officers ten annual payments (of \$90,000 for Mr. Franklin and \$70,000 for Messrs. Munden, Paulsin and Shepard) in the event of their death while employed by the company. (Mr. Skidmore had the same \$90,000 per year benefit prior to his departure, at which point such benefit terminated.)
- *Automobile Allowance* We provide automobile allowances to our named executive officers: \$1,325 per month for our CEO, and \$975 per month for our Executive Vice Presidents and Senior Vice Presidents.

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In establishing the elements and amounts of each executive's 2012 compensation, the Committee took into consideration, as one of the relevant factors, the value of these perquisites to our executives. Tally sheets are used as a reference to ensure that Committee members understand the total compensation provided to executives each year and over a multi-year period, including the amount of each executive's salary continuation death benefit and automobile allowance.

Pension and Retirement

We sponsor a defined benefit pension plan (the Defined Benefit Plan) qualified under Section 401 of the Code. We also have established an unfunded, non-qualified pension restoration plan, which initially became effective on January 1, 1994 (the Restoration Pension Plan). Consistent with our historical executive compensation program, each executive officer participates in our Restoration Pension Plan, and some executives also receive benefits under our Defined Benefit Plan. The Defined Benefit Plan was frozen as of December 31, 1998 (at which time the benefits available under our 401(k) plan were enhanced), and no further benefits will accrue under that plan. These pension benefits are designed to attract and retain key talent by providing our executives with a competitive retirement income program to supplement savings through our 401(k) plan. In addition, the Code places certain limitations on the amount of pension benefits that may be paid under qualified plans and on the amount of compensation considered in determining the pension benefit amount. Any benefits payable to participants in excess of amounts permitted under the Code and any benefit accrued after December 31, 1998 will be paid under the Restoration Pension Plan.

The annual pension benefit under the Restoration Pension Plan and the Defined Benefit Plan, taken together, are largely computed by multiplying the number of years of employment by a percentage of the participant's final average earnings (earnings during the highest five consecutive years within the last ten years of employment). Participation in the Restoration Pension Plan is limited to those employees of Harte-Hanks who are designated by the Board as eligible and currently includes only corporate officers and one former corporate officer. All benefits payable under the Restoration Pension Plan are to be paid from our general assets, but we are not required to set aside any funds to discharge our obligations under the Restoration Pension Plan. There were no changes to the benefits provided to our named executive officers under our pension plans in 2012. Further details about our pension plans are shown in the Pension Benefits section below.

Severance Agreements

We have entered into severance agreements with each of our named executive officers and other corporate officers. These severance agreements are generally designed to attract and retain key talent by providing certain compensation in the event of a change in control. The payout levels and triggering events in the severance agreements were initially structured a number of years ago based on the Committee's review of publicly available market data regarding severance agreements. Our current agreements provide for all unvested equity-based awards previously granted to the executive to vest in full upon a change in control, consistent with the treatment of other employees. In addition, if after a change in control an executive (i) is terminated other than for cause (as defined in the agreement), death or disability or (ii) elects to terminate his employment after specified adverse actions are taken by Harte-Hanks, then such executive is entitled to severance compensation in an amount equal to 250% (300% in the case of Mr. Franklin) of the sum of (A) the executive's annual base salary in effect immediately prior to the change in control or termination date, whichever is larger, plus (B) the average of the executive's bonus or incentive compensation for the two fiscal years preceding the year in which the change in control or the termination date occurred, whichever is larger, and a cash payment sufficient to cover health insurance premiums for a period of 24 months.

In March 2011, we entered into amended and restated versions of the severance agreements to respond to recommendations by Meridian and evolving best practices for corporate governance as determined by the Committee. For details on these changes and additional information regarding these agreements, please see Potential Payments Upon Termination or Change in Control Payments Pursuant to Severance

Agreements.

Discretionary Bonuses and Equity Awards

We pay sign-on and other bonuses and grant new-hire equity awards when necessary or appropriate to attract top executive talent from other companies. Executives we recruit may have a significant amount of unrealized value in the form of unvested equity and other forgone compensation opportunities. Sign-on bonuses and special equity awards are an effective means of offsetting the compensation opportunities executives lose when they leave a former company to join Harte-Hanks. We also may grant discretionary cash and equity awards from time to time when appropriate to retain key executives, to recognize expanded roles and responsibilities or for other reasons deemed appropriate by the Committee in its business judgment. Discretionary equity awards have typically taken the form of stock options. In September 2012 the Board granted 60,000 options to each of Messrs. Munden and Shepard (and a further 220,000 options to other corporate officers) in recognition of the significant efforts expected to be required in connection with the transformation and reorganization of the company's Direct Marketing unit. No other discretionary bonuses or equity awards to named executives were made in 2012.

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Internal Pay Equity

While comparisons to compensation levels at companies in our peer group are helpful in assessing the overall competitiveness of our compensation program, we believe that our executive compensation program also must be internally consistent and equitable to achieve our compensation objectives. Our compensation philosophy is consistent for all of our executive officer positions and, although the amounts vary, the elements of our executive compensation program are also consistent for our executives. In setting the various amounts and elements of 2012 compensation for our named executive officers, the Committee viewed each named executive officer's compensation amounts and elements against those of the other named executive officers. The Committee did not establish any fixed formulas or ratios. Rather, the Committee's ultimate compensation determinations were influenced by a number of factors, including internal pay equity, that were taken into consideration together in the Committee's business judgment. We believe the total 2012 compensation we paid to each of our named executive officers, other than our CEO, was appropriate in relation to the other named executive officers, in light of their respective responsibilities, tenure and experience.

Coming into 2012, Mr. Franklin's compensation remained substantially below that paid to most CEOs in our peer group. When Mr. Franklin rejoined the company as President and CEO in January 2009, he did so at a time of significant challenges caused by the recent economic recession. Mr. Franklin also resumed office with significant equity ownership that aligned him with our stockholders, owing to his long tenure with the company (he joined Harte-Hanks in 1971 and served as our CEO from 1991 through 2002). In the course of making its 2012 compensation determinations, the Committee took notice of Mr. Franklin's compensation relative to CEO's in our peer group. Based on the company's current and expected financial performance, the Committee recommended raising Mr. Franklin's base salary (from \$500,000 per year to \$600,000 per year) but did not recommend any long-term incentive awards. Mr. Franklin's overall compensation (and each element thereof) remains significantly below 50th percentile of our peer group, which the Committee will take into consideration when making future compensation determinations and recommendations.

Stock Ownership Guidelines

The Committee believes that stock ownership requirements encourage officers to maintain a significant financial stake in our company, thus reinforcing the alignment of their interests with those of our stockholders. Consistent with this philosophy, in January 2011, the Committee recommended, and the Board approved, new stock ownership guidelines (replacing the 2005 guidelines which had been suspended) that require all officers to acquire and hold significant levels of our common stock. Under the new guidelines, a corporate officer is allowed up to the later of (a) five years from commencement of employment or promotion or (b) March 31, 2013, to reach the minimum required level of common stock ownership. In the event that an officer moves to a level with a different minimum equity ownership level, the officer will have three years to achieve the higher level of ownership. The target ownership level (relative to base annual salary) is 500% for the CEO, 200% for executive vice presidents and senior vice presidents, and 100% for vice presidents.

The recent stock ownership of our executive officers is reflected in the section above entitled "Security Ownership of Management and Principal Stockholders." For purposes of measuring compliance with these stock ownership guidelines, the following are deemed to be owned by an executive officer: (1) restricted stock that is still subject to a restricted period, and (2) common stock owned by the officer. Neither options nor performance awards are included in the compliance calculation. If an officer has not previously met the minimum equity ownership level, the officer must retain half of the "net shares" related to any option exercise or vesting of restricted stock or performance awards. "Net shares" means the number of shares remaining after the sale of shares to cover the exercise price of options and the sale of shares sufficient to pay taxes related to the exercise of options or vesting of restricted stock or performance awards. If an executive officer has previously met the applicable target ownership level, then so long as such officer retains the number of shares needed for such compliance, they will be deemed to be in compliance even if stock price fluctuations cause them to fall below their target ownership level.

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The ownership guidelines, and compliance by officers with the guidelines, are reviewed annually by the Committee. Any remedial action for failure to comply with the stock ownership guidelines is to be determined by the Committee on a case-by-case basis. At March 31, 2012, Mr. Franklin was in compliance with his guideline ownership level and the other named executive officers were not (although Mr. Munden has until April 1, 2015 and Mr. Paulsin until August 31, 2014 to establish compliance).

Tax Deductibility of Executive Compensation

Section 162(m) of the Code prevents us from taking a tax deduction for non-performance-based compensation over \$1 million in any fiscal year paid to certain senior executive officers. In designing our executive compensation program, we consider the effect of Section 162(m) together with other factors relevant to our business needs. We seek to design our annual cash incentive and long-term performance unit awards and stock option awards to be tax-deductible to Harte-Hanks, so long as preserving the tax deduction does not inhibit our ability to achieve our executive compensation objectives. The Committee does have discretion to design and use compensation elements that are not deductible under Section 162(m) if the Committee believes that paying non-deductible compensation is appropriate to achieve our executive compensation objectives.

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Review of and Conclusion Regarding All Components of Executive Compensation

The Compensation Committee has reviewed all components of the named executive officers' 2012 compensation, including salary, bonus, equity and long-term incentive compensation, accumulated realized and unrealized stock option gains, the dollar value to the executive and the cost to the company of all perquisites and other personal benefits and any lump-sum payments that may be payable under their respective severance agreements due to termination of their employment or a change in control of the company. Based upon the Compensation Committee's review, the Committee believes the compensation for our executive officers is competitive and that our compensation practices have enabled Harte-Hanks to attract and retain key executive talent. The Committee also finds the named executive officers' total compensation to be fair, reasonable and consistent with the Committee's and the company's executive compensation philosophy. At our 2011 annual meeting, over 99% of stockholders casting a vote on the proposal approved (on an advisory basis) the 2010 compensation of our named executive officers. The Committee will continue to consider this as a factor confirming its general practices when making its 2013 compensation determinations.

Compensation Committee Report

The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in such filing.

The Compensation Committee of the Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and contained in this proxy statement. Based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee
Judy C. Odom, Chair
William F. Farley
Karen A. Puckett

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The following table provides information as of the end of 2012 regarding total shares subject to outstanding stock options and rights and total additional shares available for issuance under our 2005 Plan and our 1991 Stock Option Plan (the 1991 Plan):

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	5,346,329	\$14.32	3,638,662 (2)
	(outstanding options and performance stock units)	(outstanding options) (1)	
Equity compensation plans not approved by security holders			
Total	5,346,329	\$14.32	3,638,662 (2)
	(outstanding options and performance stock units)	(outstanding options) (1)	

(1) The weighted-average exercise price does not take into account any shares issuable upon vesting of outstanding restricted stock or performance restricted stock units, which have no exercise price.

(2) Represents 3,638,662 shares under the 2005 Plan; shares available for issuance under the 2005 Plan may be issued pursuant to stock options, restricted stock, performance restricted stock units, common stock, stock appreciation rights or other awards that may be established pursuant to the 2005 Plan. No new options or securities may be granted pursuant to the 1991 Plan.

Important Note Regarding Compensation Tables

The following compensation tables in this proxy statement have been prepared pursuant to SEC rules. Although some amounts (e.g., salary and non-equity incentive plan compensation) represent actual dollars paid to an executive, other amounts are estimates based on certain assumptions about future circumstances (e.g., payments upon termination of an executive's employment) or they may represent dollar amounts recognized for financial statement reporting purposes in accordance with SFAS 123R, but do not represent actual dollars received by the executive (e.g., dollar values of stock awards and option awards). The footnotes and other explanations to the Summary Compensation table and the other tables herein

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contain important estimates, assumptions and other information regarding the amounts set forth in the tables and should be considered together with the quantitative information in the tables.

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The following table sets forth information regarding compensation earned for 2012, 2011 and 2010 by our named executive officers: Larry Franklin (our Chairman, President and CEO); Doug Shepard (our Executive Vice President and CFO); and our two other executive officers for 2012 other than our CEO and CFO Robert Munden (our Senior Vice President, General Counsel and Secretary) and Mike Paulsin (our Senior Vice President and President, Shoppers), as well as Gary Skidmore (Executive Vice President and President, Direct Marketing through July 31, 2012). The amounts in column (i) are more fully described in the All Other Compensation table included below.

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Bonus (1) (\$) (d)	Stock Awards (2) (\$) (e)	Option Awards (2) (\$) (f)	Non-Equity Incentive Plan Compensation (3) (\$) (g)	Change in Pension Value & Nonqualified Deferred Compensation Earnings (4) (\$) (h)	All Other Compensation (\$) (i)	Total (\$) (j)
Larry Franklin (5)(6)(7) Chairman, President and Chief Executive Officer	2012	\$ 573,077	\$ -	\$ -	\$ -	\$ -	\$115,394	\$525,454	\$1,213,925
	2011	461,538	-	871,580	-	-	125,504	519,047	1,977,669
	2010	300,000	-	614,996	-	-	58,721	495,559	1,469,276
Doug Shepard Executive Vice President and Chief Financial Officer	2012	356,923	-	281,250	252,215	-	68,528	32,448	991,364
	2011	331,154	-	398,752	40,945	22,110	46,109	26,371	865,441
	2010	315,000	-	-	277,820	315,000	29,221	24,269	961,310
Robert Munden (8) Senior Vice President, General Counsel & Secretary	2012	289,615	-	225,000	215,638	-	35,147	31,040	796,440
	2011	270,192	382	295,103	49,134	13,736	23,337	90,445	742,329
	2010	187,500	-	26,380	167,931	159,375	8,185	27,705	577,076