HARTE HANKS INC
Form DEF 14A
April 13, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Harte-Hanks, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

HARTE-HANKS, INC.

200 Concord Plaza Drive, Suite 800

San Antonio, Texas 78216

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 16, 2006

As a stockholder of Harte-Hanks, Inc., you are hereby given notice of, and invited to attend in person or by proxy, the Annual Meeting of Stockholders (the Annual Meeting). The Annual Meeting is to be held at 200 Concord Plaza Drive, First Floor, San Antonio, Texas 78216, on Tuesday, May 16, 2006, at 10:00 a.m. Central Time, for the following purposes:

1. To elect two Class I directors, each for a three-year term; and

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

The Board of Directors has fixed the close of business on March 31, 2006 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof.

You are cordially invited to attend the Annual Meeting. Whether or not you expect to attend the meeting, you may assure your shares are represented at the meeting by promptly voting and submitting your proxy by telephone, by Internet, or by signing, dating and mailing the enclosed proxy card in the enclosed stamped envelope for which no additional postage is required if mailed in the United States.

By Order of the Board of Directors,

SLOANE LEVY

Vice President, General Counsel and Secretary

San Antonio, Texas

April 13, 2006

YOUR VOTE IS IMPORTANT.

PLEASE VOTE BY TELEPHONE, BY INTERNET OR EXECUTE AND RETURN

PROMPTLY THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED.

HARTE-HANKS, INC.

200 Concord Plaza Drive, Suite 800

San Antonio, Texas 78216

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 16, 2006

This Proxy Statement is furnished to stockholders of Harte-Hanks, Inc. (Harte-Hanks or the Company) for use at the 2006 Annual Meeting of Stockholders to be held on Tuesday, May 16, 2006 at 10:00 a.m. (Central Time) at 200 Concord Plaza Drive, First Floor, San Antonio, Texas 78216 (the Annual Meeting). The enclosed proxy is solicited on behalf of our Board of Directors (the Board). A stockholder voting by phone, by Internet or by executing the accompanying proxy card has the right to revoke it at any time prior to the voting thereof by notifying our Corporate Secretary in writing, executing a subsequent proxy card or attending the meeting and voting in person. Unless a contrary choice is so indicated, all votes sent via telephone or the Internet or all duly executed proxies received by us will be voted in accordance with the instructions set forth on the proxy card. The record date for stockholders entitled to vote at the Annual Meeting is the close of business on March 31, 2006 (the Record Date). The approximate date on which this Proxy Statement and the enclosed proxy card are first being sent or given to stockholders is April 13, 2006.

VOTING PROCEDURES

The accompanying proxy card is designed to permit each stockholder of record at the Record Date, to vote in the election of Class I directors, as further described in this Proxy Statement. The proxy card provides space for a stockholder to vote in favor of or to withhold voting for the nominees for Class I directors.

The holders of a majority of all of the shares of common stock entitled to vote at the Annual Meeting, present in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. If a quorum should not be present, the Annual Meeting may be adjourned until a quorum is obtained. Abstentions and broker non-votes are counted as present at the Annual Meeting for purposes of determining whether a quorum is present. A broker non-vote occurs when a nominee, such as a bank or a broker, holding shares for a beneficial owner, does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner with respect to that vote. Absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote the shares with respect to the approval of non-routine matters. The election of Class I directors will be decided by a plurality of the votes cast at the Annual Meeting. For that reason, abstentions and broker non-votes will not affect the outcome of the election of directors.

If you are not voting by telephone or the Internet, stockholders are urged to sign the enclosed proxy card and return it promptly. When a signed proxy card is returned with choices specified with respect to voting matters, the shares represented are voted by the proxies designated on the proxy card in accordance with the stockholder s instructions. The proxies for the stockholders are Larry Franklin and Houston H. Harte.

As of the Record Date, there were 81,209,558 shares of common stock outstanding, which were held by approximately 2,775 holders of record. Each owner of record on the Record Date is entitled to one vote for each share of common stock held.

The enclosed proxy card is solicited on behalf of our Board. We will pay the cost of soliciting proxies in the accompanying form. Our officers may solicit proxies by mail, telephone, Internet or fax. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of our common stock.

MATTERS TO BE BROUGHT BEFORE THE MEETING

Proposal No. 1 Election of Class I Directors

The current number of members of our Board is eight (8). Our Board is divided into three classes, each of which serves for a three-year term. One class of directors is elected each year at the Annual Meeting of Stockholders. The term of our two Class I directors will expire at the Annual Meeting. The Class I directors elected in 2006 will serve for a term of three years, which expires at the Annual Meeting of Stockholders in 2009 or when their successors are elected and qualified.

The affirmative vote of a plurality of the shares voting at the Annual Meeting having voting power of the shares present, in person or by proxy, at the meeting is required for the election of each nominee for director. Unless otherwise specified, the proxies received will be voted for the election of the listed nominees.

The nominees for Class I directors are David L. Copeland and Christopher M. Harte. Each nominee is a current member of our Board. Our Board believes that each nominee will be available and able to serve as a director. If, however, a nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such substitute as the Board may recommend, or the Board may reduce the number of directors to eliminate the vacancy consistent with the requirement to maintain nearly equal classes, or if any director is unable to serve his full term, the Board may by resolution provide for a lesser number of directors or by a majority vote of the directors then in office may designate a substitute.

Information with respect to the nominees is set forth in the section of this Proxy Statement entitled Management Directors and Executive Officers. We believe that our directors and officers currently intend to vote their shares in favor of each of the nominees for Class I directors.

THE BOARD OF DIRECTORS URGES STOCKHOLDERS TO VOTE FOR

EACH OF THE NOMINEES FOR DIRECTOR SET FORTH ABOVE.

SECURITY OWNERSHIP OF MANAGEMENT AND PRINCIPAL STOCKHOLDERS

The following table sets forth, as of March 31, 2006, the beneficial ownership of each current director, each nominee for director, each executive officer included in the Summary Compensation Table, our directors and executive officers as a group, and each stockholder known to management to own beneficially more than 5% of our common stock. Except as noted below, each named person has sole voting power and dispositive power with respect to the shares shown.

Name and Address of Beneficial Owner (1)	Number of Shares of Common Stock	Percent of Class
Larry Franklin (2)	11,557,992	14.3%
Houston H. Harte (3)	10,585,873	13.0%
David L. Copeland (4)	9,391,845	11.6%
Ariel Capital Management, Inc. (5)	9,272,633	11.4%
Shelton Family Foundation	4,891,000	6.0%
Christopher M. Harte (6)	1,871,246	2.3%
Richard M. Hochhauser (7)	1,165,002	1.4%
Peter E. Gorman (8)	235,028	*
Kathy S. Calta (9)	155,393	*
William A. Goldberg (10)	143,090	*
Dean H. Blythe (11)	90,700	*
William K. Gayden (12)	46,987	*
William F. Farley (13)	11,544	*
Judy C. Odom (14)	7,653	*
All Executive Officers and Directors as a Group (16 persons) (15)	27,433,690	33.8%

* Less than 1%.

(1) The address of Ariel Capital Management, Inc. is 200 E. Randolph Drive, Suite 2900, Chicago, Illinois 60601. The address of the Shelton Family Foundation is 273 Walnut Street, Abilene, Texas 79601. The address of each other beneficial owner is c/o Harte-Hanks, Inc., 200 Concord Plaza Drive, Suite 800, San Antonio, Texas 78216.

(2) Includes 453,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 3,383,358 shares owned by seven trusts for which Mr. Franklin serves as co-trustee and holds shared voting and dispositive power and to which he disclaims beneficial ownership; 110,000 shares held in trust for his children; 4,891,000 shares owned by the Shelton Family Foundation of which he is one of eight directors and to which he disclaims beneficial ownership; and, 35,405 shares owned by the Franklin Family Foundation of which he is one of four directors and to which he disclaims beneficial ownership.

(3) Includes 3,061,555 shares held by three limited partnerships of which he is the sole member of the general partner, but in which shares he has no pecuniary interest, and to which he disclaims beneficial ownership.

(4) Includes 7,650 shares held as custodian for his children; 17,000 shares held as custodian for unrelated minors; 4,215,201 shares that are owned by 28 trusts for which Mr. Copeland serves as trustee or co-trustee and to which he disclaims beneficial ownership; 200,500 shares held by a limited partnership of which he is an officer of the general partner but in which shares he has no pecuniary interest and to which shares he disclaims beneficial ownership; 4,891,000 shares owned by the Shelton Family Foundation, of which he is one of eight directors and to which he disclaims beneficial ownership; 3,550 shares that may be acquired upon the exercise of options exercisable within the next 60 days; and 1,937 shares of stock subject to certain restrictions, which restrictions will be removed on January 26, 2009.

(5) Represents shares held by investment advisory clients of Ariel Capital Management, Inc. (ACM), no one of which to the knowledge of ACM owns more than 5% of the class. Includes shares to which ACM has sole voting power of 8,181,721 shares and sole dispositive

power of 9,177,348 shares. Information relating to this stockholder is based on the stockholder s Schedule 13G, filed with the Securities and Exchange Commission (the SEC) on February 14, 2006.

(6) Includes 1,100 shares held as custodian for his step-children and child, 1,245,001 shares owned by two trusts for which Mr. Harte serves as co-trustee and in which the trustees have shared voting and dispositive power and to which he disclaims beneficial ownership; 450 shares owned indirectly by Mr. Harte s wife; 580,458 shares held by Spicewood Family Partners, Ltd., of which Mr. Harte is the sole general partner with exclusive voting and dispositive power over all the partnership s shares; 3,550 shares that may be acquired upon the exercise of options exercisable within the next 60 days; and 1,937 shares of stock subject to certain restrictions, which restrictions will be removed on January 26, 2009.

(7) Includes 911,500 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 10,700 shares of stock subject to certain restrictions, which restrictions will be removed on January 25, 2009.

(8) Includes 227,450 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 5,928 shares of stock subject to certain restrictions, which restrictions will be removed on January 25, 2009.

(9) Includes 150,100 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 5,293 shares of stock subject to certain restrictions, which restrictions will be removed on January 25, 2009.

(10) Includes 139,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 4,090 shares of stock subject to certain restrictions, which restrictions will be removed on January 25, 2009.

(11) Includes 87,500 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 3,200 shares of stock subject to certain restrictions, which restrictions will be removed on January 25, 2009.

(12) Includes 3,550 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 1,937 shares of stock subject to certain restrictions, which restrictions will be removed on January 26, 2009.

(13) Includes 2,300 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 1,937 shares of stock subject to certain restrictions, which restrictions will be removed on January 26, 2009.

(14) Includes 2,300 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 1,937 shares of stock subject to certain restrictions, which restrictions will be removed on January 26, 2009.

(15) Includes 2,389,550 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 51,536 shares of stock subject to certain restrictions, which restrictions will be removed at various times in January 2009.

MANAGEMENT

Directors and Executive Officers

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

David L. Copeland	50	Director Nominee (Class I)
William F. Farley	62	Director (Class II)
Larry Franklin	63	Director (Class II); Chairman
William K. Gayden	64	Director (Class II)
Christopher M. Harte	58	Director Nominee (Class I)
Houston H. Harte	79	Director (Class III); Vice Chairman
Richard M. Hochhauser	61	Director (Class III); President and Chief Executive Officer
Judy C. Odom	53	Director (Class III)
Peter E. Gorman	57	Executive Vice President Shoppers
Dean H. Blythe	47	Senior Vice President and Chief Financial Officer
Kathy L. Calta	48	Senior Vice President Direct Marketing
James S. Davis	58	Senior Vice President Direct Marketing
William A. Goldberg	49	Senior Vice President Direct Marketing
Gary J. Skidmore	51	Senior Vice President Direct Marketing
Jessica M. Huff	45	Vice President Finance, Controller and Chief Accounting Officer
Sloane Levy	41	Vice President General Counsel and Secretary

Class I directors are to be elected at the Annual Meeting. Messrs. Copeland and C. Harte are nominees for re-election as Class I directors. The term of Class II directors expires at the 2007 Annual Meeting of Stockholders, and the term of Class III directors expires at the 2008 Annual Meeting of Stockholders.

David L. Copeland has served as a director of the Company 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. He also serves as a director of First Financial Bankshares, Inc., a financial holding company.

William F. Farley has served as a director of the Company since October 2003. He also serves as a director of Wilsons The Leather Experts Inc., a leading retailer of leather apparel and accessories. He served as Chairman and Chief Executive Officer of Science, Inc., a medical device company, from 2000 to 2002. He also served as President 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.

Larry Franklin has served as a director of the Company since 1974. Mr. Franklin was Chief Executive Officer of the Company from 1991 until April 2002 and executive Chairman until December 31, 2005.

William K. Gayden has served as a director of the Company since 2001. He is chairman and chief executive officer of Merit Energy Company, a private firm specializing in direct investments in oil and gas producing properties, which he formed in 1989.

Christopher M. Harte has served as a director of the Company since 1993. He is a private investor and served as president of the Portland Press Herald and Maine Sunday Telegram for approximately two years beginning June 1992. Prior to becoming president of the Portland newspapers, Mr. Harte spent nine years with Knight-Ridder Newspapers, during which time he served as president and publisher of two newspapers and in other positions. He also serves as a director of Geokinetics, Inc., a provider of three-dimensional seismic acquisition services to U.S. oil and gas businesses, and Crown Resources, Inc., a minerals mining company. Mr. Harte is the nephew of Houston H. Harte.

Houston H. Harte has served as a director of the Company 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 the Company. Mr. Harte is the uncle of Christopher M. Harte.

Richard M. Hochhauser has served as Chief Executive Officer of the Company since April 2002 and as a director since 1996. Mr. Hochhauser served as Chief Operating Officer of the Company from January 1998 until his appointment as Chief Executive Officer in April 2002. He also has served as President of Harte-Hanks Direct Marketing since 1987 and has held numerous other positions since joining the Company in 1975.

Judy C. Odom has served as a director of the Company since September 2003. Since November 2002, she has served on the Board 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, when that company was sold. 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.

Peter E. Gorman has served as Executive Vice President-Shoppers of the Company since October 2005, and prior to that time he was Senior Vice President Shoppers of the Company since 1996. He has been with the Company since 1979.

Dean H. Blythe has served as Senior Vice President and Chief Financial Officer of the Company since June 2003. From November 2001 until February 2004 he served as Vice President Legal and Secretary of the Company. Prior to joining the Company, he served as Managing Director of TDF Ventures LLC, an investment and transaction advisory firm he founded in 2000. During 2000, he was also Senior Vice President Corporate Development of Concero, Inc., an information technology consulting firm, and from 1994 to 2000 he was Senior Vice President Corporate Development, Secretary & General Counsel of Hearst-Argyle Television, Inc., an owner and operator of television stations.

Kathy L. Calta has served as Senior Vice President Direct Marketing of the Company since March 2004, and previously served as Vice President Direct Marketing of the Company. She has held various sales and management positions with the Company since 1986.

James S. Davis has served as Senior Vice President Direct Marketing of the Company since March 2004, and previously served as Vice President Direct Marketing of the Company. He has held various sales and management positions with the Company since 1993.

William A. Goldberg has served as Senior Vice President Direct Marketing of the Company since March 2004 and previously served as Vice President Direct Marketing of the Company. He has held various sales and management positions with the Company since 1978.

Gary J. Skidmore has served as our Senior Vice President Direct Marketing since 2000, and prior to that time was Vice President Direct Marketing. He has been with the Company since 1994.

Jessica M. Huff has served as Controller and Chief Accounting Officer of the Company since 1996.

Sloane Levy has served as Vice President General Counsel and Secretary of the Company since June 2005. Prior to joining the Company, Ms. Levy served as Senior Vice President, General Counsel and Human Resources of Modem Media, Inc., an interactive marketing and advertising agency from 1999 to 2004, which business is now a division of Digitas, Inc.

CORPORATE GOVERNANCE

We believe that good corporate governance helps to ensure that the 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 New York Stock Exchange (the NYSE), the stock exchange on which our common stock is traded.

You can access and print the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, as well as our Corporate Governance Principles, Code of Ethics and other polices and procedures required by applicable law or regulation at our website at www.harte-hanks.com under the heading Corporate Governance. Additionally, you can request copies of any of these documents by writing to our Corporate Secretary at the following address:

Harte-Hanks, Inc.

200 Concord Plaza Drive,

Suite 800,

San Antonio, Texas 78216

Attention: Corporate Secretary

Independence of Directors

The Board has determined that each of Messrs. David L. Copeland, William F. Farley, William K. Gayden and Christopher M. Harte and Ms. Judy C. Odom qualify as independent directors in accordance with applicable federal securities laws and the rules of the NYSE. In determining independence, each year the Board affirmatively determines, among other items, whether the directors have no material relationship with us or any of our subsidiaries pursuant to applicable federal securities laws and the rules of the NYSE. When assessing the materiality of a director s relationship with us, if any, the Board considers all 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, and 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.

Meeting Attendance and Committees of the Board

The Board held seven meetings during 2005. Each member of the Board participated in at least 75% of all Board meetings and all Board committee meetings of which he or she was a member that were held during the period that he or she served as a director, committee member or both. Executive sessions of non-management directors are held regularly at the end of each regular Board meeting to consider other issues that they may determine from time to time without the presence of any member of management. The Chairman of the Board, Larry Franklin, presides at these meetings. We do not have a formal policy regarding director attendance at the annual meeting of stockholders, but all directors are encouraged to attend. All directors attended the 2005 Annual Meeting of Stockholders.

The Board has established the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The functions of these committees and their current members are described below.

Audit Committee. The Audit Committee currently consists of David L. Copeland (Chairman), William F. Farley and Christopher H. Harte. The Board has determined that each member of the Audit Committee meets the independence requirements and the financial literacy requirements under applicable federal securities laws and the rules of the NYSE. The Board has also determined that each of Messrs. Copeland and Farley meet the criteria for audit committee financial expert as defined by applicable federal securities rules. The Report of the Audit Committee, which is set forth below on pages 21 and 22, more fully describes the activities and responsibilities of the Audit Committee. A copy of the Audit Committee Charter is available on our website at www.harte-hanks.com under the heading Corporate Governance. During 2005, the Audit Committee met 12 times.

Compensation Committee. The Compensation Committee currently consists of Judy C. Odom (Chairman), William K. Gayden and William F. Farley. The Board has determined that each member of the Compensation Committee meets the independence requirements of the rules of the NYSE, and each is an outside director in accordance with Section 162(m) of the Internal Revenue Code (the Code). The Report of the Compensation Committee on Executive Compensation, which is set forth below on pages 16-19, more fully describes the activities and responsibilities of the Compensation Committee. A copy of the Compensation Committee Charter is available on our website at www.harte-hanks.com under the heading Corporate Governance. During 2005, the Compensation Committee met four times.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee currently consists of Christopher M. Harte (Chairman), Judy C. Odom and William K. Gayden. The Board has determined that each member of the Nominating and Corporate Governance Committee satisfies the independence requirements of the rules of the NYSE. The primary functions of the Nominating and Corporate Governance Committee are to: (a) develop, recommend to the Board, implement and maintain the Company s corporate governance principles and policies, (b) identify, screen and recruit, consistent with criteria approved by the Board, qualified individuals to become Board members, (c) recommend the slate of director nominees to be elected at the next annual meeting of stockholders, (d) assist the Board in determining the appropriate size, function, operation and composition of the Board and its committees and (e) oversee the evaluation of the Board and management. A copy of the Nominating and Governance Committee Charter is available on our website at www.harte-hanks.com under the heading Corporate Governance. During 2005, the Nominating and Corporate Governance Committee met two times.

Director Nomination Process

The Nominating and Corporate Governance Committee identifies suitable candidates for the Board and recommends the slate of nominees to the Board. Candidates are selected based upon certain criteria including the individual s background, experience, expertise, financial acumen and diversity. The Nominating and Corporate Governance Committee considers suggestions from many sources, including stockholders, regarding possible candidates for director. Stockholders may submit director candidates to our Corporate Secretary at the following address: 200 Concord Plaza Drive, Suite 800, San Antonio, Texas, 78216. Any director candidates submitted by a stockholder will be evaluated in the same manner as other director candidates. All such submissions should include the appropriate biographical information as provided in our bylaws, as well as adhere to the advance notice provisions of our bylaws, which are summarized under Other Matters on pages 23 and 24. The Nominating and Corporate Governance Committee may use the services of third parties to identify and evaluate potential director nominees for the Board.

Communications with Directors

Stockholders may communicate with our Board, Board committees, individual non-management directors or the non-management directors as a group by writing to Board of Directors Stockholder Communication, Harte-Hanks, Inc., P.O. Box 1767, San Antonio, Texas 78291. Our independent directors have instructed the Chairman of the Nominating and Corporate Governance Committee, currently Christopher M. Harte, 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.

Code of Ethics

We have adopted a Code of Ethics for our principal executive officer, principal financial officer and principal accounting officer, which is available on our website at www.harte-hanks.com, under the heading Corporate Governance. Additionally, should there be any amendments to, or waivers from, a provision of the Code of Ethics, we will immediately post such information on our website.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires each director, officer and individual beneficially owning more than 10% of our common stock to file with the SEC reports of security ownership and reports on subsequent changes in its ownership of our securities. Based solely on a review of copies of such reports, we believe all required Section 16(a) reports were timely filed and correctly made by reporting persons during 2005, except for the following: Peter Gorman did not timely file one report reporting one reportable transaction; and Gary Skidmore did not timely file two reports reporting two reportable transactions.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During fiscal year 2005, we purchased common stock from Mr. Houston H. Harte, a member of our Board. On April 29, 2005, we purchased 100,000 shares of our common stock for $28.44 per share (the closing price per share of our common stock on April 29, 2005) from Mr. H. Harte. On August 15, 2005, we purchased 100,000 shares of our common stock for $27.33 per share (the closing price per share of our common stock on August 15, 2005) from Mr. H. Harte. On October 31, 2005, we purchased 100,000 shares of our common stock for $25.60 per share (the closing price per share of our common stock on October 31, 2005) from Mr. H. Harte.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Summary Compensation Table

The following table sets forth certain information regarding compensation earned during each of the last three years by the Chief Executive Officer and each of our next four most highly compensated executive officers (based on total annual salary and bonus earned during 2005).

		Annual Compensation		Long Term Compensation		
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)(1)**	**Restricted Stock Award ($)(2)**	**Securities Underlying Options(#)**	**All Other Compensation($)**
Richard M. Hochhauser	2005	$ 805,000	$ 807,516		150,000	$ 52,966(3)
President and	2004	$ 762,500	$ 961,484		125,000	$ 45,605(3)
Chief Executive Officer	2003	$ 693,750	$ 124,609			$ 45,405(3)
Peter E. Gorman	2005	$ 379,365	$ 114,557	$ 61,369	75,000	$ 21,596(4)
Executive Vice President;	2004	$ 364,538	$ 251,166		50,000	$ 21,396(4)
President, Harte-Hanks Shoppers	2003	$ 346,231	$ 165,375			$ 21,196(4)
Dean H. Blythe	2005	$ 345,000	$ 221,490		50,000	$ 22,070(5)
Senior Vice President Chief Financial Officer	2004	$ 312,500	$ 242,112		35,000	$ 21,870(5)
	2003	$ 269,597	$ 24,922		50,000	$ 10,482(5)
Kathy Calta	2005	$ 311,250	$ 152,586	$ 81,742	30,000	$ 20,621(6)
Senior Vice President	2004	$ 293,750	$ 198,000		35,000	$ 19,296(6)
Direct Marketing	2003	$ 270,625	$ 29,700			$ 15,200(6)
William Goldberg	2005	$ 311,250	$ 162,288	$ 50,715	35,000	$ 21,791(7)
Senior Vice President	2004	$ 295,000	$ 225,000		40,000	$ 20,416(7)
Direct Marketing	2003	$ 272,500	$ 36,120			$ 16,265(7)

(1) Bonus amounts are inclusive of payments received under the existing incentive compensation plan. Each bonus amount was awarded in January 2006 as part of the employee s 2005 bonus and represents the cash portion of the bonus paid.

(2) As of December 31, 2005, no restricted stock was issued to any of our directors or employees. Each grant listed below was awarded on January 25, 2006 in connection with the employees 2005 bonus. Mr. Gorman, Ms. Calta and Mr. Goldberg each elected to receive a portion of his or her bonus in the form of restricted stock. As a result of such election, each such executive received 125% of the value of such bonus portion in the form of restricted stock. The value of such restricted stock was determined at the fair market value of our common stock as of January 25, 2006. As a result, Mr. Gorman, Ms. Calta and Mr. Goldberg received 2,378 shares 3,168 shares and 1,965 shares of restricted stock, respectively. The shares vest on January 25, 2009.

(3) Consisted of (a) matching contributions made by the Company on behalf of Mr. Hochhauser under the Company s 401(k) plan, in the amount $8,400, $8,200 and $8,000 in 2005, 2004 and 2003, respectively, (b) $28,666, $21,505 and $21,505 related to premiums paid annually by the Company on policies insuring the life of Mr. Hochhauser in 2005, 2004, and 2003, respectively, and (c) $15,900 for automobile allowances paid to Mr. Hochhauser in each of 2005, 2004, and 2003.

(4) Consisted of (a) matching contributions made by the Company on behalf of Mr. Gorman under the Company s 401(k) plan, in the amount $8,400, $8,200 and $8,000 in 2005, 2004 and 2003, respectively, (b) $1,496 related to premiums paid annually by the Company on policies insuring the life of Mr. Gorman in each of 2005, 2004, and 2003, and (c) $11,700 for automobile allowances paid to Mr. Gorman in each of 2005, 2004, and 2003.

(5) Consisted of (a) matching contributions made by the Company on behalf of Mr. Blythe under the Company s 401(k) plan, in the amount $8,400 and $8,200 in 2005 and 2004, respectively, (b) $1,970 related to premiums paid annually by the Company on policies insuring the life of Mr. Blythe in each of 2005, 2004, and 2003 and (c) $11,700, $11,700 and $8,512 for automobile allowances paid to Mr. Blythe in 2005, 2004, and 2003, respectively.

(6) Consisted of (a) matching contributions made by the Company on behalf of Ms. Calta under the Company s 401(k) plan, in the amount $8,400, $8,200 and $8,000 in 2005, 2004 and 2003, respectively, (b) $521 related to premiums paid annually by the Company on policies insuring the life of Ms. Calta in each of 2005 and 2004 and (c) $11,700, $10,575 and $7,200 for automobile allowances paid to Ms. Calta in 2005, 2004, and 2003, respectively.

(7) Consisted of (a) matching contributions made by the Company on behalf of Mr. Goldberg under the Company s 401(k) plan, in the amount $8,400, $8,200 and $8,000 in 2005, 2004 and 2003, respectively, (b) $1,691, $1,691 and $1,265 related to premiums paid annually by the Company on policies insuring the life of Mr. Goldberg in 2005, 2004, and 2003, respectively, and (c) $11,700, $10,525 and $7,000 for automobile allowances paid to Mr. Goldberg in 2005, 2004 and 2003, respectively.

Option Grants During 2005

The following table sets forth information regarding stock options to purchase shares of common stock granted during 2005 to the individuals named in the Summary Compensation Table above. We did not grant any SARS during the 2005 fiscal year.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
	Number of Securities Underlying Options(1)	% of Total Options Granted to Employees in Fiscal Year 2005	Exercise Price ($/share)	Expiration Date	5%	10%
Richard M. Hochhauser	150,000	12.3%	$ 25.63	1/27/2015	$ 2,417,785.39	$ 6,127,142.89
Dean H. Blythe	50,000	4.1%	$ 25.63	1/27/2015	$ 805,928.46	$ 2,042,380.96
Peter E. Gorman	50,000	4.1%	$ 25.63	1/27/2015	$ 805,928.46	
	25,000	2.0%	$ 26.31	9/21/2015	$ 413,	