HARTE-HANKS, INC.
9601 McAllister Freeway, Suite 610
San Antonio, Texas 78216

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 11, 2010

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' 2010 annual meeting of stockholders. The annual meeting will be held at **the Embassy Suites, 10110 US Highway 281 North, San Antonio, Texas 78216, on Tuesday, May 11, 2010, 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 2010; and
3. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 26, 2010 as the record date for the determination of 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 both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. The enclosed proxy statement and our Form 10-K for the year ended December 31, 2009 (which we are distributing in lieu of a separate annual report to stockholders) 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://www.edocumentview.com/HHS*, which does not have "cookies" that identify visitors to the site.

Most stockholders have a choice of submitting a proxy (1) on the Internet, (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,

Douglas C. Shepard
Executive Vice President and Chief Financial Officer

San Antonio, Texas
April 9, 2010

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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 11, 2010

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 2010 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

2010 Annual Meeting Date and Location

Our 2010 annual meeting of stockholders will be held on Tuesday, May 11, 2010 at 8:30 a.m. (Central Time) at the Embassy Suites, 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 9, 2010.

Important Notice Regarding Availability of Proxy Materials For Annual Meeting To Be Held On May 11, 2010

Pursuant to rules promulgated by the Securities and Exchange Commission (SEC), we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement and our Form 10-K for the year ended December 31, 2009 (which we are distributing in lieu of a separate annual report to stockholders) 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://www.edocumentview.com/HHS*, which does not have “cookies” that identify visitors to the site.

Stockholders Sharing an Address

Registered Stockholders — Each registered stockholder (you own shares in your own name on the books of our transfer agent, Computershare Trust Company, N.A.) will receive one copy of each of our proxy statement and annual report on Form 10-K per account even if at the same address.

Street-name Stockholders — Most banks and brokers are delivering only one copy of each of our proxy statement and annual report on Form 10-K to consenting street-name stockholders (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, in most cases, by checking the appropriate box on the voting instruction card sent to them. Similarly, most street-name stockholders who are receiving multiple copies of our proxy statement and annual report on Form 10-K at a single address may request that only a single set of materials 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. In the alternative, most street-name stockholders may give instructions to receive separate copies or discontinue multiple mailings of materials by contacting the third party that mails annual meeting materials for most banks and brokers: Broadridge, either by calling toll free at (800) 542-1061 or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Your instructions must include the name of your bank or broker and your account number.

Electronic Delivery Option

Instead of receiving future copies of these materials by mail, street-name stockholders may have the opportunity to receive copies of the proxy materials electronically. Opting to receive your proxy materials online will save us the cost of producing and mailing documents to your home or business. Please check the information provided in the proxy materials mailed to you by your bank or broker or contact your bank or broker regarding the availability of this service. In addition, the notice of annual meeting, proxy statement and annual report on Form 10-K are available on our website at *www.harte-hanks.com* under the heading "About Us" in the section for "Investors."

Voting

Stockholders Entitled to Vote

The record date for determining the common stockholders entitled to notice of and to vote at the meeting and any adjournment or postponement thereof was the close of business on March 26, 2010, at which time we had issued and outstanding 63,796,160 shares of common stock, which were held by approximately 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, Attn: Secretary.

Voting of Proxies By Management Proxy Holders

The Board has appointed Mr. Doug Shepard, our Executive Vice President and Chief Financial Officer, and Ms. Jessica Huff, our Vice President – Finance, Controller and Chief Accounting Officer, as the management proxy holders for the annual meeting. Your shares will be voted in accordance with the instructions on the proxy card you submit by mail, or the instructions provided for any proxy submitted by telephone or Internet, as applicable. For stockholders who have their shares voted by duly submitting a proxy by mail, telephone or Internet, the management proxy holders will vote all shares represented by such valid proxies as follows, 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; and

- *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 2010

As of the date of printing 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. For proposal I to be voted on at our annual meeting, brokers will not have discretionary authority in the absence of timely instructions from their customers. For proposal II, brokers will have discretionary authority in the absence of timely instructions from their customers.

- *Proposal I* (*Election of Directors*) — In accordance with our bylaws, 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.

- *Proposal II (Ratification of the Appointment of Independent Auditors)* — In accordance with our bylaws, ratification of the appointment of KPMG LLP as our independent auditors for fiscal 2010 requires the affirmative vote of the 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.

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.
- *By Internet*. You may submit a proxy electronically on the Internet, using the website listed on the proxy card. Please have your proxy card in hand when you log onto the website. Internet 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 electronically on the Internet, 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 Internet 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 Chief Financial Officer of Harte-Hanks, Inc. at 9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216, by 5:00 p.m., Central Time, on Monday, May 10, 2010.

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

Annual Meeting Admission

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

Solicitation Expenses

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

Copies of the Annual Report

A copy of our annual report on Form 10-K for the year ended December 31, 2009, including the financial statements and the financial statement schedules, if any, but not including exhibits, accompanies this proxy statement and 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 available on our website, *www.harte-hanks.com* under the heading "About Us" in the section for "Investors." These materials 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 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 2009, 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.

DIRECTORS AND EXECUTIVE OFFICERS

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

Name	Age	Position
David L. Copeland	54	Director Nominee (Class I)
William F. Farley	66	Director (Class II)
Larry D. Franklin	67	Director (Class II); Chairman, President and Chief Executive Officer
William K. Gayden	68	Director (Class II)
Christopher M. Harte	62	Director Nominee (Class I)
Houston H. Harte	83	Director (Class III); Vice Chairman
Judy C. Odom	57	Director (Class III)
Karen A. Puckett	49	Director (Class III)
Peter E. Gorman	61	Executive Vice President and President, Shoppers
Douglas C. Shepard	42	Executive Vice President and Chief Financial Officer
Gary J. Skidmore	55	Executive Vice President and President, Direct Marketing
Jessica M. Huff	49	Vice President – Finance, Controller and Chief Accounting Officer

Class II directors are to be elected at our 2010 annual meeting. Messrs. William Farley, Larry Franklin and William Gayden are nominees for election as Class II directors. The term of Class III directors expires at the 2011 annual meeting of stockholders, and the term of Class I directors expires at the 2012 annual meeting of stockholders.

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.

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

William F. Farley has served as a director of Harte-Hanks since 2003. Currently, he is a principal with Livingston Capital, a private investment business he started in 2002. Since 2005, he has served on the board of trustees for Blue Cross Blue Shield of Minnesota and is a member of their human resources committee along with being the chair of the 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 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.

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. He provides important perspectives on financial markets, complex securities and financial and economic trends. He provides broad prospective 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 has also served in a variety of other management and leadership roles at Harte-Hanks. From 1994 to 2005, he was a director at John Wiley and Sons serving on the governance committee and as audit committee chairman.

Mr. Franklin's qualifications for our board include his demonstrated leadership skills as our former CFO, COO and CEO. He is highly experienced in driving operational and financial performance at Hare-Hanks as both a private and public company in a number of economic market conditions. He also served on the board of directors and as audit committee chairman of a global publisher.

William K. Gayden has served as a director of Harte-Hanks 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. From 1998 to 2004 he served as a director of Perot Systems Corporation, an international technology services provider. He spent twenty years at Electronic Data Systems holding many senior positions and was on the board of directors from 1972 to 1984.

Mr. Gayden's qualifications for our board include his extensive leadership and prior director experience of large complex organizations that experienced rapid internal growth and from acquisitions. In addition, he provides an experienced entrepreneurial perspective having started Merit Energy Company and his senior leadership roles at companies with international operations which serves us well.

Christopher M. Harte has served as a director of Harte-Hanks since 1993. 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.

Mr. Harte's qualifications for our board includes 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.

Mr. Harte's service on our board for over fifty-five 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.

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.

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 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. Ms. Odom's prior management, board and public accounting experience qualifies her as a financial expert.

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 CenturyTel, Inc., and has served as CenturyTel's chief operating officer since 2000. CenturyTel is a leading provider of communications, high-speed Internet and entertainment services in small-to-mid-size cities through its broadband and fiber transport networks.

Ms. Puckett's qualifications for our board include her perspective of an active chief operating officer based on her leadership experience at CenturyTel, Inc., the fourth largest local exchange telephone company operating in thirty-three states. In addition, she recently helped lead CenturyTel's combination with EMBARG. Her involvement in the transformation of CenturyTel gives her broad perspective on all aspects of growing businesses.

Peter E. Gorman has served as our Executive Vice President and President, Shoppers since October 2005, with responsibility for our entire Shoppers division. From 1996 to October 2005, he served as Senior Vice President, Shoppers. He has been with Harte-Hanks since 1979.

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.

Gary J. Skidmore has served as our Executive Vice President and President, Direct Marketing since August 2007, with responsibility for our entire Direct Marketing division. From January 2007 to August 2007, he served as Executive Vice President, Direct Marketing, where he had responsibility for a portion of our Direct Marketing business units. From 2000 to January 2007, he served as Senior Vice President, Direct Marketing. He previously served as our Vice President, Direct Marketing. He has been with Harte-Hanks since 1994.

Jessica M. Huff has served as our Controller since 1996. In 1999, she was also named Chief Accounting Officer. In 2003, she was also named Vice President, Finance. Prior to joining Harte-Hanks, she was corporate manager of financial planning at SBC Communications. Ms. Huff also spent eight years with Ernst & Young and three years as controller and vice president of a financial institution.

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, as well as our Corporate Governance Principles, Business Conduct Policy, Code of Ethics and certain other polices 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.
9601 McAllister Freeway, Suite 610
San Antonio, Texas 78216
Attention: Secretary

From time to time, these governance documents may be revised in response to changing regulatory requirements, evolving best practices 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, reviews and approves our financial objectives and major corporate plans and actions, and, through the Audit Committee, reviews and approves significant changes in the appropriate auditing and accounting principles and practices and provides oversight of internal and external audit processes and financial reporting.

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 four times and acted by unanimous written consent three times during 2009. Each director 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.

The Board has separately designated standing Audit, Compensation and Nominating and Corporate 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	Nominating and Corporate Governance Committee
David L. Copeland	Yes	Chair (2)	—	—
William F. Farley	Yes	Member (2)	Member	—
Larry D. Franklin	—	—	—	—
William K. Gayden	Yes	—	Member	Member
Christopher M. Harte	Yes	Member	—	Chair
Houston H. Harte	—	—	—	—
Judy C. Odom	Yes	—	Chair	Member
Karen A. Puckett	Yes	—	Member	—
Number of Meetings in 2009		8	6	3
Number of Written Consents in 2009		0	1	0

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

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

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 either as a Committee or 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 approve, or make recommendations to the Board (as directed by the Board), with respect to 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.
- *Nominating and Corporate Governance Committee* — The primary functions of the Nominating and 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 Nominating and Corporate Governance Committee (Governance Committee) is responsible for managing the process for the nomination of new directors. The Governance Committee may identify potential candidates for first-time nomination as a director using a variety of sources—recommendations from current Board members, our management, stockholders or contacts in communities served by Harte-Hanks, or by conducting a formal search using an outside search firm selected and engaged by the Governance Committee.

Following the identification of a potential director nominee, the Governance Committee commences an inquiry to obtain sufficient information on the background of a potential new director nominee. Included in this inquiry is an initial review of the candidate with respect to whether the individual would be considered independent under NYSE and SEC rules and whether the individual would meet any additional requirements imposed by law or regulation on the members of the Audit and Compensation Committees of the Board. The Governance Committee evaluates candidates for director nominees in the context of the current composition of the Board, taking into account all factors it considers appropriate, including the characteristics of independence, diversity, age, skills, background and experience, financial acumen, availability of service to Harte-Hanks, tenure of incumbent directors on the Board and the Board's anticipated needs. Candidates should also have the sense of timing required to assess and challenge the way things are done and recommend alternative solutions to the 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, age and national origin and considers issues of diversity and background in its selection process.

The Governance Committee will consider potential nominees recommended by our stockholders for the Governance Committee's consideration 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 bylaws provide additional procedures and requirements for stockholders wishing to nominate a director for election as part of the official business to be conducted at an annual stockholders meeting, as described further under "Submission of Stockholder Proposals for 2011 Annual Meeting" and in our bylaws.

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

Annual questionnaires are used 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) David Copeland, (2) William Farley, (3) William Gayden, (4) Christopher Harte, (5) Judy Odom, and (6) Karen 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, shareholder or officer of an organization that has a relationship with Harte-Hanks. The Board further determined that (1) 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, (2) each such non-employee director satisfies the additional audit committee independence standards under Rule 10A-3 of the SEC, and (3) each such non-employee director is financially literate for purposes of serving on our Audit Committee.

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 Mr. Copeland 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 2009 proxy statement, Mr. Copeland's son is a member of the transactional 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 transactional services group and whether there was any relation to KPMG's audit, assurance or tax compliance groups. As a result of this diligence and discussions with KPMG, it was determined that KPMG's transactional services group is a separate and distinct group from KPMG's audit, assurance and tax compliance practice groups. Accordingly, based on the nature of the services provided by the transactional services group and the fact that Harte-Hanks has not purchased such transactional services from KPMG, this matter was not deemed to constitute a material relationship with Harte-Hanks.
- As previously disclosed in our 2009 proxy statement, in accordance with SEC rules, Mr. Copeland has reported, but disclaimed, "beneficial ownership" of more than 10% 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.
- Ms. Puckett's service as an executive officer of CenturyLink, Inc., which has purchased property or services from the Company's Trillium Software and Data Services business units and from which the Company has purchased telecommunications services, in each case in the ordinary course of business. Ms. Puckett is not compensated directly or indirectly as a result of these transactions other than that the limited payments by the Company 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;

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 Chair of the Governance

Committee, or if one has not been appointed, the Chair of the Audit Committee, 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 Chair of the Governance Committee, or if one has not been appointed, the Chair of the Audit Committee, serves as the chairman of such sessions. Our current Chairman, Mr. Franklin, has also served as our President and CEO since January 2009.

Board Leadership Structure

As previously mentioned, six of our eight Board members are independent directors. Mr. Franklin serves as our Chairman of the Board and since January 2009, he also serves 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 periodically, as needed. We believe the number of independent, experienced directors that make up 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 at all times. We believe our current Board leadership structure is optimal for us because it demonstrates to our employees, suppliers, customers, and other stakeholders that we are under strong leadership, with a single person setting the tone and 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 U.S. companies, has been well-served by this leadership structure.

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.

Risk Oversight

Our Board is responsible for overseeing the risk management process. The Board focuses on our general risk management strategy, the most significant risks we face, 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 (a) our policies with respect to risk assessment and management of risks that may be material to us, (b) our system of disclosure controls and system of internal controls over financial reporting, and (c) our compliance with legal and regulatory requirements. The Board also reviews major legislative and regulatory developments that could materially impact our contingent liabilities and risks. Our other Board committees also consider and address risk as they perform their respective committee responsibilities. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise level risk.

Management is responsible for day-to-day risk management. Our Finance, Treasury, General Counsel and Internal Audit areas 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, operational, and compliance and reporting levels.

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

Compensation Committee Interlocks and Insider Participation

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

Communications with Non-Management Directors and Other Board Communications

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

Stockholders and other interested parties may communicate by writing to: Board of Directors – Stockholder Communication, Harte-Hanks, Inc., P.O. Box 460256, San Antonio, Texas 78246-0256. 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., P.O. Box 460266, San Antonio, Texas 78246-0266 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 attended the 2009 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 Chief Executive Officer and all of our senior financial officers. The Business Conduct Policy and Code of Ethics form the foundation of a compliance program that includes policies and procedures covering a variety of specific areas of professional conduct, including compliance with laws, conflicts of interest, confidentiality, public corporate disclosures, insider trading, trade practices, protection and proper use of company assets, intellectual property, financial accounting, employment practices, health, safety and environment, and political contributions and payments.

Both our Business Conduct Policy and our Code of Ethics are available on our website at *www.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 Chief Executive Officer, Chief Financial Officer 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 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 Chief Executive Officer and Chief Financial Officer 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, 2009. In addition, our Chief Executive Officer submitted his most recent annual certification to the NYSE under Section 303A.12(a) of the NYSE listing standards on May 18, 2009.

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 five executive officers 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, (1) the persons named in the table have sole voting and investment power with respect to all shares beneficially owned by them, and (2) ownership is as of March 1, 2010. As of March 1, 2010, there were 63,623,229 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)	9,669,073	15.2%
David L. Copeland (3)	8,471,942	13.3%
Larry D. Franklin (4)	6,132,109	9.6%
BlackRock, Inc. (Subsidiaries: BlackRock Advisors LLC, BlackRock Asset Management U.K. Limited , BlackRock Investment Management, LLC and BlackRock (Channel Island) Ltd.) (5)	4,646,646	7.3%
Fiduciary Management, Inc. (6)	4,293,080	6.8%
Shelton Family Foundation	3,831,609	6.0%
Cooke & Bieler, LP (7)	2,266,430	3.6%
Christopher M. Harte (8)	599,227	*
Gary J. Skidmore (9)	351,455	*
Peter E. Gorman (10)	337,417	*
William K. Gayden (11)	90,785	*
William F. Farley (12)	49,721	*
Judy C. Odom (13)	40,261	*
Douglas C. Shepard (14)	32,938	*
Bryan J. Pechersky (15)	18,250	*
Karen A. Puckett (16)	17,479	*
All Current Executive Officers and Directors as a Group (13 persons) (17)	25,879,873	40.7%

* Less than 1%.

(1) The address of (a) Cooke & Bieler, LP is 1700 Market Street, Suite 3222, Philadelphia, PA 19103, (b) the Shelton Family Foundation is 273 Walnut Street, Abilene, Texas 79601, (c) BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022, (d) Fiduciary Management, Inc. is 100 East Wisconsin Avenue, Suite 2200, Milwaukee, WI 53202, and (e) each other beneficial owner is c/o Harte-Hanks, Inc., 9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216.

(2) Includes 3,061,555 shares held by three limited partnerships of which Mr. Harte is the sole shareholder of the general partner, and to which he disclaims beneficial ownership.

(3) Includes 12,350 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 3,144 shares of stock subject to certain restrictions until February 2011; 8,278 shares of stock subject to certain restrictions until February 2012; 4,201 shares of stock subject to certain restrictions until February 2013; and the following shares to which Mr. Copeland disclaims beneficial ownership: (a) 33,100 shares held as custodian for unrelated minors, (b) 4,309,898 shares that are owned by 30 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 (d) 3,831,609 shares owned by the Shelton Family Foundation, of which he is one of nine directors and an employee.

(4) Includes 150,000 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 5,042 shares of stock subject to certain restrictions until February 2013; 839,484 shares held in trust for Mr. Franklin's children; 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) 63,405 shares owned by the Franklin Family Foundation of which he is one of four directors.

(5) Represents shares held by investment advisory clients of BlackRock, Inc.'s ("BlackRock") investment advisory subsidiaries (Subsidiaries: BlackRock Asset Management Japan Limited, BlackRock Advisors (UK) Limited, BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Asset Management Australia Limited, BlackRock Advisors LLC, BlackRock Investment Management, LLC, and BlackRock International, Ltd.), no one of which to the knowledge of BlackRock owns more than 5.0% of the class. Includes shares to which BlackRock has shared voting and dispositive power of 4,646,646. Information relating to this stockholder is based on the stockholder's Schedule 13G, filed with the SEC on January 20, 2010.

(6) 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 shares to which Fiduciary has shared voting and dispositive power of 4,293,080 shares. Information relating to this stockholder is based on the stockholder's Schedule 13G, filed with the SEC on January 28, 2010.

(7) Represents shares held by investment advisory clients of Cooke & Bieler, LP ("C&B"), no one of which to the knowledge of C&B owns more than 5.0% of the class. Includes shares to which C&B has shared voting power of 1,400,646 shares and shared dispositive power of 2,190,430 shares. Information relating to this stockholder is based on the stockholder's Schedule 13G, filed with the SEC on February 12, 2010.

(8) Includes 300 shares held as custodian for Mr. Harte's step-children and child; 2,850 shares owned indirectly by his wife; 505,458 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; 12,350 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 3,144 shares of stock subject to certain restrictions until February 2011; and 8,278 shares of stock subject to certain restrictions until February 2012; 4,201 shares of stock subject to certain restrictions until February 2013.

(9) Includes 308,750 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 4,668 shares of stock subject to certain restrictions until February 2011; and 4,318 shares held in trusts for the benefit of Mr. Skidmore's adult children and for which his brother serves as trustee.

(10) Includes 307,500 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 20,915 shares owned indirectly by the Gorman Family Trust; 2,755 shares of stock subject to certain restrictions until February 2010; and 4,000 shares of stock subject to certain restrictions until February 2011.

(11) Includes 12,350 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 3,144 shares of stock subject to certain restrictions until February 2011; and 8,278 shares of stock subject to certain restrictions until February 2012; 4,201 shares of stock subject to certain restrictions until February 2013.

(12) Includes 12,350 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 3,144 shares of stock subject to certain restrictions until February 2011; 8,278 shares of stock subject to certain restrictions until February 2012; 4,201 shares of stock subject to certain restrictions until February 2013 and 124 shares owned indirectly by Mr. Farley's spouse, as to which beneficial ownership is disclaimed.

(13) Includes 12,350 shares that may be acquired upon the exercise of options exercisable within the next 60 days; 3,144 shares of stock subject to certain restrictions until February 2011; and 8,278 shares of stock subject to certain restrictions until February 2012; 4,201 shares of stock subject to certain restrictions until February 2013.

(14) Includes 16,250 shares that may be acquired upon the exercise of options exercisable within the next 60 days; includes 7,500 shares of stock subject to certain restrictions until December 2010.

(15) Includes 18,250 shares that may be acquired upon the exercise of options exercisable within the next 60 days; Mr. Pechersky resigned effective January 2010.

(16) Includes 13,278 shares of stock subject to certain restrictions until February 2012 and 4,201 shares of stock subject to certain restrictions until February 2013.

(17) Includes 916,250 shares that may be acquired upon the exercise of options exercisable within the next 60 days and 120,054 shares of stock subject to certain restrictions until various times in 2011, 2012 and 2013. Includes 14,764,399 shares to which the current executive officers and directors disclaim beneficial ownership, as described in the preceding footnotes.

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 2009. This CD&A provides qualitative information concerning how 2009 compensation was awarded to and earned by our executives, identifies the most significant factors relevant to our 2009 executive compensation decisions and gives context to the data presented in the tables included below in this proxy statement. Certain information regarding our 2008 and 2010 compensation determinations is also included to the extent we believe it provides helpful context for our discussion of 2009 executive compensation. The term "executive officers" means our senior executives who are all listed above under the heading "Directors and Executive Officers." The term "named executive officers" means the five executive officers named in the Summary Compensation Table and other compensation tables that follow. "Committee," within this CD&A, means the Compensation Committee of the Board.

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 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 performance restricted stock units) 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 part of our compensation philosophy and objectives and our goal of creating long-term value for our stockholders, 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 2009 compensation for each of our named executive officers. Our 2009 compensation philosophy is consistent for all of our executive officer positions, and is consistent with the philosophy for our 2008 and 2010 compensation programs.

Overview of 2009 Executive Compensation Developments

As a result of the unprecedented economic environment, tremendous market volatility and absence of visibility into the duration and future impact of the recession, management recommended and the Committee made the following decisions related to 2009 compensation for our named executive officers:

- The 2009 salaries of Messrs. Gorman, Shepard, Skidmore and Pechersky were reduced by 10% compared to their 2008 salaries. Mr. Franklin became CEO and President effective January 1, 2009 and the Committee agreed with Mr. Franklin's recommendation that his salary be set at a below market level of $300,000.
- The Committee awarded stock options only, as opposed to previous years where the Committee issued a combination of stock options, restricted common stock and performance-based restricted stock units.
- Throughout the company, management implemented expense reduction actions including wage reductions, wage freezes and reduced head counts.
- The 2010 salaries for all of our named executive officers have been frozen for 2010 at 2009 amounts.

Elements of 2009 Executive Compensation Program

The following table highlights the available elements of our 2009 executive compensation program and the primary purpose of each element. The overall 2009 compensation elements, although individual amounts vary, are consistent for all of our executive officer positions. Each element is discussed in further detail below in this CD&A.

Element	Objectives and Basis	Form
Base Salary	Provide base compensation that is competitive for each role to reward and motivate individual performance.	Cash
Annual Incentive Compensation (also referred to in this proxy statement as our "bonus")	Annual incentive to drive company and, where applicable, business unit performance.	Cash
Bonus Restricted Stock Elections	Annual eligibility of executive officers to elect to receive up to 30% of their bonus awards in the form of restricted common stock, which would vest 100% on the third anniversary of the date of grant, allowing an executive officer to receive 125% of the value of the forgone cash portion of his or her bonus in such shares of restricted stock.	Restricted stock
Long-Term Incentive Awards	Long-term incentive to drive company performance and align executives' interests with stockholders' interests, and to retain executives through long-term vesting and potential wealth accumulation.	Stock options, restricted stock and performance restricted stock units
Perquisites	Enhance the competitiveness of our executive compensation program through limited additional benefits.	Automobile allowances and supplemental life insurance benefits
Pension and Retirement	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
Severance Agreements	Attract and retain key talent by providing certain compensation in the event of a change of control and, for one of our named executive officers, in designated non-change of control scenarios.	Cash severance, equity vesting, COBRA reimbursement and, if applicable, certain Section 280G "excess parachute payment" tax gross-ups
Qualified Deferred Compensation	Provide tax-deferred means to save for retirement.	Same benefit made generally available to our employees to participate in our 401(k) plan with a company match
Non-Qualified Deferred Compensation	Provide tax-deferred means to save for retirement.	Participation in our non-qualified deferred compensation program
Other	Offer other competitive benefits, such as medical, dental and other health and welfare benefits.	Same benefit made generally available to our employees to participate in health and welfare plans

In making 2009 annual executive compensation determinations, the Committee approved certain modifications to the compensation elements described above, principally: (1) for Mr. Skidmore, our Executive Vice President and President, Direct Marketing, and other Direct Marketing personnel, up to 20% of their maximum annual bonus potential could be earned and paid mid-year based on January 2009 to June 2009 actual performance against the pre-established six-month performance targets; the remaining 80% of bonus potential would be based on full year performance against the pre-established annual performance targets; (2) for Mr. Franklin's bonus restricted stock election, Mr. Franklin was eligible to elect to receive up to 100% (versus 30% for other executives) of any 2009 cash bonus award in the form of restricted common stock, which would vest 100% on the third anniversary of the date of grant, allowing Mr. Franklin to receive 100% (versus 125% for other executives) of the value of the forgone cash portion of his bonus in such shares of restricted stock; and (3) 2009 long-term incentive awards consisted solely of stock options; no shares of restricted stock or performance restricted stock units were granted. As discussed further below under the section, "Long-Term Incentive Awards," the Committee determined that this equity award structure would more effectively drive achievement of our 2009 corporate goal of aggressively adjusting our cost structure to anticipated reduced revenue levels, thereby better positioning Harte-Hanks for future growth opportunities and the creation of long-term stockholder value.

Compensation Committee

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

In accordance with its charter, the Committee's responsibilities include the following:

- participate with management and the Board of Directors in reviewing and approving the company's goals and objectives with respect to compensation for our CEO,
- evaluate the CEO's performance in light of these established goals and objectives and either as a committee or together with the other independent directors (as directed by the Board), based upon these evaluations, determine and approve the CEO's annual compensation, including salary, bonus and incentive and equity-based compensation,
- review publicly available data to assess the competitiveness of the CEO's base salary, bonus and incentive and equity-based compensation, taking into consideration our performance and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the CEO in prior years,
- participate with management and the Board of Directors in reviewing the annual goals and objectives with respect to compensation for other executive officers,
- evaluate the performance of these executive officers in light of these established goals and objectives and, based upon this evaluation and any compensation recommendations for the executive officers made by the CEO, either approve or make recommendations to the Board (as directed by the Board) with respect to the compensation for the executive officers, and
- review publicly available data to assess our competitive position with respect to our executive compensation program, including consideration of base salaries, annual incentives, long-term incentives and equity-based compensation, and make changes as deemed appropriate to align with our executive compensation philosophy.

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 2009. The Committee has delegated to our President and CEO limited option grant authority for non-officer new hires and promotions. This delegation does not apply to any of our executive officers.

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 2009 regular meeting, which is the meeting when the Committee made its annual 2009 executive compensation determinations.

Other Participants in the Executive Compensation Process

In addition to the Committee and other non-Committee members of the Board who may also 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 2009 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 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 2009 meeting, Mr. Franklin presented the Committee with specific 2009 compensation recommendations for the compensation amounts and elements of all executive officers. The Committee made final decisions about each officer's 2009 compensation without the applicable executive officer being present, taking into account Mr. Franklin's recommendations for executive officers.

Compensation Consultants

The Committee believes that engaging a consultant on a periodic basis is more appropriate than having annual engagements. In mid-2007, the Committee retained an outside compensation consultant to assist the Committee with its evaluation and determinations for our 2008 executive compensation program. The consulting firm, Longnecker & Associates, was engaged by and reported directly to the Committee. Although Longnecker & Associates did work in cooperation with management as required to gather information necessary to carry out its obligations to the Committee, Longnecker & Associates did not have a separate engagement with our management.

The Committee asked Longnecker & Associates to conduct a comprehensive review of Harte-Hanks' current management compensation program and individual management compensation arrangements. The Committee also requested Longnecker & Associates to recommend specific changes and improvements to the Committee to ensure that compensation remains aligned with the goal of enhancing stockholder value through competitive programs that allow the company to attract, properly motivate and retain key executives who will contribute to Harte-Hanks' long-term success and the creation of stockholder value. Longnecker & Associates' review included the following, at the Committee's request:

- review the peer group of companies used for benchmarking executive compensation, taking into account input from the Committee,
- based on compensation data from the peer group and broad market survey data, conduct 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 aligned with Harte-Hanks' compensation philosophy and objectives,
- advise the Committee on best practices and compensation trends for its 2008 compensation decisions for the CEO and other executive officers, and
- help the Committee evaluate the new hire compensation package for Doug Shepard, who was hired in December 2007, by providing market data for similar positions.

In January 2008, the Committee made its 2008 annual executive compensation determinations, taking into account the results of Longnecker's review, analysis and recommendations, among other factors. The Committee did not engage an outside consulting firm during 2009 for the Committee's 2010 executive compensation determinations, and has not yet determined whether it will engage an outside consulting firm during 2010 for the Committee's 2011 executive compensation determinations.

Principal Factors That Influenced 2009 Executive Compensation

When making its 2009 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 pre-established 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 relative determinations. In establishing the individual elements and amounts of 2009 executive compensation, the principal factors taken into consideration by the Committee included the following:

- the unprecedented economic environment, tremendous market volatility and absence of visibility into the duration and future impact of the recession,

- 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 2008 market data provided by the Committee's compensation consultants,
- recommendations and input from non-Committee members of the Board, including our Chairman, Mr. Franklin (who has served as our President and CEO since January 2009), officer salary reductions in December 2008, long-term incentive awards and individual executive officer performance,
- 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,
- a general assessment of individual executive officer performance and contributions in support of our strategies, individual officer responsibilities, tenure and experience in his or her position and the overall financial performance of the businesses or functional areas for which an officer is responsible,
- providing competitive compensation to reflect new or expanded roles for some of our executives,
- retention considerations in light of the relatively low bonus payouts, or no bonus payouts, to executive officers based on recent company performance, and reduced historical equity compensation values because of a reduced stock price and recent earnings per share performance,
- cost-cutting initiatives and restructuring efforts that resulted, and were anticipated to result in the future, in significant additional work commitments by our existing executive officers,
- 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.

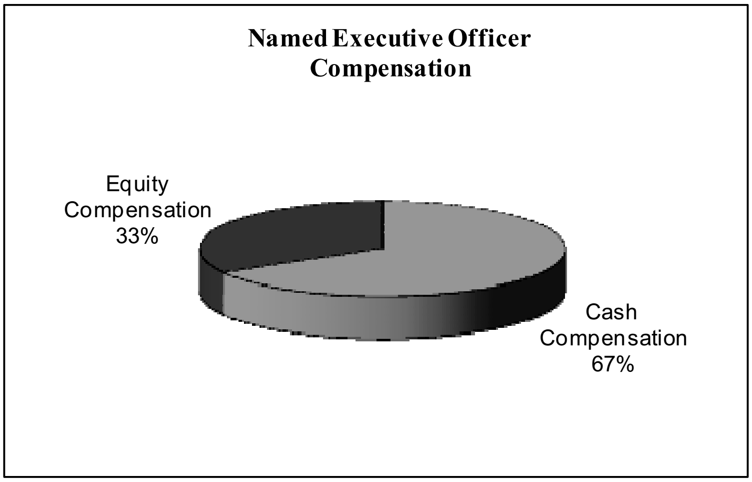
Tally Sheets

To assist the Committee in making its 2009 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 of 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) estimated values for long-term incentive awards (options, restricted stock and performance restricted stock units) for the current year under consideration and each of the past two years, (3) supplemental life insurance benefits, (4) estimated pension benefits upon retirement, (5) actual realized and estimated future values for historical equity compensation awards, (6) stock ownership guideline compliance, and (7) estimated amounts the executive could realize upon a change of control or other termination of employment pursuant to the executive's existing severance agreement. 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 2009 compensation for our named executive officers between equity and cash:

2009 Cash Versus Equity Compensation for Named Executive Officers (1) (2)

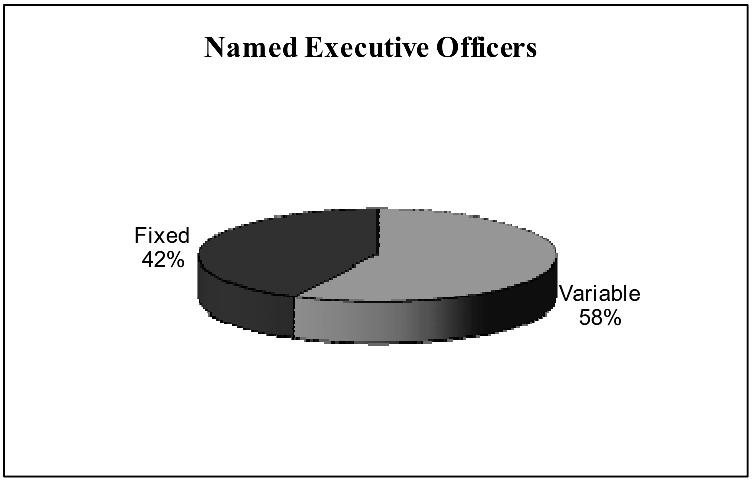


(1) This chart was created using the sum of the amounts in columns (c) (salary) and (g) (non-equity incentive plan compensation) from the Summary Compensation table below as the amount of 2009 cash compensation, and using the sum of the amounts in column (l) (grant date fair value of stock and option awards) from the Grants of Plan Based Awards table below as the amount of 2009 equity compensation.

(2) For our individual named executive officers, their 2009 cash to equity compensation ratios (calculated as described in footnote (1) above) were approximately as follows: Franklin — 45% cash / 55% equity; Gorman — 70% cash / 30% equity; Shepard — 75% cash / 25% equity; Skidmore — 75% cash / 25% equity; and Pechersky – 81% cash / 19% 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 2009, as shown below, over half of the potential cash compensation (assuming a maximum bonus payout) for the named executive officers was "at risk."

Percentage of 2009 Potential Cash Compensation for Named Executive Officers: Fixed vs. Variable (or “At Risk”) (1)(2)



(1) This chart reflects the overall ratio of 2009 base salary (fixed) to 2009 potential annual incentive compensation (“at risk” or variable) assuming a maximum bonus payout for the named executive officers.

(2) For our individual named executive officers, their percentages of 2009 “at risk” or variable cash compensation (calculated as described in footnote (1) above) were approximately as follows: Franklin — 67%; Gorman — 50%; Shepard — 50%; Skidmore — 50%; and Pechersky – 46%. 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 other 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 Committee’s 2007 Longnecker & Associates study, 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. No changes were made to the compensation peer group for purposes of making annual executive compensation determinations in January 2010.

2009 Compensation Peer Group

1. Acxiom Corporation
2. Alliance Data Systems Corporation
3. Consolidated Graphics, Inc.
4. Equifax, Inc.
5. Fair Isaac Corporation
6. ICT Group, Inc.
7. Infogroup, Inc.
8. Interpublic Group of Companies, Inc.
9. PC Mall, Inc.
10. Sykes Enterprises, Incorporated
11. TeleTech Holdings, Inc.
12. The Dun & Bradstreet Corporation
13. Valassis Communications, Inc.
14. ValueClick, Inc.
15. Viad Corp

The Committee compares each executive officer’s (1) salary, (2) 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, the Committee’s philosophy is to target total direct compensation in the 50th to 75th percentile of market compensation (in other words, compensation levels that would be in the second quartile of market compensation levels based on this benchmark data). As discussed above, however, the benchmark data is merely a starting point, and the Committee does not use pre-established formulas or rigidly 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 2009 Executive Compensation." Accordingly, the Committee retains discretion to award compensation levels and elements that it believes are appropriate, and the Committee is not required to award compensation levels at specific benchmark data percentiles.

The Committee engaged a compensation consultant in 2007 and did not deem it necessary to update the 2008 study information for its 2009 determinations since pay decreases were implemented in December 2008. This market data incorporated broad aggregated survey data and peer company data from the 2009 compensation peer group companies listed above. Based on the total potential direct compensation approved in the Committee's January 2009 meeting for our named executive officers compared to the market data reviewed by the Committee at its January 2009 meeting, two of the named executive officers were between the 50th and 75th percentiles, two were below the 50th percentile and one exceeded the 75th percentile. Total potential direct compensation includes: (1) salary, (2) potential bonus opportunity at a maximum payout assuming all performance criteria are achieved and (3) an estimated long-term incentive compensation value included in the Committee's tally sheets. Stock options were given a value based on a Black Scholes value of $1.35 per option. All equity values assumed 100% vesting.

Additional Analysis of Executive Compensation Elements

The following discussion provides additional information and analysis regarding the specific elements of our 2009 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 2009 Executive Compensation") and the compensation tables that follow.

Base Salary

We set executive base salaries at levels we believe are competitive 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 2009, the Committee considered, in addition to the other factors discussed below, 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 and 75th 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, long-term incentive awards, and the unprecedented economic environment.

In December 2008, the Committee approved officer salary reductions as a result of the deteriorating economic environment in the United States and other economies. These salary reductions served as a component of our overall cost management initiatives and related efforts to respond to the adverse economic conditions and improve Harte-Hanks' results. The salaries of Messrs. Gorman, Shepard, Skidmore and Pechersky were reduced by 10%. As part of the annual executive compensation determinations in January 2009, the Committee made the base salary determinations for our named executive officers set forth below. In January 2010, the Committee did not make any changes to the base salaries for the named executives set forth below in light of the continuing economic conditions and Harte-Hanks results.

- *Franklin* — Mr. Franklin's base salary was set at $300,000 in January 2009 when Mr. Franklin assumed the additional duties of President and CEO. In setting the amount of Mr. Franklin's salary, the Committee recognized Mr. Franklin's significant beneficial ownership of approximately 9.6% and agreed to his proposal of a below market salary and the option to receive 100% of his bonus in restricted stock which vests at the end of three years. Mr. Franklin elected to contribute 100% of his 2009 salary to our deferred compensation plan. In addition, Mr. Franklin no longer receives a chairman's fee.

- *Gorman* — Mr. Gorman's base salary was increased in January 2008 from $374,300 to $394,000, which restored Mr. Gorman's salary to his 2006 level. In January 2009, Mr. Gorman's salary was reduced to $354,600 as part of our cost management initiatives.

- *Shepard* — Mr. Shepard's base salary was maintained in January 2008 at $350,000, which was established by the Committee in connection with his hiring in December 2007. In late 2008, Mr. Shepard's salary was reduced to $315,000 as part of our cost management initiatives.

- *Skidmore* — Mr. Skidmore's base salary was maintained in January 2008 at $540,000 and in late 2008, Mr. Skidmore's salary was reduced to $486,000 as part of our cost management initiatives.

• *Pechersky* — Mr. Pechersky's base salary was increased in January 2008 to $300,000. In late 2008, Mr. Pechersky's salary was reduced to $270,000 as part of our cost management initiatives. Mr. Pechersky resigned effective January 2010.

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 2009 executive bonus plan, maximum bonus opportunity amounts were expressed as a percentage of each executive's base salary as follows:

2009 Named Executive Officer Bonus Opportunities

Named Executive Officer	Maximum Bonus Opportunity (% of 2009 Base Salary)	Change From Prior Year
Franklin	200	Assumed President and CEO duties in January 2009.
Gorman	100	No change.
Shepard	100	No change.
Skidmore	100	No change.
Pechersky	85	No change.

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. There were no individual non-financial performance goals for the 2009 executive bonus plan. 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 results during the year. The 2005 Plan, a stockholder approved plan, forms the basis of our annual incentive plan for Section 162(m) executives.

For 2009, 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

Named Executive Officer	Harte-Hanks Earnings Per Share	Harte-Hanks Operating Income	Harte-Hanks Cash Generated	Direct Marketing Revenue	Direct Marketing Operating Income	Shoppers Revenue	Shoppers Operating Income	Maximum Payout @ Base Salary
Franklin	100.0%	80.0%	20.0%					200.0%
Gorman						40.0%	60.0%	100.0%
Shepard	50.0%	40.0%	10.0%					100.0%
Skidmore				40.0%	60.0%			100.0%
Pechersky	42.5%	34.0%	8.5%					85.0%

The determination of any bonus amount ultimately payable to each executive for 2009 was based on the following threshold, target and maximum performance levels:

Bonus Performance Thresholds

Threshold Level	Harte-Hanks Earnings Per Share	Harte-Hanks Operating Income	Harte-Hanks Cash Generated	Direct Marketing Revenue	Direct Marketing Operating Income	Shoppers Revenue	Shoppers Operating Income
Threshold	$0.78	$89,400,000	$12,800,000	$600,000,000	$95,000,000	$265,000,000	$3,457,000
Target	$0.84	$92,200,000	$14,620,000	$630,000,000	$99,000,000	$277,000,000	$7,400,000
Maximum	$0.88	$97,400,000	$18,000,000	$660,000,000	$103,000,000	$290,000,000	$8,000,000

Bonus payouts were determined on a graduated scale ranging from the threshold of 10% to the maximum of 100%. 2009 actual bonus payouts were based on the following actual performance results and achievement payout levels:

2009 Actual Bonus Payout Results

	Harte-Hanks Earnings Per Share	Harte-Hanks Operating Income	Harte-Hanks Cash Generated	Direct Marketing Revenues	Direct Marketing Operating Income	Shoppers Revenue	Shoppers Operating Income
Actual Performance	$0.75	$82,430,000	$56,000,000	$585,988,000	$95,812,000	$274,155,000	$(1,354,000)
Achievement Payout Levels	0.0%	0.0%	100.0%	0.0%	10.0%	30.0%	0.0%

In consideration of the unusual and nonrecurring nature of a $6.95 million legal settlement in principle expense relating to events during1998 to 2001, but impacting 2009 earnings and due to the fact that neither executive was employed with the company until 2007 and 2008, the Committee decided to increase the Harte-Hanks earnings per share and Harte-Hanks operating income for this event as it related to the bonus payout results for Messrs. Pechersky and Shepard.

In establishing the performance criteria and the incremental target performance levels for each performance criteria, it is anticipated that the executives will receive at least some portion of their year-end cash bonuses, with increasing degrees of difficulty in achieving the higher levels of payout. 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. To illustrate the degree of difficulty in achieving bonus payouts, the following table shows the 2007 through 2009 actual bonus payouts, if any, as a percentage of each named executive officer's salary for the applicable year.

Historical Bonus Payout As A Percentage of Salary

Named Executive Officer	2007 Actual Bonus Payout	2008 Actual Bonus Payout	2009 Actual Bonus Payout
Franklin (1)	—	—	20.00%
Gorman	0.00%	0.00%	12.00%
Shepard (2)	0.00%	0.00%	25.00%
Skidmore	5.25%	0.00%	6.60%
Pechersky (3)	0.00%	0.00%	21.30%

(1) Mr. Franklin was Chairman in 2007 and 2008 and was not eligible for a bonus. He became President and CEO effective January, 1, 2009.

(2) Mr. Shepard joined Harte-Hanks in December 2007.

(3) Mr. Pechersky joined Harte-Hanks in March 2007 and resigned in January 2010.

Bonus Restricted Stock Elections

As part of our executive compensation program, our executive officers have been provided the opportunity to elect to receive a portion of their bonus otherwise earned in the form of restricted stock. In that case, the executive would typically receive 125% of the value of the forgone cash portion of the bonus in shares of restricted stock. These shares vest 100% on the third anniversary of their date of grant. This election option is considered by the Committee each year and was approved again with respect to the 2009 executive bonuses, which were potentially payable in early 2010. The Committee believes this election encourages the accumulation of executive stock ownership, as required by our stock ownership guidelines. Mr. Gorman made a bonus restricted stock election for his 2009 bonus paid in early 2010.

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 2005 Plan, a stockholder approved plan, pursuant to which we may issue various equity securities to directors, officers, key employees and consultants. The 2005 Plan forms the basis of our long-term incentive plan for executives.

The Committee's current philosophy is to grant options with an exercise price equal to the market value of our common stock on the date of grant, as provided by the 2005 Plan. Prior to 2007, we annually granted long-term incentive awards on the date of the first Committee meeting held in late January of each year. Beginning in 2007, our Board determined that such awards would be granted on February 5 each year, which both establishes a fixed date for such grants and is anticipated to be during a "window" period (more than two days following the release of our annual earnings for the prior year). If this date falls on a non-trading day such as a weekend, the exercise price for the grant would be the market value on the first preceding trading day (for example, a Friday if February 5 on a given year is a Saturday), as provided by the 2005 Plan. We also grant interim awards from time to time in connection with intra-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 2009, the Committee awarded our executives stock options only, as opposed to previous years where the Committee issued a combination of stock options, restricted common stock and performance-based restricted stock units. Please refer to the Grants of Plan Based Awards table below for a description of these types of equity awards under the 2005 Plan. The Committee determined that a focus on stock options for the 2009 long-term incentive awards would more immediately and directly align our executive compensation program with the needs of our company and our stockholders. As a result of the unprecedented economic environment, tremendous market volatility and absence of visibility into the duration and future impact of the recession, a key 2009 corporate goal was to aggressively adjust our cost structure to anticipated reduced revenue levels and thereby better position Harte-Hanks for future growth opportunities and the creation of long-term value for our stockholders. The Committee determined in its judgment that an award to our executives of an increased number of options, which vest over a five-year period and require appreciation in our stock price to have value, would be a more effective tool to drive achievement of our 2009 corporate goals.

Our performance restricted stock units each represent the right to potentially receive one share of our common stock for each vested unit, as determined on the third anniversary of the grant date based upon the satisfaction of specified three-year average annual earnings per share growth rates during the performance period. Actual vesting may range from 0% up to 125% of the number of performance units awarded, depending on actual performance. In establishing the performance levels, it is generally anticipated that at least some portion of the performance units will vest following the three-year period, with increasing degrees of difficulty in achieving the higher levels of vesting. Achieving the maximum vesting level is anticipated, at the time of establishing the award, to be very difficult to achieve based on company performance expectations and historical earnings per share growth rates. The 2006 performance units were the first such units we granted to our executives, and had a 2006-2008 performance period. None of the 2006 performance units vested. In addition, as of December 31, 2009, none of the performance goals associated with outstanding performance stock units are expected to be achieved, which would result in no units vesting for any of our executives. No performance restricted stock units were granted in January 2009 or January 2010.

When reviewing each executive's proposed equity awards in 2009, 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 50^{th} percentile and 75^{th} percentile market 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.

Perquisites

Consistent with previous years, our 2009 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:

- *Supplemental Life Insurance Benefits* — We provide life insurance benefits to our executive officers at a higher level than is offered more generally to our employees under our health and welfare benefits program. Additional information about the supplemental life insurance benefits provided to our named executive officers is found in the applicable executive's table below under "Potential Termination and Change in Control Benefits Tables." Messrs. Franklin, Gorman and Skidmore have supplemental life insurance benefits of $90,000 per year for ten years in the event of the executive's death. Messrs. Shepard's and Pechersky's life insurance benefits are $70,000 per year for ten years.
- *Automobile Allowance* — We also provide automobile allowances to our executive officers, including our named executive officers, in the following amounts: Chief Executive Officer — $1,325 per month; Executive Vice Presidents and Senior Vice Presidents — $975 per month; and Vice Presidents — $600 per month.

In establishing the elements and amounts of each executive's 2009 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 supplemental life insurance benefits and automobile allowance.

Pension and Retirement

Consistent with our historical executive compensation program, each executive officer participates in our non-qualified pension restoration plan and some executives will also receive benefits under our frozen qualified defined benefit pension 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. We sponsor a defined benefit pension plan (Defined Benefit Plan) qualified under Section 401 of the Code. We have also established an unfunded, non-qualified pension restoration plan, which initially became effective on January 1, 1994 (Restoration Pension 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. 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 frozen 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. 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. Further details about our pension plans are shown in the "Pension Benefits" section below.

In establishing the elements and amounts of each executive's 2009 compensation, tally sheets were 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 potential future pension payments to each executive. The Committee considered these future payments in determining whether the overall executive compensation program remains competitive to attract and retain key executives, although the Committee did not use pre-established formulas or rigidly set other compensation amounts or elements based solely upon future pension payments. There were no changes to the benefits provided to our named executive officers under our pension plans from 2008 to 2009.

Severance Agreements

We have entered into standard form 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 of control. The severance agreement for one of our named executive officers also provides severance benefits in designated non-change of control scenarios because of his position at the time of entering into the agreement and the then-current form of agreement for other similarly situated executives. We have similar change of control severance agreements with Messrs. Franklin (initially entered in 2009), Shepard (initially entered in 2007), Skidmore (initially entered in 2000) and Pechersky (initially entered in 2007). Mr. Pechersky resigned effective January 2010, which did not result in any benefits under his severance agreement. We also have a severance agreement with Mr. Gorman (initially entered in 2000) that provides similar severance benefits in certain non-change of control and change of control scenarios.

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.

In June 2008, we entered into amended and restated versions of certain existing compensatory plans and agreements, including severance agreements with our named executive officers, to address the requirements of Section 409A. These severance agreements were amended by (1) clarifying that amounts earned and vested by December 31, 2004 are "grandfathered" and subject to only pre-Section 409A rules, (2) clarifying that payments will be made only if the executive's termination of employment is a "separation from service" under Section 409A, (3) modifying certain circumstances under which the executive may voluntarily terminate employment to require a material negative change in the employment relationship, notice from the executive, and an opportunity for the company to cure, (4) clarifying the time and form of payment to the executive and (5) adding a 6-month delay in payment of deferred compensation otherwise payable to any "specified employee" upon separation from service. Contemporaneously with these Section 409A amendments, we made certain other amendments to these severance agreements to clarify that the accelerated vesting of company equity awards upon a change of control and, for Mr. Gorman, upon the non-change of control triggering events in his agreement, would apply to all types of equity-based awards rather than only to stock options. This change was intended to reflect that, beginning in 2006, we have at times made equity grants to our executives in the form of restricted stock and performance restricted stock units, in addition to stock options.

Additional information regarding these agreements is set forth below under, "Potential Payments Upon Termination or Change of Control." In establishing the elements and amounts of each executive's 2009 compensation, tally sheets were 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 potential change of control and other termination payments to each executive. The Committee considered these potential future payments in determining whether the overall executive compensation program remains competitive to attract and retain key executives, although the Committee did not use pre-established formulas or rigidly set the other compensation amounts or elements of our executives based solely on potential future change of control or other termination payments.

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. For example, in 2007, in connection with our hiring of Mr. Shepard, he received the following initial equity awards in December 2007: (1) options to purchase 50,000 shares of Harte-Hanks common stock, and (2) 7,500 shares of restricted common stock. Mr. Shepard also received on his start date a one-time payment of $150,000 in cash and a grant of restricted stock equal to $75,000, based on the closing market price of Harte-Hanks common stock on his start date.

We may also 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. For example, Mr. Skidmore received option awards in July 2007 in connection with his promotion and expanded responsibilities.

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 2009 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, except for Mr. Franklin. The Committee did not establish any rigid 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, as discussed above. We believe the total 2009 compensation we paid to each of our named executive officers was appropriate in relation to the other named executive officers, except for Mr. Franklin for the reasons as set forth under the section, "Additional Analysis of Executive Compensation Elements." Mr. Skidmore's 2009 salary was higher than the salaries for Messrs. Gorman, Shepard and Pechersky due to Mr. Skidmore's August 2007 promotion and broad responsibilities for our global Direct Marketing business, including Direct Marketing business development efforts and ongoing efforts to streamline and restructure our numerous Direct Marketing units from an operations and management standpoint.

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 2005, the Committee recommended, and the Board approved, the adoption of stock ownership guidelines that require all officers to acquire and hold significant levels of our common stock. As a result of the ongoing economic uncertainty in the United States and other global economies and its adverse impact on overall business conditions and financial markets, the Committee has decided to issue a moratorium for this program and anticipates re-assessing the moratorium in the future to consider whether it remains appropriate. Under the guidelines, an individual is allowed up to the later of (a) seven years from commencement of employment or promotion or (b) five years from adoption of the guidelines, 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 24 months to achieve the higher level of ownership (but in no event less time than would be provided for in the immediately preceding sentence). The requirements are as follows:

Management Level	Multiple of Base Annual Salary
Chief Executive Officer	Four Times
President	Three and One-Half Times
Chief Operating Officer	Three and One-Third Times
Executive Vice President	Two and Two-Thirds Times
Senior Vice President	Two Times
Vice President	One Times

The recent stock ownership of our executive officers is reflected in the section above entitled "Security Ownership of Management and Principal Stockholders." At times depending on our stock price, certain of our named executive officers have been in compliance with our stock ownership guidelines and Mr. Franklin, our CEO, beneficially owns approximately 9.6% of our outstanding common stock at March 1, 2010. 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 or any member of the officer's immediate family. Neither options nor performance restricted stock units are included in the compliance calculation. If an officer has not previously met the minimum equity ownership level and exercises stock options or restricted stock awarded to such officer vests, then the officer must retain fifty percent (50%) of the "net shares" related to the exercise or vesting. "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.

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. Because the initial compliance period has not yet run, no officer has failed to comply with these guidelines. For reasons previously stated, the Committee issued a moratorium for the stock ownership guidelines and anticipates re-assessing the moratorium in the future to consider whether it remains appropriate.

Tax Deductibility of Executive Compensation

Section 162(m) of the Code prevents us from taking a tax deduction for non-performance-based compensation in excess of $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.

Review of and Conclusion Regarding All Components of Executive Compensation

The Compensation Committee has reviewed all components of the named executive officers' 2009 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.

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
William K. Gayden
Karen A. Puckett *

*Ms. Puckett joined the Board and the Compensation Committee in January 2009.

Equity Compensation Plan Information at Year-End 2009

The following table provides information as of the end of 2009 regarding total shares subject to outstanding stock options and rights and total additional shares available for issuance under our 2005 Plan and our 1994 Employee Stock Purchase 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	7,053,099 (outstanding options and performance stock units)	$16.63 (outstanding options) (1)	7,090,356 (2)
Equity compensation plans not approved by security holders	—	—	—
Total	7,053,099 (outstanding options and performance stock units)	$16.63 (outstanding options) (1)	7,090,356 (2)

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

(2) Includes 5,234,705 shares under the 2005 Plan and 1,855,651 shares under our Employee Stock Purchase Plan. Our Employee Stock Purchase Plan was terminated effective March 31, 2009. Shares available for issuance under the 2005 Plan may be issued pursuant to stock options, restricted common stock, performance restricted stock units, common stock, stock appreciation rights or other awards that may be established pursuant to the 2005 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 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.

Summary Compensation Table

The following table sets forth information regarding compensation earned for 2009, 2008 and 2007 by our named executive officers: (1) Larry Franklin – Chairman, President and CEO as of the end of 2009, (2) Pete Gorman—our Executive Vice President and President, Shoppers, and one of the next three most highly compensated executive officers for 2009 other than our CEO and CFO, (3) Doug Shepard—our Executive Vice President and Chief Financial Officer ("CFO") as of the end of 2009, (4) Gary Skidmore—our Executive Vice President and President, Direct Marketing, and one of the next three most highly compensated executive officers for 2008 other than our CEO and CFO; and (5) Bryan Pechersky—our former Senior Vice President, General Counsel and Secretary and one of the next three most highly compensated executive officers for 2009 other than our CEO and CFO. Mr. Franklin, our current Chairman, President and CEO, was a non-employee director throughout 2008 and did not become President and CEO until January 1, 2009. Mr. Pechersky resigned effective January 2010.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (1) (e)	Option Awards ($) (1) (f)	Non-Equity Incentive Plan Compensation ($) (2) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (3) (h)	All Other Compensation ($) (4) (i)	Total ($) (j)
Larry Franklin (5)	2009	$ 300,000(6)	—	—	$ 448,110	$ 60,000(7)	$ 43,909	$ 15,900	$ 867,919
Chairman,	2008	— (8)	—	—	—	—	—	—	—
President and CEO	2007	— (8)	—	—	—	—	—	—	—
Pete Gorman	2009	$ 354,600	—	—	$ 171,776	$ 42,552	$ 171,976	$ 31,909	$ 772,812
Executive Vice	2008	$ 394,000	—	$ 123,520	$ 183,767	—	$ 149,583	$ 32,746	$ 883,616
President and President, Shoppers	2007	$ 384,908	—	$ 134,823	$ 123,396	—	$ 175,189	$ 30,430	$ 848,746
Doug Shepard (9)..........	2009	$ 315,000	—	—	$ 134,433	$ 78,750	$ 13,077	$ 24,269	$ 565,529
Executive Vice	2008	$ 344,167	—	$ 37,450	$ 61,256	—	$ 18,149	$ 15,770	$ 476,792
President and CFO	2007	$ 1,346	$ 150,000 (10)	$ 204,746	$ 266,660	—	—	$ —	$ 622,752
Gary Skidmore.............	2009	$ 486,000	—	—	$ 171,776	$ 32,076	$ 128,209	$ 26,820	$ 844,880
Executive Vice	2008	$ 531,000	—	$ 134,141	$ 183,767	—	$ 118,047	$ 28,099	$ 995,054
President and President, Direct Marketing	2007	$ 426,962	—	$ 232,662	$ 823,821	$ 28,350	$ 93,701	$ 23,832	$ 1,629,328
Bryan Pechersky (11)	2009	$ 270,000	—	—	$ 74,685	$ 57,375	$ 9,079	$ 24,823	$ 435,962
Senior Vice	2008	$ 295,000	—	$ 77,200	$ 102,093	—	$ 8,570	$ 23,746	$ 506,609
President, General Counsel and Secretary	2007	$ 205,833	$ 45,000 (12)	$ 276,250	$ 188,318	—	—	$ 32,328	$ 747,729

(1) The amounts in columns (e) and (f) reflect the full grant date fair value of the awards calculated in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see note J of our audited financial statements for the fiscal year ended December 31, 2009 included in our Form 10-K. For performance based stock units where the payout levels range from 0% to a maximum of 125% of the performance units granted, the fair value was computed based upon the probable outcome of the performance conditions as of the grant date.

(2) The amounts shown in column (g) are attributable to annual cash bonuses earned in the applicable fiscal year, although these bonuses, if any, are paid early in the following year. Our executive bonus program is discussed further under the section "Annual Incentive Compensation" included above in the CD&A.

(3) The amounts in column (h) reflect an estimate of the actuarial increase in the present value of the named executive officer's benefits under the Defined Benefit Plan and Restoration Pension Plan, determined using interest rate and mortality rate assumptions consistent with those used in our audited financial statements and described in note H of our audited financial statements for the fiscal year ended December 31, 2009 included in our Form 10-K. There can be no assurance that the amounts shown will ever be realized by the named executive officers.

(4) The amounts in column (i) are more fully described in the All Other Compensation table included below.

(5) During 2009, 2008 and 2007 Mr. Franklin also received pension payments and deferred compensation payments arising out of pre-existing compensation arrangements based on his former service as an executive officer of Harte-Hanks. Pension payments totaled $478,146 per year for 2009, 2008 and 2007. Deferred compensation payments totaled $848,666, $997,583 and $1,169,774 for 2009, 2008 and 2007, respectively. Mr. Franklin contributed 100% of his 2009 salary to our deferred compensation plan.

(6) Mr. Franklin elected to defer 100% of his salary earned in 2009, under the Harte-Hanks deferred compensation plan.

(7) Mr. Franklin elected to receive 100% of his bonus earned in 2009 in the form of restricted stock. These restricted shares were granted in 2010, based on the closing market price of our common stock on the grant date. The shares vest 100% on the third anniversary of their date of grant.

(8) During 2008 and 2007 Mr. Franklin served as a non-employee Chairman of the Board of Directors and received $200,833 and $250,000, respectively, in fees.

(9) Mr. Shepard joined Harte-Hanks in December 2007.

(10) Represents a one-time payment of $150,000 in cash to Mr. Shepard on his start date in December 2007.

(11) Mr. Pechersky joined Harte-Hanks in March 2007 and resigned effective January 2010.

(12) Represents a one-time payment of $45,000 in cash to Mr. Pechersky related to a relocation bonus in 2007.

All Other Compensation

Name	Year	Insurance Premiums (1)	Auto Allowance	Company Contrib. to 401(k) Plans (2)	Dividends on Restricted Stock (3)	Relocation Expenses (4)	Total
Larry Franklin	2009	-	$ 15,900	-	-	-	$ 15,900
	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
Doug Shepard	2009	$ 519	$ 11,700	$ 9,800	$ 2,250	-	$ 24,269
	2008	$ 519	$ 11,700	-	$ 3,551	-	$ 15,770
	2007	-	-	-	-	-	-
Pete Gorman	2009	$ 8,382	$ 11,700	$ 9,800	$ 2,027	-	$ 31,909
	2008	$ 8,041	$ 11,700	$ 9,200	$ 3,805	-	$ 32,746
	2007	$ 7,299	$ 11,700	$ 9,000	$ 2,431	-	$ 30,430
Gary Skidmore	2009	$ 2,489	$ 11,700	$ 9,800	$ 2,831	-	$ 26,820
	2008	$ 3,134	$ 11,700	$ 9,200	$ 4,065	-	$ 28,099
	2007	$ 645	$ 11,700	$ 9,000	$ 2,487	-	$ 23,832
Bryan Pechersky	2009	$ 323	$ 11,700	$ 9,800	$ 3,000	-	$ 24,823
	2008	$ 323	$ 11,700	$ 8,723	$ 3,000	-	$ 23,746
	2007	$ 323	$ 9,440	-	$ 1,575	$ 20,990	$ 32,328

(1) Reflects premiums paid annually by Harte-Hanks for life insurance policies obtained in connection with providing supplemental life insurance benefits to each of the named executive officers. These life insurance benefits are discussed further under the section "Perquisites" included above in the CD&A.

(2) Reflects matching contributions made by Harte-Hanks on behalf of each of the named executive officers under our 401(k) plan.

(3) Reflects dividends paid by Harte-Hanks during the year on shares of restricted stock held by each of the named executive officers.

(4) Amounts for Mr. Pechersky reflect transition and relocation payments and reimbursements in connection with joining Harte-Hanks in March 2007.

Grants of Plan Based Awards

The following table sets forth information regarding grants of equity-based awards during 2009 to our named executive officers. All of the equity awards described below were granted pursuant to our 2005 Plan. Vesting of equity awards is accelerated upon the occurrence of certain events. See "Potential Payments Upon Termination or Change of Control" below.

Stock Options — All options in 2009 were granted at exercise prices equal to the market value of our common stock on the grant date. Options vest in equal 25% increments on each of the second, third, fourth, and fifth anniversaries of their grant date and expire on the tenth anniversary of their grant date.

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards: Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Estimated Future Payouts Under Equity Incentive Plan Awards (1) (2): Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards ($/Sh) (3) (k)	Grant Date Fair Value of Stock and Option Awards ($) (4) (l)
Larry Franklin											
Annual Bonus	1/28/2009	$ 60,000	$ 330,000	$ 600,000	-	-	-	-	-	-	-
Stock Options	2/5/2009	-	-	-	-	-	-	-	300,000	$ 6.04	$ 448,110
Pete Gorman											
Annual Bonus	1/28/2009	$ 35,460	$ 195,030	$ 354,600	-	-	-	-	-	-	-
Stock Options	2/5/2009	-	-	-	-	-	-	-	115,000	$ 6.04	$ 171,776
Doug Shepard											
Annual Bonus	1/28/2009	$ 31,500	$ 173,250	$ 315,000	-	-	-	-	-	-	-
Stock Options	2/5/2009	-	-	-	-	-	-	-	90,000	$ 6.04	$ 134,433
Gary Skidmore											
Annual Bonus	1/28/2009	$ 48,600	$ 267,300	$ 486,000	-	-	-	-	-	-	-
Stock Options	2/5/2009	-	-	-	-	-	-	-	115,000	$ 6.04	$ 171,776
Bryan Pechersky											
Annual Bonus	1/28/2009	$ 22,950	$ 126,225	$ 229,500	-	-	-	-	-	-	-
Stock Options	2/5/2009	-	-	-	-	-	-	-	50,000	$ 6.04	$ 74,685

(1) Other than the amounts reported in the Summary Compensation table above, there were no non-equity incentive plan awards granted or outstanding in 2009.

(2) No performance restricted stock units were granted in 2009.

(3) The amount shown in column (k) is based upon the closing market price of our common stock on the grant date, as reported on the NYSE.

(4) The amounts shown in column (l) represent the full grant date fair value of the options and awards calculated in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see note J of our audited financial statements for the fiscal year ended December 31, 2009 included in our Form 10-K.

Outstanding Equity Awards at Year End

The following table sets forth information regarding outstanding equity awards held at the end of 2009 by our named executive officers. Some of these equity awards were issued pursuant to the 2005 Plan and older option awards were issued pursuant to the 1991 Stock Option Plan (1991 Plan).

2005 Plan — In May 2005, we adopted the 2005 Plan, a stockholder approved plan, pursuant to which we may issue various equity securities to directors, officers, key employees and consultants. Under the 2005 Plan, we have awarded stock options, restricted stock and performance-based restricted stock units. Please refer to the Grants of Plan Based Awards table above for a description of these types of equity awards under the 2005 Plan.

1991 Plan — The 2005 Plan replaced the 1991 Plan, a stockholder approved plan, pursuant to which we issued stock options to officers and key employees. No additional options will be granted under the 1991 Plan. Under the 1991 Plan, options were granted at exercise prices equal to the market price of the common stock on the grant date (1991 Plan market price options) and at exercise prices below the market price of the common stock (1991 Plan performance options). 1991 Plan market price options become exercisable in 25% increments on the second, third, fourth and fifth anniversaries of their date of grant and expire on the tenth anniversary of their date of grant. No 1991 Plan performance options have been granted since January 1999. The 1991 Plan performance options became exercisable in whole or in part after three years, and the extent to which they became exercisable at that time depended upon the extent to which we achieved certain goals established at the time the options were granted. In December 2005, the remaining unvested 1991 Plan performance options were amended to comply with Section 409A of the Code. Under this option amendment, these unvested 1991 Plan performance options became exercisable only on the business day following the vesting date of each option. All remaining 1991 Plan performance options were exercised in January 2009.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1)(2)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Larry Franklin	150,000	-	-	$ 14.67	1/9/2011	-	-	-	-
	75,000	-	-	$ 13.38	1/6/2010	-	-	-	-
	-	300,000 (15)	-	$ 6.04	2/5/2019	-	-	-	-
Pete Gorman	45,000	-	-	$ 14.67	1/9/2011	2,755 (3)	$ 29,699	-	-
	75,000	-	-	$ 18.22	1/8/2012	4,000 (6)	$ 43,120	-	-
	30,000	-	-	$ 19.85	9/3/2012	-	-	-	-
	50,000	-	-	$ 22.03	2/2/2014	-	-	-	-
	37,500	12,500 (9)	-	$ 25.63	1/27/2015	-	-	-	-
	18,750	6,250 (8)	-	$ 26.31	9/21/2015	-	-	-	-
	12,500	12,500 (10)	-	$ 25.80	1/25/2016	-	-	-	-
	4,375	13,125 (11)	-	$ 26.07	2/5/2017	-	-	-	-
	-	45,000 (14)	-	$ 15.90	2/5/2018	-	-	-	-
	-	115,000 (15)	-	$ 6.04	2/5/2019	-	-	-	-
Doug Shepard	12,500	37,500 (7)	-	$ 17.30	12/31/2017	7,500 (4)	$ 80,850	-	-
	-	15,000 (14)	-	$ 15.90	2/5/2018	-	-	-	-
	-	90,000 (15)	-	$ 6.04	2/5/2019	-	-	-	-
Gary Skidmore	22,500	-	-	$ 15.75	5/22/2010	4,768 (3)	$ 51,399	-	-
	75,000	-	-	$ 16.75	8/31/2010	4,668 (6)	$ 50,321	-	-
	75,000	-	-	$ 18.22	1/8/2012	-	-	-	-
	40,000	-	-	$ 19.85	9/3/2012	-	-	-	-
	20,000	-	-	$ 22.03	2/2/2014	-	-	-	-
	20,000	-	-	$ 24.42	4/23/2014	-	-	-	-
	22,500	7,500 (9)	-	$ 25.63	1/27/2015	-	-	-	-
	7,500	7,500 (10)	-	$ 25.80	1/25/2016	-	-	-	-
	7,500	22,500 (11)	-	$ 26.07	2/5/2017	-	-	-	-
	18,750	56,250 (12)	-	$ 23.55	7/31/2017	-	-	-	-
	-	45,000 (14)	-	$ 15.90	2/5/2018	-	-	-	-
	-	115,000 (15)	-	$ 6.04	2/5/2019	-	-	-	-
Bryan Pechersky	6,250	18,750 (13)	-	$ 27.85	3/12/2017	7,500 (5)	$ 80,850	-	-
	-	25,000 (14)	-	$ 15.90	2/5/2018	2,500 (6)	$ 26,950	-	-
	-	50,000 (15)	-	$ 6.04	2/5/2019	-	-	-	-

(1) Based upon the closing market price of our common stock as of December 31, 2009 ($10.78), as reported on the NYSE.
(2) In 2008 and in 2007, our Compensation Committee awarded our executives performance-based restricted stock units which are payable, if earned, in shares of common stock. The payout levels range from 0% to a maximum of 125% of the performance units granted. At the time of grant, it was expected that the probable outcome of the performance conditions would lead to a payout level of 100%. As of December 31, 2009, however, none of the performance goals associated with any of the performance stock units are expected to be achieved, which would result in no units vesting for any of our executives.
(3) Restricted stock vests on February 5, 2010.
(4) Restricted stock vests on December 31, 2010.
(5) Restricted stock vests on March 12, 2010.
(6) Restricted stock vests on February 5, 2011.
(7) These options vest annually in equal installments of 12,500 between December 31, 2010 and December 31, 2012.
(8) These options vest on September 21, 2010.
(9) These options vest on January 27, 2010.
(10) These options vest annually in equal installments (6,250 for Gorman and 3,750 for Skidmore) between January 25, 2010 and January 25, 2011.
(11) These options vest annually in equal installments (4,375 for Gorman and 7,500 for Skidmore) between February 5, 2010 and February 5, 2012.
(12) These options vest annually in equal installments of 18,750 between July 31, 2010 and July 31, 2012.
(13) These options vest annually in equal installments of 6,250 between March 12, 2010 and March 12, 2012.
(14) These options vest annually in equal installments (11,250 for Gorman, 3,750 for Shepard, 11,250 for Skidmore, and 6,250 for Pechersky) between February 5, 2010 and February 5, 2013.
(15) These options vest annually in equal installments (75,000 for Franklin, 22,500 for Shepard, 28,750 for Gorman and Skidmore, and 12,500 for Pechersky) between February 5, 2011 and February 5, 2014.

Option Exercises and Stock Vested

The following table sets forth information for our named executive officers regarding option exercises and equity vestings during 2009.

	Option Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (c) (1)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting ($) (e) (2)
Larry Franklin	3,000	$ 18,170	-	-
Pete Gorman	-	-	5,928	$ 3,808
Doug Shepard	-	-	-	-
Gary Skidmore	-	-	4,115	$ 30,410
Bryan Pechersky	-	-	-	-

(1) Calculated as the aggregate market value of the shares underlying the exercised options on the date of exercise minus the aggregate exercise price.

(2) Calculated as the aggregate market value of the vested shares based on the closing price of our common stock on the vesting date (January 25, 2009).

Pension Benefits

The table below under this heading sets forth information regarding estimated payments or other benefits payable at, following or in connection with retirement to which our named executive officers are entitled under our Defined Benefit Plan and Restoration Pension Plan.

Defined Benefit Plan

The purpose of this plan is to provide participants with benefits when they separate from employment through termination, retirement, death or disability. The plan was frozen to participation and benefit accruals as of December 31, 1998. All participants are 100% vested as of December 31, 1998. Death benefits are provided to beneficiaries on behalf of participants as specified in the plan. The plan provides benefits based on a formula that takes into account the executive's earnings for each fiscal year. For purposes of the calculation of the monthly amount payable starting after retirement under the Defined Benefit Plan, the following definitions apply:

"*Average Monthly Compensation*" means the monthly average of the five consecutive years' compensation out of the last ten complete years on December 31, 1998 that gives the highest average; such compensation includes W-2 compensation (subject to certain exclusions) plus any compensation deferred under a Section 125 or Section 401(k) plan. Compensation is limited by the pay limit in Section 401(a)(17) of the Code.

"*Normal Retirement Date*" means the date upon which a participant reaches age 65.

"*Covered Compensation*" means a 35-year average of the Maximum Taxable Wages (MTW) under social security. The MTW is the annual limit on wages subject to the FICA tax for social security. The 35-year period ends with the year the employee reaches eligibility for an unreduced social security benefit (age 65, 66, or 67 depending on the year the employee was born). For years after the year of termination and prior to the end of the 35-year period, the MTW from the years of termination is used.

The monthly amount (Monthly Accrued Benefit) shall be equal to the sum of A and B multiplied by C where A, B and C are defined below:

A = 1.0 percent of the Average Monthly Compensation at December 31, 1998 multiplied by the projected number of years of credited service at the Normal Retirement Date.

B = 0.65 percent of the Average Monthly Compensation at December 31, 1998 in excess of 1/12 of Covered Compensation at December 31, 1998 multiplied by the number of years of projected credited service at the Normal Retirement Date up to 35 years.

C = Ratio of credited service at December 31, 1998 to projected credited service at the Normal Retirement Date.

Participants are eligible for early retirement upon attainment of age 55 and five years of vesting service. The monthly amount payable upon early retirement is equal to the monthly accrued benefit at December 31, 1998 multiplied by certain plan and Internal Revenue Service-prescribed early retirement factors.

Restoration Pension Plan

The purpose of this unfunded, non-qualified pension plan is to provide employees with the benefits they would receive if the Defined Benefit Plan was not subject to the benefit and compensation limits imposed by Section 415 and Section 401(a)(17) of the Code and had benefit accruals under the Defined Benefit Plan not been frozen at December 31, 1998. Selected employees designated as participants by the Board of Directors are eligible to participate under the plan. Participants currently include only corporate officers. An officer of Harte-Hanks with the title of a Senior Vice President or a higher position is 100% vested on January 1, 1996. An officer with a title below Senior Vice President will be vested at the earlier of age 55 or 20 years of credited service. Benefits accrued and vested after December 31, 2004 are subject to non-qualified deferred compensation rules under Section 409A of the Code. The plan provides benefits based on a formula that takes into account the executive's earnings for each fiscal year. For purposes of the calculation of the monthly amount payable starting after retirement under the Restoration Pension Plan, the following definitions apply:

"*Average Monthly Compensation*" means the monthly average of the five consecutive years' compensation out of the last ten complete years that gives the highest average. For purposes of determining the gross benefit under the Restoration Pension Plan, compensation includes W-2 compensation (subject to certain exclusions) plus any compensation deferred under a Section 125 or Section 401(k) plan, but only recognizes up to 100% of the target bonus amount for years prior to 2001 and up to 50% of the target bonus amount for years after 2000. The compensation for the gross Restoration Pension Plan benefit is not limited by the Code Section 401(a)(17) pay limit.

"*Normal Retirement Date*" means the date upon which a participant reaches age 65.

"*Covered Compensation*" has the same meaning as previously defined under the Defined Benefit Plan.

The monthly amount is the lesser of the sum of A and B multiplied by C and D as defined below over the Monthly Accrued Benefit under the Defined Benefit Plan (as described above):

A = 1.0 percent of the Average Monthly Compensation at the date of termination multiplied by the projected number of years of credited service at the Normal Retirement Date.

B = 0.65 percent of the Average Monthly Compensation at the date of termination in excess of 1/12 of Covered Compensation at the date of termination multiplied by the number of years of projected credited service at the Normal Retirement Date up to 35 years.

C = Ratio of credited service at the date of termination to projected credited service at the Normal Retirement Date.

D = 50 percent of Average Monthly Compensation at the date of termination.

Participants are eligible for early retirement upon attainment of age 55 and becoming 100% vested. The monthly amount payable upon early retirement is equal to the monthly accrued benefit at the date of termination multiplied by an early retirement factor as multiplied by certain plan and Internal Revenue Service-prescribed early retirement factors.

We do not have a policy for granting extra years of credited service.

The amounts reported in the table below equal the present value of the accumulated benefit at December 31, 2009 for our named executive officers under each plan based upon the assumptions described in note (1).

Name (a)	Plan Name (b)	Number of Years of Credited Service (#) (c)	Present Value of Accumulated Benefit ($) (1) (d)	Payments During Last Fiscal Year ($) (e)
Larry Franklin (2)	Defined Benefit Plan	1.00	-	$ 195,278
	Restoration Benefit Plan	1 00	$ 43,909	$ 282,868
Pete Gorman (3)	Defined Benefit Plan	28.50	$ 324,249	-
	Restoration Benefit Plan	28.50	$ 1,465,850	-
Doug Shepard	Defined Benefit Plan	2.00	-	-
	Restoration Benefit Plan	2.00	$ 31,226	-
Gary Skidmore (4)	Defined Benefit Plan	15.25	-	-
	Restoration Benefit Plan	15.25	$ 659,451	-
Bryan Pechersky	Defined Benefit Plan	2.80	-	-
	Restoration Benefit Plan	2.80	$ 23,153	-

(1) The accumulated benefit is based on service and earnings, as described above, considered by the plans for the period through December 31, 2009. The present value has been calculated using a discount rate of 6.20% and assuming the named executive officers will live and retire at the normal retirement age of 65 years. For purposes of calculating the actuarial present value, no pre-retirement decrements are factored into the calculations. The mortality assumption is based on the 1994 Group Annuity Mortality Tables for males and females.

(2) Credited service is from rehire date of January 1, 2009.

(3) Participant is eligible for early retirement. The single sum values of the early retirement benefits from the Defined Benefit Plan and the Restoration Pension Plan are $348,930 and $1,572,314, respectively.

(4) Participant is eligible for early retirement. The single sum value of the early retirement benefit from the Restoration Pension Plan is $735,985.

Nonqualified Deferred Compensation

None of our named executive officers receive nonqualified deferred compensation as defined under SEC rules. In January 2009, the Compensation Committee designated all corporate officers as eligible to participate in our existing non-qualified deferred compensation plan, which is filed as Exhibit 10.3 to our Form 8-K, dated June 27, 2008. During 2009, our Chairman, Mr. Franklin, who was a non-employee director during 2008 and became our President and CEO on January 1, 2009, received deferred compensation payments arising out of pre-existing compensation arrangements based on his former service as an executive officer of Harte-Hanks.

Potential Payments Upon Termination or Change of Control

Payments Pursuant to Severance Agreements

The following descriptions of our executive severance and transition agreements do not include all terms contained in the actual agreements. Please refer to the full text of the agreements for the complete terms and provisions, copies of which are filed as exhibits to our public filings with the SEC and which are incorporated herein by reference. Refer to our 2009 Form 10-K exhibit list for the location of each of these agreements.

Gorman

In December 2000, we entered into a severance agreement with Pete Gorman. In June 2008, we amended Mr. Gorman's agreement to address the requirements of Section 409A and make other changes, as described above in the CD&A. Pursuant to Mr. Gorman's agreement, if (i) Harte-Hanks terminates Mr. Gorman's employment without "justification," (ii) Mr. Gorman terminates his employment for good reason due to specified adverse actions taken by Harte-Hanks, (iii) Harte-Hanks terminates Mr. Gorman's employment after a change in control of Harte-Hanks, other than for "cause," death or disability, or (iv) Mr. Gorman terminates his employment after a change in control of Harte-Hanks and after specified adverse actions are taken by Harte-Hanks or he elects to terminate his employment for any reason during the thirty-day period following the first anniversary of a change in control of Harte-Hanks, then in any of such events Mr. Gorman will be entitled to:

- severance compensation in a lump sum cash amount equal to 200% of the sum of (A) his annual base salary in effect just prior to the change in control or termination date, whichever is larger, plus (B) the average of the 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,
- a cash payment sufficient to cover health insurance premiums for a period of 18 months,
- accelerated vesting of all unvested options, restricted stock, performance units and any other equity-based awards previously granted to Mr. Gorman (in the event of a change in control, Mr. Gorman's equity awards vest upon the change in control without regard to termination of his employment), and
- if applicable, a tax gross-up for "excess parachute payments" within the meaning of Section 280G of the Code if the total amounts due to the executive would have to be reduced by more than ten percent to avoid the excess parachute payment.

As used in the severance agreement, "*cause*" means that the Board determines in good faith that Mr. Gorman committed an intentional material act of fraud or embezzlement, material damage to Harte-Hanks' property or intentional wrongful disclosure of Harte-Hanks' material secret processes or confidential information. "*Change in control*" means: (i) Harte-Hanks is merged, consolidated or reorganized or sells substantially all of its assets and after such transaction less than 60% of the combined voting power of the surviving corporation is received in exchange for voting securities of Harte-Hanks, (ii) any person has become a beneficial owner of securities of Harte-Hanks, which when added to any securities already owned by such person would represent in the aggregate 30% or more of the combined voting power of the then outstanding securities of Harte-Hanks, or (iii) such other events that cause a change in control of Harte-Hanks as determined by our Board of Directors. "*Justification*" means the Board determines in good faith that Mr. Gorman shall have (i) committed an act of fraud, dishonesty, gross misconduct or other unethical practices, or (ii) materially failed to perform his duties to the satisfaction of the CEO of the company, which failure has not been cured within 60 days after receipt of written notice from the CEO.

Other Named Executive Officers – Franklin, Shepard, Skidmore and Pechersky

We have also entered into severance agreements with each of our other named executive officers. We entered into a change in control severance agreement with Mr. Franklin in February 2009, with Mr. Shepard in December 2007, with Mr. Skidmore in December 2000 and with Mr. Pechersky in March 2007. In June 2008, we amended these agreements to address the requirements of Section 409A and make other changes, as described above in the CD&A. Pursuant to each agreement, if, after a "change in control" of Harte-Hanks, the executive (i) is terminated other than for "cause" (as defined in the agreement), death or disability, (ii) elects to terminate his employment after specified adverse actions are taken by Harte-Hanks, or (iii) elects to terminate his employment for any reason during the thirty-day period following the first anniversary of a change in control of Harte-Hanks, then the executive will be entitled to:

- severance compensation in a lump sum cash amount equal to 200% 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,
- a cash payment sufficient to cover health insurance premiums for a period of 18 months,
- accelerated vesting of all unvested options, restricted stock, performance units and any other equity-based awards previously granted to the executive (the executive's equity awards vest upon the change in control without regard to termination of the executive's employment), and
- if applicable, a tax gross-up for "excess parachute payments" within the meaning of Section 280G of the Code if the total amounts due to the executive would have to be reduced by more than ten percent to avoid the excess parachute payment.

As used in these severance agreements, the terms "*cause*" and "*change in control*" have the same meanings as used in Mr. Gorman's severance agreement.

Payments Made Upon Retirement

For a description of the pension plans in which the named executive officers participate, see the Pension Benefits table above. The tables below provide the estimated pension benefits that would have become payable if the named executive officer had ceased to be employed as of December 31, 2009.

Payments Made Upon Death or Disability

For a discussion of the supplemental life insurance benefits for the named executive officers, see the section above entitled “Perquisites” and the All Other Compensation table above. The tables below provide the amounts the beneficiaries of each named executive officer would have received had such officer died on December 31, 2009.

Potential Termination and Change in Control Benefits Tables

The tables below under this heading illustrate an estimated amount of compensation potentially payable to each named executive officer upon termination of such executive’s employment under various scenarios. Any amount ultimately received will vary based on a variety of factors, including the reason for such executive’s termination of employment, the date of such executive’s termination of employment, and the executive’s age upon termination of employment. The amounts shown assume that such termination was effective as of December 31, 2009, and, therefore, are estimates of the amounts that would have been paid to such executives upon their termination. Actual amounts to be paid can only be determined at the time of such executive’s termination from the company.

LARRY FRANKLIN

			No Change in Control		Change in Control			
Benefit	**Voluntary Termination**	**Early Retirement**	**For Cause Termination**	**Termination Without Cause or for Good Reason**	**For Cause Termination**	**Termination Without Cause or for Good Reason**	**Death**	**Disability**
Cash Severance	—	—	—	—	—	$ 600,000	—	—
Unvested Equity (1)								
Options	—	—	—	$ 1,422,000	$ 1,422,000	$ 1,422,000	—	—
Restricted Stock	—	—	—	—	—	—	—	—
Performance Stock Units	—	—	—	—	—	—	—	—
Bonus Stock Awards	—	—	—	—	—	—	—	—
Retirement Benefits (2)	$ 43,909	—	$ 43,909	$ 43,909	$ 43,909	$ 43,909	$ 43,909	$ 43,909
Health and Welfare Benefits (3)	—	—	—	—	—	$ 17,286	—	—
Disability Income (4)	—	—	—	—	—	—	—	$ 18,750
Life Insurance Benefits	—	—	—	—	—	—	—	—
Excise Tax Gross-up	—	—	—	—	—	—	—	—
ESTIMATED TOTAL	**$ 43,909**	—	**$ 43,909**	**$ 1,465,909**	**$ 1,465,909**	**$ 2,083,195**	**$ 43,909**	**$ 62,659**

(1) Values are calculated based on the closing price of our common stock of $10.78 on December 31, 2009. Pursuant to the executive’s previously described severance agreement, all unvested equity-based awards vest upon a change in control (as defined) without regard to termination of the executive’s employment. Mr. Franklin’s agreement also provides that his unvested equity-based awards vest upon his termination prior to a change of control either (a) by Harte-Hanks without justification, or (b) by Mr. Franklin for good reason, as defined in his agreement.

(2) Except as otherwise noted, reflects the estimated single sum present value of qualified and non-qualified retirement plans accumulated as of December 31, 2009, which Mr. Franklin would be entitled to receive starting upon reaching age 65. Actual payments are made over time, not in a lump sum. Acceleration of vesting occurs in the event of a change of control. However, since Mr. Franklin is 100% vested at the measurement date, no additional benefits will be paid in the event of a change of control. As of December 31, 2009, Mr. Franklin has attained our normal retirement age of 65.

(3) Reflects the estimated lump-sum payment to be paid by us to Mr. Franklin to permit him to pay 18 months worth of future premiums under our health and welfare benefit plans.

(4) Reflects the aggregate estimated amount of all future payments to which Mr. Franklin would be entitled to receive under our disability program.

PETE GORMAN

Benefit	Voluntary Termination	Early Retirement	No Change in Control: For Cause Termination	No Change in Control: Termination Without Cause or for Good Reason	Change in Control: For Cause Termination	Change in Control: Termination Without Cause or for Good Reason	Death	Disability
Cash Severance	—	—	—	$ 709,200	—	$ 709,200	—	—
Unvested Equity (1)								
Options	—	—	—	$ 545,100	$ 545,100	$ 545,100	—	—
Restricted Stock	—	—	—	$ 70,070	$ 70,070	$ 70,070	—	—
Performance Stock Units	—	—	—	$ 70,070	$ 70,070	$ 70,070	—	—
Bonus Stock Awards (2)	$ 2,749	$ 2,749	—	$ 2,749	$ 2,749	$ 2,749	$ 2,749	$ 2,749
Retirement Benefits (3)	$ 1,790,099	$ 1,921,244(7)	$1,790,099 (8)	$ 1,790,099	$ 1,790,099(8)	$ 1,790,099	$ 1,790,099	$ 1,790,099
Health and Welfare Benefits (4)	—	—	—	$ 17,286	—	$ 17,286	—	—
Disability Income (5)	—	—	—	—	—	—	—	$ 556,899
Life Insurance Benefits (6)	—	—	—	—	—	—	$ 900,000	—
Excise Tax Gross-up	—	—	—	—	—	—	—	—
ESTIMATED TOTAL	**$ 1,792,848**	**$ 1,923,993**	**$ 1,709,099**	**$ 3,204,574**	**$ 2,478,088**	**$ 3,204,574**	**$ 2,692,848**	**$ 2,349,747**

(1) Values are calculated based on the closing price of our common stock of $10.78 on December 31, 2009. Pursuant to the executive’s previously described severance agreement, all unvested equity-based awards vest upon a change in control (as defined) without regard to termination of the executive’s employment. Mr. Gorman’s agreement also provides that his unvested equity-based awards vest upon his termination prior to a change of control either (a) by Harte-Hanks without justification, or (b) by Mr. Gorman for good reason, as defined in his agreement.

(2) In addition to the accelerated vesting described in note (1) above, unvested bonus stock awards also vest upon termination of employment by (a) death, (b) disability, (c) retirement, or (d) at such other time as determined by the Board of Directors or Compensation Committee. The amounts shown in the Voluntary Termination column assume that the Board of Directors or Compensation Committee determined to accelerate vesting.

(3) Except as otherwise noted, reflects the estimated single sum present value of qualified and non-qualified retirement plans accumulated as of December 31, 2009, which Mr. Gorman would be entitled to receive starting upon reaching age 65. Actual payments are made over time, not in a lump sum. Acceleration of vesting occurs in the event of a change of control. However, since Mr. Gorman is 100% vested at the measurement date, no additional benefits will be paid in the event of a change of control. As of December 31, 2009, Mr. Gorman had not attained our normal retirement age of 65.

(4) Reflects the estimated lump-sum payment to be paid by us to Mr. Gorman to permit him to pay 18 months worth of future premiums under our health and welfare benefit plans.

(5) Reflects the aggregate estimated amount of all future payments to which Mr. Gorman would be entitled to receive under our disability program. Mr. Gorman would be entitled to receive such benefits until age 65.

(6) Reflects the aggregate amount of 10 annual payments of $90,000 each under Mr. Gorman’s life insurance benefits, payable over the 10 year period following death.

(7) Reflects the estimated single sum present value of qualified and non-qualified retirement plans which Mr. Gorman would be entitled to receive if the election was made to begin receiving early retirement benefits as of December 31, 2009.

(8) In the event of a “for cause” termination related to dishonest conduct, the Compensation Committee may deny vested retirement benefits to Mr. Gorman.

DOUG SHEPARD

Benefit	Voluntary Termination	Early Retirement	No Change in Control: For Cause Termination	No Change in Control: Termination Without Cause or for Good Reason	Change in Control: For Cause Termination	Change in Control: Termination Without Cause or for Good Reason	Death	Disability
Cash Severance	—	—	—	—	—	$ 630,000	—	—
Unvested Equity (1)								
Options	—	—	—	—	426,600	$ 426,600	—	—
Restricted Stock	—	—	—	—	80,850	$ 80,850	—	—
Performance Stock Units	—	—	—	—	26,950	$ 26,950	—	—
Bonus Stock Awards	—	—	—	—	—	—	—	—
Retirement Benefits(2)	$ 31,226	—	$ 31,226	$ 31,226	$ 31,226	$ 31,226	$ 31,226	$ 31,226
Health and Welfare Benefits (3)	—	—	—	—	—	$ 24,442	—	—
Disability Income (4)	—	—	—	—	—	—	—	$ 3,503,701
Life Insurance Benefits (5)	—	—	—	—	—	—	$ 700,000	—
Excise Tax Gross-up	—	—	—	—	—	—	—	—
ESTIMATED TOTAL................	**$ 31,226**	**—**	**$ 31,226**	**$ 31,226**	**$ 565,626**	**$ 1,220,068**	**$ 731,226**	**$ 3,534,927**

(1) Values are calculated based on the closing price of our common stock of $10.78 on December 31, 2009. Pursuant to the executive's previously described severance agreement, all unvested equity-based awards vest upon a change in control (as defined) without regard to termination of the executive's employment.

(2) Reflects the estimated single sum present value of qualified and non-qualified retirement plans accumulated as of December 31, 2009, which Mr. Shepard would be entitled to receive starting upon reaching age 65. Actual payments are made over time, not in a lump sum. Acceleration of vesting occurs in the event of a change of control. However, since Mr. Shepard is 100% vested at the measurement date, no additional benefits will be paid in the event of a change of control. As of December 31, 2009, Mr. Shepard had not attained our normal retirement age of 65.

(3) Reflects the lump-sum payment to be paid by us to Mr. Shepard to permit him to pay 18 months worth of future premiums under our health and welfare benefit plans.

(4) Reflects the aggregate estimated amount of all future payments to which Mr. Shepard would be entitled to receive under our disability program. Mr. Shepard would be entitled to receive such benefits until age 65.

(5) Reflects the aggregate amount of 10 annual payments of $70,000 each under Mr. Shepard's life insurance benefits, payable over the 10 year period following death.

GARY SKIDMORE

Benefit	Voluntary Termination	Early Retirement	No Change in Control: For Cause Termination	No Change in Control: Termination Without Cause or for Good Reason	Change in Control: For Cause Termination	Change in Control: Termination Without Cause or for Good Reason	Death	Disability
Cash Severance	—	—	—	—	—	$ 1,000,350	—	—
Unvested Equity (1)								
Options	—	—	—	—	$ 545,100	$ 545,100	—	—
Restricted Stock	—	—	—	—	$ 89,474	$ 89,474	—	—
Performance Stock Units	—	—	—	—	$ 89,474	$ 89,474	—	—
Bonus Stock Awards (2)	$ 12,246	$ 12,246	—	—	$ 12,246	$ 12,246	$ 12,246	$ 12,246
Retirement Benefits (3)	$ 659,451	$ 735,985	$ 659,451 (7)	$ 659,451	$ 659,451 (7)	$ 659,451	$ 659,451	$ 659,451
Health and Welfare Benefits (4)	—	—	—	—	—	$ 17,286	—	—
Disability Income (5)	—	—	—	—	—	—	—	$ 1,637,741
Life Insurance Benefits (6)	—	—	—	—	—	—	$ 900,000	—
Excise Tax Gross-up	—	—	—	—	—	—	—	—
ESTIMATED TOTAL	**$ 671,697**	**$ 748,231**	**$ 659,451**	**$ 659,451**	**$ 1,395,745**	**$ 2,413,381**	**$1,571,697**	**$ 2,309,438**

(1) Values are calculated based on the closing price of our common stock of $10.78 on December 31, 2009. Pursuant to the executive's previously described severance agreement, all unvested equity-based awards vest upon a change in control (as defined) without regard to termination of the executive's employment.

(2) In addition to the accelerated vesting described in note (1) above, unvested bonus stock awards also vest upon termination of employment by (a) death, (b) disability, (c) retirement, or (d) at such other time as determined by the Board of Directors or Compensation Committee. The amounts shown in the Voluntary Termination column assume that the Board of Directors or Compensation Committee determined to accelerate vesting.

(3) Reflects the estimated single sum present value of qualified and non-qualified retirement plans accumulated as of December 31, 2009, which Mr. Skidmore would be entitled to receive starting upon reaching age 65. Actual payments are made over time, not in a lump sum. Acceleration of vesting occurs in the event of a change of control. However, since Mr. Skidmore is 100% vested at the measurement date, no additional benefits will be paid in the event of a change of control. As of December 31, 2009, Mr. Skidmore had not attained our normal retirement age of 65.

(4) Reflects the lump-sum payment to be paid by us to Mr. Skidmore to permit him to pay 18 months worth of future premiums under our health and welfare benefit plans.

(5) Reflects the aggregate estimated amount of all future payments to which Mr. Skidmore would be entitled to receive under our disability program. Mr. Skidmore would be entitled to receive such benefits until age 65.

(6) Reflects the aggregate amount of 10 annual payments of $90,000 each under Mr. Skidmore's life insurance benefits, payable over the 10 year period following death.

(7) In the event of a "for cause" termination related to dishonest conduct, the Compensation Committee may deny vested retirement benefits to Mr. Skidmore.

BRYAN PECHERSKY(1)

Benefit	Voluntary Termination	Early Retirement	No Change in Control: For Cause Termination	No Change in Control: Termination Without Cause or for Good Reason	Change in Control: For Cause Termination	Change in Control: Termination Without Cause or for Good Reason	Death	Disability
Cash Severance	—	—	—	—	—	—	—	—
Unvested Equity								
Options	—	—	—	—	—	—	—	—
Restricted Stock	—	—	—	—	—	—	—	—
Performance Stock Units	—	—	—	—	—	—	—	—
Bonus Stock Awards	—	—	—	—	—	—	—	—
Retirement Benefits (2)	$ 23,153	—	$ 23,153 (6)	$ 23,153	$ 23,153(6)	$ 23,153	$ 23,153	$ 23,153
Health and Welfare Benefits	—	—	—	—	—	—	—	—
Disability Income	—	—	—	—	—	—	—	—
Life Insurance Benefits	—	—	—	—	—	—	—	—
Excise Tax Gross-up	—	—	—	—	—	—	—	—
ESTIMATED TOTAL	**$ 23,153**	—	**$ 23,153**	**$ 23,153**	**$ 421,853**	**$ 987,144**	**$ 723,153**	**$ 3,447,681**

(1) Mr. Pechersky resigned effective January 2010.

(2) Reflects the estimated single sum present value of qualified and non-qualified retirement plans accumulated as of December 31, 2009, which Mr. Pechersky would be entitled to receive starting upon reaching age 65. Actual payments are made over time, not in a lump sum. Acceleration of vesting occurs in the event of a change of control. However, since Mr. Pechersky is 100% vested at the measurement date, no additional benefits will be paid in the event of a change of control. As of December 31, 2009, Mr. Pechersky had not attained our normal retirement age of 65.

DIRECTOR COMPENSATION

Elements of Current Director Compensation Program

Directors' compensation includes cash and stock-based incentives. Employee directors are not paid additional compensation for their services as directors. As of the date of this proxy statement, non-employee directors receive the following compensation for their services on the Board and its committees. Directors' compensation is subject to change from time to time.

Element	Description	Amount
Annual Cash Retainer for Board Service	Payable to "independent" Board members, as determined by the Board in accordance with applicable rules.	$45,000
Annual Cash Retainer for Committee Chairs	• Audit Committee Chair • Compensation Committee Chair • Nominating and Corporate Governance Committee Chair	$10,000 $5,000 $2,000
Cash Meeting Fees	• Per in-person Board meeting attended (payable to independent directors) • Per in-person Committee meeting attended (payable to applicable Committee members) • Per telephonic Board meeting attended (payable to independent directors) • Per telephonic Committee meeting attended (payable to applicable Committee members)	$2,000 $1,000 $750 $750
Annual Equity Election In Lieu of Cash Fees	• Each independent director may elect, annually or in connection with such director's appointment to the Board, to receive all or a portion of such director's cash compensation otherwise payable for such director's services in shares of the company's common stock. • These shares of common stock are granted as soon as administratively practicable following the end of each of the company's fiscal quarters. The number of shares delivered is based on the market value of one share of the company's common stock on the NYSE as of the last day of the immediately preceding quarter, in accordance with the 2005 Plan.	Up to 100% of a director's cash compensation
2010 Annual Equity Awards	• For the calendar year 2010, each independent director received shares of restricted common stock, with a grant date of February 5, 2010 (the fixed date previously selected for long-term incentive awards, as described above in this proxy statement) and which vest 100% on the third anniversary of their grant date. • The number of shares of restricted stock delivered was based on the market value of one share of the company's common stock on the NYSE on the grant date, in accordance with the 2005 Plan. • These shares of restricted stock were granted pursuant to the 2005 Plan and the other terms and conditions set forth in the applicable form of award agreement under the 2005 Plan.	Shares equal to $50,000
Initial Equity Award for New Directors	• Each new independent director appointed to the Board receives a one-time initial equity award of shares of restricted common stock, with a grant date of on the date of appointment to the Board and which vest 100% on the third anniversary of their grant date. • These shares of restricted stock are granted pursuant to the 2005 Plan and the other terms and conditions set forth in the applicable form of award agreement under the 2005 Plan or any applicable future equity compensation plan that may be adopted by the company.	5,000 shares of restricted common stock
Other	• Non-management directors may also receive compensation from time to time for any service on special Board committees, site visits or other	As applicable

Element	Description	Amount
	matters, as determined by the Board. • All directors are reimbursed for their out-of-pocket expenses incurred in connection with their service on the Board or any of its Committees.	

Establishing Director Compensation

The Compensation Committee has the responsibility for recommending to the Board the form and amount of compensation for non-employee directors. The Compensation Committee may appoint subcommittees and delegate to a subcommittee such power and authority as it deems appropriate, subject to certain limitations set forth in its charter and discussed above in the CD&A. The Compensation Committee did not appoint any subcommittees during 2009.

The Compensation Committee has the sole authority to retain or terminate a consulting firm engaged to assist in the evaluation of director compensation. From time to time, the Compensation Committee reviews surveys and other information provided by outside consultants to provide insights on director compensation matters. Our director compensation is structured predominantly based upon the results of such reviews as well as the amount of time devoted to Board and committee meetings. The Committee believes that engaging a consultant on a periodic basis is more appropriate than having annual engagements.

In mid-2007, the Committee retained an outside compensation consultant to assist the Committee with its evaluation and determinations for our 2008 director compensation program. The consulting firm, Longnecker & Associates, was engaged by and reported directly to the Committee. The Committee asked Longnecker & Associates to conduct a comprehensive review of Harte-Hanks' then-current director compensation program and recommend specific changes and improvements to the Committee to ensure that compensation remains aligned with the goal of enhancing stockholder value through competitive programs that allow the company to attract, properly motivate and retain qualified non-employee directors who will contribute to Harte-Hanks' long-term success and the creation of stockholder value.

In January 2008, based on the recommendation of the Compensation Committee, the Board decided to maintain the same director compensation levels in 2008 as in 2007, with the following principal exceptions: (1) the amount of the Chairman's fee was decreased from $250,000 per year to $200,000 per year, and (2) the initial equity awards for new directors were changed from 5,000 stock options to $50,000 of restricted common stock to align the initial grant with the then-current annual equity grant practices for directors.

In November 2008, in light of the current ongoing economic downturn in the United States and other economies, the Board reduced the annual cash retainer for Board service from $50,000 to $45,000, and reduced the annual cash Chairman's fee from $200,000 to $180,000.

In January 2010, based on the recommendation of the Compensation Committee, the Board decided to maintain the same director compensation levels in 2010 as the reduced compensation levels in 2009. The Chairman's fee was eliminated because our current Chairman, Mr. Franklin, has served as our President and CEO since January 2009. The Compensation Committee did not engage an outside consulting firm during 2009 for the Committee's 2010 director compensation recommendations to the Board, and the Compensation Committee has not yet determined whether it will engage an outside consulting firm during 2010 for its 2011 director compensation recommendations.

The Board believes this overall compensation level is appropriate to attract and retain top board candidates.

Director Stock Ownership Guidelines

Under our Corporate Governance Principles adopted by the Board, each director is expected to own, at a date no later than three years after election to the Board, shares of our common stock valued at not less than two times the annual cash retainer (or, based on the current annual retainer, stock valued at $90,000). As of December 31, 2009, each director (other than Ms. Puckett, who joined the Board in January 2009) owned at least this amount of Harte-Hanks stock.

2009 Director Compensation for Non-Employee Directors

The following table shows 2009 compensation recognized for financial statement reporting purposes of our non-employee directors. Consequently, the amounts reflected in the "Stock Awards" and "Options Awards" columns below also include compensation expense amounts from awards granted in prior years.

Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2) (3)	Option Awards ($) (2) (4)	All Other Compensation ($) (5)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)
David L. Copeland	$ 70,000	$ 50,000	14,509	$ 4,002	$ 124,001
William F. Farley	$ 64,500 (6)	$ 50,000		$ 4,002	$ 118,501
Larry D. Franklin (7)	—	—	—	—	—
William K. Gayden	$ 59,750 (8)	$ 50,000	14,509	$ 4,002	$ 113,751
Christopher M. Harte	$ 65,250 (8)	$ 50,000	14,509	$ 4,002	$ 119,251
Houston H. Harte	—	—	—	—	—
Judy C. Odom	$ 65,500	$ 50,000	17,970	$ 4,002	$ 119,501
Karen A. Puckett (9)	$ 52,286	$ 80,199	—	$ 3,983	$ 136,468

(1) Fees were paid in cash, unless otherwise designated.
(2) These reflect the full grant date fair value of the 2009 awards calculated in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see note J of our audited financial statements for the fiscal year ended December 31, 2009 included in our Form 10-K.
(3) Other than Ms. Puckett, each of the independent directors was granted 8,278 shares of restricted stock in 2009 with grant date fair values, computed in accordance with FASB ASC Topic 718, of $50,000. In addition to the grant of 8,278 shares, Ms. Puckett also received a grant of 5,000 additional shares of restricted stock,, with a grant date fair value of $30,200, for joining the board in January 2009. Restricted stock awards are granted with no exercise price and vest 100% on the third anniversary of their date of grant.
(4) There were no option awards granted to any of the directors during 2009.
(5) Reflects the amount of dividends paid by Harte-Hanks during the year on shares of restricted stock held by each of the directors.
(6) Fees totaling $32,250 were paid in cash and the remaining $32,250 of fees were paid in the form of company stock at the director's election.
(7) Larry Franklin serves as Chairman of the Board. Effective January 1, 2009 he became President and CEO, in addition to remaining Chairman. Since he was an employee of the company in 2009, his information is reflected in the executive officer Summary Compensation Table.
(8) All fees were paid in the form of company stock at the director's election.
(9) Ms. Puckett joined the Board in January 2009.

Equity Awards Outstanding at Year End

The following table shows the number of outstanding equity awards held by our non-employee directors as of December 31, 2009.

Name	Number of Outstanding Shares of Restricted Stock (#)	Number of Outstanding Stock Options (#)	Total (#)
David L. Copeland	13,340	13,400	26,740
William F. Farley	13,340	13,400	26,740
Larry D. Franklin(1)	—	—	—
William K. Gayden	13,340	13,400	26,740
Christopher M. Harte	13,340	13,400	26,740
Houston H. Hart	—	—	—
Judy C. Odom	13,340	13,400	26,740
Karen A. Puckett (2)	13,278	—	13,278

(1) As of December 31, 2009, Mr. Franklin had 525,000 option awards outstanding, all of which were awarded during Mr. Franklin's former service as an executive officer of the company. Since he was an employee of the company in 2009, his information is reflected in the executive officer equity tables.
(2) Ms. Puckett joined the Board in January 2009.

AUDIT COMMITTEE AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of the Audit Committee

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. "Committee", within this Report of the Audit Committee, means the Audit Committee.

The Audit Committee is comprised of three directors. The Board has determined in its business judgment that each Committee member is independent under the standards of director independence established under our Corporate Governance Principles and the NYSE listing requirements, and is also independent under applicable federal securities laws, including Section 10A(m)(3) of the Exchange Act. The Committee has the authority and responsibility to select, determine the compensation of, evaluate and, when appropriate, replace the company's independent auditors. Each of Messrs. Copeland and Farley is a Committee member that the Board has determined is an audit committee financial expert under applicable federal securities laws.

The Committee acts under a written charter. The functions of the Committee focus primarily on its oversight of:

- The integrity of the company's financial statements, including the financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;
- The qualifications and performance of the company's independent auditors;
- The performance of the company's internal audit function; and
- The company's compliance with legal and regulatory requirements.

The Committee's functions are not intended to duplicate or certify the activities of the company's independent auditors or management, nor can the Committee certify that the company's auditors are independent under applicable federal securities laws and NYSE rules.

The Committee meets with management periodically to consider the scope and adequacy of the company's internal controls and the objectivity of its financial reporting and discusses these matters with the company's independent auditors, the company's internal auditors and appropriate company financial personnel. The Committee also meets privately with the company's independent auditors, KPMG LLP (KPMG), and the company's internal auditors. The company's independent auditors and its internal auditors have unrestricted access to the Committee and can meet with the Committee upon request.

In addition, the Committee reviews the company's financial statements and reports its recommendations to the full Board for approval and to authorize action. It is not the Committee's duty or responsibility to conduct auditing or accounting reviews or procedures. In rendering this report, the Committee has relied, without independent verification, on management's representations that the financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and on representations of the company's independent auditors included in their report on the company's financial statements. The Committee's considerations and discussions with management and the independent auditors, however, do not assure that the company's financial statements are presented in accordance with GAAP. Likewise, the Committee's considerations and discussions with management and the independent auditors do not assure that the audit of the company's financial statements has been performed in accordance with U.S. generally accepted auditing standards, or that the company's independent auditors are in fact independent.

Management is responsible for the financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with GAAP and for the report on the company's internal control over financial reporting. The company's independent auditors are responsible for auditing those financial statements and expressing an opinion as to their conformity with GAAP and for attesting to management's report on the company's internal control over financial reporting. The Committee's responsibility is to oversee and review the financial reporting process and to review and discuss management's report on the company's internal control over financial reporting.

The Committee held eight meetings during 2009. The meetings were designed, among other things, to facilitate and encourage communication among the Committee, management, the internal auditors and KPMG. The Committee discussed with the company's internal auditors and KPMG the overall scope and plans for their respective audits. In addition, the Committee reviewed the audited consolidated financial statements for the 2009 fiscal year and met and held discussions with management and the company's independent auditors to discuss those financial statements and the audit related thereto.

The Committee reviewed and discussed (i) the company's compliance with Section 404 of the Sarbanes-Oxley Act of 2002, including the Public Company Accounting Oversight Board's (PCAOB) Auditing Standard No. 5 regarding the audit of internal control over financial reporting, (ii) the company's guidelines, policies and procedures for financial risk assessment and management and the major financial risk exposures of the company and its business units, as appropriate, (iii) the audited consolidated financial statements for the fiscal year ended December 31, 2009 with management, the internal auditors and KPMG and (iv) with management, the internal auditors and KPMG management's annual report on the company's internal control over financial reporting and KPMG's audit report.

The Committee discussed with management, the internal auditors and KPMG the processes supporting certifications by the company's Chief Executive Officer and Chief Financial Officer that are required by the Sarbanes-Oxley Act of 2002 to accompany the company's periodic filings with the SEC. In addition, the Committee discussed with management, the internal auditors and KPMG the processes supporting management's annual report on the company's internal controls over financial reporting. The Committee met with the internal auditors and KPMG, with and without management present, to discuss the results of their examinations and their evaluations of the company's internal controls.

The Committee discussed with KPMG matters that independent accounting firms must discuss with audit committees. The Committee's discussions included U.S. generally accepted auditing standards and standards of the PCAOB, including, among other things, matters related to the conduct of the audit of the company's consolidated financial statements and the matters required to be discussed by Statement on Auditing Standards No. 114 (Communication with Audit Committees).

KPMG provided to the Committee the written disclosures and the letter provided by applicable requirements of the PCAOB and represented that it is independent from the company. The Committee discussed with KPMG its independence from the company. When considering KPMG's independence, the Committee reviewed the services KPMG provided to the company that were not in connection with its audit of the company's consolidated financial statements. These services included reviews of the company's interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q. The Committee also reviewed the audit, audit-related and tax services performed by, and the amount of fees paid for such services to, KPMG. In addition, when considering KPMG's independence, the Committee considered any fees received by the company from KPMG.

Based on these activities, the Committee recommended to the Board that the company's audited consolidated financial statements for the fiscal year ended December 31, 2009 be included in the company's Annual Report on Form 10-K. The Committee also has selected KPMG as the company's independent auditors for the fiscal year ended December 31, 2010.

Audit Committee
David L. Copeland, Chairman
William F. Farley
Christopher M. Harte

Independent Auditors

Representatives of KPMG, who were our independent auditors for the year 2009, are expected to be present at the 2010 annual meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. KPMG has been selected as the company's independent auditors for the fiscal year ended December 31, 2010.

Independent Auditor Fees and Services

The following table sets forth the aggregate fees billed by KPMG or fees payable for professional services in or related to 2008 and 2009.

	2008	2009
Audit Fees (1)	$ 926,250	$ 773,888
Audit Related Fees (2)	$ 90,865	$ 65,012
Tax Fees (3)	$ 33,570	$ 7,340
All Other Fees	—	—
Total	$ 1,050,685	$ 846,240

(1) Fees for the annual financial statement audit, quarterly financial statement reviews and audit of internal control over financial reporting.

(2) Includes fees for assurance and related services other than those included in Audit Fees. Includes charges for statutory audits of certain of the company's foreign subsidiaries required by countries in which they are domiciled in 2009 and 2008.

(3) Fees for tax services and matters principally relating to the company's foreign operations.

Pre-Approval for Non-Audit Services

Pursuant to its charter, the Audit Committee preapproves permitted non-audit services to be performed for Harte-Hanks by its independent auditors. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.

PROPOSAL I

ELECTION OF DIRECTORS

Election of Class II Directors

The current number of members of our Board is eight. 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 current term of our Class II directors will expire at the 2010 annual meeting. The Class II directors elected in 2010 will serve for a term of three years, which expires at the annual meeting of stockholders in 2013 or when their successors are duly elected and qualified.

The nominees for Class II directors are (1) William Farley, (2) Larry Franklin and (3) William Gayden, each of whom is a current member of our Board. Each of the nominees has indicated his willingness to serve as a member of the Board if elected. 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, and if any director is unable to serve his or her 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 "Directors and Executive Officers." We believe that our directors and officers intend to vote their shares **FOR** each of the Class II director nominees.

Board Recommendation on Proposal

The Board of Directors unanimously recommends a vote **FOR** the election of each of the Class II director nominees named above. The management proxy holders will vote all duly submitted proxies **FOR** election unless duly instructed otherwise.

PROPOSAL II

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS

Description of Proposal

In accordance with its charter, the Audit Committee has selected KPMG LLP as Harte-Hanks' independent auditors to audit our consolidated financial statements for fiscal 2010 and to render other services required of them. The Board is submitting the appointment of KPMG LLP for ratification at the annual stockholders meeting. Representatives of KPMG LLP are expected to be present at the meeting with the opportunity to make a statement if they so desire and to be available to respond to appropriate questions.

The submission of this matter for approval by stockholders is not legally required; however, the Board and its Audit Committee believe that such submission is consistent with best practices in corporate governance and is an opportunity for stockholders to provide direct feedback to the Board and its Audit Committee on an important issue of corporate governance. If the stockholders do not approve 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.

We believe that our directors and officers intend to vote their shares **FOR** this proposal.

Board Recommendation on Proposal

The Board of Directors unanimously recommends a vote **FOR** ratification of the appointment of KPMG LLP as Harte-Hanks' independent auditors for fiscal 2010. The management proxy holders will vote all duly submitted proxies **FOR** ratification unless duly instructed otherwise.

OTHER BUSINESS

The Board is not aware of any matter to be presented for action at the annual meeting other than the matters set forth above. 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.

PROPOSALS FOR 2011 ANNUAL MEETING OF STOCKHOLDERS

There are two different deadlines for the submission of stockholder proposals. Stockholder proposals that are being submitted for inclusion in our proxy statement and form of proxy for our 2011 annual meeting must be received by us at our principal executive offices on or before December 10, 2010. Such proposals when submitted must be in full compliance with applicable laws, including Rule 14a-8 of the Exchange Act, and our bylaws.

Under our bylaws, stockholder proposals that are being submitted other than for inclusion in the proxy statement and form of proxy for our 2011 annual meeting must be received at our principal executive offices no earlier than February 10, 2011 and no later than March 11, 2011. Such proposals when submitted must be in full compliance with applicable law and our bylaws.

2009 Annual Report on

Form 10-K

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

FORM 10-K

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________ to _________

Commission file number 001-7120

HARTE-HANKS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**74-1677284**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code -- 210-829-9000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes __ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No__

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes __ No X

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act

Large accelerated filer ___	Accelerated filer X
Non-accelerated filer ___ (Do not check if a smaller reporting company)	Smaller reporting company ___

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes __ No X

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price ($9.25) as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2009), was approximately $383,441,000.

The number of shares outstanding of each of the registrant's classes of common stock as of January 31, 2010 was 63,578,193 shares of common stock, all of one class.

Documents incorporated by reference:

Portions of the Proxy Statement to be filed for the Company's 2010 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

THIS ANNUAL REPORT ON FORM 10-K IS BEING DISTRIBUTED TO STOCKHOLDERS IN LIEU OF A SEPARATE ANNUAL REPORT PURSUANT TO RULE 14a-3(b) OF THE ACT AND SECTION 203.01 OF THE NEW YORK STOCK EXCHANGE LISTED COMPANY MANUAL.

Harte-Hanks, Inc. and Subsidiaries
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Form 10-K Report
December 31, 2009

PART I

ITEM 1. BUSINESS

INTRODUCTION

Harte-Hanks, Inc. (Harte-Hanks) is a worldwide direct and targeted marketing company that provides direct marketing services and shopper advertising opportunities to a wide range of local, regional, national and international consumer and business-to-business marketers. We manage our operations through two operating segments: Direct Marketing, which operates both nationally and internationally, and Shoppers, which operates in local and regional markets in California and Florida.

Marketing is under intense focus in many organizations. Many corporations have a chief-level executive charged with marketing who is under pressure to utilize a combination of data, technology, channels and resources to demonstrate a return on marketing investment. This has led many to use direct and targeted marketing, as accountability and measurability are hallmarks of the discipline, allowing customer insight to be leveraged to create and accelerate value. Direct Marketing, which represented 68% of our total revenues in 2009, is a leader in the movement toward highly targeted marketing. Our Shoppers business applies geographic targeting principles.

Harte-Hanks® is the successor to a newspaper business began in Texas in the early 1920s by Houston Harte and Bernard Hanks. In 1972, Harte-Hanks went public and was listed on the New York Stock Exchange (NYSE). We became private in a leveraged buyout initiated by management in 1984. In 1993, we again went public and listed our common stock on the NYSE. In 1997, we sold all of our remaining traditional media operations (consisting of newspapers, television and radio companies) in order to focus all of our efforts on two business segments - Direct Marketing and Shoppers. See segment financial information in Note O *Business Segments* in the Notes to Consolidated Financial Statements.

Harte-Hanks provides public access to all reports filed with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended (the 1934 Act). These documents may be accessed free of charge on our website at the following address: *http://www.harte-hanks.com*. These documents are provided as soon as practical after they are filed with the SEC and may also be found at the SEC's website at *http://www.sec.gov*. Additionally, we have adopted and posted on our website a code of ethics that applies to our principal executive officer, principal financial officer and principal accounting officer. Our website also includes our corporate governance guidelines and the charters for each of our audit, compensation, and nominating and corporate governance committees. We will provide a printed copy of any of the aforementioned documents to any requesting stockholder.

DIRECT MARKETING

General

Direct Marketing services are targeted to specific industries or markets with services and software products tailored to each industry or market. Currently, our Direct Marketing business services various vertical markets including retail, high-tech/telecom, financial services, pharmaceutical/healthcare, and a wide range of selected markets. We believe that we are generally able to provide services to new industries and markets by modifying our services and applications as opportunities are presented. Depending on the needs of our clients, our Direct Marketing capabilities are provided in an integrated approach through more than 30 facilities worldwide, more than 10 of which are located outside of the United States. Each of these centers possesses some specialization and is linked with others to support the needs of our clients.

In 2009, 2008 and 2007, Harte-Hanks Direct Marketing had revenues of \$586.0 million, \$732.7 million, and \$732.5 million, respectively, which accounted for approximately 68%, 68%, and 63% of our total revenues, respectively.

Harte-Hanks Direct Marketing uses various capabilities and technologies as enablers to capture, analyze and disseminate customer and prospect data across all points of customer contact. With these data, we help our clients identify, reach, influence and nurture their customers so they can better grow their relationships to achieve lifetime value of each and increase return on marketing investments. We focus both on business-to-business and business-to-consumer environments, developing data-driven strategies for customer acquisition and retention, and execute on those strategies in an integrated fashion across media channels (direct mail, email, digital, and call center). Further, we help our clients measure their marketing and customer care campaigns, providing them with knowledge that can be applied now to refine campaigns, and delivering continuous improvement and innovation.

Depending on client needs, we do this through specific offerings or by combining a number of our offerings from across our portfolio of businesses.

We offer a full complement of capabilities and resources to provide a broad range of marketing services and data management software, in media from direct mail to e-mail.

- **Agency & Creative Services.** We have a full-service, multichannel relationship marketing agency specializing in direct and digital communications. With strategy, creative and implementation services, we help marketers within targeted industries understand, identify, and engage prospects and customers in their channel of choice. Our agency's mission is to deploy world-class, data-driven, multichannel relationship marketing programs that address each client's acquisition, cross-sell, retention and loyalty needs.

- **Database Marketing Solutions.** We have successfully delivered marketing database solutions for over 35 years across various industries. Our solutions deliver on three pillars built around a centralized marketing database. The foundation consists of: insight and analytics; customer data integration; and marketing communications tools. Our solutions enable organizations to build and manage customer communication strategies that drive new customer acquisition and retention and maximize the value of existing customer relationships. Through insight, we help clients identify models of their most profitable customer relationships and then apply these models to increase the value of existing customers while also winning profitable new customers. Through customer data integration, data from multiple sources comes together to provide a single customer view of client prospects and customers. Then, utilizing our Allink® suite of customer communication and sales optimization tools, we help clients apply their data and insights to the entire customer lifecycle, to help clients sustain and grow their business, gain deeper customer insights, and continuously refine their customer resource management strategies and tactics.

- **Data Quality Software and Services with Trillium Software®.** Our proprietary software has helped global customers more effectively analyze, enrich, cleanse and report on their product, financial and customer data as part of master data management, data governance, CRM, data warehousing and integration initiatives. With industry-leading Trillium Software System®, Global Locator™ geocoding product, and associated data governance services, business users can optimize data-based business processes and transactions, realize efficiencies, and enhance the accuracy of their master set of data-improving program results.

- **Digital Marketing.** Our digital solutions integrate online services within the marketing mix and include: site development and design, social media marketing, e-mail marketing through our Postfuture® e-mail marketing solutions, e-commerce and interactive relationship management and a host of other services that support our core businesses.

- **Direct Mail and Logistics.** As a full-service direct marketing provider and one of the largest mailing partners of the United States Postal Service (USPS®), our operational mandate is to ensure creativity and quality, provide an understanding of the options available in technologies and segmentation strategies and capitalize on economies of scale with our variety of execution options. Our services include advanced mail optimization, logistics and transportation optimization, tracking, commingling, shrink wrapping and specialized mailings. With facilities strategically placed nationwide, we are among the largest solo mailers in the country other than the U.S. government.

- **Fulfillment and Contact Centers.** We deliver teleservices and fulfillment operations in both consumer and business-to-business markets. We maintain teleservice workstations around the globe equipped for both inbound and outbound calls and e-mail, and we are an experienced outsource partner for call and contact center operations. We also maintain fulfillment centers strategically located throughout the United States allowing our customers to distribute literature and other marketing materials.

- **Lead Generation.** Our CI Technology Database™ tracks technology installations, business demographics and key decision makers at more than 650,000 locations in twenty five countries in North America, Latin America and Europe. Our clients use the data to gain insight into their prospect's and client's technology buying cycles. Our Aberdeen Group is a provider of fact-based research helping organizations and individuals make business decisions. Aberdeen research serves as a conduit to drive technology decisions and stimulate demand for technology vendors while at the same time educating readers on best-in-class results. Companies use Aberdeen's proprietary research content for use in their demand creation programs, online marketing campaigns and Web-based sales and marketing tools.

Customers

Direct marketing services are marketed to specific industries or markets with services and software products tailored to each industry or market. We believe that we are generally able to provide services to new industries and markets by modifying our existing services and applications. We currently provide direct marketing services to the retail, high-tech/telecom, financial services and pharmaceutical/healthcare vertical markets, in addition to a range of selected markets. The largest Direct Marketing client, measured in revenue, comprised 7% of total Direct Marketing revenues in 2009 and 5% of our total revenues in 2009. The largest 25 clients, measured in revenue, comprised 42% of total Direct Marketing revenues in 2009 and 28% of our total revenues in 2009.

Sales and Marketing

Our national direct marketing sales force is organized around the five verticals we service: retail, high-tech/telecom, financial services, pharmaceutical/healthcare, and a wide range of selected markets. We also maintain product specific sales forces and sales groups in Europe, Australia, South America and Asia. Our sales forces, with industry-specific knowledge and experience, emphasize the cross-selling of a full range of direct marketing services and are supported by employees in each sector. The overall sales focus is to position Harte-Hanks as a marketing partner offering various services and solutions (including end-to-end) as required to meet our client's targeted marketing needs.

Direct Marketing Facilities

Direct marketing services are provided at the following facilities, all of which are leased except as otherwise noted:

National Offices

Austin, Texas
Baltimore, Maryland
Billerica, Massachusetts
Bloomfield, Connecticut
Boston, Massachusetts
Cincinnati, Ohio
Deerfield Beach, Florida
East Bridgewater, Massachusetts
Fort Worth, Texas
Fullerton, California
Glen Burnie, Maryland
Grand Prairie, Texas
Jacksonville, Florida
Lake Mary, Florida
Langhorne, Pennsylvania
New York, New York
Ontario, California
Richardson, Texas
San Diego, California
Shawnee, Kansas
Texarkana, Texas
Troy, Michigan
Wilkes-Barre, Pennsylvania
Yardley, Pennsylvania

National Markets Headquarters

Cincinnati, Ohio

International Offices

Bristol, United Kingdom
Frankfurt, Germany
Hasselt, Belgium – owned site
Iasi, Romania
Les Ulis, France
Madrid, Spain
Manila, Philippines
Melbourne, Australia
São Paulo, Brazil
Sydney, Australia
Theale, United Kingdom
Uxbridge, United Kingdom

For more information please refer to Item 2, “ Properties”.

Competition

Our Direct Marketing business faces competition in all of its offerings and within each of its vertical markets. Direct marketing is a dynamic business, subject to technological advancements, high turnover of client personnel who make buying decisions, client consolidations, changing client needs and preferences, continual development of competing products and services and an evolving competitive landscape. This competition comes from numerous local, national and international direct marketing and advertising companies against whom we compete for individual projects, entire client relationships and marketing expenditures by clients and prospective clients. There are various competitive factors in our industry, including the quality and scope of services, technical and strategic expertise, the value of the services provided as compared to the price of the services, reputation and brand recognition. We also compete against print and electronic media and other forms of advertising for marketing and advertising dollars in general. Failure to continually improve our current processes, advance and upgrade our technology applications and to develop new products and services in a timely and cost-effective manner could result in the loss of our clients or prospective clients to current or future competitors. In addition, failure to gain market acceptance of new products and services could adversely affect our growth. Although we believe that our capabilities and breadth of services, combined with our national and worldwide production capability, industry focus and ability to offer a broad range of integrated services, enable us to compete effectively, our business results may be adversely impacted by competition. Please refer to Item 1A, "Risk Factors", for additional information regarding risks related to competition.

Seasonality

Our Direct Marketing business is somewhat seasonal as revenues in the fourth quarter tend to be higher than revenues in other quarters during a given year. This increased revenue is a result of overall increased marketing activity prior to and during the holiday season, primarily related to our retail vertical.

SHOPPERS

General

Harte-Hanks Shoppers is North America's largest owner, operator and distributor of shopper publications, based on weekly circulation and revenues. Shoppers are weekly advertising publications distributed free by Standard Mail to households and businesses in a particular geographic area. Shoppers offer advertisers a targeted, cost-effective local advertising system, with virtually 100% penetration in their area of distribution. Shoppers are particularly effective in large markets with high media fragmentation in which major metropolitan newspapers generally have low penetration. Our Shoppers segment also provides advertising and other services online through our websites, *PennySaverUSA.com*™ and *TheFlyer.com*™. These sites are online advertising portals, bringing buyers and sellers together through our online products, including local classifieds, business listings, coupons, special offers and Power Sites™. Power Sites are templated web sites for our customers, optimized to help small and medium sized business owners establish a web presence and improve their lead generation.

As of December 31, 2009, Shoppers delivered approximately 11.5 million shopper packages in five major markets each week covering the greater Los Angeles market, the greater San Diego market, Northern California, South Florida and the greater Tampa market. Two editions of the shopper publication are delivered to approximately 230,000 households and businesses in South Orange County where both an "early" and "late" edition *PennySaverUSA.com* are published each week. Our California publications account for approximately 80% of Shoppers weekly circulation.

As of December 31, 2009, Harte-Hanks published more than 950 individual shopper editions each week, distributed to zones with circulation of approximately 12,000 each. This allows single-location, local advertisers to saturate a single geographic zone, while enabling multiple-location advertisers to saturate multiple zones. This unique distribution system gives large and small advertisers alike a cost-effective way to reach their target markets. We believe that our zoning capabilities and production technologies have enabled us to saturate and target areas in a number of ways, including geographic, demographic, lifestyle, behavioral and language allowing our advertisers to effectively target their customers.

In 2009, 2008, and 2007, Harte-Hanks Shoppers had revenues of $274.2 million, $350.1 million, and $430.4 million, respectively, accounting for approximately 32%, 32%, and 37% of our total revenues, respectively.

As a result of the difficult economic environment in California and Florida, we curtailed more than 1.4 million of circulation from July 2008 to February 2009. This consisted of approximately 850,000 of circulation in California and approximately 550,000 of circulation in Florida. We continue to evaluate all of our circulation performance and may make further circulation reductions in the future as part of our efforts to address the difficult economic conditions in California and Florida.

Publications

The following table sets forth certain information with respect to Shoppers publications:

		December 31, 2009	
Market	Publication Name	Weekly Circulation	Number of Zones
Greater Los Angeles	*PennySaverUSA.com*	5,123,100	458
Northern California	*PennySaverUSA.com*	2,266,300	189
Greater San Diego	*PennySaverUSA.com*	1,874,500	156
South Florida	*TheFlyer.com*	1,179,400	93
Greater Tampa	*TheFlyer.com*	1,065,700	72
Total		11,509,000	968

Our shopper publications contain classified and display advertising and are delivered by Standard Mail saturation. The typical shopper publication contains approximately 38 pages and is 7 by 9-1/2 inches in size. Each edition, or zone, is targeted around a natural neighborhood marketing pattern. Shoppers also serve as a distribution vehicle for multiple ads from national and regional advertisers, including "print and deliver" single-sheet inserts designed and printed by us, and coupon books, preprinted inserts, and four-color glossy flyers printed by third party printers. During 2009, we distributed approximately 5.0 billion insert pieces. In addition, our shoppers also provide advertising and other services online through our websites – *PennySaverUSA.com* and *TheFlyer.com*.

We have acquired, developed and applied innovative technology and customized equipment in the publication of our shoppers, contributing to efficiency and growth. A proprietary pagination system has made it possible for over a thousand weekly zoned editions to be designed, built and output direct-to-plate in a fully digital environment. Automating the production process saves on labor, newsprint, and overweight postage. This software also allows for better ad tracking, immediate checks on individual zone and ad status, and more on-time press starts with less manpower.

Customers

Shoppers serves both business and individual advertisers in a wide range of industries, including real estate, employment, automotive, retail, grocery, education, telecom, financial services, and a number of other industries. The largest client, measured in revenue, comprised 3% of Shoppers revenues in 2009 and 1% of our total revenues in 2009. The top 25 clients in terms of revenue comprised 20% of Shoppers revenues in 2009 and 6% of our total revenues in 2009.

Sales and Marketing
We employ more than 400 commissioned sales representatives who develop both targeted and saturation advertising programs, both in print and online, for clients. The sales organization provides service to national, regional and local advertisers through its telemarketing departments and field sales representatives. Shoppers clients vary from individuals with a single item for sale to local neighborhood advertisers to large multi-location advertisers. The weekly number of ads is primarily driven by residential customers, whereas revenues are primarily driven by small and midsize businesses. We also focus our marketing efforts on larger national accounts by emphasizing our ability to deliver saturation advertising in defined zones, or even partial zones for inserts, in combination with advertising in the shopper publication.

Additional focus is placed on particular industries/categories through the use of sales specialists. These sales specialists are primarily used to target automotive, real estate and employment advertisers.

We utilize proprietary sales and marketing systems to enter client orders directly from the field, instantly checking space availability, ad costs and other pertinent information. These systems efficiently facilitate the placement of advertising into multiple-zoned editions and include built-in error-reducing safeguards that aid in minimizing costly sales adjustments. In addition to allowing advertising information to be entered for immediate publication, these systems feed a relational client database, enabling sales personnel to access client history by designated variables to facilitate the identification of similar potential clients and to assist with timely follow-up on existing clients.

Shoppers Facilities
Our shoppers are produced at owned or leased facilities in the markets they serve. At December 31, 2009, we had five production facilities – three in Southern California, one in Northern California, and one in Tampa, Florida – and approximately 20 sales offices.

For more information please refer to Item 2, “Properties”.

Competition
Our Shoppers business competes for advertising, as well as for readers, with other print and electronic media. Competition comes from local and regional newspapers, magazines, radio, broadcast, satellite and cable television, other shoppers, the internet, other communications media and other advertising printers that operate in our markets. The extent and nature of such competition are, in large part, determined by the location and demographics of the markets targeted by a particular advertiser and the number of media alternatives in those markets. Failure to continually improve our current processes, advance and upgrade our technology applications and develop new products and services in a timely and cost-effective manner could result in the loss of our clients to current or future competitors. In addition, failure to gain market acceptance of new products, services and geographic areas could adversely affect our growth. We believe that our production systems and technology, which enable us to publish separate editions in narrowly targeted zones, our local ad content, and our integrated online offering allow us to compete effectively, particularly in large markets with high media fragmentation. However, our business results may be adversely impacted by competition. Please refer to Item 1A, “Risk Factors”, for additional information regarding risks related to competition.

Seasonality
Our Shoppers business has been somewhat seasonal in that revenues from the last two publication dates in December and first two to three publication dates in January each year have been affected by a slowdown in advertising by businesses and individuals after the holidays. Historically, the second and third quarters have been the highest revenue quarters for our Shoppers business. As a result of the ongoing economic difficulties in California and Florida, our Shoppers revenues did not follow this general historical pattern in 2009, 2008 or 2007.

U.S. AND FOREIGN GOVERNMENT REGULATIONS

As a company with business activities around the world, we are subject to a variety of domestic and international legal and regulatory requirements that impact our business, including, for example, regulations governing consumer protection and unfair business practices, contracts, e-commerce, intellectual property, labor and employment, securities, tax, and other laws that are generally applicable to commercial activities.

We are also subject to, or affected by, numerous domestic and foreign laws, regulations and industry standards that regulate direct marketing activities, including those that address privacy, data security and unsolicited marketing communications. Examples of some of these laws and regulations that may be applied to, or affect, our business or the businesses of our clients include the following:

- The Financial Services Modernization Act of 1999, or Gramm-Leach-Bliley Act (GLB), which, among other things, regulates the use for marketing purposes of non-public personal financial information of consumers that is held by financial institutions. Although Harte-Hanks is not considered a financial institution, many of our clients are subject to the GLB. The GLB also includes rules relating to the physical, administrative and technological protection of non-public personal financial information.

- The Health Insurance Portability and Accountability Act of 1996 (HIPAA), which regulates the use of personal health information for marketing purposes and requires reasonable safeguards designed to prevent intentional or unintentional use or disclosure of protected health information.

- Federal and state laws governing the use of the Internet and regulating telemarketing, including the federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM), which regulates commercial email and requires that commercial emails give recipients an opt-out method. Telemarketing activities are regulated by, among other requirements, the Federal Trade Commission's Telemarketing Sales Rule (TSR), the Federal Communications Commission's Telephone Consumer Protection Act (TCPA) and various state do-not-call laws.

- A significant number of states in the U.S. have passed versions of security breach notification laws, which generally require timely notifications to affected persons in the event of data security breaches or other unauthorized access to certain types of protected personal data.

- The Fair Credit Reporting Act (FCRA), which governs, among other things, the sharing of consumer report information, access to credit scores, and requirements for users of consumer report information.

- The Fair and Accurate Credit Transactions Act of 2003 (FACT Act), which amended the FCRA and requires, among other things, consumer credit report notice requirements for creditors that use consumer credit report information in connection with risk-based credit pricing actions and also prohibits a business that receives consumer information from an affiliate from using that information for marketing purposes unless the consumer is first provided a notice and an opportunity to direct the business not to use the information for such marketing purposes, subject to certain exceptions.

- The European Union (EU) data protection laws, including the comprehensive EU Directive on Data Protection (1995), which imposes a number of obligations with respect to use of personal data, and includes a prohibition on the transfer of personal information from the EU to other countries that do not provide consumers with an "adequate" level of privacy or security. The EU standard for adequacy is generally stricter and more comprehensive than that of the U.S. and most other countries.

There are additional consumer protection, privacy and data security regulations domestically and in other countries in which we or our clients do business. These laws regulate the collection, use, disclosure and retention of personal data and may require consent from consumers and grant consumers other rights, such as the ability to access their personal data and to correct information in the possession of data controllers. We and many of our clients also belong to trade associations that impose guidelines that regulate direct marketing activities, such as the Direct Marketing Association's Commitment to Consumer Choice.

As a result of increasing public awareness and interest in individual privacy rights, data security and environmental and other concerns regarding unsolicited marketing communications, federal, state and foreign governmental and industry organizations continue to consider new legislative and regulatory proposals that would impose additional restrictions on direct marketing services and products. Examples include data encryption standards, data breach notification requirements, consumer choice and consent restrictions and increased penalties against offending parties, among others. We anticipate that additional proposals will continue to be introduced in the future, some of which may be adopted. In addition, our business may be affected by the impact of these restrictions on our clients and their marketing activities. These additional regulations could increase compliance requirements and restrict or prevent the collection, management, aggregation, transfer, use or dissemination of information or data that is currently legally available. Additional regulations may also restrict or prevent current practices regarding unsolicited marketing communications. For example, many states have considered implementing do-not-mail legislation that could impact our Direct Marketing and Shoppers businesses and the businesses of our clients and customers. In addition, continued public interest in individual privacy rights and data security may result in the adoption of further voluntary industry guidelines that could impact our direct marketing activities and business practices.

We cannot predict the scope of any new legislation, regulations or industry guidelines or how courts may interpret existing and new laws. Additionally, enforcement priorities by governmental authorities may change and also impact our business. Compliance with regulations is costly and time-consuming, and we may encounter difficulties, delays or significant expenses in connection with our compliance, and we may be exposed to significant penalties, liabilities, reputational harm and loss of business in the event that we fail to comply. There could be a material adverse impact on our business due to the enactment or enforcement of legislation or industry regulations, the issuance of judicial or governmental interpretations, enforcement priorities of governmental agencies or a change in customs arising from public concern over consumer privacy and data security issues.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property assets include, for example, trademarks and service marks that identify our company and our products and services, software and other technology that we develop, our proprietary collections of data and intellectual property licensed from third parties, such as prospect list providers. We generally seek to protect our intellectual property through a combination of license agreements and trademark, service mark, copyright, patent and trade secret laws, and domain name registrations and enforcement procedures. We also enter into confidentiality agreements with many of our employees, vendors and clients and seek to limit access to and distribution of intellectual property and other proprietary information. We pursue the protection of our trademarks and other intellectual property in the United States and internationally.

Despite our efforts to protect our intellectual property, unauthorized parties may attempt to copy or otherwise obtain and use our proprietary information and technology. Monitoring unauthorized use of our intellectual property is difficult, and unauthorized use of our intellectual property may occur. We cannot be certain that patents or trademark registrations will be issued, nor can we be certain that any issued patents or trademark registrations will give us adequate protection from competing products. For example, issued patents may be circumvented or challenged and declared invalid or unenforceable. In addition, others may develop competing technologies or databases on their own. Moreover, there is no assurance that our confidentiality agreements with our employees or third parties will be sufficient to protect our intellectual property and proprietary information.

We may also be subject to infringement claims against us by third parties and may incur substantial costs and devote significant management resources in responding to such claims. We are obligated under some agreements to indemnify our clients as a result of claims that we infringe on the proprietary rights of third parties. These costs and diversions could cause our business to suffer. If any party asserts an infringement claim, we may need to obtain licenses to the disputed intellectual property. We cannot assure you, however, that we will be able to obtain these licenses on commercially reasonable terms or that we will be able to obtain any licenses at all. The failure to obtain necessary licenses or other rights may have an adverse affect on our ability to provide our products and services.

EMPLOYEES

As of December 31, 2009, Harte-Hanks employed approximately 4,700 full-time employees and 300 part-time employees. Approximately 3,200 full-time and 100 part-time employees were in the Direct Marketing segment and 1,500 full-time and 200 part-time employees were in the Shoppers segment. A portion of our workforce is provided to us through staffing companies. None of the workforce is represented by labor unions. We consider our relations with our employees to be good.

ITEM 1A. RISK FACTORS

Cautionary Note Regarding Forward-Looking Statements

This report, including the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), contains “forward-looking statements” within the meaning of the federal securities laws. All such statements are qualified by this cautionary note, which is provided pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (1933 Act) and Section 21E of the Securities Exchange Act of 1934 (1934 Act). Forward-looking statements may also be included in our other public filings, press releases, our website and oral and written presentations by management. Statements other than historical facts are forward-looking and may be identified by words such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “seeks,” “could,” “intends,” or words of similar meaning. Examples include statements regarding (1) our strategies and initiatives, (2) adjustments to our cost structure and other actions designed to respond to market conditions and improve our performance, and the anticipated effectiveness and expenses associated with these actions, (3) our financial outlook for revenues, earnings per share, operating income, expense related to equity-based compensation, capital resources and other financial items, (4) expectations for our businesses and for the industries in which we operate, including with regard to the negative performance trends in our Shoppers business and the adverse impact of the ongoing economic downturn in the United States and other economies on the marketing expenditures and activities of our Direct Marketing clients and prospects, (5) competitive factors, (6) acquisition and development plans, (7) our stock repurchase program, (8) expectations regarding legal proceedings and other contingent liabilities, and (9) other statements regarding future events, conditions or outcomes.

These forward-looking statements are based on current information, expectations and estimates and involve risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to vary materially from what is expressed in or indicated by the forward-looking statements. In that event, our business, financial condition, results of operations or liquidity could be materially adversely affected, and investors in our securities could lose part or all of their investments. Some of these risks, uncertainties, assumptions and other factors can be found in our filings with the SEC, including the factors discussed below in this Item 1A, “Risk Factors", and any updates thereto in our Forms 10-Q. The forward-looking statements included in this report and those included in our other public filings, press releases, our website and oral and written presentations by management are made only as of the respective dates thereof, and we undertake no obligation to update publicly any forward-looking statement in this report or in other documents, our website or oral statements for any reason, even if new information becomes available or other events occur in the future.

In addition to the information set forth elsewhere in this report, including in the MD&A section, the factors described below should be considered carefully in making any investment decisions with respect to our securities. The risks described below are not the only ones we face or may face in the future. Additional risks and uncertainties that are not presently anticipated or that we may currently believe are immaterial could also impair our business operations and financial performance.

We face significant competition for individual projects, entire client relationships and advertising dollars in general.

Our Direct Marketing business faces significant competition in all of its offerings and within each of its vertical markets. Direct marketing is a dynamic business, subject to technological advancements, high turnover of client personnel who make buying decisions, client consolidations, changing client needs and preferences, continual development of competing products and services and an evolving competitive landscape. This competition comes from numerous local, national and international direct marketing and advertising companies against whom we compete for individual projects, entire client relationships and marketing expenditures by clients and prospective clients. We also compete against print and electronic media and other forms of advertising for marketing and advertising dollars in general. In addition, our ability to attract new clients and to retain existing clients may, in some cases, be limited by clients' policies on or perceptions of conflicts of interest. These policies can prevent us from performing similar services for competing products or companies. Our Shoppers business competes for advertising, as well as for readers, with other print and electronic media. Competition comes from local and regional newspapers, magazines, radio, broadcast, satellite and cable television, other shoppers, the internet, other communications media and other advertising printers that operate in our markets. The extent and nature of such competition are, in large part, determined by the location and demographics of the markets targeted by a particular advertiser and the number of media alternatives in those markets. Our failure to improve our current processes or to develop new products and services could result in the loss of our clients to current or future competitors. In addition, failure to gain market acceptance of new products and services could adversely affect our growth.

Current and future competitors may have significantly greater financial and other resources than we do, and they may sell competing products and services at lower prices or at lower profit margins, resulting in pressures on our prices and margins.

The sizes of our competitors vary across market segments. Therefore, some of our competitors may have significantly greater financial, technical, marketing or other resources than we do in one or more of our market segments, or overall. As a result, our competitors may be in a position to respond more quickly than we can to new or emerging technologies and changes in customer requirements, or may devote greater resources than we can to the development, promotion, sale and support of products and services. Moreover, new competitors or alliances among our competitors may emerge and potentially reduce our market share, revenue or margins. Some of our competitors also may choose to sell products or services competitive to ours at lower prices by accepting lower margins and profitability, or may be able to sell products or services competitive to ours at lower prices given proprietary ownership of data, technical superiority or economies of scale. Price reductions or pricing pressure by our competitors could negatively impact our margins and results of operations, and could also harm our ability to obtain new customers on favorable terms. Competitive pricing pressures tend to increase in difficult economic environments, such as the current environments in the United States and other economies, due to reduced marketing expenditures of many of our clients and prospects and the resulting impact on the competitive business environment for marketing service providers such as our company.

We must maintain technological competitiveness, continually improve our processes and develop and introduce new products and services in a timely and cost-effective manner.

We believe that our success depends on, among other things, maintaining technological competitiveness in our Direct Marketing and Shoppers products, processing functionality and software systems and services. Technology changes rapidly and there are continuous improvements in computer hardware, network operating systems, programming tools, programming languages, operating systems, database technology and the use of the Internet. Advances in information technology may result in changing client preferences for products and product delivery formats in our industry. We must continually improve our current processes and develop and introduce new products and services in order to match our competitors' technological developments and other improvements in competing product and service offerings and the increasingly sophisticated requirements of our clients. We may be unable to successfully identify, develop and bring new and enhanced services and products to market in a timely and cost-effective manner, such services and products may not be commercially successful, and services, products and technologies developed by others may render our services and products noncompetitive or obsolete.

***Our success depends on our ability to consistently and effectively deliver our products and services to our clients*.**

Our success depends on our ability to effectively and consistently staff and execute client engagements within the agreed upon timeframe and budget. Depending on the needs of our clients, our Direct Marketing engagements may require customization, integration and coordination of a number of complex product and service offerings and execution across many of our facilities worldwide. Moreover, in some of our engagements, we rely on subcontractors and other third parties to provide a portion of our overall services, and we cannot guarantee that these third parties will effectively deliver their services or that we will have adequate recourse against these third parties in the event they fail to effectively deliver their services. Other contingencies and events outside of our control may also impact our ability to provide our products and services. Our failure to effectively and timely staff, coordinate and execute our client engagements may adversely impact existing client relationships, the amount or timing of payments from our clients, our reputation in the marketplace and ability to secure additional business and our resulting financial performance. In addition, our contractual arrangements with our Direct Marketing clients and other customers may not provide us with sufficient protections against claims for lost profits or other claims for damages.

If we lose key management or are unable to attract and retain the talent required for our business, our operating results could suffer.

Our prospects depend in large part upon our ability to attract, train and retain experienced technical, client services, sales, consulting, research and development, marketing, administrative and management personnel. While the demand for personnel is dependent on employment levels, competitive factors and general economic conditions, qualified personnel historically have been in great demand. The loss or prolonged absence of the services of these individuals could have a material adverse effect on our business, financial position or operating results.

We have recently experienced, and may experience in the future, reduced demand for our products and services and increased bad debt expense because of general economic conditions, the financial conditions and marketing budgets of our clients and other factors that may impact the industry verticals that we serve.

Economic downturns often severely affect the marketing services industry. Recently, and in other previous economic downturns, our customers have responded, and may respond in the future, to weak economic conditions by reducing their marketing budgets, which are generally discretionary in nature and easier to reduce in the short-term than other expenses. In addition, revenues from our Shoppers business are largely dependent on local advertising expenditures in the markets in which they operate. Such expenditures are substantially affected by the strength of the local economies in those markets. Direct Marketing revenues are dependent on national, regional and international economies and business conditions. A lasting economic recession or downturn in the United States economy and the economies we operate in abroad, such as the current recession, could have material adverse effects on our business, financial position or operating results. Similarly, there may be industry or company-specific factors that negatively impact our clients and prospective clients or their industries and result in reduced demand for our products and services, client bankruptcies or other collection difficulties and bankruptcy preference actions to recover certain amounts previously paid to us by our clients. We may also experience reduced demand as a result of consolidation of clients and prospective clients in the industry verticals that we serve. See “Management's Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-K for additional information about the adverse impact on our financial performance of the ongoing difficult economic environment in the United States and other economies.

Our Shoppers business is geographically concentrated and is subject to the California and Florida economies.

Our Shoppers business is concentrated geographically in California and Florida. An economic downturn in these states, such as the current downturn, or a large disaster, such as a flood, hurricane, earthquake or other disaster or condition that disables our facilities, immobilizes the USPS or causes a significant negative change in the economies of these regions, could have a material adverse effect on our business, financial position or operating results.

Our business plan requires us to effectively manage our costs. If we do not achieve our cost management objectives, our financial results could be adversely affected.

Our business plan and expectations for the future require that we effectively manage our cost structure, including our operating expenses and capital expenditures across our operations. To the extent that we do not effectively manage our costs, our financial results may be adversely affected in any economic climate and even more so during a prolonged recession, such as the ongoing economic downturn in the United States and other economies.

Privacy, security and other direct marketing regulatory requirements may prevent or impair our ability to offer our products and services.

We are subject to, or affected by, numerous laws, regulations and industry standards that regulate direct marketing activities, including those that address privacy, data security and unsolicited marketing communications. Please refer to the section above entitled "U.S. and Foreign Government Regulations" for additional information regarding some of these regulations.

As a result of increasing public awareness and interest in individual privacy rights, data security and environmental and other concerns regarding unsolicited marketing communications, federal, state and foreign governmental and industry organizations continue to consider new legislative and regulatory proposals that would impose additional restrictions on direct marketing services and products. Examples include data encryption standards, data breach notification requirements, consumer choice and consent restrictions and increased penalties against offending parties, among others. We anticipate that additional proposals will continue to be introduced in the future, some of which may be adopted. In addition, our business may be affected by the impact of these restrictions on our clients and their marketing activities. These additional regulations could increase compliance requirements and restrict or prevent the collection, management, aggregation, transfer, use or dissemination of information or data that is currently legally available. Additional regulations may also restrict or prevent current practices regarding unsolicited marketing communications. For example, many states have considered implementing do-not-mail legislation that could impact our Direct Marketing and Shoppers businesses and the businesses of our clients and customers. In addition, continued public interest in individual privacy rights and data security may result in the adoption of further voluntary industry guidelines that could impact our direct marketing activities and business practices.

We cannot predict the scope of any new legislation, regulations or industry guidelines or how courts may interpret existing and new laws. Additionally, enforcement priorities by governmental authorities may change and also impact our business. Compliance with regulations is costly and time-consuming, and we may encounter difficulties, delays or significant expenses in connection with our compliance, and we may be exposed to significant penalties, liabilities, reputational harm and loss of business in the event that we fail to comply. There could be a material adverse impact on our business due to the enactment or enforcement of legislation or industry regulations, the issuance of judicial or governmental interpretations, enforcement priorities of governmental agencies or a change in customs arising from public concern over consumer privacy and data security issues.

We could fail to adequately protect our intellectual property rights and may face claims for intellectual property infringement.

Our ability to compete effectively depends in part on the protection of our technology, products, services and brands through intellectual property right protections, including patents, copyrights, database rights, trade secrets, trademarks and domain name registrations and enforcement procedures. The extent to which such rights can be protected and enforced varies in different jurisdictions. There is also a risk of litigation relating to our use or future use of intellectual property rights of third parties. Third-party infringement claims and any related litigation against us could subject us to liability for damages, restrict us from using and providing our technologies, products or services or operating our business generally, or require changes to be made to our technologies, products and services. Please refer to the section above entitled "Intellectual Property Rights" for additional information regarding our intellectual property and associated risks.

Consumer perceptions regarding the privacy and security of their data may prevent or impair our ability to offer our products and services.
Pursuant to various federal, state, foreign and industry regulations, consumers have control as to how certain data regarding them is collected, used and shared for marketing purposes. If due to privacy or security concerns, consumers exercise their ability to prevent such data collection, use or sharing, this may impair our ability to provide direct marketing to those consumers and limit our clients' requirements for our services. Additionally, privacy and security concerns may limit consumers' willingness to voluntarily provide data to our customers or marketing companies. Some of our services depend on voluntarily provided data and may be impaired without such data.

Our reputation and business results may be adversely impacted if we, or subcontractors upon whom we rely, do not effectively protect sensitive personal information of our clients and our clients' customers.
Current privacy and data security laws and industry standards impact the manner in which we capture, handle, analyze and disseminate customer and prospect data as part of our client engagements. In many instances, client contracts also mandate privacy and security practices. If we fail to effectively protect and control sensitive personal information (such as personal health information, social security numbers or credit card numbers) of our clients and their customers or prospects in accordance with these requirements, we may incur significant expenses, suffer reputational harm and loss of business, and, in certain cases, be subjected to regulatory or governmental sanctions or litigation. These risks may be increased due to our reliance on subcontractors and other third parties in providing a portion of our overall services in certain engagements. We cannot guarantee that these third parties will effectively protect and handle sensitive personal information or other confidential information, or that we will have adequate recourse against these third parties in that event.

We may not be able to adequately protect our information systems.
Our ability to protect our information systems against damage from a data loss, security breach, computer virus, fire, power loss, telecommunications failure or other disaster is critical to our future success. Some of these systems may be outsourced to third-party providers from time to time. Any damage to our information systems that causes interruptions in our operations or a loss of data could affect our ability to meet our clients' requirements, which could have a material adverse effect on our business, financial position or operating results. While we take precautions to protect our information systems, such measures may not be effective, and existing measures may become inadequate because of changes in future conditions.

Breaches of security, or the perception that e-commerce is not secure, could harm our business and reputation.
Business-to-business and business-to-consumer electronic commerce, including that which is Internet-based, requires the secure transmission of confidential information over public networks. Some of our products and services are accessed through the Internet. Security breaches in connection with the delivery of our products and services, or well-publicized security breaches that may affect us or our industry, such as database intrusion, could be detrimental to our business, operating results and financial condition. We cannot be certain that advances in criminal capabilities, new discoveries in the field of cryptography or other developments will not compromise or breach the technology protecting the information systems that access our products, services and proprietary database information.

Data suppliers could withdraw data that we rely on for our products and services.
We purchase or license much of the data we use. There could be a material adverse impact on our Direct Marketing business if owners of the data we use were to withdraw or cease to allow access to the data or materially restrict the authorized uses of their data. Data providers could withdraw their data if there is a

competitive reason to do so, if there is pressure from the consumer community or if additional legislation is passed restricting the use of the data. We also rely upon data from other external sources to maintain our proprietary and non-proprietary databases, including data received from customers and various government and public record sources. If a substantial number of data providers or other key data sources were to withdraw or restrict their data, if we were to lose access to data due to government regulation, or if the collection of data becomes uneconomical, our ability to provide products and services to our clients could be materially adversely affected, which could result in decreased revenues, net income and earnings per share.

We must successfully evaluate acquisition targets and integrate acquisitions.
We frequently evaluate acquisition opportunities to expand our product and service offerings and geographic locations, including potential international acquisitions. Acquisition activities, even if not consummated, require substantial amounts of management time and can distract from normal operations. In addition, we may be unable to achieve the profitability goals, synergies and other objectives initially sought in acquisitions, and any acquired assets, data or businesses may not be successfully integrated into our operations. Acquisitions may result in the impairment of relationships with employees and customers. Moreover, although we review and analyze assets or companies we acquire, such reviews are subject to uncertainties and may not reveal all potential risks, and we may incur unanticipated liabilities and expenses as a result of our acquisition activities. The failure to identify appropriate candidates, to negotiate favorable terms, or to successfully integrate future acquisitions into existing operations could result in not achieving planned revenue growth and could negatively impact our net income and earnings per share.

We are vulnerable to increases in paper prices.
Newsprint prices have fluctuated in recent years. We maintain, on average, less than 45 days of paper inventory and do not purchase our paper pursuant to long-term paper contracts. Because we have a limited ability to protect ourselves from fluctuations in the price of paper or to pass increased costs along to our clients, these fluctuations could materially affect the results of our operations.

We are vulnerable to increases in postal rates and disruptions in postal services.
Our Shoppers and Direct Marketing services depend on the USPS to deliver products. Our shoppers are delivered by Standard Mail, and postage is the second largest expense, behind labor, in our Shoppers business. Standard postage rates increased in 2008 and 2009. The USPS did not file for a rate increase in February, and as a result we do not expect standard postage rates to increase in 2010. Under the Postal Accountability and Enhancement Act of 2006, the USPS can file for a rate increase in February of each year, and any increase will take effect the following May. Any such rate increase is capped at the average of the consumer price index from the previous December. Overall Shoppers postage costs will be affected by any future increases in postage rates. Postage rates also influence the demand for our Direct Marketing services even though the cost of mailings is typically borne by our clients and is not directly reflected in our revenues or expenses. Accordingly, future postal increases or disruptions in the operations of the USPS may have an adverse impact on us.

Our financial results could be negatively impacted by impairments of goodwill or other intangible assets with indefinite useful lives.
As of December 31, 2009, the net book value of our goodwill and other intangibles, represented approximately $569.2 million out of our total assets of $908.2 million. We test goodwill and other intangible assets with indefinite useful lives for impairment as of November 30 of each year and on an interim date should factors or indicators become apparent that would require an interim test. A downward revision in the fair value of either of our reporting units or any of the other intangible assets could result in impairments and non-cash charges. Any such impairment charges could have a significant negative effect on our reported net income.

Our indebtedness may adversely impact our ability to react to changes in our business or changes in general economic conditions.
The amount of our indebtedness and the terms under which we have borrowed money under our credit facilities or other agreements could have important consequences for our business. Our debt covenants require that we

maintain certain financial measures and ratios. As a result of these covenants and ratios, we may be limited in the manner in which we can conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs. A failure to comply with these restrictions or to maintain the financial measures and ratios contained in the debt agreements could lead to an event of default that could result in an acceleration of outstanding indebtedness. In addition, the amount and terms of our indebtedness could:

- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate, including limiting our ability to invest in our strategic initiatives, and, consequently, place us at a competitive disadvantage;

- reduce the availability of our cash flows that would otherwise be available to fund working capital, capital expenditures, acquisitions and other general corporate purposes; and

- result in higher interest expense in the event of increases in interest rates, as discussed below under "Interest rate increases could affect our results of operations, cash flows and financial position."

We may incur additional indebtedness in the future and, if new debt is added to our current debt levels, the above risks could be increased.

Interest rate increases could affect our results of operations, cash flows and financial position.
Interest rate movements in Europe and the United States can affect the amount of interest we pay related to our debt and the amount we earn on cash equivalents. Our primary interest rate exposure is to interest rate fluctuations in Europe, specifically Eurodollar rates, due to their impact on interest related to our credit facilities. As of December 31, 2009, we had $239.7 million of debt outstanding, all of which was at variable interest rates. Our results of operations, cash flows and financial position could be materially adversely affected by significant increases in interest rates. We also have exposure to interest rate fluctuations in the United States, specifically money market, commercial paper and overnight time deposit rates, as these affect our earnings on excess cash. Even with the offsetting increase in earnings on excess cash in the event of an interest rate increase, we cannot be assured that future interest rate increases will not have a material adverse impact on our business, financial position or operating results.

Our international operations subject us to risks associated with operations outside the U.S.
Harte-Hanks Direct Marketing conducts business outside of the United States. During 2009, approximately 15.0% of Harte-Hanks Direct Marketing's revenues and 10.2% of Harte-Hanks total revenues were derived from businesses outside the United States, primarily Europe, Asia and South America. We may expand our international operations in the future as part of our growth strategy. Accordingly, our future operating results could be negatively affected by a variety of factors, some of which are beyond our control, including:

- social, economic and political instability;
- changes in U.S. and foreign governmental legal requirements or policies resulting in burdensome government controls, tariffs, restrictions, embargoes or export license requirements;
- inflation;
- the potential for nationalization of enterprises;
- potentially adverse tax treatment;
- less favorable foreign intellectual property laws that would make it more difficult to protect our intellectual properties from appropriation by competitors;
- more onerous or differing data privacy and security requirements or other marketing regulations;
- longer payment cycles for sales in foreign countries; and
- the costs and difficulties of managing international operations.

In addition, exchange rate movements may have an impact on our future costs or on future cash flows from foreign investments. We have not entered into any foreign currency forward exchange contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates. The various risks that are inherent in doing business in the United States are also generally applicable to doing business outside of the United States, and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations.

We must maintain effective internal controls.
In designing and evaluating our internal controls over financial reporting, we recognize that any internal control or procedure, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives and that no system of internal controls can be designed to provide absolute assurance of effectiveness. If we fail to maintain a system of effective internal controls, it could have a material adverse effect on our business, financial position or operating results. Additionally, adverse publicity related to a failure in our internal controls over financial reporting could have a negative impact on our reputation and business.

Fluctuation in our revenue and operating results and other factors may impact the volatility of our stock price.
The price at which our common stock has traded in recent years has fluctuated greatly and has declined significantly over that period of time. The price may continue to be volatile due to a number of factors including the following, some of which are beyond our control:

- the impact and duration of the ongoing economic downturn, overall strength of the United States and other economies and general market volatility;
- variations in our operating results from period to period and variations between our actual operating results and the expectations of securities analysts, investors and the financial community;
- unanticipated developments with client engagements or client demand, such as variations in the size, budget, or progress toward the completion of engagements, variability in the market demand for our services, client consolidations and the unanticipated termination of several major client engagements;
- announcements of developments affecting our businesses;
- competition and the operating results of our competitors; and
- other factors discussed elsewhere in this Item 1A, "Risk Factors".

As a result of these and other factors, investors in our common stock may not be able to resell their shares at or above their original purchase price.

War or terrorism could affect our business.
War and/or terrorism or the threat of war and/or terrorism involving the United States could have a significant impact on our business, financial position or operating results. War or the threat of war could substantially affect the levels of advertising expenditures by clients in each of our businesses. In addition, each of our businesses could be affected by operation disruptions and a shortage of supplies and labor related to such a war or threat of war.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters are located in San Antonio, Texas, and we occupy approximately 8,000 square feet of leased premises at that location. Our business is conducted in facilities worldwide containing aggregate space of approximately 3.4 million square feet. Approximately 3.2 million square feet are held under leases, which expire at dates through 2017. The balance of the properties, used in our Southern California Shoppers operations and Hasselt, Belgium Direct Marketing operations, are owned.

ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings is set forth in Note K, *Commitments and Contingencies*, of the "Notes to Consolidated Financial Statements" and is incorporated herein by reference.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our common stock is listed on the NYSE (symbol: HHS). The reported high and low quarterly sales price ranges for 2009 and 2008 were as follows:

	2009		2008	
	High	Low	High	Low
First Quarter	7.98	4.50	17.96	13.06
Second Quarter	10.14	5.21	14.33	11.15
Third Quarter	14.22	8.31	13.12	9.93
Fourth Quarter	14.48	9.25	10.32	4.43

In 2009 and 2008, quarterly dividends were paid at the rate of 7.5 cents per share.

We currently plan to pay a quarterly dividend of 7.5 cents per common share in each of the quarters in 2010, although any actual dividend declaration can be made only upon approval of our Board of Directors, based on its business judgment.

As of January 31, 2010, there are approximately 2,500 holders of record.

Issuer Purchases of Equity Securities

During the fourth quarter of 2009, we did not purchase any shares of our stock through our stock repurchase program that was publicly announced in January 1997. Under this program, from which shares can be purchased in the open market or through privately negotiated transactions, our Board of Directors has authorized the repurchase of up to 74,400,000 shares of our outstanding common stock. As of December 31, 2009, we had repurchased a total of 63,924,509 shares at an average price of $18.83 per share under this program. The maximum number of shares that may yet be purchased under this program was 10,475,491 at December 31, 2009.

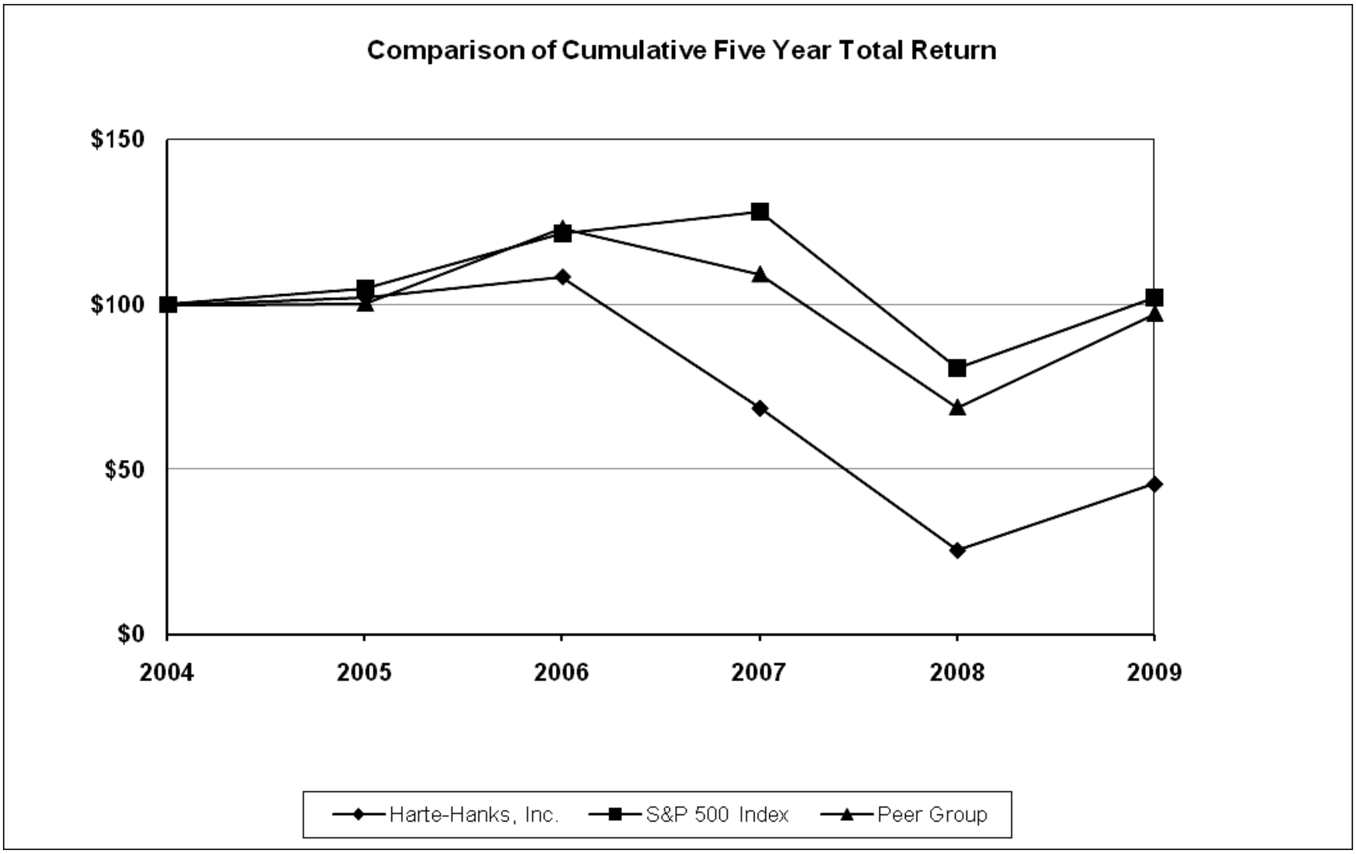
Comparison of Stockholder Returns

The material under this heading is not "soliciting material," is not deemed "filed" with the SEC, and is not to be incorporated by reference into any filing under the 1933 Act or the 1934 Act, whether made before or after the date hereof and irrespective of any general incorporation language in such filing.

The following graph compares the cumulative total return of our common stock during the period December 31, 2004 to December 31, 2009 with the Standard & Poor's 500 Stock Index (S&P 500 Index) and with a peer group including Acxiom Corporation, Alliance Data Systems Corporation, Consolidated Graphics, Inc., Dun & Bradstreet Corporation, Equifax, Inc., Fair Isaac and Company, Inc., ICT Group, Inc., Infogroup, Inc., Interpublic Group of Companies, Inc., PC Mall, Inc., Sykes Enterprises, Inc., Teletech Holdings, Inc., Valassis Communications, Inc., ValueClick, Inc., and Viad Corp.

The S&P Index includes 500 United States companies in the industrial, transportation, utilities and financial sectors and is weighted by market capitalization. The peer groups are also weighted by market capitalization.

The graph depicts the results of investing $100 in our common stock, the S&P 500 Index and the peer groups at closing prices on December 31, 2004 and assumes the reinvestment of dividends.



	Base Period	Years Ending				
	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
Harte-Hanks, Inc.	100	102.33	108.39	68.55	25.46	45.52
S&P 500 Index	100	104.91	121.48	128.16	80.74	102.11
Peer Group	100	100.39	123.17	109.24	68.79	97.30

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our summary historical financial information for the periods ended and as of the dates indicated. You should read the following historical financial information along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this Form 10-K. The fiscal year financial information included in the table below for the years ended December 31, 2009, 2008, and 2007 is derived from audited financial statements contained in this Form 10-K. Information for the years ended December 31, 2006 and 2005 can be found in our previously filed Annual Reports on Form 10-K.

In thousands, except per share amounts	2009	2008	2007	2006	2005
Statement of Operations Data					
Revenues	$ 860,143	$1,082,821	$1,162,886	$1,184,688	$1,134,993
Operating expenses					
Labor, production and distribution	678,307	847,470	871,468	874,088	825,568
Advertising, selling, general and administrative	62,479	81,655	89,787	90,516	88,067
Shoppers legal settlement in principle	6,950	-	-	-	-
Depreciation and amortization	28,265	33,429	33,195	31,566	29,918
Intangible amortization	1,712	2,950	3,509	2,466	1,427
Total operating expenses	777,713	965,504	997,959	998,636	944,980
Operating income	82,430	117,317	164,927	186,052	190,013
Interest expense, net	7,968	13,823	12,453	6,102	1,760
Net Income	$ 47,715	$ 62,741	$ 92,640	$ 111,792	$ 114,458
Earnings per common share—diluted	$ 0.75	$ 0.98	$ 1.26	$ 1.39	$ 1.34
Cash dividends per common share	$ 0.30	$ 0.30	$ 0.28	$ 0.24	$ 0.20
Weighted-average common and common equivalent shares outstanding—diluted	63,885	64,104	73,703	80,646	85,406
Segment Data					
Revenues					
Direct Marketing	$ 585,988	$ 732,740	$ 732,461	$ 709,728	$ 694,558
Shoppers	274,155	350,081	430,425	474,960	440,435
Total revenues	$ 860,143	$1,082,821	$1,162,886	$1,184,688	$1,134,993
Operating income (loss)					
Direct Marketing	$ 95,812	$ 103,121	$ 108,796	$ 109,458	$ 108,095
Shoppers	(1,354)	25,884	70,784	88,814	94,231
General corporate	(12,028)	(11,688)	(14,653)	(12,220)	(12,313)
Total operating income	$ 82,430	$ 117,317	$ 164,927	$ 186,052	$ 190,013
Capital expenditures	$ 9,011	$ 19,947	$ 28,217	$ 33,708	$ 28,215
Balance sheet data (at end of period)					
Current assets	$ 256,599	$ 241,203	$ 265,680	$ 279,975	$ 253,704
Property, plant and equipment, net	78,399	97,433	112,354	116,591	112,911
Goodwill and other intangibles, net	569,163	570,866	564,522	568,795	519,419
Total assets	908,151	913,566	951,926	969,285	889,663
Total debt	239,688	270,625	259,125	205,000	62,000
Total stockholders' equity	$ 401,643	$ 356,372	$ 408,512	$ 493,476	$ 561,346

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note About Forward-Looking Statements

This report, including this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), contains "forward-looking statements" within the meaning of the federal securities laws. All such statements are qualified by the cautionary note included under Item 1A above, which is provided pursuant to the safe harbor provisions of Section 27A of the 1933 Act and Section 21E of the 1934 Act. Actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

Overview

The following MD&A section is intended to help the reader understand the results of operations and financial condition of Harte-Hanks, Inc. (Harte-Hanks). This section is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements.

Harte-Hanks is a worldwide direct and targeted marketing company that provides direct marketing services and shopper advertising opportunities to a wide range of local, regional, national and international consumer and business-to-business marketers. We manage our operations through two operating segments: Direct Marketing and Shoppers.

In 2009, Harte-Hanks Direct Marketing had revenues of $586.0 million, which accounted for 68% of our total revenues. Direct Marketing services are targeted to specific industries or markets with services and software products tailored to each industry or market. Currently, our Direct Marketing business services various vertical markets including retail, high-tech/telecom, financial services, pharmaceutical/healthcare, and a wide range of selected markets. We believe that we are generally able to provide services to new industries and markets by modifying our services and applications as opportunities are presented. Depending on the needs of our clients, our Direct Marketing capabilities are provided in an integrated approach through more than 30 facilities worldwide, more than 10 of which are located outside of the United States. Each of these centers possesses some specialization and is linked with others to support the needs of our clients. We use various capabilities and technologies to enable our clients to capture, analyze and disseminate customer and prospect data across all points of customer contact.

We offer a full complement of capabilities and resources, including:

- agency and creative services;
- database marketing solutions;
- data quality software and services with Trillium Software;
- digital marketing;
- direct mail and logistics;
- fulfillment and contact centers; and
- lead generation.

Harte-Hanks Shoppers is North America's largest owner, operator and distributor of shopper publications, based on weekly circulation and revenues. Shoppers are weekly advertising publications delivered free by Standard Mail to households and businesses in a particular geographic area. Shoppers offer advertisers a targeted, cost-effective local advertising system, with virtually 100% penetration in their area of distribution. Shoppers are particularly effective in large markets with high media fragmentation in which major metropolitan newspapers generally have low penetration. Our Shoppers segment also provides advertising and other services online through our websites, *PennySaverUSA.com* and *TheFlyer.com*. These sites are online advertising portals, bringing buyers and sellers together through our online products, including local classifieds, business listings, coupons, special offers and Power Sites. Power Sites are templated web sites for our customers, optimized to help small and medium sized business owners establish a web presence and improve their lead generation. In 2009, our Shoppers segment had revenues of $274.2 million, which represented 32% of our total revenues.

At December 31, 2009, our Shoppers were zoned into more than 950 separate editions with total circulation of approximately 11.5 million in California and Florida each week. As a result of the difficult economic environment in California and Florida, we curtailed more than 1.4 million of unprofitable or marginal circulation from July 2008 to February 2009. This consisted of approximately 850,000 of circulation in California and 550,000 of circulation in Florida. We continue to evaluate all of our circulation performance and may make further circulation reductions in the future as part of our efforts to address the difficult economic conditions in California and Florida.

We derive revenues from the sale of direct marketing services and shopper advertising services. As a worldwide business, Direct Marketing is affected by general national and international economic trends. Direct Marketing revenues are also affected by economic fundamentals of each industry that we serve, various market factors, including the demand for services by our clients, and the financial condition of and budgets available to specific clients, among other factors. Our Shoppers operate in regional markets in California and Florida and are largely affected by the strength of the local economies.

Our businesses continued to face challenging economic environments in 2009, which negatively impacted our financial performance. Marketing budgets are often more discretionary in nature and easier to reduce in the short-term than other expenses in response to weak economic conditions. Difficult economic conditions, in some cases including consolidation and bankruptcies of customers and prospective customers in the industry verticals that we serve, have resulted in pricing pressures and in reduced demand for our products and services.

Direct Marketing revenues are dependent on, among other things, national, regional and international economic and business conditions. During 2009, the economic recession in the United States and other economies continued to adversely impact the marketing expenditures and activities of our customers, resulting in pricing pressures, significant reductions and delays in spending by clients and prospective clients.

Revenues from our Shoppers business are largely dependent on local advertising expenditures in the California and Florida geographies in which we operate. Such expenditures are substantially affected by the strength of the local economies in those markets. During 2009, the negative trends and economic conditions that we have seen since the second half of 2007 in California and Florida continued. These conditions were initially created by weakness in the real estate and associated financing markets and have spread across virtually all categories.

As a result of the challenging environments, we have taken actions designed to align our expense base and structure to the external economic environment facing our businesses. These actions have included headcount reductions, consolidating businesses and closing facilities, reductions of marginal Shoppers circulation, wage freezes and reductions, tightened management of capital spending, non-client travel restrictions and enhanced controls around accounts receivable and collections. These actions helped to produce improved margins in our Direct Marketing business while limiting the amount of margin lost in our Shoppers business, in spite of revenue declines of 20% or more in both businesses. Nevertheless, we cannot predict the impact of future economic conditions or the ultimate effectiveness of and expenses associated with our efforts to address those economic conditions.

Although economic uncertainty remains, and we believe that 2010 will continue to be challenging, we did see slight improvement in both businesses towards the end of the fourth quarter of 2009. Due to the structural changes we have made across our entire company, we believe that we are well positioned for an improved economic environment.

Our principal operating expense items are labor, postage and transportation.

Results of Operations

Operating results were as follows:

In thousands except per share amounts	2009	% Change	2008	% Change	2007
Revenues	$ 860,143	-20.6	$ 1,082,821	-6.9	$ 1,162,886
Operating expenses	777,713	-19.5	965,504	-3.3	997,959
Operating income	$ 82,430	-29.7	$ 117,317	-28.9	$ 164,927
Net income	$ 47,715	-23.9	$ 62,741	-32.3	$ 92,640
Diluted earnings per share	$ 0.75	-23.5	$ 0.98	-22.2	$ 1.26

Year ended December 31, 2009 vs. Year ended December 31, 2008

Revenues

Consolidated revenues decreased 20.6%, to $860.1 million, and operating income decreased 29.7%, to $82.4 million, in 2009 compared to 2008. Our overall results reflect decreased revenues of $146.8 million, or 20.0%, from our Direct Marketing segment and decreased revenues of $75.9 million, or 21.7%, from our Shoppers segment. Direct Marketing experienced year-over-year double-digit revenue declines from all vertical markets. These results reflect the effects of the economic recession on our Direct Marketing business. Shoppers revenue performance reflects the continued impact that the difficult economic environments in California and Florida are having on our Shoppers business. The decrease in Shoppers revenues was the result of decreased sales in established markets, including declines in virtually every revenue category, curtailment of circulation of approximately 1.5 million addresses from July 2008 to February 2009, and an additional publication week in 2008. Excluding revenues from discontinued circulation and the additional publication week, Shoppers revenues decreased approximately 17.1%.

Operating Expenses

Overall operating expenses decreased 19.5%, to $777.7 million, in 2009 compared to 2008. The overall decrease in operating expenses was driven by decreased operating expenses in Direct Marketing of $139.4 million, or 22.1%, decreased operating expenses in Shoppers of $48.7 million, or 15.0%, and increased general corporate expense of $0.3 million, or 2.9%. The Direct Marketing decrease was primarily a result of headcount reductions, lower outsourced costs, lower logistics-related transportation costs, lower commissions and less travel expense. The decrease at Shoppers was primarily due to headcount reductions, decreases in postage and paper costs, lower bad debt expense, and lower promotion-related expense. This decrease at Shoppers was partially offset by a 2009 fourth quarter $7.0 million legal settlement in principle. The overall decrease in operating expenses was partially offset by a $7.1 million increase in pension expense due to the 2008 decline in the market value of our pension plan assets.

Net Income/Earnings Per Share

Net income decreased 23.9%, to $47.7 million, and diluted earnings per share decreased 23.5%, to $0.75 per share, in 2009 compared to 2008. The decreases in net income and diluted earnings per share were a result of decreased operating income from both Shoppers and Direct Marketing and increased general corporate expense, partially offset by lower interest expense and a lower effective tax rate in 2009 compared to 2008.

Year ended December 31, 2008 vs. Year ended December 31, 2007

Revenues

Consolidated revenues decreased 6.9%, to $1,082.8 million, in 2008 compared to 2007. Our overall results reflect decreased revenues of 18.7% from our Shoppers segment, partially offset by a slight increase in revenues from our Direct Marketing segment. In Shoppers, the negative trends and economic conditions in California and Florida that we saw in 2007 continued and deteriorated throughout 2008. In Direct Marketing, the overall economic climate in the second half of 2008, and more specifically, the financial market events that occurred in the fourth quarter of 2008, dramatically influenced business and consumer confidence and resulted in an immediate adverse impact on our Direct Marketing revenue.

Operating Expenses
Overall operating expenses decreased 3.3%, to $965.5 million, in 2008 compared to 2007. This year-over-year change includes $10.4 million of expense recognized in 2008 and $9.0 million of expense recognized in 2007 related to cost management actions described above, designed to align our expense base with reduced revenue levels. The overall decrease in operating expenses was driven by the $35.4 million, or 9.9%, decrease in Shoppers operating expenses. Shoppers results were impacted by cost cutting measures and the decline in Shoppers revenues, and included declines in labor, production costs and general and administrative costs. Direct Marketing operating expenses increased $6.0 million, or 1.0%, and general corporate expense decreased $3.0 million or 20.2%.

Net Income/Earnings Per Share
Net income decreased 32.3%, to $62.7 million, while diluted earnings per share were down 22.2%, to $0.98 per share, in 2008 when compared to 2007. The decreases in net income and earnings per share were a result of decreased operating income, primarily at Shoppers, and increased interest expense, partially offset by lower general corporate expense and a lower effective tax rate in 2008 when compared to 2007.

Direct Marketing
Direct Marketing operating results were as follows:

In thousands	2009	% Change	2008	% Change	2007
Revenues	$ 585,988	-20.0	$ 732,740	0.0	$ 732,461
Operating expenses	490,176	-22.1	629,619	1.0	623,665
Operating income	$ 95,812	-7.1	$ 103,121	-5.2	$ 108,796

Year ended December 31, 2009 vs. Year ended December 31, 2008
Revenues
Direct Marketing revenues decreased $146.8 million, or 20.0%, in 2009 compared to 2008. Revenues from all of our vertical markets experienced double-digit revenue declines in 2009 compared to 2008. The financial services vertical continued to be the most challenging, with revenues declining approximately 30% for the year. Revenues from our high tech/telecom and retail verticals declined approximately 20%, while our pharma/healthcare and select verticals had revenue declines in the high teens. These results reflect the effects of the economic recession, including reduced volumes and price reductions, on our Direct Marketing business.

2010 revenues will depend on, among other factors, the impact and duration of the economic recession and overall strength of the national and international economies and how successful we are at maintaining and growing business with existing clients, acquiring new clients and meeting client demands. We believe that in the long-term an increasing portion of overall marketing and advertising expenditures will be moved from other advertising media to the targeted media space, the results of which can be more effectively tracked, enabling measurement of the return on marketing investment, and that our business will benefit as a result.

The cost of mailings is borne by our clients and is not directly reflected in our revenues or expenses.

Operating Expenses
Operating expenses decreased $139.4 million, or 22.1%, in 2009 compared to 2008. Labor costs decreased $62.2 million, or 19.1%, due to headcount reductions, lower commissions as a result of revenue performance, lower healthcare costs due to reduced headcount and claims, decreased stock-based compensation and lower severance costs. This decrease was partially offset by an increase in pension expense. Production and distribution costs decreased $60.2 million, or 26.8%, due to lower outsourced costs as a result of lower outsourced volumes, lower logistics-related transportation costs resulting from reduced transportation volumes and decreased transportation costs. General and administrative expense decreased $11.0 million, or 21.4%, due primarily to less travel, less expense related to business and professional services, and a decrease in bad debt

expense. Depreciation and software amortization expense decreased $4.9 million, or 19.2%, due to decreased capital expenditures in the last several quarters and assets becoming fully depreciated. Intangible asset amortization decreased $1.2 million, or 62.4%, due to certain intangible assets becoming fully amortized.

Direct Marketing's largest cost components are labor, outsourced costs and transportation costs. Each of these costs is somewhat variable and tends to fluctuate with revenues and the demand for our direct marketing services. Fuel costs have increased significantly in the last few years and were at historically high levels throughout much of 2008 before decreasing significantly in the fourth quarter of 2008 and holding at those levels throughout 2009. Future changes in fuel costs will continue to impact Direct Marketing's total production costs and total operating expenses and may have an impact on future demand for our transportation services.

Year ended December 31, 2008 vs. Year ended December 31, 2007

Revenues

Direct Marketing revenues increased $0.3 million, or less than 0.1%, in 2008 compared to 2007. Revenues increased 3.2% during the first nine months of 2008 and decreased 8.1% during the fourth quarter of 2008, compared to the same periods in 2007. The financial market events of the fourth quarter resulted in many of our clients reducing or canceling marketing projects.

In 2008, our high tech/telecom and select markets verticals both experienced double-digit revenue growth. High tech/telecom results were primarily driven by the acquisition of Mason Zimbler in January of 2008 and increases in various services to an existing high tech client. The select markets increase was due to increased revenues from the automotive segment. Our retail vertical decreased in the low-single digits as a result of general economic conditions causing reduced consumer spending and the bankruptcy of several clients. The financial vertical was down in the high-single digits from decreases in retail banking and consumer finance businesses. Our pharma/healthcare vertical decreased double-digits primarily as the result of the healthcare segment within the vertical.

The acquisition of Mason Zimbler positively affected our revenues by approximately 1.0% in 2008 compared to 2007.

Operating Expenses

Operating expenses increased $6.0 million, or 1.0%, in 2008 compared to 2007. The results were affected by approximately $5.8 million and $4.2 million of costs, primarily severance and lease termination costs, recognized in 2008 and 2007, respectively, as part of the restructuring and cost-cutting initiatives discussed above. Labor costs decreased $3.6 million, or 1.1%, in 2008 compared to 2007 due to headcount reductions and lower incentive compensation. This decrease was partially offset by a $2.1 million increase in severance. Production and distribution costs increased $11.1 million, or 5.2%, due to higher logistics-related transportation costs resulting from increased volumes and higher fuel costs for much of 2008. General and administrative expense decreased $0.9 million, or 1.7%, due primarily to decreased travel, recruiting and training costs. This decrease was partially offset by increased outside sales commissions and higher bad debt expense due to several customers experiencing financial difficulties. Depreciation and amortization expense decreased $0.7 million, or 2.4%, due to certain intangible assets and software becoming fully amortized.

The acquisition of Mason Zimbler also contributed to the increase in operating expenses in 2008 compared to 2007.

Shoppers

Shoppers operating results were as follows:

In thousands	2009	% Change	2008	% Change	2007
Revenues	$ 274,155	-21.7	$ 350,081	-18.7	$ 430,425
Operating expenses	275,509	-15.0	324,197	-9.9	359,641
Operating income	$ (1,354)	-105.2	$ 25,884	-63.4	$ 70,784

Year ended December 31, 2009 vs. Year ended December 31, 2008

Revenues

Shoppers revenues decreased $75.9 million, or 21.7%, in 2009 compared to 2008. These results reflect the continued impact that the difficult economic environments in California and Florida are having on our Shoppers business. The decrease in revenues was the result of decreased sales in established markets, including declines in virtually every revenue category, and curtailment of circulation of approximately 250,000 in July 2008, 500,000 in December 2008 and 700,000 in February 2009. The net impact of these circulation curtailments was a reduction in Shoppers revenues of $15.5 million. The once every five to six year occurrence of one extra publication week in the fourth quarter of 2008 also contributed to the Shoppers revenue decrease in 2009. The 53rd week has historically been marginally profitable. Excluding revenues from discontinued circulation and the 53rd week in 2008, Shoppers revenues decreased approximately 17.1%. At December 31, 2009, our Shoppers circulation reached approximately 11.5 million addresses each week. We continue to evaluate all of our circulation performance and may make further circulation reductions in the future as part of our efforts to address the difficult economic conditions in California and Florida.

Operating Expenses

Operating expenses decreased $48.7 million, or 15.0%, in 2009 compared to 2008. This decrease was partially offset by a $7.0 million legal settlement in principle in the fourth quarter of 2009. Excluding this settlement in principle, total operating expenses would have decreased by $55.6 million, or 17.2%. Total labor costs decreased $22.4 million, or 19.4%, as a result of reductions in our Shoppers workforce due to consolidations and circulation curtailments. Total production costs decreased $26.3 million, or 15.1%, due primarily to decreased postage costs resulting from circulation curtailments and decreased distribution volumes, decreased outsourced printing costs due to lower distribution volumes and decreased paper costs due to circulation reductions and a decline in ad placements. This decrease was partially offset by $1.6 million in lease write-offs in the first quarter of 2009 related to the consolidations and circulation curtailments. Total general and administrative costs increased $0.3 million, or 1.3%, due primarily to the $7.0 million legal settlement in principle. Excluding this settlement in principle, general and administrative costs decreased $6.6 million, or 25.5%, due primarily to lower bad debt expense and lower promotion-related expense due to revenue levels. Depreciation and software amortization expense decreased $0.3 million, or 3.8%, due to decreased capital expenditures in the last several quarters and assets becoming fully depreciated. Intangible asset amortization decreased $0.1 million, or 4.9%.

Incremental expenses associated with the 53rd week of publication in 2008 also slightly contributed to the overall decline in operating expenses in 2009.

Shoppers largest cost components are labor, postage and paper. Shoppers labor costs are partially variable and tend to fluctuate with the number of zones, circulation, volumes and revenues. We realized a positive effect on our Shoppers labor costs in 2009 due to the circulation reductions described above. Standard postage rates have increased in recent years, and increased again in May 2009. Shoppers postage rates increased by approximately 1.4% as a result of the May 2009 rate increase. We do not expect standard postage rates to change in 2010. Any future changes in postage rates will affect Shoppers production costs. Newsprint prices increased over the first half of 2009 and then decreased in the second half of 2009. Any future changes in newsprint prices will affect Shoppers production costs. At the end of the first quarter of 2009, we completed the consolidation of our two Florida production facilities into one facility. We incurred approximately $2.0 million in costs in the first quarter related to this action. The 2009 savings from this consolidation was offset by the 2009 first quarter charges.

<u>Year ended December 31, 2008 vs. Year ended December 31, 2007</u>

Revenues

Shoppers revenues decreased $80.3 million, or 18.7%, in 2008 compared to 2007. These results reflect the continued impact that the difficult economic environments in California and Florida are having on our Shoppers business. The decrease in revenues was the result of decreased sales in established markets, including declines in virtually every revenue category, and curtailment of unprofitable circulation of approximately 600,000 that were initiated in June 2007 and 250,000 that were initiated in July 2008. The circulation that was curtailed in June 2007 was in Northern and Southern California and represented approximately $3.0 million of revenue in 2007. The circulation that was curtailed in July 2008 was in Northern California and South Florida and represented approximately $1.9 million of revenue in 2008 and $4.1 million of revenue in 2007. In response to the continued difficult economic environments in California and Florida we curtailed an additional 500,000 circulation in South and Central Florida towards the end of December 2008. At December 31, 2008, our Shoppers circulation reached more than 12 million addresses in California and Florida each week.

Shoppers revenue decrease was slightly offset by the once every five to six year occurrence of one extra publication week in the fourth quarter of 2008. The 53rd week has historically been marginally profitable, and in 2008 we believe it generated a small loss.

Operating Expenses

Operating expenses decreased $35.4 million, or 9.9%, in 2008 compared to 2007. This decrease was partially offset by approximately $4.1 million and $2.4 million of costs recognized in 2008 and 2007 related to the restructuring, consolidation and circulation shut downs described below. Total labor costs decreased $14.2 million, or 11.0%, as a result of reductions in our Shoppers workforce due to restructuring, consolidations and circulation curtailments. This decline was partially offset by increased severance costs of $1.9 million. Total production costs decreased $15.1 million, or 8.0%, due primarily to decreased paper costs resulting from circulation curtailments, a decline in ad placements and lower newsprint rates, decreased postage due to circulation curtailments and decreased distribution volumes, and decreased offload printing costs due to decreased print-and-deliver volumes. Total general and administrative costs decreased $6.5 million, or 20.0%, due primarily to lower promotion-related expense. Partially offsetting this decrease was a $1.8 million increase in bad debt expense due to several customers experiencing financial difficulties. Depreciation and amortization expense increased $0.3 million, or 3.8%, due to the acceleration of depreciation of assets related to the circulation curtailments and plant consolidation. The overall decline in operating expenses was slightly offset by incremental expenses associated with the 53rd week of publication in 2008.

General Corporate Expense

<u>Year ended December 31, 2009 vs. Year ended December 31, 2008</u>

General corporate expense increased $0.3 million, or 2.9%, during 2009 compared to 2008. The increase was primarily due to an increase in pension expense resulting from the 2008 decline in the market value of our pension plan assets. This increase was partially offset by lower payroll costs due to reduced headcount, and less expense related to professional services.

<u>Year ended December 31, 2008 vs. Year ended December 31, 2007</u>

General corporate expense decreased $3.0 million, or 20.2%, during 2008 compared to 2007. The decrease was primarily due to a $2.4 million decrease in labor due to $2.5 million of compensation costs recognized during the third quarter of 2007 associated with the retirement of former President and Chief Executive Officer Richard Hochhauser. The decrease in labor was partially offset by $0.5 million of severance costs recognized in 2008.

Interest Expense
Interest expense decreased $6.1 million, or 42.6%, in 2009 compared to 2008, due to lower outstanding debt levels and lower interest rates in 2009 compared to 2008. Interest expense increased $1.2 million, or 9.3%, in 2008 compared to 2007 due to higher outstanding debt levels, primarily due to the repurchases of our common stock, in 2008 than in 2007. Our debt at December 31, 2009 and 2008 is described in Note D, *Long-Term Debt*, of the "Notes to Consolidated Financial Statements," included herein.

Interest Income
Interest income decreased $0.2 million, or 51.9%, in 2009 and $0.2 million, or 29.9%, in 2008 compared to 2008 and 2007, respectively. These decreases were due to normal variances in cash levels and lower interest rates on investments than in the prior years.

Other Income and Expense
Other net expense for 2009 and 2008 primarily consists of currency transaction gains and losses and balance-based bank charges.

Income Taxes
Year ended December 31, 2009 vs. Year ended December 31, 2008
Income taxes decreased $14.6 million in 2009 compared to 2008 due to lower pretax income levels and a lower effective tax rate. The effective income tax rate for 2009 was 33.7% compared to 38.2% in 2008. The decrease in the effective tax rate is primarily due to a decrease in our state income tax resulting from a reduction to our uncertain tax liabilities, as well as operations in states with higher tax rates having been more negatively impacted by the economic downturn.

Year ended December 31, 2008 vs. Year ended December 31, 2007
Income taxes decreased $19.7 million in 2008 compared to 2007 due to lower pretax income levels. The effective income tax rate for 2008 was 38.2% compared to 38.7% in 2007. The decrease in the effective tax rate from 2007 to 2008 was primarily the result of the recognition of certain tax benefits in the first quarter of 2008. The effective income tax rate calculated is higher than the federal statutory rate of 35% due to the addition of state taxes.

Economic Climate and Impact on our Financial Statements

The current economic climate has had a negative impact on our operations and cash flows for the year ended December 31, 2009 and our financial position at December 31, 2009. We cannot predict the timing, strength or duration of the current economic recession or any subsequent economic recovery. If the economic climate and markets we serve deteriorate, we may record charges related to restructuring costs and the impairment of goodwill, other intangibles and long-lived assets, and our operations, cash flows and financial position may be materially and adversely affected.

Liquidity and Capital Resources

Sources and Uses of Cash
As of December 31, 2009, cash and cash equivalents were $86.6 million, increasing $56.4 million from cash and cash equivalents at December 31, 2008. This net increase was a result of net cash provided by operating activities of $114.0 million, offset by net cash used in investing activities of $8.9 million and net cash used in financing activities of $49.5 million.

Operating Activities
Net cash provided by operating activities in 2009 was $114.0 million, compared to $116.7 million in 2008. The $2.7 million year-over-year decrease was attributable to lower net income, changes within noncash expense items and changes within working capital assets and liabilities.

In 2009, our principal working capital changes, which directly affected net cash provided by operating activities, were as follows:

- A decrease in accounts receivable attributable to lower revenues in the fourth quarter of 2009 than in the fourth quarter of 2008. Days sales outstanding were approximately 59 days at December 31, 2009 compared to 58 days at December 31, 2008;
- A decrease in inventory due to Shoppers circulation curtailment, lower Shoppers ad placements and lower paper prices towards the end of 2009;
- A decrease in prepaid expenses and other current assets due to timing of payments;
- A decrease in accounts payable due to overall lower operating expenses in the fourth quarter of 2009 than in the fourth quarter of 2008 and lower workers' compensation insurance reserves at December 31, 2009 than at December 31, 2008, partially offset by the $7.0 million accrual at December 31, 2009 for the legal settlement in principle;
- A decrease in accrued payroll and related expenses due to headcount reductions, timing of payroll payments and lower accrued commissions at December 31, 2009 than at December 31, 2008;
- A decrease in customer deposits and unearned revenue due to timing of receipts and decrease in revenue levels; and
- A decrease in income taxes payable due to the timing of quarterly estimated federal and state taxes payments and lower pretax income levels in 2009 than 2008.

Investing Activities
Net cash used in investing activities was $8.9 million in 2009, compared to $28.3 million in 2008. The $19.4 million decrease is the result of the January 2008 acquisition of Mason Zimbler and a $10.9 million decline in capital spending in 2009 compared to 2008.

Financing Activities
Net cash used in financing activities was $49.5 million in 2009 compared to $79.7 million in 2008. The $30.2 million decrease is attributable primarily to $76.6 million spent to repurchase our common stock in 2008. We did not repurchase any of our common stock in 2009. This decrease was partially offset by $42.4 million more net debt repayments in 2009 than in 2008.

Credit Facilities
On August 12, 2005, we entered into a five-year $125 million revolving credit facility (Revolving Credit Facility) with JPMorgan Chase Bank, N.A., as Administrative Agent. The Revolving Credit Facility allows us to obtain revolving credit loans. For each borrowing under the Revolving Credit Facility, we can generally choose to have the interest rate for that borrowing calculated based on either JPMorgan Chase Bank's publicly announced New York prime rate or on a Eurodollar (as defined in the Revolving Credit Facility) rate plus a spread. The spread is determined based on our total debt-to-EBITDA (as defined in the Revolving Credit Facility) ratio then in effect, and ranges from .315% to .60% per annum. There is a facility fee that we are also required to pay under the Revolving Credit Facility that is based on a rate applied to the total commitment amount under the Revolving Credit Facility, regardless of how much of that commitment we have actually drawn upon. The facility fee rate ranges from .085% to .15% per annum, depending on our total debt-to-EBITDA ratio then in effect. The Revolving Credit Facility matures on August 12, 2010. We did not have any debt outstanding under the Revolving Credit Facility at December 31, 2009.

On September 6, 2006, we entered into a five-year $200 million term loan facility (2006 Term Loan Facility) with Wells Fargo Bank, N.A., as Administrative Agent. On December 31, 2007, we began making the scheduled quarterly principal payments as follows:

Quarterly Installments	Percentage of Drawn Amounts
1 – 8	2.50% each
9 – 12	3.75% each
13 – 15	5.00% each
Maturity Date	Remaining Principal Balance

The 2006 Term Loan Facility matures on September 6, 2011. For each borrowing under the 2006 Term Loan Facility, we can generally choose to have the interest rate for that borrowing calculated based on either (i) a Eurodollar (as defined in the 2006 Term Loan Facility) rate, plus a spread which is determined based on our total debt-to-EBITDA ratio (as defined in the 2006 Term Loan Facility) then in effect, and ranges from .315% to .60% per annum, or (ii) the higher of Wells Fargo Bank's prime rate in effect on such date or the Federal Funds rate in effect on such date plus .50%. There is a facility fee that we are also required to pay under the 2006 Term Loan Facility that is based on a facility fee rate applied to the outstanding principal balance owed under the 2006 Term Loan Facility. The facility fee rate ranges from .085% to .15% per annum, depending on our total debt-to-EBITDA ratio then in effect. We may elect to prepay the 2006 Term Loan Facility at any time without incurring any prepayment penalties. At December 31, 2009, we had $148.7 million outstanding under the 2006 Term Loan Facility.

On March 7, 2008, we entered into a new four-year $100 million term loan facility (2008 Term Loan Facility) with Wells Fargo Bank, N.A., as Administrative Agent. On March 31, 2009, we began making the scheduled quarterly principal payments as follows:

Quarterly Installments	Percentage of Drawn Amount
1 – 4	2.25% each
5 – 8	3.75% each
9 – 12	4.00% each
Maturity Date	Remaining Principal Balance

The 2008 Term Loan Facility matures on March 7, 2012. For each borrowing under the 2008 Term Loan Facility, we can generally choose to have the interest rate for that borrowing calculated based on either (i) a Eurodollar (as defined in the 2008 Term Loan Facility) rate, plus a spread which is determined based on our total debt-to-EBITDA ratio (as defined in the 2008 Term Loan Facility) then in effect, and ranges from .40% to .75% per annum, or (ii) the higher of Wells Fargo Bank's prime rate in effect on such date or the Federal Funds rate in effect on such date plus .50%. There is a facility fee that we are also required to pay under the 2008 Term Loan Facility that is based on a rate applied to the outstanding principal balance owed under the 2008 Term Loan Facility. The facility fee rate ranges from .10% to .25% per annum, depending on our total debt-to-EBITDA ratio then in effect. We may elect to prepay the 2008 Term Loan Facility at any time without incurring any prepayment penalties. At December 31, 2009, we had $91.0 million outstanding under the 2007 Term Loan Facility.

Under all of our credit facilities, we are required to maintain an interest coverage ratio of not less than 2.75 to 1 and a total debt-to-EBITDA ratio of not more than 3.0 to 1. The credit facilities also contain covenants restricting our and our subsidiaries' ability to grant liens and enter into certain transactions and limit the total amount of indebtedness of our subsidiaries to $20 million.

The credit facilities each also include customary covenants regarding reporting obligations, delivery of notices regarding certain events, maintaining our corporate existence, payment of obligations, maintenance of our properties and insurance thereon at customary levels with financially sound and reputable insurance companies, maintaining books and records and compliance with applicable laws. The credit facilities each also provide for customary events of default including nonpayment of principal or interest, breach of representations and warranties, violations of covenants, failure to pay certain other indebtedness, bankruptcy and material judgments and liabilities, certain violations of environmental laws or ERISA or the occurrence of a change of control. As of December 31, 2009, we were in compliance with all of the covenants of our credit facilities.

Contractual Obligations

Contractual obligations at December 31, 2009 are as follows:

In thousands,	Total	2010	2011	2012	2013	2014	Thereafter
Debt	$ 239,688	$ 46,688	$ 133,000	$ 60,000	$ –	$ –	$ –
Operating leases	64,300	21,068	14,402	11,131	8,285	5,244	4,170
Capital leases	2,083	826	616	397	205	39	–
Deferred compensation liability	4,135	702	702	702	702	704	623
Unfunded pension plan benefit payments	20,593	915	955	1,081	1,188	1,372	15,082
Other long-term obligations	837	431	354	52	–	–	–
Total contractual cash obligations	$ 331,636	$ 70,630	$ 150,029	$ 73,363	$ 10,380	$ 7,359	$ 19,875

At December 31, 2009, we had letters of credit in the amount of $13.9 million. No amounts were drawn against these letters of credit at December 31, 2009. These letters of credit renew annually and exist to support insurance programs relating to workers' compensation, automobile and general liability. We had no other off-balance sheet arrangements at December 31, 2009.

Dividends

We paid a quarterly dividend of 7.5 cents per common share in each of the quarters in the years ended December 31, 2009 and 2008. We currently plan to pay a quarterly dividend of 7.5 cents per common share in each of the quarters in 2010, although any actual dividend declaration can be made only upon approval of our Board of Directors, based on its business judgment.

Share Repurchase

We did not repurchase any shares of our common stock under our stock repurchase program in 2009. As of December 31, 2009, we have repurchased 63.9 million shares since the beginning of our January 1997 stock repurchase program. Under this program, we had authorization to repurchase 10.5 million additional shares at December 31, 2009.

Outlook

We consider such factors as total cash and cash equivalents, current assets, current liabilities, total debt, revenues, operating income and cash flows from operations, investing activities and financing activities when assessing our liquidity. Our primary sources of liquidity have been cash and cash equivalents on hand and cash generated from operating activities. Our management of cash is designed to optimize returns on cash balances and to ensure that it is readily available to meet our operating, investing and financing requirements as they arise. Capital resources are also available from and provided through our Revolving Credit Facility, subject to the terms and conditions of that facility.

The amount of cash on hand and borrowings available under our Revolving Credit Facility are influenced by a number of factors, including fluctuations in our operating results, revenue growth, accounts receivable collections, working capital changes, capital expenditures, tax payments, share repurchases, pension plan contributions, acquisitions and dividends.

Recent developments in the financial markets have increased our exposure to the possible liquidity and credit risks of counterparties to our Revolving Credit Facility. As of December 31, 2009, we had $112.2 million of unused borrowing capacity under our Revolving Credit Facility, and we have not experienced any limitations to date on our ability to access this source of liquidity. At December 31, 2009, we had a cash balance of $86.6 million. Based on our current operational plans, we believe that our Revolving Credit Facility, together with cash on hand and cash provided by operating activities, will be sufficient to fund operations, anticipated capital expenditures, payments of principal and interest on our borrowings, and dividends on our common stock for at least the next twelve months. Nevertheless, we cannot predict the impact on our business performance of the economic recession in the United States and other economies. A lasting economic recession in the United States and other economies could have a material adverse effect on our business, financial position or operating results.

Our Revolving Credit Facility matures in August 2010. If the ongoing disruptions in the credit markets continue for an extended period of time, we may be unable to obtain a replacement facility on acceptable terms or at all. In that event, depending on our ability to generate sufficient cash flow from operations, our overall liquidity and ability to make payments on our indebtedness under our 2006 Term Loan Facility (which matures in September 2011) and our 2008 Term Loan Facility (which matures in March 2012) may be adversely impacted, and we may be required to seek one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or operations, or seeking to raise debt or equity capital. We cannot assure you that any of these actions could be effected on a timely basis or on satisfactory terms, if at all. In addition, our existing debt agreements contain restrictive covenants that may prohibit us from adopting one or more of these alternatives.

Critical Accounting Policies

Critical accounting policies are defined as those that, in our judgment, are most important to the portrayal of our company's financial condition and results of operations and which require complex or subjective judgments or estimates. The areas that we believe involve the most significant management estimates and assumptions are detailed below. Actual results could differ materially from those estimates under different assumptions and conditions. Historically, actual results have not differed significantly from our estimates.

Revenue Recognition

We recognize revenue when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) the service has been performed or the product has been delivered.

Payments received in advance of the performance of services or delivery of the product are recorded as deferred revenue until such time as the services are performed or the product is delivered.

Our accounting policy for revenue recognition has an impact on our reported results and relies on certain estimates that require judgments on the part of management. The portion of our revenue that is most subject to estimates and judgments is revenue recognized using the proportional performance method, as discussed below.

Direct Marketing revenue is derived from a variety of services and products, and may be billed at hourly rates, monthly rates or a fixed price. For all sales, we require either a purchase order, a statement of work signed by the client, a written contract, or some other form of written authorization from the client.

Revenue from agency and creative services, analytical services and market research is typically billed based on time and materials or at a fixed price. If billed at a fixed price, revenue is recognized on a proportional performance basis as the services specified in the arrangement are performed. In most cases, proportional performance is based on the ratio of direct costs incurred to total estimated costs where the costs incurred, primarily labor hours and outsourced services, represent a reasonable surrogate for output measures or contract performance. For fixed fee market research revenue streams, revenue is recognized in proportion to the value of service provided based on output criteria. Contracts accounted for under the proportional performance method constituted less than 6.5% of total Direct Marketing revenue and less than 4.5% of our total revenue for each of the years ended December 31, 2009, 2008 and 2007.

Revenue from email marketing, social media marketing and other digital solutions is recognized as the work is performed. Revenue from these services is typically based on a fixed price or rate given to the client.

Revenue associated with new marketing database builds is deferred until complete or until client acceptance. Upon completion or acceptance, it is then recognized over the term of the related arrangement as the services are provided. Revenue from database and website hosting services is recognized ratably over the contractual hosting period. Pricing for database builds are typically based on a fixed price and hosting fees are typically based on a fixed price per month or per contract.

Revenue from technology database subscriptions is based on a fixed price and is recognized ratably over the term of the subscription.

Revenue from services such as data processing, printing, personalization of communication pieces using laser and inkjet printing, targeted mail, and transportation logistics is recognized as the work is performed. Revenue from these services is typically based on a fixed price or rate given to the client.

Revenue related to fulfillment and contact centers, including inbound and outbound calling and email management, is also typically based on a fixed price per transaction or service provided. Revenue from these services is recognized as the service or activity is performed.

Revenue from software arrangements involving multiple elements is allocated to each element based on the vendor-specific objective evidence of fair values of the respective elements. For software sales with multiple elements (for example, software licenses with undelivered post-contract customer support or "PCS"), we allocate revenue to each component of the arrangement using the residual value method based on the fair value of the undelivered elements. This means we defer revenue from the software sale equal to the fair value of the undelivered elements. The fair value of PCS is based upon separate sales of renewals to other clients. The fair value of services, such as training and consulting, is based upon separate sales of these services to other clients.

The revenue allocated to PCS is recognized ratably over the term of the support period. Revenue allocated to professional services is recognized as the services are performed. The revenue allocated to software products, including time-based software licenses, is recognized, if collection is probable, upon execution of a licensing agreement and shipment of the software or ratably over the term of the license, depending on the structure and terms of the arrangement. If the licensing agreement is for a term of one year or less and includes PCS, we recognize the software and the PCS revenue ratably over the term of the license.

For certain non-software arrangements, we enter into contracts that include delivery of a combination of two or more of our service offerings. Such arrangements are divided into separate units of accounting, provided that the delivered element(s) has stand-alone value and objective and reliable evidence of the fair value of the undelivered element(s) exit(s).

When we are able to unbundle the arrangement into separate units of accounting, revenue from each service is recognized separately, and in accordance with our revenue recognition policy for each element. If we are unable to unbundle the arrangement into separate units of accounting, we apply one of the revenue recognition policies to the entire arrangement. This might impact the timing of revenue recognition, but would not change the total revenue recognized from the arrangement.

Shopper services are considered rendered, and the revenue recognized, when all printing, sorting, labeling and ancillary services have been provided and the mailing material has been received by the USPS.

Taxes collected from customers and remitted to governmental authorities are not reflected in our revenues or expenses.

Allowance for Doubtful Accounts

We maintain our allowance for doubtful accounts at a balance adequate to reduce accounts receivable to the amount of cash expected to be realized upon collection. The methodology used to determine the allowance balance is based on our prior collection experience and is generally related to the accounts receivable balance in various aging categories. The balance is also influenced by specific clients' financial strength and circumstance. Accounts that are determined to be uncollectible are written off in the period in which they are determined to be uncollectible. Periodic changes to the allowance balance are recorded as increases or decreases to bad debt expense, which is included in the "Advertising, selling, general and administrative" line of our Consolidated Statements of Operations. We recorded bad debt expense of $2.1 million, $5.8 million and $3.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. At December 31, 2009 and 2008 our allowance for doubtful accounts was $2.8 million and $4.2 million, respectively. While we believe our reserve estimate to be appropriate, we may find it necessary to adjust the allowance for doubtful accounts if future bad debt expense exceeds the estimated reserve. Current economic conditions increase the difficulty and level of management judgment in setting the reserve. Given the significance of accounts receivable to the consolidated financial statements, the determination of net realizable values is considered to be a critical accounting estimate.

Reserve for Healthcare, Workers' Compensation, Automobile and General Liability

We are self-insured for our workers' compensation, automobile, general liability and a portion of our healthcare insurance. We make various subjective judgments about a number of factors in determining our reserve for healthcare, workers' compensation, automobile and general liability insurance, and the related expense. Our deductible for individual healthcare claims is $0.2 million. Our deductible for workers' compensation is $0.5 million per claim. We have a $0.3 million deductible per claim automobile and general liability. Our insurance administrator provides us with estimated loss reserves, based upon its experience dealing with similar types of claims, as well as amounts paid to date against these claims. We apply actuarial factors to both insurance estimated loss reserves and to paid claims and then determine reserve levels, taking into account these calculations. At December 31, 2009 and 2008, our reserve for healthcare, workers' compensation, automobile and general liability was $12.3 million and $13.1 million, respectively. If ultimate losses were 10% higher than our estimate at December 31, 2009, net income would be impacted by approximately $0.8 million, net of taxes. The amount that earnings would be impacted is dependent on the claim year and our deductible levels for that plan year. Periodic changes to the reserve for workers' compensation, automobile and general liability are recorded as increases or decreases to insurance expense, which is included in the "Advertising, selling, general and administrative" line of our Consolidated Statement of Operations. Periodic changes to the reserve for healthcare are recorded as increases or decreases to employee benefits expense, which is included in the "Labor" line of our Consolidated Statement of Operations.

Goodwill

Goodwill is recorded to the extent that the purchase price of an acquisition exceeds the fair value of the identifiable net assets acquired. We assess the impairment of our goodwill by determining the fair value of each of our reporting units and comparing the fair value to the carrying value for each reporting unit. We have identified our reporting units as Direct Marketing and Shoppers. At December 31, 2009 and 2008, the net book value of our goodwill was $552.9 million and was allocated to our reporting units as follows:

	December 31,	
In thousands	2009	2008
Direct Marketing	$ 385,399	$ 385,390
Shoppers	167,487	167,487
Total goodwill	$ 552,886	$ 552,877

We performed our annual goodwill impairment testing for both the Direct Marketing and Shoppers segments as of November 30, 2009. As quoted market prices are not available for our reporting units, estimated fair value was determined using a discounted cash flow (DCF) model and a cash flow multiple (CFM) model, with consideration of our overall market capitalization. The DCF and CFM models utilize projected financial results based on historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, the amount and timing of expected future cash flows, and perpetual growth rates. If a reporting unit's carrying amount exceeds its fair value, we must calculate the implied fair value of the reporting unit's goodwill by allocating the reporting unit's fair value to all of its assets and liabilities (recognized and unrecognized) in a manner similar to a purchase price allocation, and then compare this implied fair value to its carrying amount. To the extent that the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recorded.

A summary of the critical assumptions utilized for our annual impairment test in 2009 are outlined below. We believe this information, coupled with our sensitivity analysis, provide relevant information to understand our goodwill impairment testing and evaluate our goodwill balances.

For the annual goodwill impairment test performed on November 30, 2009, we did not significantly change the methodology from 2008 to determine the fair value of our reporting units. We made changes to certain assumptions utilized in the models for 2009 compared with the prior year due to the U.S. and global economic environments, which affect Direct Marketing, and the economic environments in California and Florida, which affect Shoppers. The following is a summary analysis of the significant assumptions used in our models, as well as a sensitivity analysis on the impact of changes in certain assumptions to our overall conclusion concerning impairment of our goodwill balances.

Discount Rate

The discount rate represents the expected return on capital. The discount rate was determined using a target structure of 30% debt and 70% equity. We used the interest rate of a 30-year government security to determine the risk-free rate in our weighted average cost of capital calculation.

Growth Assumptions

Projected annual growth rates and terminal growth rates are primarily driven by management's best estimate of future performance, giving consideration to historical performance and existing and anticipated economic and competitive conditions. These assumptions also take into account expense reductions and restructuring measures taken in 2008 and 2009 in both businesses. The assumed growth rates used in our 2009 calculations were lower than historical growth rates for the respective businesses.

Sensitivity Analysis

The estimated fair value of our Direct Marketing reporting unit was significantly above its carrying value.

In order to analyze the sensitivity of our assumptions on the results of our Shoppers impairment assessment, we determined the impact that a hypothetical 15% reduction in fair value would have on our conclusions. In the case of our Shoppers reporting unit, a 15% decline in fair value would not result in the reporting unit's carrying value to be in excess of its fair value.
If changes in the fair value of our reporting units caused the carrying value of a reporting unit to exceed its fair value, the second step of the goodwill impairment test would be required to be performed to determine the ultimate amount of impairment loss to record.

The determination of recoverability of goodwill requires significant judgment and estimates regarding future cash flows and fair values. These estimates are subject to change and could result in impairment losses being recognized in the future. If different reporting units or different valuation methodologies had been used, the impairment test results could have differed.

Stock-based Compensation
Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period. Determining the fair value of share-based awards requires judgment, including in some cases estimating expected term, volatility and dividend yield. In addition, judgment is required in estimating the amount of stock-based awards that are expected to be forfeited. If actual results differ significantly from some of these estimates, stock-based compensation expense and our results of operations could be materially impacted. For the years ended December 31, 2009, 2008 and 2007, we recorded total stock-based compensation expense of $3.9 million, $5.8 million and $7.1 million, respectively.

Recent Accounting Pronouncements
As discussed in Note A of the Notes to Consolidated Financial Statements, certain new financial accounting pronouncements have been issued which either have already been reflected in the accompanying consolidated financial statements, or will become effective for our financial statements at various dates in the future. Our adoption of FASB ASC 805, *Business Combinations*, in 2009 will affect the way we account for future acquisitions, including acquisition-related costs, contingencies and contingent consideration, and may also impact the amount of information we disclose about acquisitions.

The adoption of the remaining new accounting pronouncements discussed in Note A of the Notes to Consolidated Financial Statements have not and are not expected to have a material effect on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk includes the risk of loss arising from adverse changes in market rates and prices. We face market risks related to interest rate variations and to foreign exchange rate variations. From time to time, we may utilize derivative financial instruments as described below to manage our exposure to such risks.

We are exposed to market risk for changes in interest rates related to our credit facilities. Our earnings are affected by changes in short-term interest rates as a result of our credit facilities, which bear interest at variable rates based on Eurodollar rates (effective 30 day rate of 0.23% at December 31, 2009). The five-year $125 million Revolving Credit Facility has a maturity date of August 12, 2010. At December 31, 2009, we did not have any debt outstanding under the Revolving Credit Facility. The five-year $200 million 2006 Term Loan Facility has a maturity date of September 6, 2011. At December 31, 2009, our debt balance related to the 2006 Term Loan Facility was $148.7 million. The four-year 2008 Term Loan Facility has a maturity date of March 7, 2012. At December 31, 2009, our debt balance related to the 2008 Term Loan Facility was $91.0 million. In September 2007, we entered into a two-year interest rate swap with a notional amount of $150 million and a fixed rate of 4.655% in order to limit a portion of our interest rate exposure by converting a portion of our variable-rate debt to fixed-rate debt. This interest rate swap expired on September 30, 2009.

Assuming the actual level of borrowing throughout 2009, and assuming a one percentage point change in the year's average interest rates, it is estimated that our 2009 net income would have changed by approximately $1.0 million. Due to our overall debt level and cash balance at December 31, 2009, anticipated cash flows from operations, and the various financial alternatives available to management should there be an adverse change in interest rates, we do not believe that we currently have significant exposure to market risks associated with changing interest rates.

Our earnings are also affected by fluctuations in foreign currency exchange rates as a result of our operations in foreign countries. Our primary exchange rate exposure is to the Euro, British pound sterling, Australian dollar, Philippine peso and Brazilian real. We monitor these risks throughout the normal course of business. The majority of the transactions of our U.S. and foreign operations are denominated in the respective local currencies. Changes in exchange rates related to these types of transactions are reflected in the applicable line items making up operating income in our Statement of Operations. Due to the current level of operations conducted in foreign currencies, we do not believe that the impact of fluctuations in foreign exchange rates on these types of transactions is significant to our overall annual earnings. A smaller portion of our transactions are denominated in currencies other than the respective local currencies. For example, inter-company transactions that are expected to be settled in the near-term are denominated in U.S. dollars. Since the accounting records of our foreign operations are kept in the respective local currency, any transactions denominated in other currencies are accounted for in the respective local currency at the time of the transaction. Any foreign currency gain or loss from these transactions results in an adjustment to income, which is recorded in "Other, net" in our Statement of Operations. Transactions such as these amounted to $1.2 million in pre-tax currency transaction losses in 2009. At this time we have not entered into any foreign currency forward exchange contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

We do not enter into derivative instruments for any purpose other than cash flow hedging. We do not speculate using derivative instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements required to be presented under Item 8 are presented in the Consolidated Financial Statements and the notes thereto beginning at page F-1 of this Form 10-K (Financial Statements).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the 1934 Act). It should be noted that, because of inherent limitations, our disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the disclosure controls and procedures are met. Based upon that evaluation, the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that the design and operation of these disclosure controls and procedures were effective, at the "reasonable assurance" level, to ensure information required to be disclosed by us in the reports that we file or submit under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, of our internal control over financial reporting to determine whether any changes occurred during the fourth quarter of 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there were no changes in our internal control over financial reporting or in other factors that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We may make changes in our internal control processes from time to time in the future. It should also be noted that, because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and controls may become inadequate because of changes in conditions or in the degree of compliance with the policies or procedures.

Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting are set forth in the Consolidated Financial Statements beginning on page F-1.

ITEM 9B. OTHER INFORMATION

None.

PART III

Some of the information required by Items 10 through 14 of this Part III is incorporated by reference from our definitive proxy statement to be filed for our 2010 annual meeting of stockholders (2010 Proxy Statement), as indicated below. Our 2010 Proxy Statement will be filed with the SEC not later than 120 days after December 31, 2009. Because the 2010 Proxy Statement has not yet been finalized and filed, there may be certain discrepancies between the currently anticipated section headings specified below and the final section headings contained in the 2010 Proxy Statement.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers
The information required by this item regarding our directors and executive officers will be set forth in our 2010 Proxy Statement under the caption "Directors and Executive Officers", which information is incorporated herein by reference.

Section 16(a) Compliance
The information to appear in our 2010 Proxy Statement under the caption "General Information - Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

Code of Ethics and Other Governance Information
The information required by this item regarding the Supplemental Code of Ethics for our Senior Financial Officers (Code of Ethics), audit committee financial experts, audit committee members and procedures for stockholder recommendations of nominees to our Board of Directors will be set forth in our 2010 Proxy Statement under the caption "Corporate Governance", which information is incorporated herein by reference.

Our Code of Ethics may be found on our website at *www.harte-hanks.com* by clicking on the link "About Us" and then the link "Corporate Governance," and a copy of our Code of Ethics is also available in print, without charge, upon written request to Harte-Hanks, Inc., Attn: Corporate Secretary, 9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216. In accordance with the rules of the NYSE and the SEC, we currently intend to disclose any future amendments to our Code of Ethics, or waivers from our Code of Ethics for our Chief Executive Officer, Chief Financial Officer and Controller, by posting such information on our website (*www.harte-hanks.com*) within the time period required by applicable SEC and NYSE rules.

Management Certifications

In accordance with the Sarbanes-Oxley Act of 2002 and SEC rules thereunder, our Chief Executive Officer and Chief Financial Officer have signed certifications under Sarbanes-Oxley Section 302, which have been filed as exhibits to this Form 10-K. In addition, our Chief Executive Officer submitted his most recent annual certification to the NYSE under Section 303A.12(a) of the NYSE listing standards on May 18, 2009.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item regarding the compensation of our "named executive officers" and directors and other required information will be set forth in our 2010 Proxy Statement under the captions "Executive Compensation," and "Director Compensation," which information is incorporated herein by reference. In accordance with the rules of the SEC, information to be contained in the 2010 Proxy Statement under the caption "Compensation Committee Report" is not deemed to be "filed" with the SEC or subject to the liabilities of the 1934 Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Beneficial Ownership Tables

The information required by this item regarding security ownership of certain beneficial owners, management and directors will be set forth in our 2010 Proxy Statement under the caption "Security Ownership of Management and Principal Stockholders," which information is incorporated herein by reference.

Equity Compensation Plan Information

The information required by this item regarding securities authorized for issuance under equity compensation plans will be set forth in our 2010 Proxy Statement under the caption "Executive Compensation - Equity Compensation Plan Information at Year-End 2009," which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

The information required by this item regarding transactions with related persons, including our policies and procedures for the review, approval or ratification of related person transactions that are required to be disclosed under the SEC's rules and regulations, will be set forth in our 2010 Proxy Statement under the caption "Corporate Governance - Certain Relationships and Related Transactions," which information is incorporated herein by reference.

Director Independence

The information required by this item regarding director independence will be set forth in our 2010 Proxy Statement under the caption "Corporate Governance—Independence of Directors," which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item regarding the audit committee's pre-approval policies and procedures and the disclosures of fees billed by our principal independent auditor will be set forth in our 2010 Proxy Statement under the caption "Audit Committee and Independent Registered Public Accounting Firm," which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

15(a)(1) Financial Statements

The financial statements filed as part of this report and referenced in Item 8 are presented in the Consolidated Financial Statements and the notes thereto beginning at page F-1 of this Form 10-K (Financial Statements).

15(a)(2) Financial Statement Schedules

All schedules for which provision is made in the applicable rules and regulations of the SEC have been omitted as the schedules are not required under the related instructions, are not applicable, or the information required thereby is set forth in the Consolidated Financial Statements or notes thereto.

15(a)(3) Exhibits

The Exhibit Index following the Notes to Consolidated Financial Statements in this Form 10-K lists the exhibits that are filed or furnished, as applicable, as part of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Harte-Hanks, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARTE-HANKS, INC.

By: /s/ Larry Franklin
Larry Franklin
President and Chief Executive Officer

Date: March 3, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Larry Franklin
Larry Franklin
Chairman, President and Chief Executive Officer
Date: March 3, 2010

/s/ Douglas Shepard
Douglas Shepard
Executive Vice President and
Chief Financial Officer
Date: March 3, 2010

/s/ Jessica Huff
Jessica Huff
Vice President, Finance and
Chief Accounting Officer
Date: March 3, 2010

/s/ William K. Gayden
William K. Gayden, Director
Date: March 3, 2010

/s/ Houston H. Harte
Houston H. Harte, Vice Chairman
Date: March 3, 2010

/s/ Christopher M. Harte
Christopher M. Harte, Director
Date: March 3, 2010

/s/ David L. Copeland
David L. Copeland, Director
Date: March 3, 2010

/s/ Judy C. Odom
Judy C. Odom, Director
Date: March 3, 2010

/s/ William F. Farley
William F. Farley, Director
Date: March 3, 2010

/s/ Karen A. Puckett
Karen A. Puckett, Director
Date: March 3, 2010

Harte-Hanks, Inc. and Subsidiaries
Index to Consolidated Financial Statements

All schedules for which provision is made in the applicable rules and regulations of the SEC have been omitted as the schedules are not required under the related instructions, are not applicable, or the information required thereby is set forth in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Harte-Hanks, Inc.:

We have audited the accompanying consolidated balance sheets of Harte-Hanks, Inc. and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, cash flows, and stockholders' equity and comprehensive income for each of the years in the three-year period ended December 31, 2009. We also have audited the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying report, *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Harte-Hanks, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Harte-Hanks, Inc.maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

San Antonio, Texas
March 3, 2010

Management's Report on Internal Control Over Financial Reporting

We are responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report. The consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles and include amounts based on management's estimates and judgments. All other financial information in this report has been presented on a basis consistent with the information included in the consolidated financial statements.

We are also responsible for establishing and maintaining adequate internal control over financial reporting. We maintain a system of internal control that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

Our control environment is the foundation for our system of internal control over financial reporting. It sets the tone of our organization and includes factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures that are reviewed, modified and improved as changes occur in business conditions and operations.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, meets periodically with members of management, the internal auditors and the independent auditors to review and discuss internal controls over financial reporting and accounting and financial reporting matters. Our independent registered public accounting firm and internal auditors report to the Audit Committee and accordingly have full and free access to the Audit Committee at any time.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in *Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission*. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2009.

KPMG LLP, an independent registered public accounting firm, has issued a report on the effectiveness of the Company's internal control over financial reporting, which is included on page F-2 of this Form 10-K.

March 3, 2010

/s/ Larry Franklin
Larry Franklin
President and Chief Executive Officer

/s/ Douglas Shepard
Douglas Shepard
Executive Vice President and
Chief Financial Officer

/s/ Jessica Huff
Jessica Huff
Vice President, Finance and
Chief Accounting Officer

Harte-Hanks, Inc. and Subsidiaries Consolidated Balance Sheets

In thousands, except per share and share amounts	December 31, 2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 86,598	$ 30,161
Accounts receivable *(less allowance for doubtful accounts of $2,827 in 2009 and $4,191 in 2008)*	140,062	169,418
Inventory	4,846	7,481
Prepaid expenses	12,790	14,169
Deferred income tax asset	9,905	13,000
Other current assets	2,398	6,974
Total current assets	256,599	241,203
Property, plant and equipment		
Land	3,365	3,347
Buildings and improvements	38,615	38,972
Software	93,553	90,938
Equipment and furniture	182,832	189,784
	318,365	323,041
Less accumulated depreciation and amortization	(243,873)	(231,197)
	74,492	91,844
Software development and equipment installations in progress	3,907	5,589
Net property, plant and equipment	78,399	97,433
Intangible and other assets		
Goodwill, net	552,886	552,877
Other intangible assets *(less accumulated amortization of $13,953 in 2009 and $12,241 in 2008)*	16,277	17,989
Other assets	3,990	4,064
Total intangible and other assets	573,153	574,930
Total assets	$ 908,151	$ 913,566
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 46,688	$ 30,938
Accounts payable	42,386	48,182
Accrued payroll and related expenses	15,290	22,177
Customer deposits and deferred revenue	54,055	58,227
Income taxes payable	6,114	9,128
Other current liabilities	8,670	19,083
Total current liabilities	173,203	187,735
Long-term debt	193,000	239,687
Other long-term liabilities *(including deferred income taxes of $77,980 in 2009 and $65,723 in 2008)*	140,305	129,772
Total liabilities	506,508	557,194
Stockholders' equity		
Common stock, $1 par value, authorized: 250,000,000 shares Issued 2009: 118,242,582; Issued 2008: 118,085,480 shares	118,243	118,085
Additional paid-in capital	333,612	331,227
Retained earnings	1,217,975	1,189,376
Less treasury stock, 2009: 54,668,032; 2008: 54,672,070 shares at cost	(1,236,217)	(1,236,581)
Accumulated other comprehensive loss	(31,970)	(45,735)
Total stockholders' equity	401,643	356,372
Total liabilities and stockholders' equity	$ 908,151	$ 913,566

See Accompanying Notes to Consolidated Financial Statements.

Harte-Hanks, Inc. and Subsidiaries Consolidated Statements of Operations

In thousands, except per share amounts	Year Ended December 31, 2009	2008	2007
Operating revenues	$ 860,143	$1,082,821	$1,162,886
Operating expenses			
Labor	366,077	448,769	468,675
Production and distribution	312,230	398,701	402,793
Advertising, selling, general and administrative	62,479	81,655	89,787
Shoppers legal settlement in principle	6,950	–	–
Depreciation and amortization	28,265	33,429	33,195
Intangible asset amortization	1,712	2,950	3,509
Total operating expenses	777,713	965,504	997,959
Operating income	82,430	117,317	164,927
Other expenses (income)			
Interest expense	8,150	14,201	12,992
Interest income	(182)	(378)	(539)
Other, net	2,520	1,925	1,337
	10,488	15,748	13,790
Income before income taxes	71,942	101,569	151,137
Income tax expense	24,227	38,828	58,497
Net income	$ 47,715	$ 62,741	$ 92,640
Basic earnings per common share	$ 0.75	$ 0.98	$ 1.28
Weighted-average common shares outstanding	63,557	63,933	72,524
Diluted earnings per common share	$ 0.75	$ 0.98	$ 1.26
Weighted-average common and common equivalent shares outstanding	63,885	64,104	73,703

See Accompanying Notes to Consolidated Financial Statements.

Harte-Hanks, Inc. and Subsidiaries Consolidated Statements of Cash Flows

In thousands	Year Ended December 31, 2009	2008	2007
Cash Flows from Operating Activities			
Net income	$ 47,715	$ 62,741	$ 92,640
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	28,265	33,429	33,195
Intangible asset amortization	1,712	2,950	3,509
Stock-based compensation	3,889	5,827	7,067
Excess tax benefits from stock-based compensation	(13)	(342)	(2,455)
Pension expense	8,906	1,827	2,179
Deferred income taxes	6,092	13,529	8,631
Other, net	163	192	556
Changes in operating assets and liabilities, net of effects from acquisitions:			
Decrease (increase) in accounts receivable, net	29,356	31,477	(10,251)
Decrease (increase) in inventory	2,635	(1,474)	1,949
Decrease in prepaid expenses and other current assets	5,955	4,063	2,010
(Decrease) increase in accounts payable	(5,796)	(21,548)	8,314
(Decrease) increase in other accrued expenses and other liabilities	(14,060)	(16,034)	2,221
Other, net	(797)	64	(6,350)
Net cash provided by operating activities	114,022	116,701	143,215
Cash Flows from Investing Activities			
Acquisitions, net of cash acquired	–	(8,688)	–
Purchases of property, plant and equipment	(9,011)	(19,947)	(28,217)
Proceeds from the sale of property, plant and equipment	142	339	120
Net cash used in investing activities	(8,869)	(28,296)	(28,097)
Cash Flows from Financing Activities			
Borrowings	–	197,000	123,000
Payments on borrowings	(30,937)	(185,500)	(68,875)
Issuance of common stock	555	4,203	16,747
Excess tax benefits from stock-based compensation	13	342	2,455
Purchase of treasury stock	–	(76,649)	(183,867)
Dividends paid	(19,116)	(19,101)	(20,299)
Net cash used in financing activities	(49,485)	(79,705)	(130,839)
Effect of exchange rate changes on cash and cash equivalents	769	(1,386)	298
Net increase (decrease) in cash and cash equivalents	56,437	7,314	(15,423)
Cash and cash equivalents at beginning of year	30,161	22,847	38,270
Cash and cash equivalents at end of year	$ 86,598	$ 30,161	$ 22,847

See Accompanying Notes to Consolidated Financial Statements.

Harte-Hanks, Inc. and Subsidiaries Consolidated Statements of Stockholders' Equity and Comprehensive Income

In thousands, except per share amounts	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income(Loss)	Total Stockholders' Equity
Balance at December 31, 2006	$ 116,497	$ 295,555	$1,073,395	$ (974,625)	$ (17,346)	$ 493,476
Common stock issued — employee stock purchase plan	213	3,851	–	–	–	4,064
Exercise of stock options	983	13,163	–	(1,892)	–	12,254
Net tax effect of stock options	–	3,554	–	–	–	3,554
Stock-based compensation	–	7,057	–	–	–	7,057
Dividends paid ($0.28 per share)	–	–	(20,299)	–	–	(20,299)
Treasury stock issued	–	2	–	179	–	181
Treasury stock repurchased	–	–	–	(183,867)	–	(183,867)
Comprehensive income, net of tax:						
Net income	–	–	92,640	–	–	92,640
Adjustment to pension liability (net of tax benefit of $595)	–	–	–	–	(484)	(484)
Change in value of derivative instrument accounted for as a cash flow hedge (net of tax benefit of $1,038)	–	–	–	–	(1,557)	(1,557)
Foreign currency translation adjustment	–	–	–	–	1,493	1,493
Total comprehensive income	–	–	–	–	–	92,092
Balance at December 31, 2007	$ 117,693	$ 323,182	$1,145,736	$ (1,160,205)	$ (17,894)	$ 408,512
Common stock issued — employee stock purchase plan	298	2,639	–	–	–	2,937
Exercise of stock options and release of non-vested shares	94	1,267	–	(49)	–	1,312
Net tax effect of stock options and non-vested shares	–	(1,550)	–	–	–	(1,550)
Stock-based compensation	–	5,827	–	–	–	5,827
Dividends paid ($0.30 per share)	–	–	(19,101)	–	–	(19,101)
Treasury stock issued	–	(138)	–	322	–	184
Treasury stock repurchased	–	–	–	(76,649)	–	(76,649)
Comprehensive income, net of tax:						
Net income	–	–	62,741	–	–	62,741
Adjustment to pension liability (net of tax benefit of $15,259)	–	–	–	–	(22,886)	(22,886)
Change in value of derivative instrument accounted for as a cash flow hedge (net of tax benefit of $762)	–	–	–	–	(1,146)	(1,146)
Foreign currency translation adjustment	–	–	–	–	(3,809)	(3,809)
Total comprehensive income	–	–	–	–	–	34,900
Balance at December 31, 2008	$ 118,085	$ 331,227	$1,189,376	$ (1,236,581)	$ (45,735)	$ 356,372
Common stock issued — employee stock purchase plan	85	402	–	–	–	487
Exercise of stock options and release of non-vested shares	73	44	–	(129)	–	(12)
Net tax effect of stock options and non-vested shares	–	(1,621)	–	–	–	(1,621)
Stock-based compensation	–	3,889	–	–	–	3,889
Dividends paid ($0.30 per share)	–	–	(19,116)	–	–	(19,116)
Treasury stock issued	–	(329)	–	493	–	164
Comprehensive income, net of tax:						
Net income	–	–	47,715	–	–	47,715
Adjustment to pension liability (net of tax expense of $5,631)	–	–	–	–	8,446	8,446
Change in value of derivative instrument accounted for as a cash flow hedge (net of tax expense of $1,800)	–	–	–	–	2,703	2,703
Foreign currency translation adjustment	–	–	–	–	2,616	2,616
Total comprehensive income	–	–	–	–	–	61,480
Balance at December 31, 2009	$ 118,243	$ 333,612	$1,217,975	$ (1,236,217)	$ (31,970)	$ 401,643

See Accompanying Notes to Consolidated Financial Statements.

Harte-Hanks, Inc. and Subsidiaries Notes to Consolidated Financial Statements

Note A – Significant Accounting Policies

Consolidation
The accompanying consolidated financial statements present the financial position and the results of operations and cash flows of Harte-Hanks, Inc. and subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified for comparative purposes. In the Consolidated Statements of Cash Flows, pension expense has been reclassified from the line item "Other, net" in the Changes in operating assets and liabilities, to the line item "Pension expense" in the Adjustments to reconcile net income to cash provided by operations.

As used in this report, the terms "Harte-Hanks," "we," "us," or "our" may refer to Harte-Hanks, one or more of its consolidated subsidiaries, or all of them taken as a whole.

Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results and outcomes could differ from those estimates and assumptions. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances could result in revised estimates and assumptions.

Operating Expense Presentation in Consolidated Statement of Operations
The "Labor" line in the Consolidated Statements of Operations includes all employee payroll and benefits, including stock-based compensation, along with temporary labor costs. The "Production and distribution" and "Advertising, selling and general administrative" lines do not include labor, depreciation or amortization.

Revenue Recognition
We recognize revenue when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) the service has been performed or the product has been delivered.

Payments received in advance of the performance of services or delivery of the product are recorded as deferred revenue until such time as the services are performed or the product is delivered.

Our accounting policy for revenue recognition has an impact on our reported results and relies on certain estimates that require judgments on the part of management. The portion of our revenue that is most subject to estimates and judgments is revenue recognized using the proportional performance method, as discussed below.

Direct Marketing revenue is derived from a variety of services and products, and may be billed at hourly rates, monthly rates or a fixed price. For all sales, we require either a purchase order, a statement of work signed by the client, a written contract, or some other form of written authorization from the client.

Revenue from agency and creative services, analytical services and market research is typically billed based on time and materials or at a fixed price. If billed at a fixed price, revenue is recognized on a proportional performance basis as the services specified in the arrangement are performed. In most cases, proportional performance is based on the ratio of direct costs incurred to total estimated costs where the costs incurred, primarily labor hours and outsourced services, represent a reasonable surrogate for output measures or contract performance. For fixed fee market research revenue streams, revenue is recognized in proportion to the value of service provided based on output criteria. Contracts accounted for under the proportional performance method constituted less than 6.5% of total Direct Marketing revenue and less than 4.5% of our total revenue for each of the years ended December 31, 2009, 2008 and 2007.

Revenue from email marketing, social media marketing and other digital solutions is recognized as the work is performed. Revenue from these services is typically based on a fixed price or rate given to the client.

Revenue associated with new marketing database builds is deferred until complete or until client acceptance. Upon completion or acceptance, it is then recognized over the term of the related arrangement as the services are provided. Revenue from database and website hosting services is recognized ratably over the contractual hosting period. Pricing for database builds are typically based on a fixed price and hosting fees are typically based on a fixed price per month or per contract.

Revenue from technology database subscriptions is based on a fixed price and is recognized ratably over the term of the subscription.

Revenue from services such as data processing, printing, personalization of communication pieces using laser and inkjet printing, targeted mail, and transportation logistics is recognized as the work is performed. Revenue from these services is typically based on a fixed price or rate given to the client.

Revenue related to fulfillment and contact centers, including inbound and outbound calling and email management, is also typically based on a fixed price per transaction or service provided. Revenue from these services is recognized as the service or activity is performed.

Revenue from software arrangements involving multiple elements is allocated to each element based on the vendor-specific objective evidence of fair values of the respective elements. For software sales with multiple elements (for example, software licenses with undelivered post-contract customer support or "PCS"), we allocate revenue to each component of the arrangement using the residual value method based on the fair value of the undelivered elements. This means we defer revenue from the software sale equal to the fair value of the undelivered elements. The fair value of PCS is based upon separate sales of renewals to other clients. The fair value of services, such as training and consulting, is based upon separate sales of these services to other clients.

The revenue allocated to PCS is recognized ratably over the term of the support period. Revenue allocated to professional services is recognized as the services are performed. The revenue allocated to software products, including time-based software licenses, is recognized, if collection is probable, upon execution of a licensing agreement and shipment of the software or ratably over the term of the license, depending on the structure and terms of the arrangement. If the licensing agreement is for a term of one year or less and includes PCS, we recognize the software and the PCS revenue ratably over the term of the license.

For certain non-software arrangements, we enter into contracts that include delivery of a combination of two or more of our service offerings. Such arrangements are divided into separate units of accounting, provided that the delivered element(s) has stand-alone value and objective and reliable evidence of the fair value of the undelivered element(s) exit(s).

When we are able to unbundle the arrangement into separate units of accounting, revenue from each service is recognized separately, and in accordance with our revenue recognition policy for each element. If we are unable to unbundle the arrangement into separate units of accounting, we apply one of the revenue recognition policies to the entire arrangement. This might impact the timing of revenue recognition, but would not change the total revenue recognized from the arrangement.

Shopper services are considered rendered, and the revenue recognized, when all printing, sorting, labeling and ancillary services have been provided and the mailing material has been received by the USPS.

Taxes collected from customers and remitted to governmental authorities are not reflected in our revenues or expenses.

Cash Equivalents
All highly liquid investments with an original maturity of 90 days or less at the time of purchase are considered to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Allowance for Doubtful Accounts
We maintain our allowance for doubtful accounts at a balance adequate to reduce accounts receivable to the amount of cash expected to be realized upon collection. The methodology used to determine the minimum allowance balance is based on our prior collection experience and is generally related to the accounts receivable balance in various aging categories. The balance is also influenced by specific clients' financial strength and circumstance. Accounts that are determined to be uncollectible are written off in the period in which they are determined to be uncollectible. Periodic changes to the allowance balance are recorded as increases or decreases to bad debt expense, which is included in the "Advertising, selling, general and administrative" line of our Consolidated Statements of Operations. The changes in the allowance for doubtful accounts consisted of the following:

	Year Ended December 31,		
In thousands	2009	2008	2007
Balance at beginning of year	$ 4,191	$ 3,556	$ 3,928
Additions charged to expense	2,083	5,793	3,483
Amounts charged against the allowance, net of recoveries	3,447	5,158	3,855
Balance at end of year	$ 2,827	$ 4,191	$ 3,556

Inventory
Inventory, consisting primarily of newsprint, job paper and operating supplies, is stated at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment
Property, plant and equipment are stated on the basis of cost. Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their useful lives. The general ranges of estimated useful lives are:

Buildings and improvements	10 to 40 years
Software	3 to 10 years
Equipment and furniture	3 to 20 years

Long-lived assets such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We did not record an impairment on long-lived assets in any of the years in the three year period ended December 31, 2009.

Property, plant and equipment includes capital lease assets. Capital lease assets at December 31, 2009 and 2008 consisted of:

In thousands	December 31, 2009	2008
Equipment and furniture	$ 3,378	$ 3,069
Less accumulated amortization	(1,431)	(752)
Net book value	$ 1,947	$ 2,317

Amortization expense related to capital lease assets was $0.7 million, $0.5 million and $0.2 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Depreciation and amortization on the remaining property plant and equipment was $27.6 million, $32.9 million and $33.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Goodwill and Other Intangibles
Goodwill is recorded to the extent that the purchase price of an acquisition exceeds the fair value of the identifiable net assets acquired. Other intangibles with definite and indefinite useful lives are recorded at fair value at the date of the acquisition. Goodwill and other intangibles with indefinite useful lives were tested for impairment as of November 30, 2009. Fair values of our reporting units and other intangibles with indefinite useful lives have been determined using discounted cash flow and cash flow multiple methodology. Our overall market capitalization was also considered when evaluating the fair values of our reporting units. Intangible assets with definite useful lives are amortized over their respective estimated useful lives and reviewed for impairment if we believe that changes or triggering events have occurred that could have caused the carrying value of the intangible assets to exceed its fair value. We have determined that no impairment of goodwill or other intangibles existed in any of the years during the three year period ended December 31, 2009.

Income Taxes
Income taxes are calculated using the asset and liability method. Deferred income taxes are recognized for the tax consequences resulting from temporary differences by applying enacted statutory tax rates applicable to future years. These temporary differences are associated with differences between the financial and the tax basis of existing assets and liabilities. Any statutory change in tax rates will be recognized immediately in deferred taxes and income.

Earnings Per Share
Basic earnings per common share are based upon the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are based upon the weighted-average number of common shares and dilutive common stock equivalents outstanding during the period. Dilutive common stock equivalents are calculated based on the assumed exercise of stock options and vesting of non-vested shares using the treasury stock method.

Stock-Based Compensation
All share-based awards are recognized as operating expense in the "Labor" line of the Consolidated Statement of Operations. Calculated expense is based on the fair values of the awards on the date of grant and is recognized over the requisite service period.

Reserve for Healthcare, Workers' Compensation, Automobile and General Liability
We are self-insured for our workers' compensation, automobile, general liability and a portion of our healthcare insurance. We make various subjective judgments about a number of factors in determining our reserve for healthcare, workers' compensation, automobile and general liability insurance, and the related expense. Our deductible for individual healthcare claims is $0.2 million. Our deductible for workers' compensation is $0.5 million. We have a $0.3 million deductible for automobile and general liability claims. Our insurance administrator provides us with estimated loss reserves, based upon its experience dealing with similar types of claims, as well as amounts paid to date against these claims. We apply actuarial factors to both insurance estimated loss reserves and to paid claims and then determine reserve levels, taking into account these

calculations. At December 31, 2009 and 2008, our reserve for healthcare, workers' compensation, automobile and general liability was $12.3 million and $13.1 million, respectively. Periodic changes to the reserve for workers' compensation, automobile and general liability are recorded as increases or decreases to insurance expense, which is included in the "Advertising, selling, general and administrative" line of our Consolidated Statement of Operations. Periodic changes to the reserve for healthcare are recorded as increases or decreases to employee benefits expense, which is included in the "Labor" line of our Consolidated Statement of Operations.

Accounting for Derivative Instruments and Hedging Activities

We have used derivative instruments to manage the risk of changes in prevailing interest rates adversely affecting future cash flows associated with our credit facilities. The derivative instrument used to manage such risk was the interest rate swap. We designated our interest rate swap as a cash flow hedge. As such, we reported the fair value of the swap as an asset or liability on our balance sheet. The effective portion of changes in the fair value of the swap was recorded in other comprehensive loss and was recognized as a component of interest expense in the Statement of Operations when the hedged item affected results of operations. Cash flows from derivatives accounted for as cash flow hedges were reported as cash flow from operating activities, in the same category as the cash flows from the items being hedged.

Foreign Currencies

In most instances the functional currencies of our foreign operations are the local currencies. Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during a given month. Adjustments resulting from this translation are charged or credited to other comprehensive loss.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (codified as ASC 105-10). ASC 105-10 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. GAAP. ASC 105-10 establishes the Accounting Standards Codification (ASC) as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Following this statement, the FASB will issue new standards in the form of Accounting Standards Updates (ASU). ASC 105-10 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted the provisions of ASC 105-10 on July 1, 2009.

We adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, (ASC 820) relating to financial assets and liabilities on January 1, 2008. We adopted the provisions of ASC 820 relating to non-financial assets and non-financial liabilities on January 1, 2009. ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The adoption of ASC 820 did not have a significant impact on our consolidated financial statements.

On January 1, 2009 we adopted the provisions of FASB ASC 805, *Business Combinations,* as revised in December 2007 (ASC 805). ASC 805 establishes principles and requirements for how an acquiring company:

- Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree;
- Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and
- Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

ASC 805 requires an acquiring company to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at fair value as of the acquisition date. Prior to ASC 805, acquisition-related costs were included in the total costs of the acquisition and were allocated to the assets acquired and the liabilities assumed. Under ASC 805, these acquisition-related costs will be expensed in the period in which they are incurred. Prior to ASC 805, contingent consideration usually was not recognized until the contingency was resolved, in which case an adjustment was made to goodwill. ASC 805 requires an acquiring company to recognize contingent consideration at fair value as of the acquisition date. Our adoption of ASC 805 will affect the way we account for future acquisitions, including acquisition-related costs and contingent consideration. Our adoption of ASC 805 may also impact the amount of information we disclose about future acquisitions.

We adopted the provisions of FASB ASC 815, *Derivatives and Hedging,* (ASC 815) on January 1, 2009. ASC 815 establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. This statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair values and amounts of any gains and losses on derivative instruments, and disclosures about contingent features related to credit risk in derivative agreements. New disclosures required by ASC 815 are included in Note E, *Interest Rate Risk*. The adoption of ASC 815 did not affect our consolidated financial statements.

In December 2008, the FASB amended FASB ASC 715, *Compensation-Retirement Benefits* (ASC 715) to provide additional guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The objectives of the disclosures required by ASC 715 are to provide users of financial statements with an understanding of:

- How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies;
- The major categories of plan assets;
- The inputs and valuation techniques used to measure the fair value of plan assets;
- The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and
- Significant concentrations of risk within plan assets.

We adopted ASC 715 on December 31, 2009 and the additional disclosures are included in Note H, *Employee Benefit Plans*. The adoption of ASC 815 did not affect our consolidated financial statements.

In April 2009, we adopted FASB ASC 825-10-50, *Financial Instruments-Overall-Disclosures*, (ASC 825-10-50). ASC 825-10-50 requires an entity to provide interim disclosures regarding the fair value of financial instruments that were previously only required to be disclosed annually. New disclosures required by ASC 825-10-50 were included in the footnotes to our Form 10-Q's filed for the second and third quarters of 2009. The adoption of ASC 825-10-50 did not affect our consolidated financial statements.

In June 2009, we adopted FASB ASC 855, *Subsequent Events,* (ASC 855). ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet but before financial statements are issued or are available to be issued. ASC 855 sets forth:

- The period after the balance sheet date during which management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements;
- The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and
- The disclosures that an entity should make about events or transactions that occurred after the balance sheet date, as well as the date through which management has evaluated subsequent events and the basis for that date.

New disclosures required by ASC 855 are included in Note P, *Subsequent Events*. The adoption of ASC 855 did not affect our consolidated financial statements.

In October 2009, the FASB issued ASC Subtopic 605-25, *Revenue Recognition - Multiple-Element Arrangements*, (ASC Subtopic 605-25). ASC Subtopic 605-25 provides principles for allocation of consideration among its multiple-elements, allowing more flexibility in identifying and accounting for separate deliverables under an arrangement. ASC Subtopic 605-25 introduces an estimated selling price method for allocating revenue to the elements of a bundled arrangement if vendor-specific objective evidence or third-party evidence of selling price is not available, and significantly expands related disclosure requirements. This standard is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of ASC Subtopic 605-25 is not expected to have a material effect on our consolidated financial statements.

In October 2009, we adopted FASB ASU 2009-05. ASU 2009-05 amends FASB ASC Topic 820, *Fair Value Measurements and Disclosures* to allow companies determining the fair value of a liability to use the perspective of an investor that holds the related obligation as an asset. ASU 2009-05 applies to all fair-value measurements of liabilities required by U.S. GAAP. The adoption of ASU 2009-05 did not affect our consolidated financial statements.

Note B – Acquisitions

In January 2008, we acquired Mason Zimbler Limited, a full-service integrated digital marketing agency specializing in the technology sector. With offices in Bristol, UK and Reading, UK, Mason Zimbler provides technology companies with a full range of integrated digital marketing services, including direct marketing, advertising and branding, incorporating Web site development, e-mail lead generation, viral, channel incentive programs, media planning and buying, research and other services. Goodwill of $9.8 million has been recognized in this transaction and assigned to the Direct Marketing segment. No other intangible assets were recognized in this transaction.

The total cost of the acquisition in 2008 was $8.7 million, all paid in cash. The operating results of this acquisition have been included in the accompanying Consolidated Financial Statements from the date of the acquisition. We did not make any acquisitions in 2009 or 2007.

We have not disclosed proforma amounts including the operating results of this acquisition as it is not considered material.

Note C – Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, (ASC 820) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into three levels:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Because of their maturities and/or variable interest rates, certain financial instruments have fair values approximating their carrying values. These instruments include cash and cash equivalents, accounts receivable and trade payables. The carrying value of the interest rate swap was adjusted to fair value at the end of each fiscal quarter and is disclosed in Note E, *Interest Rate Risk*. The fair value of our outstanding debt is disclosed in Note D, *Long-Term Debt*. The fair value of the assets in our funded pension plan is disclosed in Note H, *Employee Benefit Plans*.

Note D – Long-Term Debt

Our long-term debt obligations at year-end were as follows:

In thousands	December 31, 2009	2008
2006 Term Loan Facility, various interest rates based on Eurodollar (effective rate of 0.73% at December 31, 2009), due September 6, 2011	$ 148,688	$ 170,625
2008 Term Loan Facility, various interest rates based on Eurodollar (effective rate of 0.73% at December 31, 2009), due March 7, 2012	91,000	100,000
Total debt	239,688	270,625
Less current maturities	46,688	30,938
Total long-term debt	$ 193,000	$ 239,687

The carrying values and estimated fair values of our outstanding debt at year-end were as follows:

	December 31, 2009		2008	
In thousands	Carrying Value	Fair Value	Carrying Value	Fair Value
Total debt	$ 239,688	$ 230,555	$ 270,625	$ 251,534

The fair value of our total debt is estimated based on the current rates proposed to us for debt of the same remaining maturity and characteristics.

Credit Facilities

On August 12, 2005, we entered into a five-year $125 million revolving credit facility (Revolving Credit Facility) with JPMorgan Chase Bank, N.A., as Administrative Agent. The Revolving Credit Facility allows us to obtain revolving credit loans. For each borrowing under the Revolving Credit Facility, we can generally choose to have the interest rate for that borrowing calculated based on either JPMorgan Chase Bank's publicly announced New York prime rate or on a Eurodollar (as defined in the Revolving Credit Facility) rate plus a spread. The spread is determined based on our total debt-to-EBITDA (as defined in the Revolving Credit Facility) ratio then in effect, and ranges from .315% to .60% per annum. There is a facility fee that we are also required to pay under the Revolving Credit Facility that is based on a rate applied to the total commitment amount under the Revolving Credit Facility, regardless of how much of that commitment we have actually drawn upon. The facility fee rate ranges from .085% to .15% per annum, depending on our total debt-to-EBITDA ratio then in effect. The Revolving Credit Facility matures on August 12, 2010.

On September 6, 2006, we entered into a five-year $200 million term loan facility (2006 Term Loan Facility) with Wells Fargo Bank, N.A., as Administrative Agent. On December 31, 2007 we began making the scheduled quarterly principal payments as follows:

Quarterly Installments	Percentage of Drawn Amounts
1 – 8	2.50% each
9 – 12	3.75% each
13 – 15	5.00% each
Maturity Date	Remaining Principal Balance

The 2006 Term Loan Facility matures on September 6, 2011. For each borrowing under the 2006 Term Loan Facility, we can generally choose to have the interest rate for that borrowing calculated based on either (i) a Eurodollar (as defined in the 2006 Term Loan Facility) rate, plus a spread which is determined based on our total debt-to-EBITDA ratio (as defined in the 2006 Term Loan Facility) then in effect, and ranges from .315% to .60% per annum, or (ii) the higher of Wells Fargo Bank's prime rate in effect on such date or the Federal Funds rate in effect on such date plus .50%. There is a facility fee that we are also required to pay under the 2006 Term Loan Facility that is based on a facility fee rate applied to the outstanding principal balance owed under the 2006 Term Loan Facility. The facility fee rate ranges from .085% to .15% per annum, depending on our total debt-to-EBITDA ratio then in effect. We may elect to prepay the 2006 Term Loan Facility at any time without incurring any prepayment penalties.

On March 7, 2008, we entered into a new four-year $100 million term loan facility (2008 Term Loan Facility) with Wells Fargo Bank, N.A., as Administrative Agent. On March 31, 2009, we began making the scheduled quarterly principal payments as follows:

Quarterly Installments	Percentage of Drawn Amount
1 – 4	2.25% each
5 – 8	3.75% each
9 – 12	4.00% each
Maturity Date	Remaining Principal Balance

The 2008 Term Loan Facility matures on March 7, 2012. For each borrowing under the 2008 Term Loan Facility, we can generally choose to have the interest rate for that borrowing calculated based on either (i) a Eurodollar (as defined in the 2008 Term Loan Facility) rate, plus a spread which is determined based on our total debt-to-EBITDA ratio (as defined in the 2008 Term Loan Facility) then in effect, and ranges from .40% to .75% per annum, or (ii) the higher of Wells Fargo Bank's prime rate in effect on such date or the Federal Funds rate in effect on such date plus .50%. There is a facility fee that we are also required to pay under the 2008 Term Loan Facility that is based on a rate applied to the outstanding principal balance owed under the 2008 Term Loan Facility. The facility fee rate ranges from .10% to .25% per annum, depending on our total debt-to-EBITDA ratio then in effect. We may elect to prepay the 2008 Term Loan Facility at any time without incurring any prepayment penalties.

Under all of our credit facilities, we are required to maintain an interest coverage ratio of not less than 2.75 to 1 and a total debt-to-EBITDA ratio of not more than 3.0 to 1. The credit facilities also contain covenants restricting our and our subsidiaries' ability to grant liens and enter into certain transactions and limit the total amount of indebtedness of our subsidiaries to $20 million.

The credit facilities each also include customary covenants regarding reporting obligations, delivery of notices regarding certain events, maintaining our corporate existence, payment of obligations, maintenance of our properties and insurance thereon at customary levels with financially sound and reputable insurance companies, maintaining books and records and compliance with applicable laws. The credit facilities each also provide for customary events of default including nonpayment of principal or interest, breach of representations and warranties, violations of covenants, failure to pay certain other indebtedness, bankruptcy and material judgments and liabilities, certain violations of environmental laws or ERISA or the occurrence of a change of control. As of December 31, 2009, we were in compliance with all of the covenants of our credit facilities.

The future minimum principal payments related to our debt at December 31, 2009 are as follows:

In thousands	
2010.........................	$ 46,688

2011	133,000
2012	60,000
	$ 239,688

Cash payments for interest were $8.1 million, $14.4 million, and $13.2 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Note E – Interest Rate Risk

We assess interest rate risk by regularly identifying and monitoring changes in interest rate exposure that may adversely impact expected future cash flows and by evaluating hedging opportunities. Prior to September 30, 2009, we used a derivative instrument to manage the risk of changes in prevailing interest rates adversely affecting future cash flows associated with our credit facilities. The derivative instrument used to manage such risk was the interest rate swap. Our only interest rate swap matured on September 30, 2009. We have not entered into derivative instruments for any purpose other than cash flow hedging. We do not speculate using derivative instruments.

As with any financial instrument, derivative instruments have inherent risks, primarily market and credit risk. Market risk associated with changes in interest rates is managed as part of our overall market risk monitoring process by establishing and monitoring limits as to the degree of risk that may be undertaken. Credit risk occurs when a counterparty to a derivative contract in which we have an unrealized gain fails to perform according to the terms of the agreement. We seek to minimize our credit risk by entering into transactions with counterparties that maintain high credit ratings.

We designated our interest rate swap as a cash flow hedge. For a derivative instrument designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative instrument is recorded in other comprehensive loss and is recognized as a component of interest expense in the Statement of Operations when the hedged item affects results of operations. On a quarterly basis, we assessed the ineffectiveness of the hedging relationship, and any gains or losses related to the ineffectiveness would have been recorded as interest expense in our Statement of Operations. There were no components of the derivative instrument that were excluded from the assessment of hedge effectiveness.

In September 2007, we entered into a two-year interest rate swap agreement with a notional amount of $150.0 million and a fixed rate of 4.655%. The two-year term began on September 28, 2007. This interest rate swap changed the variable rate cash flow exposure on the $150.0 million notional amount to fixed rate cash flows by entering into receive-variable, pay-fixed interest rate swap transactions. Under this swap transaction, we received London Interbank Offered Rate (LIBOR) based variable interest rate payments and made fixed interest rate payments, thereby creating fixed rate debt. We designated this hedging relationship as hedging the risk of changes in cash flows (a cash flow hedge) attributable to changes in the LIBOR rate applicable to our 2005 Revolving Credit Facility and 2006 Term Loan Facility. As such, we reported the fair value of the swap as an asset or liability on our balance sheet, any ineffectiveness as interest expense, and effective changes to the fair value of the swap in other comprehensive income (loss). Fair value was determined using projected discounted future cash flows calculated using readily available market information (future LIBOR rates). This swap agreement ended on September 30, 2009 and is no longer recorded on our Consolidated Balance Sheet. We reclassified into earnings losses of $4.9 million and $2.7 million for the years ended December 31, 2009 and 2008, respectively, which were related to the swap and previously reported in other comprehensive loss.

The following table presents the location of our derivative instrument on the Consolidated Balance Sheets:

Asset Derivatives		**Liability Derivatives**	
December 31		December 31,	
2009	2008	2009	2008
Balance	Balance	Balance	Balance

In thousands	Sheet Location	Fair Value	Sheet Location	Fair Value	Sheet Location	Fair Value	Sheet Location	Fair Value
Derivatives Designated as Hedging Instruments								
Interest rate swap	Not applicable	$ -	Not applicable	$ -	Other current liabilities	$ -	Other current liabilities	$ 4,502
Total Derivatives		$ -		$ -		$ -		$ 4,502

Fair value at December 31, 2008 was determined using Level 2 inputs of the ASC 820 fair value hierarchy as described in Note C, *Fair Value of Financial Instruments*. The fair value was calculated using projected discounted future cash flows calculated using readily available market information (future LIBOR rates).

The following table presents the impact of our derivative instrument on the Consolidated Statement of Operations for the years ended December 31:

In thousands	Amount of Loss Recognized in OCI on Derivative (Effective Portion) 2009	2008	Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) 2009	2008
Derivatives in Cash Flow Hedging Relationships					
Interest rate swap	$ (355)	$ (4,591)	Interest expense	$ (4,857)	$ (2,684)
Total	$ (355)	$ (4,591)		$ (4,857)	$ (2,684)

Note F – Income Taxes

The components of income tax expense (benefit) are as follows:

In thousands	Year Ended December 31, 2009	2008	2007
Current			
Federal	$ 16,732	$ 19,502	$ 39,855
State and local	(1,018)	4,153	8,719
Foreign	2,421	1,644	1,292
Total current	$ 18,135	$ 25,299	$ 49,866
Deferred			
Federal	$ 5,160	$ 11,703	$ 8,145
State and local	475	1,555	609
Foreign	457	271	(123)
Total deferred	$ 6,092	$ 13,529	$ 8,631
Total income tax expense	$ 24,227	$ 38,828	$ 58,497

The United States and foreign components of income before income taxes were as follows:

In thousands	Year Ended December 31, 2009	2008	2007
United States	$ 63,738	$ 95,826	$ 148,291
Foreign	8,204	5,743	2,846
Total income before income taxes	$ 71,942	$ 101,569	$ 151,137

The differences between total income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes were as follows:

In thousands	Year Ended December 31, 2009	Rate	2008	Rate	2007	Rate
Computed expected income tax expense	$ 25,180	35%	$ 35,550	35%	$ 52,898	35%
Net effect of state income taxes	(935)	-1%	4,081	4%	6,063	4%
Production activities deduction	(75)	0%	(479)	-1%	(1,282)	-1%
Change in beginning of year valuation allowance	422	1%	48	0%	(92)	0%
Other, net	(365)	-1%	(372)	0%	910	1%
Income tax expense for the period	$ 24,227	34%	$ 38,828	38%	$ 58,497	39%

Total income tax expense (benefit) was allocated as follows:

In thousands	Year Ended December 31, 2009	2008	2007
Results of operations	$ 24,227	$ 38,828	$ 58,497
Stockholders' equity	9,052	(14,471)	(5,187)
Total	$ 33,279	$ 24,357	$ 53,310

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities were as follows:

In thousands	December 31, 2009	2008
Deferred tax assets		
Deferred compensation and retirement plan	$ 20,527	$ 25,864
Accrued expenses not deductible until paid	10,022	9,351
Employee stock-based compensation	5,240	6,001
State income tax	1,215	3,816
Accounts receivable, net	986	1,584
Other, net	201	299
Federal net operating loss carryforwards	244	1,153
Foreign net operating loss carryforwards	1,127	1,051
State net operating loss carryforwards	798	678
Total gross deferred tax assets	40,360	49,797
Less valuation allowance	(1,708)	(663)
Net deferred tax assets	$ 38,652	$ 49,134
Deferred tax liabilities		
Property, plant and equipment	$ (12,920)	$ (14,718)
Goodwill and other intangibles	(93,611)	(87,100)
Other, net	(196)	(39)
Total gross deferred tax liabilities	(106,727)	(101,857)
Net deferred tax liabilities	$ (68,075)	$ (52,723)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based on the expectation of future taxable income and that the deductible temporary differences will offset existing taxable temporary differences, management believes it is more likely than not that we will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2009 and 2008.

Net deferred taxes are recorded both as a current deferred income tax asset and as other long-term liabilities based upon the classification of the related assets and liabilities that give rise to the temporary difference. There are approximately $28.7 million and $36.1 million of deferred tax assets related to non-current items that are netted with long-term deferred tax liabilities at December 31, 2009 and 2008, respectively.

Harte-Hanks or one of our subsidiaries files income tax returns in the U.S. federal, U.S. state and foreign jurisdictions. For U.S. state and foreign returns, we are no longer subject to tax examinations for years prior to 2005. For U.S. federal returns, we are no longer subject to tax examinations for the years prior to 2006.

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

Balance at January 1, 2008	$ 9,802
Additions for current year tax positions	–
Additions for prior year tax positions	307
Reductions for prior year tax positions	(907)
Lapse of statute	(2,121)
Settlements	–
Balance at December 31, 2008	$ 7,081
Additions for current year tax positions	$ –
Additions for prior year tax positions	39
Reductions for prior year tax positions	(2,286)
Lapse of statute	(2,247)
Settlements	(1,074)
Balance at December 31, 2009	$ 1,513

Included in the balance as of December 31, 2009 are $1.1 million of tax benefits that, if recognized, would impact the effective tax rate. During the year ended December 31, 2009, we recognized approximately $1.2 million in tax benefits related to interest and penalties associated with the reduction of the liability for unrecognized tax benefits. During the years ended December 31, 2008, and 2007, we recognized approximately $1.2 million and $0.2 million, respectively, in tax expense related to interest and penalties. We had approximately $1.2 million and $2.5 million of interest and penalties accrued at December 31, 2009 and 2008, respectively.

We anticipate that it is reasonably possible that we will have a reduction in the liability related to filing positions in the range of $1.2 million to $1.4 million during 2010 as a result of lapsing statutes.

As of December 31, 2009, we had net operating loss carryforwards that are available to reduce future taxable income and that will begin to expire in 2011.

The valuation allowance for deferred tax assets as of January 1, 2008, was $1.1 million. The valuation allowance at December 31, 2009 and 2008 relates to foreign and state net operating loss carryforwards, which are not expected to be realized.

Deferred income taxes have not been provided on the undistributed earnings of our foreign subsidiaries as these earnings have been, and under current plans will continue to be, permanently reinvested in these subsidiaries. If those earnings were not considered permanently reinvested, U.S. federal deferred income taxes would have been recorded. However, it is not practicable to estimate the amount of additional taxes which may be payable upon distributions.

Cash payments for income taxes were $17.4 million, $28.5 million and $44.1 million in 2009, 2008 and 2007, respectively.

Note G – Goodwill and Other Intangibles

Goodwill is recorded to the extent that the purchase price of an acquisition exceeds the fair value of the identifiable net assets acquired. Goodwill and other intangibles with indefinite useful lives are tested for impairment as described below.

We assess the impairment of our goodwill by determining the fair value of each of our reporting units and comparing the fair value to the carrying value for each reporting unit. We have identified our reporting units as Direct Marketing and Shoppers.

We performed our annual goodwill impairment testing for both the Direct Marketing and Shoppers segments as of November 30, 2009. As quoted market prices are not available for our reporting units, estimated fair value was determined using a discounted cash flow (DCF) model, a cash flow multiple (CFM) model and with consideration of our overall market capitalization. The DCF and CFM models utilize projected financial results based on historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, the amount and timing of expected future cash flows, and perpetual growth rates. If a reporting unit's carrying amount exceeds its fair value, we must calculate the implied fair value of the reporting unit's goodwill by allocating the reporting unit's fair value to all of its assets and liabilities (recognized and unrecognized) in a manner similar to a purchase price allocation, and then compare this implied fair value to its carrying amount. To the extent that the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recorded.

We assess the impairment of other intangibles with indefinite lives by determining the fair value of each intangible asset and comparing the fair value to the carrying value for each intangible asset. Fair value is determined using the relief from royalty method, a form of the income approach, based on historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. If an intangible's carrying amount exceeds its fair value, the intangible asset is written down to fair value and an impairment loss is recorded.

Both the Direct Marketing and Shoppers reporting units and all other intangibles with indefinite lives were tested for impairment as of November 30, 2009. Based on the results of our impairment test, we have not recorded an impairment loss related to goodwill or other intangibles with indefinite useful lives in any of the years in the three year period ended December 31, 2009.

The changes in the carrying amount of goodwill are as follows:

In thousands	Direct Marketing	Shoppers	Total
Balance at December 31, 2007	$ 376,096	$ 167,487	$ 543,583
Purchase consideration	9,626	–	9,626
Purchase accounting adjustments	(332)	–	(332)
Balance at December 31, 2008	$ 385,390	$ 167,487	$ 552,877
Purchase accounting adjustments	9	–	9
Balance at December 31, 2009	$ 385,399	$ 167,487	$ 552,886

Other intangibles with indefinite useful lives all relate to trademarks and trade names associated with the Tampa Flyer acquisition in April 2005 and the Aberdeen acquisition in September 2006, and were recorded at fair value.

The carrying amount of other intangibles with indefinite lives for the years ended December 31, 2009 and 2008 was $5.0 million in Direct Marketing and $7.6 million in Shoppers.

Other intangibles with definite useful lives all relate to contact databases, client relationships and non-compete agreements. Other intangibles with definite useful lives are recorded at fair value at the date of the acquisition. Other intangible assets with definite useful lives are amortized on a straight-line basis over their respective estimated useful lives, typically a period of 5 to 10 years, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We have not recorded an impairment loss related to other intangibles with definite useful lives in any of the years during the three year period ended December 31, 2009.

The changes in the carrying amount of other intangibles with definite lives are as follows:

In thousands	Direct Marketing	Shoppers	Total
Balance at December 31, 2007	$ 3,142	$ 5,197	$ 8,339
Amortization	(1,903)	(1,047)	(2,950)
Balance at December 31, 2008	$ 1,239	$ 4,150	$ 5,389
Amortization	(716)	(996)	(1,712)
Balance at December 31, 2009	$ 523	$ 3,154	$ 3,677

Amortization expense related to other intangibles with definite useful lives was $1.7 million, $3.0 million and $3.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. Expected amortization expense for the next five years is as follows:

In thousands	
2010	$ 934
2011	$ 674
2012	$ 648
2013	$ 625
2014	$ 622

Note H – Employee Benefit Plans

Prior to January 1, 1999, we maintained a defined benefit pension plan for which most of our employees were eligible. In conjunction with significant enhancements to the 401(k) plan, we elected to freeze benefits under this defined benefit pension plan as of December 31, 1998.

In 1994, we adopted a non-qualified, supplemental pension plan covering certain employees, which provides for incremental pension payments so that total pension payments equal those amounts that would have been payable from the principal pension plan were it not for limitations imposed by income tax regulation. The benefits under this supplemental pension plan, which is an unfunded plan, will continue to accrue as if the principal pension plan had not been frozen.

The overfunded or underfunded status of our defined benefit postretirement plans is recorded as an asset or liability on our balance sheet. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligation. Periodic changes in the funded status are recognized through other comprehensive income. We currently measure the funded status of our defined benefit plans as of December 31, the date of our year-end consolidated balance sheets.

The status of the defined benefit pension plans at year-end was as follows:

	Year Ended December 31,	
In thousands	2009	2008
Change in benefit obligation		
Benefit obligation at beginning of year	$ 130,535	$ 131,049
Service cost	548	671
Interest cost	8,153	7,967
Actuarial loss	3,935	252
Curtailment	–	(1,975)
Administrative expenses paid	(904)	(785)
Benefits paid	(7,122)	(6,644)
Benefit obligation at end of year	$ 135,145	$ 130,535
Change in plan assets		
Fair value of plan assets at beginning of year	$ 75,298	$ 115,012
Actual return on plan assets	17,805	(33,080)
Contributions	938	795
Administrative expenses paid	(904)	(785)
Benefits paid	(7,122)	(6,644)
Fair value of plan assets at end of year	$ 86,015	$ 75,298
Funded status at end of year	$ (49,130)	$ (55,237)

The following amounts have been recognized in the Consolidated Balance Sheets at December 31:

In thousands	2009	2008
Current liabilities	$ (959)	$ (6,800)
Noncurrent liabilities	(48,171)	(48,437)
	$ (49,130)	$ (55,237)

The following amounts have been recognized in accumulated other comprehensive loss at December 31:

In thousands	2009	2008
Net loss	$ 36,762	$ 45,168
Transition obligation	–	7
Prior service cost	64	97
	$ 36,826	$ 45,272

We plan to make total contributions of $6.1 million to our frozen pension plan in 2010 in order to obtain the Pension Protection Act of 2006 full funding limit exemption. We are not required to make and do not intend to make any contributions to our unfunded pension plan in 2010 other than to the extent needed to cover benefit payments.

The following information is presented for pension plans with an accumulated benefit obligation in excess of plan assets:

In thousands	December 31, 2009	2008
Projected benefit obligation	$ 135,145	$ 130,535
Accumulated benefit obligation	$ 133,519	$ 128,992
Fair value of plan assets	$ 86,015	$ 75,298

The non-qualified, unfunded pension plan had an accumulated benefit obligation of $19.0 million and $16.1 million at December 31, 2009 and 2008, respectively.

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Loss:

In thousands	Year Ended December 31, 2009	2008	2007
Net Period Benefit Cost (Pre-tax)			
Service cost	$ 548	$ 671	$ 766
Interest cost	8,153	7,967	7,778
Expected return on plan assets	(5,603)	(8,976)	(8,964)
Amortization of prior service cost	54	61	61
Transition obligation	10	96	96
Recognized actuarial loss	5,744	2,008	2,442
Net periodic benefit cost	$ 8,906	$ 1,827	$ 2,179
Amounts Recognized in Other Comprehensive Loss (Pre-tax)			
Net gain	$ 14,013		
Transition obligation	10		
Prior service cost	54		
Total benefit recognized in other comprehensive loss	$ 14,077		
Net benefit recognized in net periodic benefit cost and other comprehensive loss	$ 5,170		

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year are $4.2 million and $0.1 million, respectively.

The weighted-average assumptions used for measurement of the defined pension plans were as follows:

	Year Ended December 31, 2009	2008	2007
Weighted-average assumptions used to determine net periodic benefit cost			
Discount rate	6.25%	6.25%	6.00%
Expected return on plan assets	7.75%	8.00%	8.25%
Rate of compensation increase	4.00%	4.00%	4.00%

	December 31, 2009	2008
Weighted-average assumptions used to determine benefit obligations		
Discount rate	6.20%	6.25%
Rate of compensation increase	4.00%	4.00%

The discount rate assumptions are based on current yields of investment-grade corporate long-term bonds. The expected long-term return on plan assets is based on the expected future average annual return for each major asset class within the plan's portfolio (which is principally comprised of equity investments) over a long-term horizon. In determining the expected long-term rate of return on plan assets, we evaluated input from our investment consultants, actuaries, and investment management firms, including their review of asset class return expectations, as well as long-term historical asset class returns. Projected returns by such consultants and economists are based on broad equity and bond indices. Additionally, we considered our historical 15-year compounded returns, which have been in excess of the forward-looking return expectations.

The funded pension plan assets as of December 31, 2009 and 2008, by asset category, are as follows:

In thousands	2009	%	2008	%
Equity securities	$ 59,866	70%	$ 48,793	65%
Debt securities	24,222	28%	26,505	35%
Other	1,927	2%	–	0%
Total plan assets	$ 86,015	100%	$ 75,298	100%

The current economic environment presents employee benefit plans with unprecedented circumstances and challenges, which, in some cases over the last several years, have resulted in large declines in the fair value of investments. The fair values presented have been prepared using values and information available as of December 31, 2009.

The following tables present the fair value measurements of the assets in our funded pension plan:

In thousands	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	$ 59,866	$ 59,866	$ -	$ -
Debt securities	24,222	24,222	-	-
Other	1,927	1,927	-	-
Total	$ 86,015	$ 86,015	$ -	$ -

In thousands	December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	$ 48,793	$ 48,584	$ 209	$ -
Debt securities	26,505	26,505	-	-
Total	$ 75,298	$ 75,089	$ 209	$ -

The investment policy for the Harte-Hanks, Inc. Pension Plan focuses on the preservation and enhancement of the corpus of the plan's assets through prudent asset allocation, quarterly monitoring and evaluation of investment results, and periodic meetings with investment managers.

The investment policy's goals and objectives are to meet or exceed the representative indices over a full market cycle (3-5 years). The policy establishes the following investment mix, which is intended to subject the principal to an acceptable level of volatility while still meeting the desired return objectives:

	Target	Acceptable Range	Benchmark Index
Domestic Equities	50.0%	35% - 75%	S&P 500
Large Cap Growth	22.5%	15% - 30%	Russell 1000 Growth
Large Cap Value	22.5%	15% - 30%	Russell 1000 Value
Mid Cap Value	5.0%	5% - 15%	Russell Mid Cap Value
Mid Cap Growth	0.0%	0% - 10%	Russell Mid Cap Growth
Domestic Fixed Income	35.0%	15% - 50%	LB Aggregate
International Equities	15.0%	10% - 25%	MSC1 EAFE

The funded pension plan provides for investment in various investment types. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and may impact the funded status of the plan. To address the issue of risk, the investment policy places high priority on the preservation of the value of capital (in real terms) over a market cycle. Investments are made in companies with a minimum five-year operating history and sufficient trading volume to facilitate, under most market conditions, prompt sale without severe market effect. Investments are diversified; reasonable concentration in any one issue, issuer, industry or geographic area is allowed if the potential reward is worth the risk.

The following table presents the investments that represented 5% or more of the funded pension plan's assets as of December 31, 2009 and 2008:

In thousands	2009	%	2008	%
LM Institutional Fund Advisors I, Inc. Western Asset Core Plus	$ 12,961	15%	$ 23,433	31%
PIMCO Total Return Fund Institutional Class	$ 11,261	13%	$ –	0%
State Street Government STIF 15	$ 3,286	4%	$ 4,143	6%

Investment managers are evaluated by the performance of the representative indices over a full market cycle for each class of assets. The Pension Plan Committee reviews, on a quarterly basis, the investment portfolio of each manager, which includes rates of return, performance comparisons with the most appropriate indices, and comparisons of each manager's performance with a universe of other portfolio managers that employ the same investment style.

The expected future pension benefit payments for the next ten years as of December 31, 2009 are as follows:

In thousands	
2010	$ 7,131
2011	7,288
2012	7,714
2013	8,121
2014	8,596
2015 - 2019	47,444
	$ 86,294

We also sponsor a 401(k) retirement plan in which we match a portion of employees' voluntary before-tax contributions. Under this plan, both employee and matching contributions vest immediately. Total 401(k) expense recognized in 2009, 2008 and 2007 was $5.8 million, $6.7 million and $7.2 million, respectively.

Note I – Stockholders' Equity
We paid a quarterly dividend of 7.5 cents per common share in each of the quarters in the years ended December 31, 2009 and 2008. We currently plan to pay a quarterly dividend of 7.5 cents per common share in each of the quarters in 2010, although any actual dividend declaration can be made only upon approval of our Board of Directors, based on its business judgment.

We did not repurchase any shares of our common stock under our stock repurchase program in 2009. As of December 31, 2009, we have repurchased 63.9 million shares since the beginning of our January 1997 stock repurchase program. Under this program, we had authorization to repurchase 10.5 million additional shares at December 31, 2009.

During 2009, we received 17,781 shares of our common stock, with an estimated market value of $0.1 million, in connection with stock option exercises and the vesting of non-vested shares. Since January 1997, we have received 1.6 million shares in connection with stock option exercises and the vesting of non-vested shares.

Note J – Stock-Based Compensation
Compensation expense for stock-based awards is based on the fair values of the awards on the date of grant and is recognized on a straight-line basis over the vesting period of the entire award in the "Labor" line of the Consolidated Statement of Operations. For the years ended December 31, 2009, 2008 and 2007, we recorded total stock-based compensation expense of $3.9 million ($2.6 million, net of tax), $5.8 million ($3.6 million, net of tax) and $7.1 million ($4.3 million, net of tax), respectively.

In May 2005, we adopted the 2005 Omnibus Incentive Plan (2005 Plan), a shareholder approved plan, pursuant to which we may issue equity securities to directors, officers and key employees. Under the 2005 Plan we have awarded stock options, non-vested shares and performance stock units. The 2005 Plan replaced the 1991 Stock Option Plan (1991 Plan), a shareholder approved plan, pursuant to which we issued stock options to directors, officers and key employees. No additional options will be granted under the 1991 Plan. In May 2009 our stockholders approved an amendment to the 2005 Plan to increase the maximum number of authorized shares that may be issued thereunder by 4.6 million shares, from 4.6 million shares to 9.2 million shares. As of December 31, 2009, there were 5.2 million shares available for grant under the 2005 Plan.

Stock Options
Under the 2005 Plan, all options have been granted at exercise prices equal to the market value of the common stock on the grant date (2005 Plan options). All 2005 Plan options become exercisable in 25% increments on the second, third, fourth and fifth anniversaries of their date of grant and expire on the tenth anniversary of their date of grant. As of December 31, 2009, 2005 Plan options to purchase 3.6 million shares were outstanding with exercise prices ranging from $6.04 to $28.85 per share.

Under the 1991 Plan, options were granted at exercise prices equal to the market value of the common stock on the grant date (1991 Plan market price options) and at exercise prices below the market value of the common stock (1991 Plan performance options). 1991 Plan market price options become exercisable in 25% increments on the second, third, fourth and fifth anniversaries of their date of grant and expire on the tenth anniversary of their date of grant. As of December 31, 2009, 1991 Plan market price options to purchase 3.4 million shares were outstanding with exercise prices ranging from $13.38 to $26.55 per share.

The 1991 Plan performance options became exercisable in whole or in part after three years, and the extent to which they became exercisable at that time depended upon the extent to which we achieved certain goals established at the time the options were granted. No 1991 Plan performance options have been granted since January 1999, and all remaining 1991 Plan performance options were exercised in January 2009.

The following summarizes all stock option activity during 2009, 2008 and 2007:

	Number of Shares	Weighted-Average Option Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Options outstanding at December 31, 2006	7,151,971	$19.44		
Granted	1,028,125	24.91		
Exercised	(979,545)	14.16		$ 9,009
Cancelled	(416,907)	24.67		
Options outstanding at December 31, 2007	6,783,644	$20.71		
Granted	1,083,550	15.73		
Exercised	(89,707)	12.57		$ 327
Cancelled	(1,069,797)	20.68		
Options outstanding at December 31, 2008	6,707,690	$20.02		
Granted	1,946,000	6.09		
Exercised	(7,312)	3.43		$ 34
Cancelled	(1,650,729)	18.03		
Options outstanding at December 31, 2009	6,995,649	$16.63	5.56	$ 8,497
Exercisable at December 31, 2009	3,642,398	$ 20.10	3.07	$ -

The aggregate intrinsic value at year end in the table above represents the total pre-tax intrinsic value that would have been received by the option holders if all of the in-the-money options were exercised on December 31, 2009. The pre-tax intrinsic value is the difference between the closing price of our common stock on December 31, 2009 and the exercise price for each in-the-money option. This value fluctuates with the changes in the price of our common stock.

Cancelled stock-based compensation awards include:

- unvested options and awards forfeited upon employee termination;
- vested options cancelled upon employee termination;
- vested options expired on the tenth anniversary of their date of grant; and
- performance awards for which performance criteria were not met.

The following table summarizes information about stock options outstanding at December 31, 2009:

	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$ 6.04 – 6.99	1,792,000	9.10	\$ 6.04	–	\$ –
\$ 7.00 – 14.99	722,052	1.00	\$ 14.11	692,052	\$ 14.20
\$15.00 – 15.99	757,550	7.68	\$ 15.89	42,000	\$ 15.75
\$16.00 – 18.99	987,876	2.20	\$ 17.79	950,376	\$ 17.81
\$19.00 – 22.99	955,969	3.48	\$ 21.16	955,969	\$ 21.16
\$23.00 – 25.70	914,662	5.39	\$ 25.06	641,452	\$ 25.18
\$25.71 – 28.85	865,540	6.49	\$ 26.08	360,549	\$26.11
	6,995,649	5.56	\$ 16.63	3,642,398	\$20.10

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted-average assumptions used for grants during 2009, 2008 and 2007:

	Years Ended December 31,		
	2009	2008	2007
Expected term (in years)	6.75	6.75	6.75
Expected stock price volatility	31.28%	24.60%	21.43%
Risk-free interest rate	2.32%	3.13%	4.59%
Expected dividend yield	2.93%	1.66%	1.11%

Expected term is estimated using the simplified method, which takes into account vesting and contractual term. The simplified method is being used to calculate expected term instead of historical experience due to a lack of relevant historical data resulting from changes in option vesting schedules and changes in the pool of employees receiving option grants. Expected stock price volatility is based on the historical volatility from traded shares of our stock over the expected term. The risk-free interest rate is based on the rate of a zero-coupon U.S. Treasury instrument with a remaining term approximately equal to the expected term. Expected dividend yield is based on historical stock price movement and anticipated future annual dividends over the expected term. Future annual dividends over the expected term are estimated to range between \$0.30 and \$0.40 per share, with a weighted-average annual dividend of \$0.34 per share.

The weighted-average fair value of options granted during 2009, 2008 and 2007 was \$1.51, \$4.05 and \$7.32, respectively. As of December 31, 2009, there was \$7.3 million of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted average period of approximately 2.92 years.

Non-vested Shares

All non-vested shares have been granted under the 2005 Plan. In general, non-vested shares vest 100% on the third anniversary of their date of grant.

The following summarizes all non-vested share activity during 2009, 2008 and 2007:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Non-vested shares outstanding at December 31, 2006	79,423	$ 25.82
Granted	81,584	25.01
Vested	-	-
Cancelled	(7,048)	25.27
Non-vested shares outstanding at December 31, 2007	153,959	$ 25.41
Granted	57,730	15.90
Vested	(4,335)	17.30
Cancelled	(26,968)	23.30
Non-vested shares outstanding at December 31, 2008	180,386	$ 22.88
Granted	54,668	6.04
Vested	(65,232)	25.82
Cancelled	(16,082)	21.50
Non-vested shares outstanding at December 31, 2009	153,740	$ 15.76

The fair value of each non-vested share is estimated on the date of grant as the closing market price of our common stock on the date of grant. As of December 31, 2009, there was $0.7 million of total unrecognized compensation cost related to non-vested shares. This cost is expected to be recognized over a weighted average period of approximately 1.30 years.

Performance Stock Units

All performance stock units have been granted under the 2005 Plan. Performance stock units are a form of share-based awards similar to non-vested shares, except that the number of shares ultimately issued is based on our performance against specific performance goals over a three-year period. At the end of the performance period, the number of shares of stock issued will be determined by adjusting upward or downward from the target in a range between 0% and 125%.

The following summarizes all performance stock unit activity during 2009, 2008 and 2007:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Performance stock units outstanding at December 31, 2006	45,150	$ 25.03
Granted	48,900	25.29
Issued	-	-
Cancelled	(5,600)	25.08
Performance stock units outstanding at December 31, 2007	88,450	$ 25.17
Granted	38,875	15.90
Issued	-	-
Cancelled	(21,975)	21.84
Performance stock units outstanding at December 31, 2008	105,350	$ 22.44
Granted	-	-
Issued	-	-
Cancelled	(47,900)	24.01
Performance stock units outstanding at December 31, 2009	57,450	$ 20.52

The fair value of each performance stock unit is estimated on the date of grant as the closing market price of our common stock on the date of grant, minus the present value of anticipated dividend payments. Periodic compensation expense is based on the current estimate of future performance against specific performance goals over a three-year period and is adjusted up or down based on those estimates. As of December 31, 2009, none of the performance goals associated with outstanding performance stock units are expected to be achieved. As a result, no compensation expense related to performance stock awards has been recorded since June 30, 2007, and we reversed $0.5 million of previously recorded stock-based compensation related to performance stock units in the third quarter of 2007.

Employee Stock Purchase Plan

In March of 2009, we terminated the 1994 Employee Stock Purchase Plan, a shareholder approved plan that previously provided for a total of 6.0 million shares to be sold to participating employees at 85% of the fair market value at specified quarterly investment dates. In January of 2009, we issued 0.1 million shares under this plan at an average price of $5.75 per share. No shares were issued under this employee stock purchase plan subsequent to January of 2009.

Note K – Commitments and Contingencies

At December 31, 2009, we had letters of credit in the amount of $13.9 million. No amounts were drawn against these letters of credit at December 31, 2009. These letters of credit exist to support insurance programs relating to workers' compensation, automobile and general liability.

On January 25, 2010, Harte-Hanks Shoppers, Inc. (Shoppers), a California corporation and a subsidiary of Harte-Hanks, Inc. (Harte-Hanks), reached an agreement in principle with Shoppers employee Frank Gattuso and former employee Ernest Sigala, individually and on behalf of a certified class, to settle and resolve a previously disclosed class action lawsuit filed in 2001. The lawsuit, including the class period, is described further below. Under the terms of the agreement in principle, Shoppers, without any admission of liability, agreed, subject to certain conditions, that it will pay to the class settlement fund a total of $7.0 million. The agreement in principle is subject to the entry of an order of the trial court granting preliminary approval and, following notice to class members, final approval of the settlement and providing for the dismissal of the lawsuit with prejudice against all class members. The parties have agreed in principle to promptly negotiate, sign and submit a formal, binding stipulation of settlement to the trial court to resolve this matter. Pursuant to the agreement in principle, in return for the above consideration, each member of the class, including Gattuso and Sigala, will release all claims against Shoppers and its affiliates that in any way arose from or related to the matters which were the subject of, or could have been the subject of, the claims alleged in the class action lawsuit.

As previously disclosed in Harte-Hanks filings with the Securities and Exchange Commission, on March 23, 2001, Shoppers employee Frank Gattuso and former employee Ernest Sigala filed a putative class action against Shoppers, claiming that Shoppers failed to comply with a California statutory provision requiring an employer to indemnify employees for expenses incurred on behalf of the employer. The plaintiffs allege that Shoppers failed to reimburse them for expenses of using their automobiles as outside sales representatives and failed to accurately itemize these expenses on plaintiffs' wage statements. The suit was filed in Los Angeles County Superior Court. The class that plaintiffs seek to represent has been limited to all California Harte-Hanks outside sales representatives who were not separately reimbursed apart from their base salary and commissions for the expenses they incurred in using their own automobiles after early 1998. The plaintiffs seek indemnification and compensatory damages, statutory damages, exemplary damages, penalties, interest, costs of suit, and attorneys' fees. Shoppers filed a cross-complaint seeking a declaratory judgment that the plaintiffs have been indemnified for their automobile expenses by the higher salaries and commissions paid to them as outside sales representatives. The cross-complaint also alleges conversion, unjust enrichment, constructive trust and rescission and restitution based on mutual mistake. On January 30, 2002, the trial court ruled that California Labor Code Section 2802 requires employers to reimburse employees for mileage and other expenses incurred in the course of employment, but that an employer is permitted to pay increased wages or commissions instead of indemnifying actual expenses. On May 28, 2003, the trial court denied the plaintiffs' motion for class certification. On October 27, 2005, the California Court of Appeal issued a unanimous opinion affirming the trial court's rulings, including the interpretation of Labor Code Section 2802 and denial of class certification. On November 23, 2005, the Court of Appeal denied the plaintiffs' petition for rehearing. On November 5, 2007, the California Supreme Court affirmed the trial court's ruling that Labor Code Section 2802 permits lump sum reimbursement and that an employer may satisfy its obligations to indemnify employees for reasonable and necessary business expenses under Labor Code Section 2802 by paying enhanced taxable compensation. The Supreme Court remanded the matter back to the trial court for further proceedings related to the class certification issue and directed the trial court to consider whether the following issues could properly be resolved on a class-wide basis: (1) did Shoppers adopt a practice or policy of reimbursing outside sales representatives for automobile expenses by paying them higher commission rates and base salaries than it paid to inside sales representatives, (2) did Shoppers establish a method to apportion the enhanced compensation payments between compensation for labor performed and expense reimbursement and (3) was the amount paid for expense reimbursement sufficient to fully reimburse the employees for the automobile expenses they reasonably and necessarily incurred. On July 29, 2008, the trial court stated its intention to issue a split class action certification ruling, certifying a class action with respect to the first two questions listed immediately above (adoption of a policy or practice, and establishment of an apportionment method) and denying class certification on the third question listed immediately above (sufficiency of reimbursement). On May 19, 2009, the trial court issued its written partial class certification order, as described in the immediately preceding sentence. This matter was set for a class trial in April 2010 on the first two questions noted above (adoption of a policy or practice, and establishment of an apportionment method).

In the fourth quarter of 2009, we accrued $7.0 million associated with this agreement in principle. Prior to the fourth quarter of 2009, we had made no accrual related to this lawsuit as we believed that the conditions for a loss accrual had not been met. We cannot predict the impact of future developments in this lawsuit or agreement in principle, and any further developments within a particular fiscal quarter may adversely impact our results of operations for that quarter.

We are also currently subject to various other legal proceedings in the course of conducting our businesses and, from time to time, we may become involved in additional claims and lawsuits incidental to our businesses. In the opinion of management, after consultation with counsel, any ultimate liability arising out of these pending claims and lawsuits is not currently expected to have a material adverse effect on our consolidated financial position or results of operations. Nevertheless, we cannot predict the impact of future developments affecting our pending or future claims and lawsuits and any resolution of a claim or lawsuit within a particular fiscal quarter may adversely impact our results of operations for that quarter. We expense legal costs as incurred, and all recorded legal liabilities are adjusted as required as better information becomes available to us. The factors we consider when recording an accrual for contingencies include, among others: (i) the opinions and views of our legal counsel; (ii) our previous experience; and (iii) the decision of our management as to how we intend to respond to the complaints.

Note L – Leases

We lease certain real estate and equipment under various operating leases. Most of the leases contain renewal options for varying periods of time. The total rent expense applicable to operating leases was $27.9 million, $30.5 million and $31.1 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Step rent provisions and escalation clauses, capital improvement funding, rent holidays and other lease concessions are taken into account in computing minimum lease payments. We recognize the minimum lease payments on a straight-line basis over the minimum lease term.

The future minimum rental commitments for all non-cancelable operating leases with terms in excess of one year as of December 31, 2009 are as follows:

In thousands	
2010	$21,068
2011	14,402
2012	11,131
2013	8,285
2014	5,244
After 2014	4,170
	$64,300

We also lease certain equipment and software under capital leases. Our capital lease obligations at year-end were as follows:

	December 31,	
In thousands	2009	2008
Current portion of capital leases	$ 757	$ 678
Long-term portion of capital leases	1,196	1,669
Total capital lease obligations	$ 1,953	$ 2,347

The future minimum lease payments for all capital leases operating as of December 31, 2009 are as follows:

In thousands	
2010	$ 826
2011	616
2012	397
2013	205
2014	39
After 2014	–
	$ 2,083

Note M – Selected Quarterly Data (Unaudited)

In thousands, except per share amounts	2009 Quarter Ended				2008 Quarter Ended			
	December 31	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**
Revenues	$217,489	$209,318	$ 215,662	$217,674	$269,643	$ 269,913	$ 274,756	$ 268,509
Operating income	19,827	23,913	24,932	13,758	25,520	31,246	34,740	25,811
Net income	13,492	14,050	13,058	7,115	14,326	16,615	18,214	13,586
Basic earnings per share	$ 0.21	$ 0.22	$ 0.21	$ 0.11	$ 0.23	$ 0.26	$ 0.29	$ 0.21
Diluted earnings per share	$ 0.21	$ 0.22	$ 0.20	$ 0.11	$ 0.23	$ 0.26	$ 0.29	$ 0.21

Earnings per common share amounts are computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share amounts may not equal the annual earnings per share.

Note N – Earnings Per Share

Basic earnings per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and non-vested shares.

A reconciliation of basic and diluted earnings per share (EPS) is as follows:

In thousands, except per share amounts	Year Ended December 31, 2009	2008	2007
Basic EPS			
Net income	$ 47,715	$ 62,741	$ 92,640
Weighted-average common shares outstanding used in earnings per share computations	63,557	63,933	72,524
Earnings per share	$ 0.75	$ 0.98	$ 1.28
Diluted EPS			
Net income	$ 47,715	$ 62,741	$ 92,640
Shares used in diluted earnings per share computations	63,885	64,104	73,703
Earnings per share	$ 0.75	$ 0.98	$ 1.26
Computation of Shares Used in Earnings Per Share Computations			
Weighted-average common shares outstanding	63,557	63,933	72,524
Weighted-average common equivalent shares — dilutive effect of options and non-vested shares	328	171	1,179
Shares used in diluted earnings per share computations	63,885	64,104	73,703

For the purpose of calculating the shares used in the diluted EPS calculations, 5.3 million, 7.3 million and 2.5 million anti-dilutive options have been excluded from the EPS calculations for the years ended December 31, 2009, 2008 and 2007, respectively.

Note O – Business Segments

We are a worldwide direct and targeted marketing company with operations in two segments – Direct Marketing and Shoppers.

Harte-Hanks Direct Marketing uses various capabilities and technologies to enable our clients to capture, analyze and disseminate customer and prospect data across all points of customer contact. Direct Marketing services are targeted to specific industries or markets with services and software products tailored to each industry or market. Currently, our Direct Marketing business services various vertical markets including retail, high-tech/telecom, financial services, pharmaceutical/healthcare, and a wide range of selected markets. We believe that we are generally able to provide services to new industries and markets by modifying our services and applications as opportunities are presented. Depending on the needs of our clients, our Direct Marketing capabilities are provided in an integrated approach through more than 30 facilities worldwide, more than 10 of which are located outside of the United States. Each of these centers possesses some specialization and is linked with others to support the needs of our clients.

Harte-Hanks Shoppers is North America's largest owner, operator and distributor of shopper publications, based on weekly circulation and revenues. Shoppers are weekly advertising publications delivered free by Standard Mail to households and businesses in a particular geographic area. Shoppers offer advertisers a targeted, cost-effective local advertising system, with virtually 100% penetration in their area of distribution. Shoppers are particularly effective in large markets with high media fragmentation in which major metropolitan newspapers generally have low penetration. Our Shoppers segment also provides advertising and other services online through our websites, *PennySaverUSA.com* and *TheFlyer.com*. Our Shoppers clients range from large national companies to local neighborhood businesses to individuals with a single item for sale. The segment's core clients are local service businesses and small retailers. Shoppers client base is entirely domestic. At December 31, 2009, our Shoppers publications were zoned into more than 950 separate editions with total circulation of approximately 11.5 million shopper packages in California and Florida each week.

Included in Corporate Activities are general corporate expenses. Assets of Corporate Activities primarily include unallocated cash, investments and deferred income taxes.

Information about our operations in different business segments is set forth below based on the nature of the products and services offered. We evaluate performance based on several factors, of which the primary financial measures are segment revenues and operating income. The accounting policies of the business segments are the same as those described in Note A, *Significant Accounting Policies*.

	Year Ended December 31,		
In thousands	2009	2008	2007
Revenues			
Direct Marketing	$ 585,988	$ 732,740	$ 732,461
Shoppers	274,155	350,081	430,425
Total revenues	$ 860,143	$ 1,082,821	$1,162,886
Operating income			
Direct Marketing	$ 95,812	$ 103,121	$ 108,796
Shoppers	(1,354)	25,884	70,784
Corporate Activities	(12,028)	(11,688)	(14,653)
Total operating income	$ 82,430	$ 117,317	$ 164,927
Income before income taxes			
Operating income	$ 82,430	$ 117,317	$ 164,927
Interest expense	(8,150)	(14,201)	(12,992)
Interest income	182	378	539
Other, net	(2,520)	(1,925)	(1,337)
Income before income taxes	$ 71,942	$ 101,569	$ 151,137
Depreciation			
Direct Marketing	$ 20,489	$ 25,350	$ 25,569
Shoppers	7,750	8,056	7,606
Corporate Activities	26	23	20
Total depreciation	$ 28,265	$ 33,429	$ 33,195
Other intangible amortization			
Direct Marketing	$ 716	$ 1,903	$ 2,347
Shoppers	996	1,047	1,162
Total intangible amortization	$ 1,712	$ 2,950	$ 3,509
Capital expenditures			
Direct Marketing	$ 7,475	$ 17,116	$ 21,270
Shoppers	1,536	2,814	6,947
Corporate Activities	–	17	–
Total capital expenditures	$ 9,011	$ 19,947	$ 28,217

	December 31,	
In thousands	2009	2008
Total assets		
Direct Marketing	$ 579,821	$ 617,926
Shoppers	237,159	252,766
Corporate Activities	91,171	42,874
Total assets	$ 908,151	$ 913,566

Information about the operations in different geographic areas:

In thousands	Year Ended December 31, 2009	2008	2007
Revenues [a]			
United States	$ 772,314	$ 980,236	$1,078,795
Other countries	87,829	102,585	84,091
Total revenues	$ 860,143	$ 1,082,821	$1,162,886

In thousands	December 31, 2009	2008
Long-lived net assets [b]		
United States	$ 69,864	$ 86,288
Other countries	8,535	11,145
Total long-lived assets	$ 78,399	$ 97,433

a Geographic revenues are based on the location of the service being performed.
b Long-lived assets are based on physical location.

Note P – Subsequent Events

We have evaluated subsequent events from December 31, 2009 through the filing of this Form 10-K, the date the financial statements were issued. Other than the agreement in principle discussed on Note K, *Commitments and* Contingencies, no material subsequent events have occurred during this time which would require recognition in the financial statements or disclosure in the footnotes.

INDEX TO EXHIBITS

We are incorporating certain exhibits listed below by reference to other Harte-Hanks filings with the Securities and Exchange Commission, which we have identified in parentheses after each applicable exhibit.

Exhibit No.	Description of Exhibit
Charter Documents	
3(a)	Amended and Restated Certificate of Incorporation as amended through May 5, 1998 (filed as Exhibit 3(e) to the Company's Form 10-Q for the six months ended June 30, 1998).
3(b)	Second Amended and Restated Bylaws (filed as Exhibit 3(b) to the Company's Form 10-Q for the nine months ended September 30, 2001).
Credit Agreements	
10.1(a)	Credit Agreement by and between the Company and JPMorgan Chase Bank, N.A., as administrative agent, dated August 12, 2005 (filed as Exhibit 10.1 to the Company's Form 8-K dated August 12, 2005).
10.1(b)	Term Loan Agreement by and between the Company and Wells Fargo Bank, N.A., as administrative agent, dated September 6, 2006 (filed as Exhibit 10.1 to the Company's Form 8-K dated September 6, 2006).
10.1(c)	First Amendment to Term Loan Agreement by and between the Company and Wells Fargo Bank, N.A., as administrative Agent, dated September 18, 2006 (filed as Exhibit 10.1 to the Company's Form 8-K dated September 18, 2006).
10.1(d)	Term Loan Agreement by and between the Company and Wells Fargo Bank, N.A, as administrative agent, dated March 7, 2008 (filed as Exhibit 10.1 to the Company's Form 8-K dated March 7, 2008).
Management and Director Compensatory Plans and Forms of Award Agreements	
10.2(a)	Harte-Hanks, Inc. Restoration Pension Plan (As Amended and Restated Effective January 1, 2008) (filed as Exhibit 10.1 to the Company's Form 8-K dated June 27, 2008).
10.2(b)	Harte-Hanks, Inc. Deferred Compensation Plan (As Amended and Restated Effective January 1, 2008) (filed as Exhibit 10.3 to the Company's Form 10-K dated June 27, 2008).
10.2(c)	Harte-Hanks, Inc. 1998 Director Stock Plan (filed as Exhibit 10(h) to the Company's Form 10-Q for the six months ended June 30, 1998).
10.2(d)	Harte-Hanks Communications, Inc. 1996 Incentive Compensation Plan (filed as Exhibit 10(p) to the Company's Form 10-Q for the

six months ended June 30, 1996).

10.2(e)	Harte-Hanks, Inc. Amended and Restated 1991 Stock Option Plan (filed as Exhibit 10(g) to the Company's Form 10-Q for the six months ended June 30, 1998).
10.2(f)	Form of Non Qualified Stock Option Agreement for employees granted under the Amended and Restated 1991 Stock Option Plan (filed as Exhibit 10(i) to the Company's Form 10-K for the year ended December 31, 2005).
10.2(g)	Form of Non Qualified Stock Option Agreement for directors granted Under the Amended and Restated 1991 Stock Option Plan (filed as Exhibit 10(j) to the Company's Form 10-K for the year ended December 31, 2005).
10.2(h)	Form of Non-Qualified Performance Stock Option Agreement for grants dated January 6, 1997, September 24, 1997, January 7, 1998 and January 28, 1998 (filed as Exhibit 10.2.a to the Company's Form 8-K dated December 15, 2005).
10.2(i)	Form of Non-Qualified Performance Stock Option Agreement for grants dated January 12, 1999 and January 25, 1999 (filed as Exhibit 10.2.b to the Company's Form 8-K dated December 15, 2005).
10.2(j)	Form of Amendment to Harte-Hanks, Inc. Non-Qualified Performance Stock Option Agreement for certain officers (filed as Exhibit 10.1.a to the Company's Form 8-K dated December 15, 2005).
10.2(k)	Form of Amendment to Harte-Hanks, Inc. Non-Qualified Performance Stock Option Agreement for non-officers (filed as Exhibit 10.1.b to the Company's Form 8-K dated December 15, 2005).
10.2(l)	Harte-Hanks, Inc. 2005 Omnibus Incentive Plan (As Amended and Restated Effective February 13, 2009) (filed as Exhibit 10.1 to the Company's Form 8-K dated February 13, 2009).
10.2(m)	Amendment to Harte-Hanks, Inc. 2005 Omnibus Incentive Plan, dated as of May 12, 2009 (incorporated by reference to Exhibit 4.4 to Harte-Hanks Registration Statement on Form S-8, filed on May 12, 2009).
10.2(n)	Form of 2005 Omnibus Non-Qualified Stock Option Agreement (filed as Exhibit 10(p) to the Company's Form 10-K for the year ended December 31, 2005).
10.2(o)	Form of 2005 Omnibus Incentive Plan Bonus Stock Agreement (filed as Exhibit 10.1 to the Company's Form 8-K dated January 25, 2006).
10.2(p)	Form of 2005 Omnibus Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10.2 to the Company's Form 8-K dated January 25, 2006).

10.2(q)	Form of 2005 Omnibus Incentive Plan Performance Unit Award Agreement (filed as Exhibit 10.3 to the Company's Form 8-K dated January 25, 2006).
10.2(r)	Summary of Non-Employee Directors' Compensation (filed as Exhibit 10.1(q) to the Company's Form 10-K for the fiscal year ended December 31, 2008).

Executive Officer Employment and Separation Agreements

10.3(a)	Transition and Consulting Agreement, dated as of August 29, 2007, by and between the Company and Richard Hochhauser (filed as Exhibit 10.1 to the Company's Form 8-K dated August 29, 2007).
10.3(b)	Form of Change of Control Severance Agreement between the Company and its President and Chief Executive Officer and its Executive Vice Presidents (other than Peter E. Gorman) and Senior Vice Presidents, dated as of June 27, 2008 (filed as Exhibit 10.4 to the Company's Form 8-K, dated June 27, 2008).
10.3(c)	Form of Severance Agreement between the Company and Peter E. Gorman, dated as of June 27, 2008 (filed as Exhibit 10.5 to the Company's Form 8-K, dated June 27, 2008).
10.3(d)	Form of Change of Control Severance Agreement between the Company and its Vice Presidents, dated as of June 27, 2008 (filed as Exhibit 10.6 to the Company's Form 8-K, dated June 27, 2008).
10.3(e)	Form of Non-Compete Agreement signed by certain officers and certain employees of the Company (filed as Exhibit 10.4 to the Company's Form 8-K dated January 25, 2006).
10.3(f)	Transition Agreement, dated as of December 15, 2008, by and between the Company and Dean Blythe (filed as Exhibit 10.1 to the Company's Form 8-K dated December 15, 2008).

Other Exhibits

*21	Subsidiaries of the Company.
*23	Consent of KPMG LLP.
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Furnished Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Furnished Certification of Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed or furnished herewith, as applicable

Exhibit 21

SUBSIDIARIES OF HARTE-HANKS, INC.
As of December 31, 2009

Name of Entity	Jurisdiction of Organization	% Owned
Aberdeen Group, Inc.	Massachusetts	100%
Avellino Technologies, Inc.	Delaware	100%(1)
Global Address Inc.	Utah	100%(13)
Global Address Ltd	United Kingdom	100%(13)
Harte-Hanks CRM Services Belgium NV	Belgium	100%(2)
Harte-Hanks Data Services LLC	Maryland	100%
Harte-Hanks Data Technologies, Inc.	Delaware	100%
Harte-Hanks Direct, Inc.	New York	100%(10)
Harte-Hanks Direct Marketing/Baltimore, Inc.	Maryland	100%
Harte-Hanks Direct Marketing/Cincinnati, Inc.	Ohio	100%
Harte-Hanks Direct Marketing/Dallas, Inc.	Delaware	100%(12)
Harte-Hanks Direct Marketing/Fullerton, Inc.	California	100%
Harte-Hanks Direct Marketing/Jacksonville, LLC	Delaware	100%(8)
Harte-Hanks Direct Marketing/Kansas City, LLC	Delaware	100%(7)
Harte-Hanks do Brazil Consultoria e Servicos Ltda.	Brazil	100%(5)
Harte-Hanks Flyer, Inc.	Delaware	100%
Harte-Hanks Global Address Limited	United Kingdom	100%(9)
Harte-Hanks Market Intelligence, Inc.	California	100%
Harte-Hanks Market Intelligence Espana LLC	Colorado	100%
Harte-Hanks Market Intelligence Europe B.V.	Netherlands	100%
Harte-Hanks Market Intelligence GmbH	Germany	100%(4)
Harte-Hanks Market Intelligence Limited	Ireland	100%(4)
Harte-Hanks Market Intelligence SAS	France	100%(4)
Harte-Hanks NDC, LLC	Delaware	100%
Harte-Hanks Philippines, Inc.	Philippines	100%
Harte-Hanks Print, Inc.	New Jersey	100%
Harte-Hanks Pty. Limited	Australia	100%(3)
Harte-Hanks Response Management/Austin, Inc.	Delaware	100%(12)
Harte-Hanks Response Management/Boston, Inc.	Massachusetts	100%
Harte-Hanks Shoppers, Inc.	California	100%
Harte-Hanks SRL	Romania	100%(9)
Harte-Hanks Stock Plan, Inc.	Delaware	100%
Harte-Hanks STS, Inc.	Delaware	100%
Harte-Hanks Teleservices, LLC	Delaware	100%(6)
Harte-Hanks Trillium Software Germany GmbH	Germany	100%(11)
Harte-Hanks Trillium UK Limited	United Kingdom	100%(9)
Harte-Hanks UK Limited	United Kingdom	100%(3)
HTS, Inc.	Connecticut	100%
Mason Zimbler Limited	England and Wales	100%(9)
NSO, Inc.	Ohio	100%
Sales Support Services, Inc.	New Jersey	100%
Southern Comprint Co.	California	100%
S&D Marketing Limited	England and Wales	100%(14)

(1) Owned by Harte-Hanks Trillium UK Limited
(2) 99.84% Owned by Harte-Hanks, Inc.
0.16% Owned by Harte-Hanks Direct, Inc.
(3) Owned by Harte-Hanks Data Technologies, Inc.
(4) Owned by Harte-Hanks Market Intelligence Europe B.V.
(5) 99.999% Owned by Harte-Hanks Data Technologies, Inc.
.001% Owned by Harte-Hanks Stock Plan, Inc.
(6) Owned by Harte-Hanks Direct, Inc.
(7) Owned by Sales Support Services, Inc.
(8) Owned by Harte-Hanks Flyer, Inc.
(9) Owned by Harte-Hanks UK Limited
(10) Owned by Harte-Hanks Print, Inc.
(11) Owned by Harte-Hanks Market Intelligence GmbH
(12) Owned by Harte-Hanks Stock Plan, Inc.
(13) Owned by Harte-Hanks Global Address Limited
(14) Owned by Mason Zimbler Limited

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Harte-Hanks, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-63105, No. 33-51723, No. 33-54303, No. 333-03045, No. 333-30995, No. 333-41370, No. 333-90022 and No. 333-127993) on Form S-8 of Harte-Hanks, Inc. of our report dated March 3, 2010, with respect to the consolidated balance sheets of Harte-Hanks, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, cash flows and stockholders' equity and comprehensive income for each of the years in the three-year period ended December 31, 2009, and the effectiveness of internal control over financial reporting as of December 31, 2009, which report appears in the December 31, 2009 annual report on Form 10-K of Harte-Hanks, Inc.

/s/ KPMG LLP

San Antonio, Texas
March 3, 2010

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Larry Franklin, President and Chief Executive Officer of Harte-Hanks, Inc. (the “Company”), certify that:

1. I have reviewed this annual report on Form 10-K of the Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s fourth fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

March 3, 2010	/s/ Larry Franklin
Date	Larry Franklin
	President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Douglas Shepard, Executive Vice President and Chief Financial Officer of Harte-Hanks, Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-K of the Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 3, 2010	/s/ Douglas Shepard
Date	Douglas Shepard Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Larry Franklin, President and Chief Executive Officer of Harte-Hanks, Inc. (the "Company"), hereby certify that the accompanying report on Form 10-K for the year ended December 31, 2009 and filed with the Securities and Exchange Commission on the date hereof pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Report") by the Company fully complies with the requirements of those sections.

I further certify that, based on my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 3, 2010	/s/ Larry Franklin
Date	Larry Franklin
	President and Chief Executive Officer

Note: This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Douglas Shepard, Executive Vice President and Chief Financial Officer of Harte-Hanks, Inc. (the "Company"), hereby certify that the accompanying report on Form 10-K for the year ended December 31, 2009 and filed with the Securities and Exchange Commission on the date hereof pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Report") by the Company fully complies with the requirements of those sections.

I further certify that, based on my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 3, 2010	/s/ Douglas Shepard
Date	Douglas Shepard Executive Vice President and Chief Financial Officer

Note: This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.