
U.S.
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

or

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: 001-07120



HARTE HANKS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

74-1677284

(I.R.S. Employer
Identification Number)

9601 McAllister Freeway, Suite 610, San Antonio, Texas 78216

(Address of principal executive offices, including zip code)

(210) 829-9000

(Registrant's telephone number including area code)

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 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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

if an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The number of shares outstanding of each of the registrant's classes of common stock as of July 15, 2018 was 6,241,230 shares of common stock, all of one class.

HARTE HANKS, INC. AND SUBSIDIARIES
TABLE OF CONTENTS
FORM 10-Q REPORT
For the Quarterly Period Ended June 30, 2018

	<u>Page</u>
<u>Part I.</u>	<u>Financial Information</u>
<u>Item 1.</u>	<u>Financial Statements</u> (Unaudited)
	<u>Condensed Consolidated Balance Sheets — June 30, 2018 and December 31, 2017</u>
	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Income/(Loss) — Three months ended June 30, 2018 and 2017</u>
	<u>4</u>
	<u>Condensed Consolidated Statements of Comprehensive Income/(Loss) — Six months ended June 30, 2018 and 2017</u>
	<u>5</u>
	<u>Condensed Consolidated Statements of Cash Flows — Six months ended June 30, 2018 and 2017</u>
	<u>6</u>
	<u>Condensed Consolidated Statements of Changes in Equity — Six months ended June 30, 2018 and 2017</u>
	<u>7</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>
	<u>8</u>
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>23</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	<u>29</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>
	<u>29</u>
<u>Part II.</u>	<u>Other Information</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>
	<u>31</u>
<u>Item 1A.</u>	<u>Risk Factors</u>
	<u>31</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>31</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>
	<u>31</u>
<u>Item 4.</u>	<u>Mine Safety Disclosure</u>
	<u>31</u>
<u>Item 5.</u>	<u>Other Information</u>
	<u>32</u>
<u>Item 6.</u>	<u>Exhibits</u>
	<u>32</u>

Item 1. Financial Statements**Harte Hanks, Inc. and Subsidiaries Condensed Consolidated Balance Sheets**
(Unaudited)

In thousands, except per share and share amounts	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 20,213	\$ 8,397
Accounts receivable (less allowance for doubtful accounts of \$381 at June 30, 2018 and \$697 at December 31, 2017)	52,141	81,397
Contract assets	2,648	—
Inventory	462	587
Prepaid expenses	4,342	5,039
Prepaid taxes and income tax receivable	12,655	3,886
Other current assets	4,037	3,900
Total current assets	96,498	103,206
Property, plant and equipment (less accumulated depreciation of \$139,045 at June 30, 2018 and \$136,753 at December 31, 2017)	18,762	21,787
Other intangible assets (less accumulated amortization of \$2,184 at December 31, 2017)	—	2,589
Other assets	4,724	3,230
Total assets	\$ 119,984	\$ 130,812
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 32,796	\$ 36,130
Accrued payroll and related expenses	5,564	10,601
Deferred revenue and customer advances	6,749	5,342
Income taxes payable	—	—
Customer postage and program deposits	5,703	11,443
Other current liabilities	3,273	3,732
Total current liabilities	54,085	67,248
Pensions	58,816	59,338
Contingent consideration	—	33,887
Deferred tax liabilities, net	294	773
Other long-term liabilities	4,336	4,201
Total liabilities	117,531	165,447
Preferred stock, \$1 par value, 1,000,000 shares authorized; 9,926 designated as Series A Convertible Preferred Stock; 9,926 shares of Series A Convertible Preferred Stock authorized, issued and outstanding at June 30, 2018	9,723	—
Stockholders' (deficit) equity		
Common stock, \$1 par value, 25,000,000 shares authorized 12,105,474 shares issued at June 30, 2018 and 12,074,661 shares issued at December 31, 2017	12,108	12,075
Additional paid-in capital	457,206	457,186
Retained earnings	821,047	794,583
Less treasury stock, 5,864,244 shares at cost at June 30, 2018 and 5,864,641 shares at cost at December 31, 2017	(1,253,404)	(1,254,176)
Accumulated other comprehensive loss	(44,227)	(44,303)
Total stockholders' (deficit) equity	(7,270)	(34,635)
Total liabilities, preferred stock and stockholders' equity	\$ 119,984	\$ 130,812

See Accompanying Notes to Condensed Consolidated Financial Statements

[Table of Contents](#)

Harte Hanks, Inc. and Subsidiaries Condensed Consolidated Statements of Comprehensive Income/(Loss)
(Unaudited)

In thousands, except per share amounts	Three Months Ended June 30,	
	2018	2017
Operating revenues	\$ 69,633	\$ 94,722
Operating expenses		
Labor	39,725	57,103
Production and distribution	26,358	26,521
Advertising, selling, general and administrative	7,955	10,226
Depreciation, software and intangible asset amortization	1,903	2,663
Total operating expenses	75,941	96,513
Operating loss	(6,308)	(1,791)
Other (income) and expenses		
Interest expense, net	183	1,235
Other, net	827	1,826
Total other (income) and expenses	1,010	3,061
Income/(loss) before income taxes	(7,318)	(4,852)
Income tax benefit	(584)	(2,199)
Net income/(loss)	\$ (6,734)	\$ (2,653)
Less: Earnings attributable to participating securities	—	—
Less: Preferred stock dividends	124	—
Income/(loss) attributable to common stockholders	\$ (6,858)	\$ (2,653)
Earnings/(loss) per common share		
Basic	\$ (1.10)	\$ (0.43)
Diluted	\$ (1.10)	\$ (0.43)
Weighted average shares used to compute earnings/(loss) per share attributable to common shares		
Basic	6,226	6,190
Diluted	6,226	6,190
Other comprehensive income/(loss), net of tax		
Net loss	\$ (6,734)	\$ (2,653)
Adjustment to pension liability	517	413
Foreign currency translation adjustment	(804)	599
Total other comprehensive income/(loss), net of tax	(287)	1,012
Comprehensive income/(loss)	\$ (7,021)	\$ (1,641)

See Accompanying Notes to Condensed Consolidated Financial Statements

[Table of Contents](#)

Harte Hanks, Inc. and Subsidiaries Condensed Consolidated Statements of Comprehensive Income/(Loss)
(Unaudited)

In thousands, except per share amounts	Six Months Ended June 30,	
	2018	2017
Operating revenues	\$ 150,829	\$ 189,616
Operating expenses		
Labor	90,381	117,453
Production and distribution	50,506	53,399
Advertising, selling, general and administrative	17,232	21,286
Depreciation, software and intangible asset amortization	4,054	5,610
Total operating expenses	162,173	197,748
Operating loss	(11,344)	(8,132)
Other (income) and expenses		
Interest expense, net	1,112	2,258
Gain on sale	(30,954)	—
Other, net	1,969	3,324
Total other (income) and expenses	(27,873)	5,582
Income/(loss) before income taxes	16,529	(13,714)
Income tax benefit	(9,364)	(3,675)
Net income/(loss)	\$ 25,893	\$ (10,039)
Less: Earnings attributable to participating securities	3,059	—
Less: Preferred stock dividends	207	—
Income/(loss) attributable to common stockholders	\$ 22,627	\$ (10,039)
Earnings/(loss) per common share		
Basic	\$ 3.64	\$ (1.62)
Diluted	\$ 3.62	\$ (1.62)
Weighted-average shares used to compute earnings/(loss) per share attributable to common shares		
Basic	6,220	6,179
Diluted	6,250	6,179
Other comprehensive income/(loss), net of tax		
Net Income/(loss)	\$ 25,893	\$ (10,039)
Adjustment to pension liability	1,035	751
Foreign currency translation adjustment	(959)	644
Total other comprehensive income/(loss), net of tax	76	1,395
Comprehensive income/(loss)	\$ 25,969	\$ (8,644)

See Accompanying Notes to Condensed Consolidated Financial Statements

[Table of Contents](#)

Harte Hanks, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows
(Unaudited)

In thousands	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities		
Net income/(loss)	\$ 25,893	\$ (10,039)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities		
Depreciation and software amortization	3,941	5,236
Intangible asset amortization	113	375
Stock-based compensation	1,274	968
Net pension cost (payments)	856	557
Interest accretion on contingent consideration	742	2,081
Deferred income taxes	(821)	(1,160)
Gain on sale	(32,760)	—
Loss on disposal of assets	—	102
Other, net	614	—
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable, net and contract assets	8,871	7,377
Decrease (increase) in inventory	125	59
Decrease (increase) in prepaid expenses, income tax receivable and other assets	(9,725)	(5,317)
Increase (decrease) in accounts payable	11,138	(8,051)
Increase (decrease) in other accrued expenses and liabilities	(7,760)	(34,013)
Net cash provided by/(used in) operating activities	2,501	(41,825)
Cash flows from investing activities		
Dispositions, net of cash transferred	3,929	—
Purchases of property, plant and equipment	(2,111)	(3,026)
Proceeds from sale of property, plant and equipment	—	18
Net cash provided by/(used in) investing activities	1,818	(3,008)
Cash flows from financing activities		
Borrowings	9,000	20,000
Repayment of borrowings	(9,000)	(8,000)
Debt financing costs	(980)	(395)
Issuance of preferred stock, net of transaction fees	9,723	—
Issuance of common stock	(70)	(92)
Issuance of treasury stock	37	—
Payment of capital leases	(254)	(255)
Net cash provided by financing activities	8,456	11,258
Effect of exchange rate changes on cash and cash equivalents	(959)	644
Net increase (decrease) in cash and cash equivalents	11,816	(32,931)
Cash and cash equivalents at beginning of period	8,397	46,005
Cash and cash equivalents at end of period	\$ 20,213	\$ 13,074
Supplemental disclosures		
Cash paid for interest	\$ 79	\$ 65
Cash received (paid) for income taxes	\$ 155	\$ (34,248)
Non-cash investing and financing activities		
Purchases of property, plant and equipment included in accounts payable	\$ 78	\$ 395
New capital lease obligations	\$ —	\$ 58

See Accompanying Notes to Condensed Consolidated Financial Statements

[Table of Contents](#)

Harte Hanks, Inc. and Subsidiaries Condensed Consolidated Statements of Changes in Equity
(Unaudited)

In thousands	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity/ (Deficit)
Balance at December 31, 2016	\$ —	\$ 12,044	\$ 458,638	\$ 837,316	\$ (1,259,164)	\$ (46,178)	\$ 2,656
Cumulative effect of accounting change	—	—	709	(873)	—	—	(164)
Exercise of stock options and release of unvested shares	—	4	(4)	—	(92)	—	(92)
Stock-based compensation	—	—	1,110	—	—	—	1,110
Treasury stock issued	—	—	(1,984)	—	2,088	—	104
Net loss	—	—	—	(10,039)	—	—	(10,039)
Other comprehensive income	—	—	—	—	—	1,395	1,395
Balance at June 30, 2017	\$ —	\$ 12,048	\$ 458,469	\$ 826,404	\$ (1,257,168)	\$ (44,783)	\$ (5,030)

In thousands	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity/ (Deficit)
Balance at December 31, 2017	\$ —	\$ 12,075	\$ 457,186	\$ 794,583	\$ (1,254,176)	\$ (44,303)	\$ (34,635)
Cumulative effect of accounting change	—	—	—	571	—	—	571
Preferred stock issued	9,723	—	—	—	—	—	—
Exercise of stock options and release of unvested shares	—	71	(71)	—	(70)	—	(70)
Payout of Reverse Stock Split shares eliminated due to rounding	—	(38)	38	—	—	—	—
Stock-based compensation	—	—	858	—	—	—	858
Treasury stock issued	—	—	(805)	—	842	—	37
Net income	—	—	—	25,893	—	—	25,893
Other comprehensive income	—	—	—	—	—	76	76
Balance at June 30, 2018	\$ 9,723	\$ 12,108	\$ 457,206	\$ 821,047	\$ (1,253,404)	\$ (44,227)	\$ (7,270)

See Accompanying Notes to Condensed Consolidated Financial Statements

Note A - Basis of Presentation

Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Harte Hanks, Inc. and subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. As used in this report, the terms "Harte Hanks," "the company," "we," "us," or "our" may refer to Harte Hanks, Inc., one or more of its consolidated subsidiaries, or all of them taken as a whole.

Interim Financial Information

The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "2017 10-K").

Reverse Stock Split

On January 31, 2018, we executed a 1-for-10 reverse stock split (the "Reverse Stock Split") which became effective for trading purposes on February 1, 2018. Pursuant to the Reverse Stock Split, every 10 pre-split shares of our common stock, par value \$1.00 per share ("Common Stock") were exchanged for one post-split share of the Company's common stock. No fractional shares were issued in connection with the Reverse Stock Split. Stockholders who would otherwise have held a fractional share of the Common Stock received (or are entitled to receive) a cash payment in lieu thereof. In addition, our authorized Common Stock was reduced from 250 million to 25 million shares. The number of authorized shares of preferred stock remained unchanged at one million shares.

The Condensed Consolidated Financial Statements and Accompanying Notes to Unaudited Condensed Consolidated Financial Statements give retroactive effect to the Reverse Stock Split for all periods presented. The calculation of basic and diluted earnings/(loss) per share have been determined based on a retroactive adjustment of weighted average shares outstanding for all periods presented. To reflect the Reverse Stock Split on stockholders' equity, an amount equal to the par value of the reduced shares from the Common Stock par value account was reclassified to additional paid in capital resulting in no net impact to stockholders' equity on the Condensed Consolidated Balance Sheets.

Use of Estimates

The preparation of Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results and outcomes could differ from those estimates and assumptions. Such estimates include, but are not limited to, estimates related to pension accounting; fair value for purposes of assessing long-lived assets for impairment; income taxes; stock-based compensation; and contingencies. 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 Condensed Consolidated Statements of Comprehensive Income/(Loss)

The "Labor" line in the Condensed Consolidated Statements of Comprehensive Income/(Loss) includes all employee payroll and benefits, including stock-based compensation, along with temporary labor costs. The "Production and distribution" and "Advertising, selling, general and administrative" lines do not include labor, depreciation, or amortization.

Securities Purchase Agreement

On January 23, 2018, we entered into a Securities Purchase Agreement with Wipro, LLC, pursuant to which on January 30, 2018 we issued 9,926 shares of Series A Convertible Preferred Stock, par value \$1.00 per share (the "Series A Preferred Stock"), for aggregate consideration of \$9.9 million. Dividends on the Series A Preferred Stock accrue at a rate of 5.0% per

[Table of Contents](#)

year or the rate that cash dividends were paid in respect to shares of Common Stock if such rate is greater than 5.0%. The aggregate shares issued under the Securities Purchase Agreement are convertible into 1,001,614 shares of our Common Stock.

Along with customary protective provisions, Wipro, LLC will be able to designate an observer or director to the Board of Directors. We are using the proceeds for general corporate purposes including for working capital purposes.

See Note E, *Convertible Preferred Stock*, for further information.

Related Party Transactions

Since 2016, Wipro, LLC has provided a variety of technology-related service to the Company, including database and software development, database support and analytics, IT infrastructure support, and digital campaign management. Transactions with Wipro, LLC have been classified and disclosed in the 2017 10-K and in this Quarterly Report on Form 10-Q as related party transactions in accordance with ASC 850, *Related Party Disclosures*, and in accordance with the SEC's Regulation S-X Rule 4-08(k), as applicable. See Note N, *Certain Relationships and Related Party Transactions*, for further information.

Note B - Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to nonemployee share-based payment accounting*, which supersedes ASC 505-50, *Accounting for Distributions to Shareholders with Components of Stock and Cash*, and expands the scope of ASC 718 to include all share-based payment arrangements related to the acquisition of goods and services from both nonemployees and employees. As a result, most of the guidance in ASC 718 associated with employee share-based payments, including most of its requirements related to classification and measurement, applies to nonemployee share-based payment arrangements. The ASU is effective for annual periods beginning after December 15, 2018, and the interim periods within those fiscal years with early adoption permitted after the entity has adopted ASC 606. We are evaluating the effect that this will have on our consolidated financial statements and related disclosures.

In March 2018, the FASB issued ASU 2018-05, *Income Taxes (Topic 740)—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 ("SAB 118")*. This ASU amends certain Securities and Exchange Commission (SEC) material in Topic 740 for the income tax accounting implications of the recently issued Tax Reform. This guidance clarifies the application of Topic 740 in situations where a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting under Topic 740 for certain income tax effects of Tax Reform for the reporting period in which Tax Reform was enacted. See Note I, *Income Taxes*, for a discussion of the impacts of SAB 118 and this ASU.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This ASU allows for reclassification of stranded tax effects on items resulting from the change in the corporate tax rate as a result of H.R. 1, originally known as the Tax Cuts and Jobs Act of 2017, from accumulated other comprehensive income to retained earnings. Tax effects unrelated to H.R. 1 are permitted to be released from accumulated other comprehensive income using either the specific identification approach or the portfolio approach, based on the nature of the underlying item. ASU 2018-02 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. We are evaluating the effect that this will have on our consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provides clarified guidance on applying modification accounting to changes in the terms or conditions of a share-based payment award. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. This change is required to be applied prospectively to an award modified on or after the adoption date. This standard was adopted as of January 1, 2018 and did not have a material impact on our consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides clarified guidance on the classification of certain cash receipts and payments in the statement of cash flows. This ASU is effective for annual periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. This change is required to be applied using a retrospective transition method to each period presented. Early adoption is permitted. This standard was adopted as of January 1, 2018 and did not have a material impact on our consolidated financial statements and related disclosures.

[Table of Contents](#)

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires all operating leases to be recorded on the balance sheet. The lessee will record a liability for its lease obligations (initially measured at the present value of the future lease payments not yet paid over the lease term, and an asset for its right to use the underlying asset equal to the lease liability, adjusted for lease payments made at or before lease commencement). This ASU is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. This change is required to be applied using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Full retrospective application is prohibited. We are evaluating the impact that adoption of ASU 2016-02 will have on our consolidated financial statements, but expect an increase in assets and liabilities on our consolidated balance sheets at adoption for the recording of right-of-use assets and corresponding lease liabilities.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). We adopted ASU 2014-09 and its related amendments (collectively known as a "ASC 606") effective on January 1, 2018 using the modified retrospective method. Please see Note C, *Revenue from Contracts with Customers*, for the required disclosures related to the impact of adopting this standard and a discussion of our updated policies related to revenue recognition and accounting for costs to obtain and fulfill a customer contract.

Note C - Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, related to revenue recognition. Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that are within the scope of the new standard, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The new standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard also includes criteria for the capitalization and amortization of certain contract acquisition and fulfillment costs.

Effective January 1, 2018, we adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective method of adoption and have elected to apply the new standard only to contracts not completed at January 1, 2018. For contracts that were modified before the effective date, we applied the practical expedient method, which did not have a material effect on our adjustment to opening retained earnings. The reported results for 2018 reflect the application of ASC 606 guidance while the reported results for 2017 were prepared under the guidance of ASC 605, which is also referred to herein as "legacy GAAP."

Under ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Our contracts with customers state the terms of sale, including the description, quantity, and price of the product or service purchased. Payment terms can vary by contract, but the period between invoicing and when payment is due is not significant. At January 1, 2018 and June 30, 2018, our contracts do not include any significant financing components.

Consistent with legacy GAAP, we present taxes assessed on revenue-producing transactions on a net basis.

Disaggregation of Revenue

We disaggregate revenue by vertical market and key revenue stream. The following table summarizes revenue from contracts with customers for the three and six months ended June 30, 2018 by our key vertical markets:

In thousands	For the three months ended June 30, 2018	For the six months ended June 30, 2018
B2B	\$ 14,800	\$ 33,483
Consumer Brands	15,828	35,171
Financial Services	14,441	28,922
Healthcare	4,083	8,461
Retail	15,836	32,215
Transportation	4,645	12,577
Total Revenues	<u>\$ 69,633</u>	<u>\$ 150,829</u>

[Table of Contents](#)

The nature of the services offered by each key revenue stream are different. The following tables summarize revenue from contracts with customers for the three and six months ended June 30, 2018 by our four major revenue streams and the pattern of revenue recognition:

Three Months Ended June 30, 2018			
In thousands	Revenue for performance obligations recognized over time	Revenue for performance obligations recognized at a point in time	Total
Agency & Digital Services	\$ 7,186	\$ 314	\$ 7,500
Database Marketing Solutions	8,365	539	8,904
Direct Mail, Logistics, and Fulfillment	32,553	2,403	34,956
Contact Centers	18,273	—	18,273
Total Revenues	\$ 66,377	\$ 3,256	\$ 69,633

For the six months ended June 30, 2018			
In thousands	Revenue for performance obligations recognized over time	Revenue for performance obligations recognized at a point in time	Total
Agency & Digital Services	\$ 22,022	\$ 590	\$ 22,612
Database Marketing Solutions	16,653	1,821	18,474
Direct Mail, Logistics, and Fulfillment	62,665	4,540	67,205
Contact Centers	42,538	—	42,538
Total Revenues	\$ 143,878	\$ 6,951	\$ 150,829

Our contracts with customers may consist of multiple performance obligations. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price (SSP) basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. For most performance obligations, we determine standalone selling price based on the price at which the performance obligation is sold separately. Although uncommon, if the standalone selling price is not observable through past transactions, we estimate the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations. Further discussion of other performance obligations in each of our major revenue streams follows:

Agency & Digital Services

Our agency services are full-service, customer engagement agencies specializing in direct and digital communications for both consumer and business-to-business markets. Our digital solutions integrate online services within the marketing mix and include: search engine management, display, digital analytics, website development and design, digital strategy, social media, email, e-commerce, and interactive relationship management. Our contracts may include a promise to purchase media or acquire search engine marketing solutions on behalf of our clients; in such cases, we have determined we are an agent, rather than principal and therefore recognize the net consideration as revenue (consistent with legacy GAAP).

Agency and digital services performance obligations are satisfied over time and often offered on a project basis. We have concluded that the best approach of measuring the progress toward completion of the project based performance obligations is the input method based on costs or labor hours incurred to date dependent upon whether costs or labor hours more accurately depict the transfer of value to the customer.

The variable consideration in these contracts primarily relates to time and material based services and reimbursable out-of-pocket travel costs, both of which are estimated using the expected value method. For time and material based contracts, we use the "as invoiced" practical expedient.

[Table of Contents](#)

Database Marketing Solutions

Our solutions are built around centralized marketing databases with services rendered to build custom database, database hosting services, customer or target marketing lists and data processing services.

These performance obligations, including services rendered to build a custom database, database hosting services, professional services, customer or target marketing lists and data processing services, may be satisfied over time or at a point in time. We provide software as a service ("SaaS") solutions to host data for customers and have concluded that they are stand-ready obligations to be recognized over time on a monthly basis. Our promise to provide certain data related services meets the over-time recognition criteria because our services do not create an asset with an alternative use and we have an enforceable right to payment. For performance obligations recognized over time, we choose either the input (i.e. labor hour) or output method (i.e. number of customer records) to measure the progress toward completion depending on the nature of the services provided. Some of our other data-related services do not meet the over-time criteria and are therefore, recognized at a point-in-time, typically upon the delivery of a specific deliverable.

We charge our customers for certain data-related services at a fixed transaction based rate, e.g., per thousand customer records processed. Because the quantity of transactions is unknown at the onset of a contract, our transaction price is variable and we use the expected value method to estimate the transaction price. The uncertainty associated with the variable consideration generally resolves within a short period of time since the duration of these contracts is generally less than two months.

Direct Mail, Logistics, and Fulfillment

Our services include: digital printing, print on demand, advanced mail optimization, logistics and transportation optimization, tracking, commingling, shrink wrapping, and specialized mailings. We also maintain fulfillment centers where we provide custom kitting services, print on demand, product recalls, and freight optimization allowing our customers to distribute literature and other marketing materials.

The majority of performance obligations offered within this revenue stream are satisfied over time and utilize the input or output method, depending on the nature of the service, to measure progress toward satisfying the performance obligation. For performance obligations where we charge customers a transaction based fee, we utilize the output method based on the quantities fulfilled. Services provided through our fulfillment centers are typically priced at a per transaction basis and our contracts provide us the right to invoice for services provided and reflects the value to the customer of the services transferred to date. In most cases, we use the "as invoiced" practical expedient to recognize revenue associated with these performance obligations unless significant discounts are offered in a contract and prices for services do not represent their standalone selling prices. For our direct mail revenue stream, our contracts may include a promise to purchase postage on behalf of our clients; in such cases, we have determined we are an agent, rather than principal and therefore recognize net consideration as revenue (consistent with legacy GAAP).

The variable consideration in our contracts results primarily from the transaction based fee structure of some performance obligations with their total transaction quantities to be provided unknown at the onset of a contract, which is estimated using the expected value method.

Contact Centers

We operate tele-service workstations in the U.S., Asia and Europe to provide advanced contact center solutions such as: speech, voice and video chat, integrated voice response, analytics, social cloud monitoring, and web self-service.

Performance obligations are stand-ready obligations and satisfied over time. With regard to account management and SaaS, we use a time-elapsed output method. For performance obligations where we charge customers a transaction based fee, we use the output method based on transaction quantities. In most cases, our contracts provide us the right to invoice for services provided, therefore, we generally use the "as invoiced" practical expedient to recognize revenue associated with these performance obligations unless significant discounts are offered in a contract and prices for services do not represent their standalone selling prices.

[Table of Contents](#)

The variable consideration in our contracts results primarily from the transaction based fee structure of some performance obligations with their total transaction quantities to be provided unknown at the onset of a contract, which is estimated using the expected value method.

Upfront Non-Refundable Fees

We may receive non-refundable upfront fees from customers for implementation of our SaaS database solutions products or for providing training in connection with our contact center solutions. These activities are not deemed to transfer a separate promised service and therefore, represent advanced payments. Where customers have an option to renew a contract, the customer is not required to pay similar upfront fees upon renewal. As a result, we have determined that these renewal options provide for the purchase of future services at a reduced rate and therefore, provide a material right. These upfront non-refundable fees are recognized over the period of benefit which is generally consistent with estimated customer life (four and five years for database solutions contracts and six months to one year for contact center contracts). The upfront non-refundable fees collected from customers were immaterial as of June 30, 2018.

Transaction Price Allocated to Future Performance Obligations

We have elected to apply certain optional exemptions that limit the disclosure requirements over remaining performance obligations at period end to exclude: performance obligations that have an original expected duration of one year or less, transactions using the "as invoiced" practical expedient, or when a performance obligation is a series and we have allocated the variable consideration directly to the services performed. After considering the above exemptions, the transaction prices allocated to unsatisfied or partially satisfied performance obligations as of June 30, 2018 totaled \$1.1 million, which is expected to be recognized over the following 3 years as follows: \$0.4 million for the remaining 6 months of 2018, \$0.6 million in 2019 and \$0.1 million in 2020.

Contract Balances

We record a receivable when revenue is recognized prior to invoicing when we have an unconditional right to consideration (only the passage of time is required before payment of that consideration is due) and a contract asset when the right to payment is conditional upon our future performance such as delivery of an additional good or service (e.g. customer contract requires customer's final acceptance of custom database solution or delivery of final marketing strategy delivery presentation before customer payment is required). If invoicing occurs prior to revenue recognition, the unearned revenue is presented on our Condensed Consolidated Balance Sheet as a contract liability, referred to as deferred revenue. The following table summarizes our contract balances as of January 1, 2018 and June 30, 2018:

In thousands	June 30, 2018	January 1, 2018
Contract assets	\$ 2,648	\$ 7,120
Deferred revenue and customer advances	6,749	5,906
Deferred revenue, included in other long-term liabilities	454	341

Revenue recognized during the six months ended June 30, 2018 from amounts included in deferred revenue at the beginning of the period was approximately \$2.8 million. We recognized no revenues during the six months ended June 30, 2018 from performance obligations satisfied or partially satisfied in previous periods. During the six months ended June 30, 2018, we reclassified \$7.1 million of contract assets to receivables as a result of the right to the transaction consideration becoming unconditional.

Costs to Obtain and Fulfill a Contract

We recognize an asset for the direct costs incurred to obtain and fulfill our contracts with customers to the extent that we expect to recover these costs and if the benefit is longer than one year. These costs are amortized to expense over the expected period of benefit in a manner that is consistent with the transfer of the related goods or services to which the asset relates. The remaining unamortized contract costs were \$1.2 million as of June 30, 2018. For the periods presented, no impairment was recognized.

Financial Statement Impact of Adopting ASC 606

[Table of Contents](#)

Upon the adoption of ASC 606 on January 1, 2018, we recorded a cumulative adjustment of \$0.6 million, a net increase to opening retained earnings as of January 1, 2018. The following table shows the cumulative effect of the changes made to the accounts on the Condensed Consolidated Balance Sheet as of January 1, 2018 (in thousands):

	As Reported		Adjusted
	December 31, 2017	Cumulative Adjustments	January 1, 2018
ASSETS			
Accounts receivable, net	\$ 81,397	\$ (6,710)	\$ 74,687
Contract assets	—	7,120	7,120
Other current assets	3,900	373	4,273
Other assets	3,230	1,018	4,248
LIABILITIES			
Deferred revenue and related expenses	5,342	564	5,906
Deferred income taxes	773	119	892
Other current liabilities	3,732	245	3,977
Other long-term liabilities	4,201	302	4,503
STOCKHOLDERS' EQUITY			
Retained earnings	794,583	571	795,154

The cumulative effect adjustments to the opening retained earnings relate to a few key differences between legacy GAAP and ASC 606 which include capitalizing costs to obtain and fulfill a contract (increase to retained earnings), changes in the timing of revenue recognition for non-refundable upfront fees (decrease to retained earnings), and changes in the timing of revenue recognition for Database Marketing Solutions and Logistics services (increase to retained earnings).

Impact of New Revenue Guidance on Financial Statement Line Items

We identified the financial statement line items impacted by ASC 606 as compared to the pro-forma amounts had the legacy GAAP been in effect, as of and for the three and six months ended June 30, 2018, and these are summarized as follows:

Balance Sheet Financial Statement Line Items

The impact of adopting ASC 606 had the following impact on the Condensed Consolidated Balance Sheet as of June 30, 2018: an increase of \$1.4 million and \$1.0 million to reported total assets and reported retained earnings, respectively, and an increase in total reported liabilities of \$0.5 million as compared to the pro-forma balance sheet which assumes legacy GAAP remained in effect as of June 30, 2018. The reported total assets increase was largely due to capitalized costs to obtain and fulfill contracts and contract assets recognized for performance obligations in our Database Marketing Solutions and Logistics businesses, of which revenues are recognized over time. The reported total liabilities increase was largely due to deferred revenue recognized for upfront non-refundable fee and accrued expenses associated with performance obligations in our Database Marketing Solutions and Logistics businesses.

Income Statement Financial Statement Line Items (three and six months ended June 30, 2018)

The impact of adopting ASC 606 did not have a significant impact on our Condensed Consolidated Statements of Comprehensive Income/(Loss) for the three and six months ended June 30, 2018.

The adoption of ASC 606 had no significant impact on our cash flows from operations for the six months ended June 30, 2018. The aforementioned impacts resulted in offsetting shifts in cash flows throughout net income and various changes in working capital balances.

Note D - Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, 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. The guidance 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. Our calculation of the acquisition related contingent consideration accounted for at fair value on a recurring basis is disclosed in Note M, *Disposition*.

Note E - Convertible Preferred Stock

Under our Amended and Restated Certificate of Incorporation, as amended, we have authorized 1.0 million shares of preferred stock ("Preferred Stock"). On January 30, 2018, we issued 9,926 shares of our Series A Preferred Stock to Wipro, LLC (as further described in Note A above under the heading "Securities Purchase Agreement") at an issue price of \$1,000 per share, for gross proceeds of \$9.9 million. We incurred \$0.2 million of transactions fees on the issuance of the Preferred Stock which are netted against the gross proceeds of \$9.9 million on our Condensed Consolidated Financial Statements.

Series A Preferred Stock has the following rights and privileges:

Liquidation Rights

In the event of a liquidation, dissolution or winding down of the company or a Fundamental Transaction (defined in the Certificate of Designation for the Series A Preferred Stock), whether voluntary or involuntary, the holders of the Series A Preferred Stock are entitled to receive, prior to and in preference to the holders of common stock, from the assets of the company available for distribution, an amount equal to the greater of (i) the original issue price, plus any dividends accrued but unpaid thereon, and (ii) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock immediately before such liquidation.

Upon liquidation, after the payment of all preferential amounts required to be paid to the holders of Series A Preferred Stock, the remaining assets of the Company available for distribution to its stockholders shall be distributed among the holders of common stock.

Dividends

Upon liquidation, dissolution or winding down of the company, or a Fundamental Transaction, shares of Series A Preferred Stock which have not been otherwise converted to Common Stock, shall be entitled to receive dividends that accrue at a rate of (i) 5% each year, or (ii) the rate that cash dividends were paid in respect of common stock (with Series A Preferred Stock being paid on an as-converted basis in such case) for such year if such rate is greater than 5%. Dividends on the Series A Preferred Stock are cumulative and accrue to the holders thereof whether or not declared by the Board of Directors. Dividends are payable solely upon a Liquidation (as defined in the Certificate of Designation), but only if prior to such Liquidation such shares of Series A Preferred Stock have not been converted to Common Stock. As of June 30, 2018, cumulative dividends payable to the holders of Series A Preferred Stock upon a Liquidation totaled \$0.2 million, or \$20.83 per share of Series A Preferred Stock.

Conversion

At the option of the holders of Series A Preferred Stock, shares of Series A Preferred Stock may be converted into Common Stock at a rate of 100.90817 shares of Common Stock for one share of Series A Preferred Stock, subject to certain future adjustments.

Voting and Other Rights

[Table of Contents](#)

The Series A Preferred Stock shall have no voting rights, except as otherwise required by law. Other rights afforded the holders of Series A Preferred Stock, under defined circumstances, include the election and removal of one member of the Board of Directors as a separate voting class, the ability to approve certain actions of the Company prior to execution, and preemptive rights to participate in any future issuances of new securities.

We determined that the Series A Preferred Stock has contingent redemption provisions allowing redemption by the holder upon certain defined events. As the event that may trigger the redemption of the Series A Preferred Stock is not solely within our control, the Series A Preferred Stock is classified as mezzanine equity (temporary equity) in the Condensed Consolidated Balance Sheet as of June 30, 2018.

Note F — Long-Term Debt

As of June 30, 2018 and December 31, 2017, we did not have any debt outstanding.

Credit Facilities

On April 17, 2017, we entered into a secured credit facility with Texas Capital Bank, N.A., that provided a \$20 million revolving credit facility (the "Texas Capital Credit Facility") and letters of credit issued by Texas Capital Bank up to \$5.0 million. The Texas Capital Credit Facility will be used for general corporate purposes. The Texas Capital Credit Facility is secured by substantially all of the company's assets and its material domestic subsidiaries. The Texas Capital Credit Facility is secured by HHS Guaranty, LLC, an entity formed to provide credit support for Harte Hanks by certain members of the Shelton family (descendants of one of our founders).

The Texas Capital Credit Facility had an expiration date of April 17, 2019, at which point all outstanding principal amounts will be due. We can elect to accrue interest on outstanding principal balances at either LIBOR plus 1.95% or prime plus 0.75%. Unused credit balances will accrue interest at 0.50%. We are required to pay a quarterly fee of \$0.1 million as consideration for the collateral balances provided by HHS Guaranty, LLC.

The Texas Capital Credit Facility is subject to customary covenants requiring insurance, legal compliance, payment of taxes, prohibition of second liens, and secondary indebtedness, as well as the filing of quarterly and annual financial statements.

On January 9, 2018, we entered into an amendment to the Texas Capital Credit Facility that increased the borrowing capacity to \$22 million and extended the maturity by one year to April 17, 2020. The Texas Capital Credit Facility remains secured by substantially all of our assets and continues to be guaranteed by HHS Guaranty.

At June 30, 2018, we had letters of credit in the amount of \$2.8 million. No amounts were drawn against these letters of credit at June 30, 2018. These letters of credit exist to support insurance programs relating to workers' compensation, automobile, and general liability.

Note G — Stock-Based Compensation

We maintain stock incentive plans for the benefit of certain officers, directors, and employees, including the 2013 Omnibus Incentive Plan. Our stock incentive plans include stock options, cash stock appreciation rights, performance stock units, phantom stock units and cash performance stock units. Our cash stock appreciation rights, phantom stock units and cash performance stock units settle solely in cash and are treated as a liability, which are adjusted each reporting period based on changes in our stock price.

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 Condensed Consolidated Statements of Comprehensive Income/(Loss). We recognized \$1.3 million and \$1.0 million of stock-based compensation expense during the six months ended June 30, 2018 and 2017, respectively.

Note H — Components of Net Periodic Benefit Cost

Prior to January 1, 1999, we maintained a defined benefit pension plan for which most of our employees were eligible (the "Qualified Pension Plan"). We elected to freeze benefits under the Qualified Pension Plan as of December 31, 1998.

In 1994, we adopted a non-qualified, unfunded, supplemental pension plan (the "Restoration 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 our Qualified Pension Plan were it not for limitations imposed by income tax regulation. The Restoration Pension Plan was intended to provide benefits equivalent to our Qualified Pension Plan as if such plan had not been frozen. We elected to freeze benefits under the Restoration Pension Plan as of April 1, 2014.

Net pension cost for both plans included the following components:

In thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest cost	\$ 1,685	\$ 1,837	\$ 3,370	\$ 3,674
Expected return on plan assets	(1,524)	(1,832)	(3,047)	(3,664)
Recognized actuarial loss	689	688	1,377	1,377
Net periodic benefit cost	\$ 850	\$ 693	\$ 1,700	\$ 1,387

We are not required to make, and do not intend to make, any contributions to our Qualified Pension Plan in 2018. Based on current estimates we will not be required to make any contributions to our Qualified Pension Plan until the 2019 plan year.

We are not required to make, and do not intend to make, any contributions to our Restoration Pension Plan other than to the extent needed to cover benefit payments. We made benefit payments under this supplemental plan of \$0.4 million and \$0.8 million in the three and six months ended June 30, 2018, respectively.

Note I - Income Taxes

Our three months ended June 30, 2018 income tax benefit of \$0.6 million resulted in an effective income tax rate of 8.0%. Our six months ended June 30, 2018 income tax benefit of \$9.4 million resulted in an effective income tax rate of (56.7)%. The effective income tax benefit for the three months ended June 30, 2018 differs from the federal statutory rate of 21.0%, primarily due to valuation allowances recorded on our deferred tax assets for current period federal net operating losses incurred, as we have concluded that it is more likely than not that these deferred tax assets will not be realized. The effective income tax benefit for the six months ended June 30, 2018 differs from the federal statutory rate of 21.0%, primarily due to the capital loss generated from the sale of 3Q Digital which will be available for carryback. We have historically, including for 2017, calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full calendar year to ordinary income or loss for the reporting period. However, we have used a discrete effective tax rate method to calculate income taxes for the three and six months ended June 30, 2018 because we determined that our ordinary income or loss cannot be reliably estimated and small changes in estimated ordinary income would result in significant changes in the estimated annual effective tax rate.

Our three months ended June 30, 2017 income tax benefit of \$2.2 million resulted in an effective income tax rate of 45.3%. Our six months ended June 30, 2017 income tax benefit of \$3.7 million resulted in an effective income tax rate of 26.8%. The effective income tax rate for the three and six months ended June 30, 2017 differs from the federal statutory rate of 35.0%, primarily due to the nondeductible interest associated with the 3Q Digital contingent consideration and foreign tax credit limitations on dividends paid from foreign subsidiaries. As noted above, we calculated the provision for income taxes for the three and six months ended June 30, 2017 by applying an estimate of the annual effective tax rate for the full calendar year to ordinary income or loss for the reporting period.

The U.S. Tax Cuts and Jobs Act (the "Tax Reform Act") was enacted on December 22, 2017. The legislation significantly changed U.S. tax law by, among other things, lowering the corporate income tax rate from 35% to 21%, implementing a territorial tax system and imposing a one-time repatriation tax on deemed repatriated earnings of foreign subsidiaries. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Reform Act, we made reasonable estimates of the effects and recorded provisional amounts in our financial statements as of December 31, 2017 in accordance with the SEC Staff Accounting Bulletin ("SAB") 118. We did not record any adjustments to our provisional amounts in the first or second quarter of 2018. The provisional amounts are subject to revisions as we continue to complete our analysis of the Tax Reform Act, collect and prepare necessary data, and interpret any additional guidance issued by the U.S. Treasury Department, Internal Revenue Service ("IRS"), the Financial Accounting Standards Board ("FASB"), and other

[Table of Contents](#)

standard-setting and regulatory bodies. Any such revisions will be treated in accordance with the one-year measurement period guidance outlined in SAB 118.

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 returns, we are no longer subject to tax examinations for tax years prior to 2013. For U.S. federal and foreign returns, we are no longer subject to tax examinations for tax years prior to 2014.

We have elected to classify any interest expense and penalties related to income taxes within income tax expense in our Consolidated Statements of Comprehensive Income/(Loss). We did not have a significant amount of interest or penalties accrued at June 30, 2018 or December 31, 2017.

Note J - Earnings Per Share

In periods in which the company has net income, the company is required to calculate earnings per share ("EPS") using the two-class method. The two-class method is required because the company's preferred stock is considered a participating security with objectively determinable and non-discretionary dividend participation rights. Preferred stockholders have the right to participate in dividends above their five percent dividend rate should the company declare dividends on its Common Stock at a dividend rate higher than the five percent (on an as-converted basis). Under the two-class method, undistributed and distributed earnings are allocated on a pro-rata basis to the common and the preferred stockholders. The weighted-average number of common and preferred stock outstanding during the period is then used to calculate EPS for each class of shares.

In periods in which the company has a net loss, basic loss per share is calculated using the treasury stock method. The treasury stock method is calculated by dividing the net loss by the weighted-average number of common shares outstanding during the period. The two-class method is not used, because the calculation would be anti-dilutive.

Reconciliations of basic and diluted EPS were as follows:

In thousands, except per share amounts	Three Months Ended June 30,	
	2018	2017
Net Loss	\$ (6,734)	\$ (2,653)
Less: Preferred stock dividends	124	—
Income/(loss) attributable to common stockholders	\$ (6,858)	\$ (2,653)
Basic Earnings/(Loss) per Common Share		
Weighted-average common shares outstanding	6,226	6,190
Basic earnings/(loss) per common share	\$ (1.10)	\$ (0.43)
Diluted Earnings/(Loss) per Common Share		
Weighted-average shares used to compute earnings/(loss) per share attributable to common shares	6,226	6,190
Diluted earnings/(loss) per common share	\$ (1.10)	\$ (0.43)
Computation of Shares Used in Diluted Earnings/(Loss) Per Common Share		
Weighted-average common shares outstanding	6,226	6,190
Shares used in diluted earnings/(loss) per common share computations	6,226	6,190

0.3 million and 0.3 million of anti-dilutive market price options have been excluded from the calculation of shares used in the diluted EPS calculation for the three months ended June 30, 2018 and 2017, respectively. 0.2 million and 0.1 million anti-dilutive unvested shares were excluded from the calculation of shares used in the diluted EPS calculation for the three months ended June 30, 2018 and 2017, respectively. 1.0 million of anti-dilutive preferred stock (as if converted) have been excluded from the calculation of shares used in the diluted EPS calculation for the three months ended June 30, 2018.

[Table of Contents](#)

In thousands, except per share amounts	Six Months Ended June 30,	
	2018	2017
Numerator:		
Net income/(loss)	\$ 25,893	\$ (10,039)
Less: Preferred stock dividend	207	—
Less: Earnings attributable to participating securities	3,059	—
Numerator for basic EPS: income/(loss) attributable to common stockholders	\$ 22,627	\$ (10,039)
Effect of dilutive securities:		
Add back: Allocation of earnings to participating securities	3,059	—
Less: Re-allocation of earnings to participating securities considering potentially dilutive securities	(3,046)	—
Numerator for diluted EPS	\$ 22,640	\$ (10,039)
Denominator:		
Basic EPS denominator: weighted-average common shares outstanding	6,220	6,179
Effect of dilutive securities:		
Unvested shares	30	—
Diluted EPS denominator	6,250	6,179
Basic earnings/(loss) per common share	\$ 3.64	\$ (1.62)
Diluted earnings/(loss) per common share	\$ 3.62	\$ (1.62)

0.3 million and 0.3 million of anti-dilutive market price options have been excluded from the calculation of shares used in the diluted EPS calculation for the six months ended June 30, 2018 and 2017, respectively. \$32.0 thousand and 0.1 million anti-dilutive unvested shares were excluded from the calculation of shares used in the diluted EPS calculation for the six months ended June 30, 2018 and 2017, respectively.

Note K — Comprehensive Income/(Loss)

Comprehensive income/(loss) for a period encompasses net income/(loss) and all other changes in equity other than from transactions with our stockholders. Our comprehensive income/(loss) was as follows:

In thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income/(loss)	\$ (6,734)	\$ (2,653)	25,893	(10,039)
Other comprehensive income/(loss):				
Adjustment to pension liability	686	688	1,377	1,252
Tax expense	(169)	(275)	(342)	(501)
Adjustment to pension liability, net of tax	517	413	1,035	751
Foreign currency translation adjustment, net of tax	(804)	599	(959)	644
Total other comprehensive income/(loss), net of tax	(287)	1,012	76	1,395
Total comprehensive income/(loss)	\$ (7,021)	\$ (1,641)	\$ 25,969	\$ (8,644)

[Table of Contents](#)

Changes in accumulated other comprehensive income/(loss) by component were as follows:

In thousands	Defined Benefit Pension Items	Foreign Currency Items	Total
Balance at December 31, 2017	\$ (45,418)	\$ 1,115	\$ (44,303)
Other comprehensive income/(loss), net of tax, before reclassifications	—	(959)	(959)
Amounts reclassified from accumulated other comprehensive income/(loss), net of tax, to other, net, on the condensed consolidated statements of comprehensive income/(loss)	1,035	—	1,035
Net current period other comprehensive income/(loss), net of tax	1,035	(959)	76
Balance at June 30, 2018	\$ (44,383)	\$ 156	\$ (44,227)

In thousands	Defined Benefit Pension Items	Foreign Currency Items	Total
Balance at December 31, 2016	\$ (46,977)	\$ 799	\$ (46,178)
Other comprehensive income/(loss), net of tax, before reclassifications	—	644	644
Amounts reclassified from accumulated other comprehensive income/(loss), net of tax, to other, net, on the condensed consolidated statements of comprehensive income/(loss)	751	—	751
Net current period other comprehensive income/(loss), net of tax	751	644	1,395
Balance at June 30, 2017	\$ (46,226)	\$ 1,443	\$ (44,783)

Reclassification amounts related to the defined pension plans are included in the computation of net periodic pension benefit cost (see Note H, *Components of Net Periodic Pension Benefit Cost*).

Note L — Litigation Contingencies

In the normal course of our business, 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. The terms and duration of these commitments vary and, in some cases, may be indefinite, and certain of these commitments do not limit the maximum amount of future payments we could become obligated to make thereunder; accordingly, our actual aggregate maximum exposure related to these types of commitments is not reasonably estimable. Historically, we have not been obligated to make significant payments for obligations of this nature, and no liabilities have been recorded for these obligations in our consolidated financial statements.

We are also subject to various claims and 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. We routinely assess the likelihood of adverse judgments or outcomes to these matters, as well as ranges of probable losses; to the extent losses are reasonably estimable. Accruals are recorded for these matters to the extent that management concludes a loss is probable and the financial impact, should an adverse outcome occur, is reasonable estimable.

In the opinion of management, appropriate and adequate accruals for legal matters have been made, and management believes that the probability of a material loss beyond the amounts accrued is remote. Nevertheless, we cannot predict the impact of future developments affecting our pending or future claims and lawsuits. 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 M — Disposition

On February 28, 2018, we sold our 3Q Digital, Inc. subsidiary ("3Q Digital") to an entity owned by certain former owners of the 3Q Digital business. Consideration for the sale included \$5.0 million in cash proceeds, subject to certain working capital adjustments, and up to \$5.0 million in additional consideration if the 3Q Digital business is sold again (provided certain value thresholds are met). The \$35.0 million contingent consideration obligation of the company that related to our acquisition of 3Q Digital in 2015 was assigned to the buyer, thereby relieving us of the obligation. In addition, the identified intangible assets with definite lives for client relationships and non-compete agreements were written-off as a component of the gain on sale.

The 3Q Digital business represented less than 10% of our total 2017 revenues. As a result of the sale, the company recognized a pre-tax gain of \$31.0 million in the first quarter of 2018. The assets included net intangible assets and the liabilities (including contingent consideration).

The purchase agreement and subsequent amendment to the purchase agreement for the 2015 acquisition of 3Q Digital included a contingent consideration arrangement that would have required us to pay the former owners of 3Q Digital an additional cash payment depending on achievement of certain revenue growth goals. The potential undiscounted amount of all future payments that would have been required to be paid under the contingent consideration arrangement was \$35.0 million in cash payable in 2019.

A reconciliation of accrued balances of the contingent consideration using significant unobservable inputs (Level 3) is as follows:

(in thousands)	Fair Value
Accrued contingent consideration liability as of December 31, 2017	\$ 33,887
Accretion of interest	742
Disposition	(34,629)
Accrued contingent consideration liability as of June 30, 2018	\$ —

Note N — Certain Relationships and Related Party Transactions

Since 2016, we have conducted (and we continue to conduct) business with Wipro, LLC ("Wipro"), whereby Wipro provides us with a variety of technology-related services, including database and software development, database support and analytics, IT infrastructure support, leased facilities and digital campaign management. Additionally, we also provide Wipro with agency services.

Effective January 30, 2018, Wipro became a related party when it purchased 9,926 shares of our Series A Preferred Stock, for aggregate consideration of \$9.9 million. For information pertaining to the Company's preferred stock, See Note E, *Convertible Preferred Stock*.

During the three and six months ended June 30, 2018, we recorded no revenue from services provided to Wipro. During the three and six months ended June 30, 2017, we recorded \$15 thousand and \$0.1 million of revenue for agency-related services we provided Wipro, respectively.

During the three months ended June 30, 2018 and 2017, we recorded \$3.3 million and \$2.5 million of expense, respectively, in technology-related services and leased facilities Wipro provided to us. During the six months ended June 30, 2018 and 2017, we recorded \$6.1 million and \$2.9 million of expense, respectively, in technology-related services Wipro provided to us.

During the three and six months ended June 30, 2018, we capitalized \$0.4 million and \$1.5 million of costs, respectively, for internally developed software services received from Wipro. These capitalized costs are included in Property, Plant and Equipment on the Condensed Consolidated Balance Sheet as of June 30, 2018.

As of June 30, 2018 and December 31, 2017, we had a trade payable due to Wipro of \$2.9 million and \$2.2 million, respectively. We had \$15 thousand in trade receivables due from Wipro for services provided in 2017 but invoiced in 2018 as of June 30, 2018 and no trade receivables due from Wipro as of December 31, 2017.

As described in "Note F- Long-Term Debt", the Company's Texas Capital Credit Facility is secured by HHS Guaranty, LLC, an entity formed to provide credit support for the Company by certain members of the Shelton family (descendants of one of our founders). Pursuant to the Amended and Restated Fee, Reimbursement and Indemnity Agreement, dated January 9, 2018, between HHS Guarantee, LLC and the Company, HHS Guarantee, LLC has the right to appoint one representative director to the Board of Directors. Currently, David L. Copeland serves as the HHS Guarantee, LLC representative on the Board of Directors.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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 (the "1933 Act") and Section 21E of the 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 the impact of economic conditions of the markets we serve on the marketing expenditures and activities of our 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, (9) the impact of recent tax reform legislation on our results of operations, and (10) 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 Securities and Exchange Commission, including the factors discussed under "Item 1A. Risk Factors" in the 2017 10-K, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and in the "Cautionary Note Regarding Forward-Looking Statements" in our second quarter 2018 earnings release issued on August 8, 2018. 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, except as required by law.

Overview

The following MD&A section is intended to help the reader understand the results of operations and financial condition of Harte Hanks, Inc. This section is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes to the Condensed Consolidated Financial Statements as well as our 2017 Form 10-K. Our 2017 Form 10-K contains a discussion of other matters not included herein, such as disclosures regarding critical accounting policies and estimates, and contractual obligations.

Harte Hanks partners with clients to deliver relevant, connected, and quality customer interactions. Our approach starts with discovery and learning, which leads to customer journey mapping, creative and content development, analytics, and data management, and ends with execution and support in a variety of digital and traditional channels. We do something powerful: we produce engaging and memorable customer interactions to drive business results for our clients, which is why Harte Hanks is known for developing better customer relationships and experiences and defining interaction-led marketing.

Our services offer a wide variety of integrated, multi-channel, data-driven solutions for top brands around the globe. We help our clients gain insight into their customers' behaviors from their data and use that insight to create innovative multi-channel marketing programs to deliver a return on marketing investment. We believe our clients' success is determined not only by how good their tools are, but how well we help them use the tools to gain insight and analyze their consumers. This results in a strong and enduring relationship between our clients and their customers. We offer a full complement of capabilities and resources to provide a broad range of marketing services, in media from direct mail to social media, including:

- agency and digital services;
- database marketing solutions;
- direct mail, logistics and fulfillment; and
- contact centers.

[Table of Contents](#)

The following MD&A of Financial Condition and Results of Operations gives retroactive effect to the Reverse Stock Split for all periods presented, unless otherwise noted. See Note A, *Significant Accounting Policies*, in the Notes to Consolidated Financial Statements for further information.

We are affected by the general, national, and international economic and business conditions in the markets where we and our customers operate. Marketing budgets are largely discretionary in nature, and as a consequence are easier for our clients to reduce in the short-term than other expenses. Our revenues are also affected by the 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. We remain committed to making the investments necessary to execute our multichannel strategy while also continuing to adjust our cost structure to reduce costs in the parts of the business that are not growing as fast.

We continued to face a challenging competitive environment in 2018. The sale of 3Q Digital in 2018, and our recent preferred stock agreement with Wipro, LLC are all parts of our efforts to prioritize our investments and focus on our core business of optimizing our clients' customer journey across an omni-channel delivery platform. We expect these actions will enhance our liquidity and financial flexibility. For additional information see Liquidity and Capital Resources. We have taken actions to return the business to profitability and improve our cash, liquidity, and financial position. This includes workforce restructuring, making investments targeted at improving product offerings, and implementing expense reductions.

Results of Operations

Operating results were as follows:

In thousands	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Revenues	\$ 69,633	\$ 94,722	(26.5)%	\$ 150,829	\$ 189,616	(20.5)%
Operating expenses	75,941	96,513	(21.3)%	162,173	197,748	(18.0)%
Operating loss	\$ (6,308)	\$ (1,791)	252.2 %	\$ (11,344)	\$ (8,132)	39.5 %
Operating margin	(9.1)%	(1.9)%		(7.5)%	(4.3)%	
Income/(loss) before taxes	\$ (7,318)	\$ (4,852)	50.8 %	\$ 16,529	\$ (13,714)	(220.5)%
Diluted earnings/(loss) per common share from operations	\$ (1.10)	\$ (0.43)	155.8 %	\$ 3.62	\$ (1.62)	(323.5)%

Revenues

Second Quarter 2018 vs. Second Quarter 2017

Revenues declined \$25.1 million, or 26.5%, in the second quarter of 2018 compared to the second quarter of 2017. These results reflect the impact of declines in all of our industry verticals. Revenues declined in our retail, B2B, financial services, consumer, healthcare and transportation verticals by \$7.0 million, or 30.8%, \$5.6 million, or 27.6%, \$0.2 million, or 1.4%, \$8.1 million, or 33.8%, \$1.0 million, or 20.0%, and \$3.1 million, or 40.0%, respectively. These declines were partially due to the sale of 3Q Digital at the end of February 2018 (caused an \$8.8 million revenue reduction to the quarter-over-quarter results primarily impacting the B2B and Consumer verticals). Additionally, lost clients and lower volumes from existing clients caused the lower revenues.

First Half of 2018 vs. First Half of 2017

Revenues declined \$38.8 million, or 20.5%, in the first half of 2018 compared to the first half of 2017. These results reflect the impact of declines in all of our industry verticals. Our retail, B2B, financial services, consumer, healthcare and transportation verticals declined \$13.7 million, or 29.8%, \$8.6 million, or 20.4%, \$0.9 million, or 3.0%, \$9.8 million, or 21.8%, \$2.5 million, or 22.8%, and \$3.2 million, or 20.2%, respectively. These declines were partially due to the sale of 3Q at the end of February 2018 (caused a \$10.1 million revenue reduction to the six-month period-over-period results primarily impacting our B2B and Consumer verticals). Additionally, lost clients and lower volumes from existing clients caused the lower revenues.

[Table of Contents](#)

Among other factors, our revenue performance will depend on general economic conditions in the markets we serve and how successful we are at maintaining and growing business with existing clients and acquiring new clients. We believe that, in the long-term, an increasing portion of overall marketing and advertising expenditures will be shifted from other advertising media to targeted media advertising resulting in a benefit to our business. Targeted media advertising results can be more effectively tracked, enabling measurement of the return on marketing investment.

Operating Expenses

Second Quarter 2018 vs. Second Quarter 2017

Operating expenses were \$75.9 million in the second quarter of 2018, compared to \$96.5 million in the second quarter of 2017. This decline was partially caused by the sale of 3Q Digital (caused a \$7.6 million total operating expense reduction to quarter-over-quarter results). Labor costs declined \$17.4 million, or 30.4%, compared to the second quarter of 2017, primarily due to lower payroll expense, our expense reduction efforts, lower severance expense and the sale of 3Q Digital (caused a \$6.2 million expense reduction to the quarter-over-quarter results). Production and distribution expenses declined \$0.2 million, compared to the second quarter of 2017 primarily due to the sale of 3Q Digital resulting in \$0.6 million lower expense quarter-over-quarter, offset by an increase of \$0.4 million in production and distribution expenses elsewhere in the business. Advertising, Selling and General expense declined \$2.3 million, or 22.2%, compared to the second quarter of 2017, primarily due to a reduction in facilities expense, marketing/promotional expense, employee-related expenses and the sale of 3Q Digital (caused a \$0.7 million reduction in the quarter-over-quarter comparison). Depreciation, software and intangible asset amortization expense declined \$0.8 million, or 28.5%, compared to the second quarter of 2017, primarily due to the elimination of the intangible assets on the sale of 3Q Digital and reduced capital expenditures.

First Half of 2018 vs. First Half of 2017

Operating expenses were \$162.2 million in the first half of 2018, compared to \$197.7 million in the first half of 2017. This decline was partially caused by the sale of 3Q Digital (caused a \$10.1 million total operating expense reduction to the six-month period-over-period results). Labor costs declined \$27.1 million, or 23.0%, compared to the first half of 2017, primarily due to lower payroll expense as a result of our expense reduction efforts and the sale of 3Q Digital (caused a \$7.8 million expense reduction to the six-month period-over-period results). Production and distribution expenses declined \$2.9 million, or 5.4%, compared to the first half of 2017 primarily due to lower outsourced services, lower direct mail related supply chain expenses and the sale of 3Q Digital (caused a \$0.9 million expense reduction to the six-month period-over-period results). Advertising, Selling and General expense declined \$4.1 million, or 19.0%, compared to the first half of 2017, primarily due to a reduction in employee-related expenses and the sale of 3Q Digital (caused a \$1.3 million expense reduction to the six-month period-over-period results). Depreciation, software and intangible asset amortization expense declined \$1.6 million, or 27.7%, compared to the first half of 2017, primarily due to the elimination of the intangible assets on the sale of 3Q Digital and reduced capital expenditures.

Our largest cost components are labor, outsourced costs, and mail transportation expenses. Each of these costs is somewhat variable and tends to fluctuate with revenues and the demand for our services. Mail transportation rates have increased over the last few years due to demand and supply fluctuations within the transportation industry. Future changes in mail transportation expenses will continue to impact our total production costs and total operating expenses and may have an impact on future demand for our supply chain management services.

Postage costs of mailings are borne by our clients and are not directly reflected in our revenues or expenses.

Operating Loss

Second Quarter of 2018 vs. Second Quarter of 2017

Operating loss was \$6.3 million in the second quarter of 2018, compared to \$1.8 million in the second quarter of 2017. The -\$4.5 million increase in operating loss reflects the impact of lower revenues of \$25.1 million, partially offset by a \$20.6 million decline in operating expenses. The sale of 3Q Digital in late February 2018, resulted in an operating loss increase of \$1.2 million, as compared to second quarter of 2017.

First Half of 2018 vs. First Half of 2017

Operating loss was \$11.3 million in the first half of 2018, compared to \$8.1 million in the first half of 2017. The \$3.2 million increase in operating loss reflects the impact of lower revenues of \$38.8 million, partially offset by a \$35.6 million decline in

[Table of Contents](#)

operating expenses. The sale of 3Q Digital in late February 2018, resulted in an immaterial operating loss increase compared to the first half of 2017.

Interest Expense

Second Quarter 2018 vs. Second Quarter 2017

Interest expense, net, in the second quarter of 2018 declined \$1.1 million compared to the second quarter of 2017. This decline was due to a lower overall debt balance and the elimination of interest accretion expense related to the 3Q Digital contingent consideration liability as of February 2018 (caused a \$1.0 million expense reduction to the quarter-over-quarter results).

First Half of 2018 vs. First Half of 2017

Interest expense, net, in the first half of 2018 declined \$1.1 million compared to the first half of 2017. This decline is due to a lower interest accretion expense in the first half of 2018 due to the elimination of the 3Q Digital contingent consideration liability in late February 2018 (caused a \$1.3 million expense reduction to the six-month period-over-period results), partially offset by a \$0.2 million increase in interest expense, net, in the first half of 2018, as compared to the first half of 2017.

Gain on sale

The gain on sale during 2018 is the result of the sale of 3Q Digital in late February 2018 whereby the sum of proceeds received plus net obligations eliminated resulted in a gain on sale of \$31.0 million.

Other Income and Expense

Second Quarter 2018 vs. Second Quarter 2017

Other expense, net, declined \$1.0 million in the second quarter of 2018, compared to the second quarter of 2017. This was primarily the result of the net impact of a foreign currency gain in 2018, versus a net foreign currency loss in 2017.

First Half of 2018 vs. First Half of 2017

Other expense, net, declined \$1.4 million in the first half of 2018, compared to the first half of 2017. This was primarily the result of the impact of a net foreign currency gain in 2018, versus a net foreign currency loss in 2017.

Income Taxes

Second Quarter 2018 vs. Second Quarter 2017

The income tax benefit of \$0.6 million in the second quarter of 2018 represents a decline in our income tax benefit of \$1.6 million, as compared to the second quarter of 2017. Our effective tax rate was 8.0% for the second quarter of 2018 as compared to our effective tax rate of 45.3% for the second quarter of 2017. The effective income tax rate for the second quarter of 2018 differs from the federal statutory rate of 21.0%, primarily due to valuation allowances recorded on our deferred tax assets for current period federal net operating losses incurred, as we have concluded that it is more likely than not that these deferred tax assets will not be realized.

First Half 2018 vs. First Half 2017

The income tax benefit of \$9.4 million in the first half of 2018 represents an increase in our income tax benefit of \$5.7 million, as compared to the first half of 2017. Our effective tax rate was (56.7)% for the first half of 2018 as compared to our effective tax rate of 26.8% for the first half of 2017. The effective income tax rate for the first half of 2018 differs from the federal statutory rate of 21.0%, primarily due to the capital loss generated from the sale of 3Q Digital which will be available for carryback.

We have historically, including for 2017, calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full calendar year to ordinary income or loss for the reporting period. However, we used a discrete effective tax rate method to calculate income taxes for the three and six months ended June 30, 2018 because we determined that our ordinary income or loss cannot be reliably estimated and small changes in estimated ordinary income would result in significant changes in the estimated annual effective tax rates.

Diluted Earnings/(Loss) Per Share from Operations

Second Quarter 2018 vs. Second Quarter 2017

We recognized a net loss of \$6.7 million and a diluted loss of \$1.10 per share in the second quarter of 2018. These results compared to net loss of \$2.7 million and a diluted loss of \$0.43 per share in the second quarter of 2017.

First Half of 2018 vs. First Half of 2017

We recognized net income of \$25.9 million and diluted earnings of \$3.62 per share in the first half of 2018. These results compared to net loss of \$10.0 million and a diluted loss of \$1.62 per share in the first half 2017.

Liquidity and Capital Resources

Sources and Uses of Cash

Our cash and cash equivalent balances were \$20.2 million and \$8.4 million at June 30, 2018 and December 31, 2017, respectively. Our principal sources of liquidity are cash on hand, cash provided by operating activities, and borrowings. Our cash is primarily used for general corporate purposes, working capital requirements, and capital expenditures.

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2018 was \$2.5 million, compared to net cash used in operating activities of \$41.8 million for the six months ended June 30, 2017. The \$44.3 million year-over-year increase was primarily the result of a change in accrued liabilities, which included the impact of a 2017 federal income tax payment due to the sale of our Trillium Software business in 2016 and the impact of an increase in accounts payable during 2018, as compared to a decrease in 2017.

Investing Activities

Net cash provided in investing activities was \$1.8 million for the six months ended June 30, 2018, compared to the net cash used in investing activities of \$3.0 million for the six months ended June 30, 2017. This change was due to the sale of 3Q Digital in late February 2018.

Financing Activities

Net cash provided from financing activities was \$8.5 million for the six months ended June 30, 2018, compared to net cash provided of \$11.3 million for the six months ended June 30, 2017. The \$2.8 million decrease was primarily due to issuing Preferred Stock in 2018 and lower net borrowings under the Company's credit facilities in 2018 compared to 2017.

Foreign Holdings of Cash

Consolidated foreign holdings of cash as of June 30, 2018 and 2017 were \$3.3 million and \$3.0 million, respectively.

Credit Facilities

On January 9, 2018, we entered into an amendment to the Texas Capital Credit Facility that increased the borrowing capacity to \$22 million and extended the maturity by one year to April 17, 2020. The Texas Capital Credit Facility remains secured by substantially all of our assets and continues to be guaranteed by HHS Guaranty, LLC.

At June 30, 2018, we had letters of credit in the amount of \$2.8 million. No amounts were drawn against these letters of credit at June 30, 2018. These letters of credit exist to support insurance programs relating to workers' compensation, automobile, and general liability.

Outlook

We consider such factors as total cash and cash equivalents, current assets, current liabilities, total debt, revenues, operating income, cash flows from operations, investing activities, and financing activities when assessing our liquidity. 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. We believe that there are no conditions or events,

[Table of Contents](#)

considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern for the 12 months following the issuance of the Condensed Consolidated Financial Statements.

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. Refer to the 2017 Form 10-K for a discussion of our critical accounting policies.

The following represent changes to our critical accounting policies as described in detail in our 2017 Form 10-K:

- The adoption of ASC 606, *Revenue from Contracts with Customers* - the impact of this change in accounting policy is described in detail in Note C, *Revenue from Contracts with Customers*, in the Notes to Unaudited Condensed Consolidated Financial Statements; and
- Goodwill and intangible assets is no longer included as a critical accounting policy as we no longer have these assets on our consolidated balance sheet

See Recent Accounting Pronouncements under Note B, of the Notes to Condensed Consolidated Financial Statements for a discussion of certain accounting standards that have been recently issued.

Item 3. 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 to manage our exposure to such risks.

We did not have any long-term debt as of June 30, 2018. A hypothetical one percentage point change in average interest rates would not have a significant impact on our earnings for the three and six months ended June 30, 2018.

On April 17, 2017, we entered into the Texas Capital Credit Facility. On January 9, 2018, we entered into an amendment to the Texas Capital Credit Facility that increased the borrowing capacity to \$22 million and extended the maturity by one year to April 17, 2020. The credit facility increased exposure to market risks relating to changes in interest rates because borrowings under the facility bear interest at a variable rate. We do not believe that a one percentage point change in average interest rates would have a material impact on our interest expense. As such, we do not believe that we currently have significant exposure to market risks associated with changing interest rates. At this time, we have not entered into any interest rate swap or other derivative instruments to hedge the effects of adverse fluctuations in 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, and Philippine Peso. 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/(loss) in our Consolidated Statements of Comprehensive Income/(Loss). Due to the current level of operations conducted in foreign currencies, we do not believe that the impact of fluctuations in foreign currency 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, intercompany 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, whether realized or unrealized, results in an adjustment to income, which is recorded in "Other, net" in our Consolidated Statements of Comprehensive Income/(Loss). Transactions such as these amounted to \$0.6 million in pre-tax currency transaction gains in the first half of 2018. At this time, we are 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in such reports is accumulated and communicated to management, including our Chief Executive Officer, Chief Financial Officer, and Corporate Controller as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer, Chief Financial Officer, and Corporate Controller, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as of June 30, 2018. Based on that evaluation, our Chief Executive Officer, Chief Financial Officer and Corporate Controller concluded that the company's disclosure controls and procedures were not effective as of June 30, 2018 due to the material weaknesses in internal control over financial reporting as described in Item 9A of the 2017 10-K.

Material Weakness in Internal Control over Financial Reporting

We identified material weaknesses in the following areas (i) the effectiveness of the control environment, risk assessment, information and communication, and monitoring, (ii) the effectiveness of internal controls over revenue recognition.

[Table of Contents](#)

Notwithstanding the material weaknesses, each of our Chief Executive Officer, Chief Financial Officer, and Corporate Controller concluded that the consolidated financial statements included in this report present fairly, in all material respects, our financial position, results of operations, and cash flows as of the dates and for the periods presented, in conformity with U.S. GAAP.

Changes in Internal Control over Financial Reporting

As discussed in Item 9A of our 2017 10-K, we have undertaken actions to redesign processes and controls to address all of the material weaknesses. We have engaged specialists to assist us with reviewing, documenting, and (as needed) supplementing our controls, with a goal of providing controls that not only better address both the accuracy and precision of management's review, but also enhance our ability to manage our business as it has evolved. We expect to make further changes as our specialists deliver recommendations from their reviews. As we implement these plans, management may determine that additional steps may be necessary to remediate the material weaknesses.

Beginning January 1, 2018, we implemented ASC 606, Revenue from Contracts with Customers. Although the new revenue standard did not have a material impact on consolidated financial statements, we did implement changes to our processes related to revenue recognition and the control activities within them. These included the development of new policies based on the five-step model provided in the new revenue standard, new training, ongoing contract review requirements, and the gathering of information necessary provided for expanded disclosures.

Although we intend to resolve all of the material control deficiencies discussed in Item 9A of our 2017 10-K, we cannot provide any assurance that these remediation efforts will be successful, will be completed quickly, or that our internal control over financial reporting will be effective as a result of these efforts by any particular date. Our remediation plan will last through 2018 due to the number of controls involved, the need for new risk assessments and control design implementation, and ultimately testing of such controls.

Inherent Limitation of the Effectiveness of Internal Control

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurances. In addition, 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. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure that such improvements will be sufficient.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

Information regarding legal proceedings is set forth in Note L, *Litigation Contingencies*, in the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

Item 1a. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our 2017 Form 10-K, which could materially affect our business, financial condition, or future results. The risks described in our 2017 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and operating results. In our judgment, there were no material changes in the risk factors as previously disclosed in Part I, "Item 1A. Risk Factors" of our 2017 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains information about our purchases of equity securities during the second quarter of 2018:

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of a Publicly Announced Plan (2)</u>	<u>Maximum Dollar Amount that May Yet Be Spent Under the Plan</u>
April 1-30, 2018	3,464	\$ 9.60	—	\$ 11,437,538
May 1-31, 2018	—	\$ —	—	\$ 11,437,538
June 1-30, 2018	3,228	\$ 11.23	—	\$ 11,437,538
Total	6,692	\$ 10.39	—	

(1) Represents shares withheld to offset withholding taxes upon the vesting of unvested shares.

(2) The Board of Directors does not anticipate purchasing any shares of our Common Stock through our stock repurchase program that was publicly announced in August 2014 for the foreseeable future. Under this program, from which shares can be purchased in the open market, our Board of Directors has authorized us to spend up to \$20.0 million to repurchase shares of our outstanding common stock. Through June 30, 2018, we had repurchased a total of 6.8 million shares at an average price of \$18.10 per share under all current and previous repurchase programs.

[Table of Contents](#)

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
*10.1	Co-Marketing Agreement dated as of January 23, 2018 by and between Harte Hanks, Inc. and Wipro, LLC.**.
10.2	Cooperation Agreement dated as of May 17, 2018, by and between Harte Hanks, Inc. Houston H. Harte, Sarah Harte, Carolyn Harte, Larry D. Franklin and the Franklin Family Foundation (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated May 17, 2018).
*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.
*101	XBRL Instance Document.

*Filed or furnished herewith, as applicable.

**Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

[Table of Contents](#)

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HARTE HANKS, INC.

August 9, 2018

Date

/s/ Karen A. Puckett

Karen A. Puckett
President and Chief Executive Officer

August 9, 2018

Date

/s/ Jon C. Biro

Jon C. Biro
Executive Vice President and Chief Financial Officer

August 9, 2018

Date

/s/ Carlos M. Alvarado

Carlos M. Alvarado
Vice President, Finance and
Corporate Controller

CO- MARKETING AGREEMENT

THIS CO- MARKETING AGREEMENT (“Agreement”) is entered into as of January 23, 2018 by and between:

HARTE HANKS, INC, a Delaware corporation with its principal office at 9601 McAllister Freeway, Suite 610; San Antonio, TX 78216, (the “Company,” which shall be deemed to include its successors and assigns to the extent permitted hereunder), and

WIPRO, LLC, a Delaware limited liability corporation having its registered office at 2 Tower Center Blvd, Suite 2200; East Brunswick, NJ 08816, USA (“Wipro”, which shall be deemed to include its successors and assigns to the extent permitted hereunder);

Each of Wipro and the Company shall be individually referred to as a “Party”, and jointly as the “Parties”.

WHEREAS, Wipro is a leading global services provider of global information technology, consulting and business process services (collectively, “Wipro Offerings”);

WHEREAS, the Company is a provider of global marketing services offering omni-channel marketing solutions that include consulting, strategic assessment, data, analytics, digital, social, mobile, print, direct mail and contact center (collectively, “Company Offerings”);

WHEREAS, the Parties intend to collaborate to offer and provide the Wipro Offerings and Company Offerings jointly to each other's customers and potentially other potential new customers of either party; and

WHEREAS, the parties may also provide to any of such customers integrated product and/or service offerings that are jointly developed, configured and/or customized and that employ both Wipro Offerings and Company Offerings (“Joint Offerings”); and any of the Wipro Offerings, Company Offerings or Joint Offerings may be referred to in this Agreement individually or collectively as “Offerings,” where dictated by the context), in all cases under the framework set forth in this Agreement and on such additional terms, and with such specific responsibilities and obligations, as the Parties may mutually agree with respect to each such opportunity (the activities and relationship described in this Agreement); and

WHEREAS, the Parties wish to establish the terms and conditions governing the Parties relationship with respect to the activities provided under Agreement.

NOW, THEREFORE, for the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Section 1. Overview of the Alliance; Relationship of the Parties

- 1.1 *Objectives of the Alliance.* Parties have aspirations to expand their revenues from Chief Marketing and Digital officer spend. The Parties have complimentary skills and scale to address this spend; and hence have agreed to cooperate to jointly market, promote and sell and their respective Offerings to existing and new customers as a team under the terms and conditions of this Agreement.

Through this cooperation, Company will become a Sell-with partner for Wipro (and vice versa). Both parties have commitments to each other around other relationships they have around Sell-to (where Wipro provides services directly to Company) and Sell-through (where Wipro provides sub-contracted services to Company clients through a shared service agreement/statement of work); and these commitments are foundational to this Sell-with partnership success and delivery effectiveness of new programs. For clarity, any resulting work to be performed by a Party in connection with a Joint Offering as described in this Agreement and any Project Addendum, will be provided under the separate services agreement between such Parties, as applicable to such Joint Offering.

Following are the Parties’ principle objectives as a starting point. Relationship Managers from both parties will update the objectives and achievement progress on periodic basis (quarterly updated and reviewed with Governance council)

- Increasing Overall revenues from Wipro-Company relationship—this includes Sell-to, Sell-through and Sell-with revenue agreement and expectations. Wipro’s target revenue objectives are reflected in Schedule 2.
- Prioritization of Potential Customers to be targeted under this Co-Marketing agreement—both parties will work together towards identifying Customers, create business plans in an effort to make a sale to such Customers, and deliver on programs jointly. The initial list of targeted customers is reflected in Schedule 3.

- Development of Joint Offerings—both parties are working towards identifying specific Joint Offerings that will be taken to Customers as part of this agreement. These Joint Offerings will undergo regular updates and reviews both internally within the Company and Wipro, and externally with Customers. Both Parties will endeavour keep this schedule updated so services being jointly offered to Customers are relevant to the time and market trends. The initial list of Joint Offerings is reflected in Schedule 4.
- 1.2 *Customers and Proposals.* The Company and Wipro agree to collaborate for the purpose of preparing and submitting to their own, each other's and potentially additional prospective customers of either Party (each, a "Customer") proposals for the offering of Joint Offerings (each, a "Proposal"). No printed or electronic materials that refer or relate to any Wipro Offerings or Company Offerings will be provided to any Customer by the Company or Wipro, respectively, without Wipro's or the Company's prior written approval (not to be unreasonably withheld or delayed) and with email approval sufficient for this purpose. No printed or electronic materials that refer or relate to any Joint Offerings will be provided to any Customer by either Party without the other Party's prior written approval (not to be unreasonably withheld or delayed) and with email approval sufficient for this purpose.
 - 1.3 *Projects.* If a Proposal is accepted by the Customer, the Parties will cooperate in carrying out the project described therein (the "Project") in accordance with the applicable terms of this Agreement, the Proposal and the applicable Project Addendum (as defined in Section 1.3).
 - 1.4 *Project Plans.* The Parties' general roles and responsibilities for each Proposal and Project will initially be specified in a project plan ("Project Plan").
 - 1.5 *Project Addenda.* Wipro's and the Company's respective responsibilities and obligations and their relationship with respect to the respective Project shall be as specified in this Agreement as supplemented by a Project-specific addendum to be agreed and executed by the Parties with respect to the applicable Project (a "Project Addendum"). Each Project Addendum entered into by the Parties when Wipro is the party designated as the Prime (as defined in Schedule 1 to this Agreement) shall be substantially in the form attached hereto in Schedule-1 and shall conform to the specifications in Section 4 of this Agreement. Each Project Addendum entered into by the Parties when Company is the party designated as the Prime shall be in the form of the Supplier Supply and Services Agreement ("SSSA") dated the 22nd day of July, 2016, except clauses VIII and X of the SSSA which stand amended as below, only for the purposes of this Agreement:

"VIII INDEMNITY

Supplier agrees to indemnify and hold harmless Harte Hanks, its affiliates, and each of their officers, directors, employees, successors and assigns (all hereinafter referred to in this clause as "Indemnified Parties") from and against any proven or alleged third party claims, demands, suits, losses, damages, liabilities, fines, penalties and expenses (including attorney's fees) that relate to the provision of Products/ Services by the Supplier, its affiliates, and each of their officers, directors, employees, suppliers, contractors or successors in the performance of this Agreement and cause: (1) injuries or death to persons or damage to property, including theft; (2) failure by Supplier to conform to any applicable laws and regulations relating to the Product/ Services, and/or its confidentiality obligations under this Agreement; (3) grossly negligent or intentional acts or omissions of Supplier; and (4) infringement of any patent, copyright, trademark, trade secret or other intellectual property right resulting from the Supplier's provision of Products/Services, provided however that Supplier shall not have any indemnity obligation to Harte Hanks under this Section to the extent that any infringement or claim thereof is attributable to: (1) the combination, operation or use of Products/Services with equipment or software supplied by Harte Hanks where the Products/Services would not itself be infringing; (2) compliance with designs, specifications, materials, inputs, or instructions provided by Harte Hanks; (3) use of Products/Services in an application or environment for which it was not designed or contemplated under this Agreement; or (4) modifications of a Products/Services by anyone other than Supplier where the unmodified version of the Products/Services would not have been infringing. Harte Hanks agrees to immediately notify Supplier of any written claims or demands against Harte Hanks for which Supplier is responsible under this clause. Lack of immediate notice shall not preclude Supplier's obligations hereunder unless same materially prejudices Supplier's legal rights in such action. Supplier will be entitled to have sole control over the defense and settlement of the claim. In addition, Supplier will not be required to reimburse Harte Hanks for any amount paid or payable by Harte Hanks in settlement of the claim if the settlement was agreed to without the written consent of the Supplier.

Subject to the cap on liability contained in clause X (Limitation of Liability) of this Agreement, Supplier agrees

to indemnify and hold harmless Indemnified Parties from and against any proven or alleged third party claims, demands, suits, losses, damages, liabilities, fines, penalties and expenses (including attorney's fees) that are not covered by the indemnities listed above, and in any way arise out of, relate to or result from the fault or negligence of Supplier in the provision of Products/ Services by the Supplier, its affiliates, and each of their officers, directors, employees, suppliers, contractors or successors in the performance of this Agreement”

...

“X. LIMITATION OF LIABILITY

NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES, INCLUDING BUT NOT LIMITED TO DAMAGES FOR LOSS OF PROFITS, REVENUE, GOODWILL, USE, DATA, ELECTRONICALLY TRANSMITTED ORDER, OR OTHER ECONOMIC ADVANTAGE (EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), HOWEVER CAUSED AND REGARDLESS OF THE THEORY OF LIABILITY, ARISING OUT OF OR RELATED TO ANY DELAY, OMISSION OR ERROR IN THE TRANSMISSION OR RECEIPT OF ANY DOCUMENTS PURSUANT TO THIS AGREEMENT. EACH PARTY'S TOTAL LIABILITY TO THE OTHER PARTY HEREUNDER IS LIMITED TO THE AMOUNT HARTE HANKS HAS PAID TO THE SUPPLIER IN THE PRECEDING 12 MONTHS FOR THE WORK ORDER, SERVICES OR PRODUCTS PROPERLY DELIVERED TO COMPANY UNDER THE SPECIFIC ORDER THAT GAVE RISE TO THE CLAIM FOR LIABILITY. THE FOREGOING SHALL NOT SERVE TO LIMIT THE SUPPLIER'S INDEMNIFICATION OBLIGATIONS OR CONFIDENTIALITY OBLIGATIONS, UNLESS STATED OTHERWISE IN CLAUSE VIII OF THIS AGREEMENT.

- 1.6 The affiliates and subsidiaries of either Party may also enter into Project Addendum(s) and/or Statement(s) of Work (as defined in Section 2.1 of Schedule 1) pursuant to the terms and conditions of this Agreement during the term of this Agreement. As used herein, the terms “Company”, “Wipro”, the “Parties” and similar terms shall also include each party's respective affiliates and subsidiaries who enter into one or more Project Addendum(s) and/or Statement(s) of Work (as applicable when Wipro is Prime) to this Agreement. Each Project Addendum(s) and/or Statement(s) of Work (as applicable when Wipro is the Prime) shall constitute a supplement to this Agreement and shall be deemed to incorporate all of the terms and conditions of this Agreement.
- 1.7 *Nature of Relationship.* The Parties agree and acknowledge that neither this Agreement nor any other activities hereunder constitute or shall be deemed to create between the Parties a legal partnership, joint venture, agency or other similar relationship, and that neither Party shall have any right to bind or obligate the other Party or act on the other Party's behalf in any manner, except as may be expressly agreed in a Project Addendum. Any use of the term “partner” or “partnership” in or in connection with this Agreement is solely to denote the spirit of cooperation and collaboration between the Parties in connection with the Projects contemplated hereunder. The Parties are independent contractors, and no employee or contractor of a Party shall be deemed to be an employee or contractor of the other Party or shall be entitled to any compensation or benefit provided by the other Party to its personnel.

1. Governance of the Alliance

In the event that Parties execute the Project Addendum, such Project Addendum shall be a binding agreement on both the Parties with respect to such Project. The Parties will work exclusively with each other for the Joint Opportunity as specified in that specific Project Addendum as set forth in Section 5.2 and neither Party shall withdraw from the Project for that specific Proposal except as contemplated under Section 9.4 hereof.

2.1 *Relationship Managers; Representatives.* Each Party will identify

- (a) a relationship manager to serve as its primary contact and manager of the alliance on behalf of such Party (its “Relationship Manager”) and;
- (b) at least two additional employees to serve as its additional representatives (its “Representatives”) to the governance council that will oversee the alliance (the “Governance Council”).

A Party may change its Relationship Manager and any Representative at any time and from time to time and shall provide the other Party a written notice in accordance with Section 10.6, of such replacement, along with the replacement Relationship Manager's or Representative's contact information, within ten days from the date of such change being made effective.

- 2.2 *Oversight by Governance Council.* The Governance Council will have responsibility for general oversight of the alliance, subject to the provisions of this Agreement. For such purpose, the Governance Council will meet (in person or telephonically) periodically, but no less frequently than quarterly, as agreed from time to time by the Parties, and including an initial meeting as soon as reasonably practicable (but no more than 30 days) following the Effective Date (as defined in section 9.1 herein). Any matters that, under this Agreement or any Project Addendum, require approval of the Governance Council, require documented approval by (without limitation) both Parties' Relationship Managers, following review and consideration by the Governance Council.
- 2.3 *Joint Business Plan.* The Governance Council will create and approve from time to time one or more business plans for the alliance, which shall include, without limitation, Wipro Customers and the Company Customers proposed to be targeted, revenue targets for the alliance, and such other matters as the Governance Council shall deem appropriate (a "Business Plan"). The Parties intend that the Governance Council will adopt an initial Business Plan, for the first year of the alliance, within 30 days following the Effective Date. The Governance Council may modify any Business Plan at any time and from time to time. Such Business Plans created and approved by the Governance Council shall not be binding on the Parties.

2. Project Management

- 3.1 *Project Manager.* For each proposed Project, each Party will appoint one person to be its Project manager (who may but will not necessarily be the Party's Relationship Manager or other Representative) for preparing a Proposal and serving as the Party's primary point of contact for the Proposal and resulting Project (the Party's "Project Manager"). Each Project Manager will be responsible for compiling all of the respective Party's resources (e.g., information and necessary personnel) required for preparing the respective Party's contributions to the Proposal, making presentations to Customers and for communications on behalf of the respective Party for purposes of such Project. The Project Plan will identify each Party's Project Manager and his or her contact information, and the respective Party may change its Project Manager from time to time and will promptly notify the other Party of any such change or any change to a Project Managers contact information, in accordance with Section 10.6.
- 3.2 *Proposals.* The Company and Wipro shall each prepare its portion of each Proposal. Submission of the Proposal to the Customer shall be subject to advance approval by both Parties' Project Managers and the Governance Council, and generally such Proposal to be submitted by the party acting as Prime (as specified in the applicable Project Addendum). The Parties will mutually agree to the Joint Offering(s) to be offered under the Proposal and the allocation of roles and responsibilities between the Parties (i.e. Prime vs Sub, etc.) during preparation of the Project Plan and prior to submitting the Proposal to the Customer. Each Party will make all reasonably necessary preparations and will perform all reasonably necessary activities to meet the Customer's requirements for submission of a Proposal;
- 3.3 *Project Addendum.* If the Customer accepts a Proposal, the Parties will negotiate and endeavor in good faith to sign, within 30 days of such selection (as the Parties may extend such period by written agreement, the "Negotiation Period"), a Project Addendum with respect to the Project. The Project Addendum, upon the Parties' execution thereof, will supplement and, to the extent of any express conflict or inconsistency with the terms of this Agreement, supersede this Agreement solely with respect to the applicable Project.
- 3.4 *Statement of Work.* If a Customer signs a separate Customer Agreement with the Party acting as Prime, the Parties shall also execute a separate Statement of Work (as defined in the Schedule 1 to this Agreement) for the applicable Project as stipulated in the applicable Project Addendum. Each Statement of Work, upon the Parties' execution thereof, will supplement and be subject to the terms and conditions of the applicable Project Addendum as referenced in such Statement of Work.

3. General Terms Applicable to Projects

Customer Agreements. The Parties will negotiate in good faith and document in the applicable Project Addendum who the contracting Party or Parties will be in the resulting Customer agreement with respect to Joint Offerings ("Customer Agreement"), and the Parties' respective entitlement to revenues from Joint Offerings. The Party or Parties will negotiate in good faith such Customer Agreement.

4. Exclusivity and Certain Restrictive Covenants

- 5.1 *No Obligation of Exclusivity.* Except as contemplated by this Agreement and any Project Addendum, Proposal or in Section 5.2 hereof, neither Party shall be committed to work exclusively with the other Party in respect of their respective Marketing Services and Solutions.
- 5.2 *Non-competition.* Neither Party nor its affiliates will directly or indirectly (through a third party) offer to a Customer that has received a Proposal hereunder a competitive proposal relating to the applicable Project, unless offered pursuant to this Agreement, until either:
- (a) the Customer has rejected the Proposal, or
 - (b) if the Customer accepts the Proposal, the latest of
 - i. six months following the termination by a Party of negotiation of a Project Addendum pursuant to Section 3.3,
 - ii. if the Parties enter into a Project Addendum relating to the Proposal,
 - (A) six months following execution of the Project Addendum relating to the Proposal, if at such time no contract with respect thereto has been entered into with the Customer, or
 - (B) if a Customer contract is entered into relating to the Proposal, six months following termination or expiration of such applicable Customer contract.
- 5.3 *Referrals.* During the term of this Agreement it is also contemplated that either Party may refer a business opportunity to the other Party in connection with a current customer or prospective customer of the referring Party, and where the referring Party will not act in capacity of a Sub or Prime in connection with such business opportunity, but rather the referred Party will contract directly with the customer or prospective customer for such business opportunity for the services provided by the referred Party (“Opportunity”). The referred Party agrees that during the term of this Agreement and for a period of one year thereafter, such Party will not, directly or indirectly, without the express written agreement of the referring Party, provide (or refer to others for provision of) services similar to the services being provided to such customer or prospective customer under the referring Party’s agreement with such actual or prospective customer. This Section shall survive expiration or termination of this Agreement.
- 5.4 *Most Favorable Terms.* In the event that the either Party collaborates, or provides any Company Offering or Wipro Offering, as applicable (alone or in conjunction with any other product or service of a third party) jointly, with any other system integrator comparable and similarly situated to the other Party (a “Third Party Collaboration”), such Third Party Collaboration shall be on terms no more favorable, taken as a whole, to the applicable third party than the comparable terms afforded to the other Party under this Agreement.
- 5.5 *Non-solicitation.* Neither Party shall, without the other Party’s prior written consent, during the term of this Agreement and for a period of one year thereafter, directly or indirectly: (a) solicit for employment, employ or engage any employee or individual consultant of the other Party; provided, that a Party will not be prohibited from (a) using advertisements in publications or other general solicitations for employment not directed at such persons, or (b) use any Confidential Information (as defined in Section 7.1) to directly or indirectly solicit and divert business away from the other Party.

5. Intellectual Property and Proprietary Materials

“Intellectual Property Rights” or “IPR” means all copyright rights (including, without limitation, the exclusive right to use, reproduce, modify, distribute, publicly display and publicly perform the copyrighted work), trademark rights (including, without limitation, trade names, trademarks, service marks, and trade dress), patent rights (including, without limitation, the exclusive right to make, use and sell), trade secrets, moral rights, right of publicity, authors’ rights, contract and licensing rights, goodwill and all other intellectual property rights as may exist now and/or hereafter come into existence and all renewals and extensions thereof, regardless of whether such rights arise under the laws of the India, United States or any other state, country or jurisdiction.

- 6.1 *Pre-existing Rights.* Each Party retains all right, title and interest in and to all of its IPR and other materials, property or proprietary rights and interests it owned prior to this Agreement or that it independently develops or acquires thereafter, including its third party licensors' works of authorship, inventions and discoveries and all derivative works and improvements to them, and neither Party is transferring any such rights to the other Party under this Agreement, by license or otherwise. If the Parties wish to license or otherwise transfer such rights, terms therefor will be expressly set forth in a Project Addendum or other separate written agreement.
- 6.2 *Independent Development.* All Intellectual Property Rights (including rights of attribution) created by a Party during the course of this Agreement independently without contribution from the other Party will belong to the creating Party only, and neither Party is transferring any such rights to the other Party under this Agreement, by license or otherwise. If the Parties wish to license or otherwise transfer such rights, terms therefor will be expressly set forth in a Project Addendum or other separate written agreement.
- 6.3 *Brand New Materials.*
- (a) If in connection with a particular Project, the Parties intend to engage in joint development, configuration, customization or other efforts that will or are reasonably expected to result in Joint Brand New Materials (as defined below), the Parties will discuss and document the specifications, scope and other matters relating to such efforts, including without limitation the ownership and maintenance of such Joint Brand New Materials and the Parties' respective IPR with respect to, and rights to license and/or otherwise commercialize, any resulting Joint Brand New Materials, in the applicable Project Addendum or other mutually agreed document executed by the Parties. Any Project Addendum that specifies the creation of a Joint Brand New Materials, must also be signed by each Party's respective legal representative to ensure that proper IPR rights and/or license obligations are specified in order to be valid. IPR that is owned by, or for which ownership is assigned to a client (whether pursuant to contract or by operation of law) shall be excluded from Joint Brand New Materials.
 - (b) Any new developments that are newly conceived and jointly developed by Company and Wipro, if and to the extent so documented pursuant to the first sentence of Section 6.3(a), shall be jointly owned by the Parties ("Joint Brand New Materials"), and the Parties' rights to independently license or otherwise commercialize such Joint Brand New Materials shall be as documented as set forth in Section 6.3(a) above. The Parties agree that, if and to the extent documented in a Project Addendum or otherwise in writing as required under Section 6.3(a), Joint Brand New Materials may include IPR consisting of a derivative work or improvement to a Party's pre-existing IPR.
 - (c) Each Party will grant to the other Party, pursuant to the applicable Project Addendum, all necessary license rights with respect to a Party's pre-existing IPR or applicable derivative works or improvements as are necessary to enable the other Party to offer the applicable Joint Offerings to Customers for the period and on the other applicable terms of the Project Addendum.

6.4 *Trademark License.* With respect to any trademarks or service marks of a Party that are designated in the applicable Project Addendum as licensed by one Party to the other for purposes of the applicable Project (such applicable marks, the “Marks”), unless otherwise agreed in such Project Addendum, the licensing Party is deemed to grant to the other Party a non-exclusive, royalty-free, non-sublicensable, non-assignable license to use the Marks solely in conjunction with the applicable Joint Offerings designated in the Project Addendum in accordance with the terms thereof (the “Trademark License”), in accordance with (i) all applicable use guidelines that the granting party may issue from time to time, and (ii) all relevant laws and regulations, and subject to the conditions set forth in this Agreement. Without limiting the generality of Section 6.1, the licensing Party retains all right, title and interest in and to its respective Marks at all times, and the licensee acknowledges that all goodwill arising from its use of the licensing Party’s Marks shall inure solely to the licensing Party. Each licensee shall use the other Party’s Marks solely as designated by the licensing Party and in accordance with all guidelines and instructions provided by such licensing Party from time to time. The licensing Party may terminate the Trademark License at any time effective immediately upon notice to the other Party, notwithstanding the continuation in effect of the Project Addendum, if (a) the licensing Party reasonably determines that the licensee has violated any provision of the Trademark License, the Project Addendum or this Agreement in any respect, or (b) the licensing Party determines in its discretion that it does not have sufficient rights with respect to the applicable Marks to grant the Trademark License. The licensee of a Party’s Marks hereunder will not at any time contest any rights of the licensing Party in or to any of its Marks or use or seek to register (or assist or advise any other person in registering) any trademark or service mark that could be reasonably construed as confusingly similar with, infringing of or dilutive of the other Party’s rights in or to its Marks. Neither Party shall use or permit the use of Marks that may be confusingly similar to the other Party’s Marks. Neither Party shall represent or imply that the Parties are in any way related to or controlled by one another. Each substantially new use of a Mark by a licensee shall be subject to the owner’s prior written approval, and such approval shall not be unreasonably withheld, conditioned, or delayed. Except as expressly stated in this Agreement, no other right of a Party to use any Mark belonging to the other Party is granted. Neither Party shall at any time use any of the other Party’s Marks in any manner that in any way could reasonably be expected to be detrimental to the interests of such other Party or its affiliates or agents.

6. Confidentiality and Nondisclosure

7.1 *Disclosure of Confidential Information.* Each Party acknowledges that, in the course of performance under this Agreement and the Project Addenda, one of them (the “Discloser”) may intentionally or inadvertently disclose, deliver or permit access by the other (the “Recipient”), either orally, in writing or in graphical, machine-readable or any other form or medium, and regardless of whether marked as “confidential and/or proprietary”, information (including without limitation, financial information, technical information or information relating to a Party’s business operations), Customer data or information, and other data or materials that are secret, proprietary and/or confidential to the Discloser, including as may be so designated by statute, regulation or common law including, among others, by the form of the Uniform Trade Secrets Act adopted under applicable law (if any) and various applicable privacy laws. All of the foregoing information, data and materials, including any information derived therefrom, is referred to collectively as “Confidential Information.” For the avoidance of doubt, (a) each Proposal and/or Project Addendum issued hereunder, and any other instruments, agreements, term sheets or communications between the Parties relating thereto constitutes Confidential Information of each Party, and (b) any information or data concerning or provided by any Customer (or any other party involved in delivering services to a Customer) constitutes Confidential Information of the Discloser.

- 7.2 *Nondisclosure and Non-use.* The Recipient shall hold all Confidential Information of the Discloser in confidence and shall not disclose or provide the Discloser's Confidential Information to any individual or entity without the Discloser's express written consent in each instance, except to Authorized Recipients (as defined below). The Recipient shall handle, store and maintain all Confidential Information received with the same degree of care as it uses to maintain the confidentiality of its own Confidential Information, which shall in no event be less than reasonable care under the circumstances (and taking into account the nature of such Confidential Information). The Recipient shall not make any use of the Discloser's Confidential Information whatsoever except such limited use as is required for its performance under this Agreement and the applicable Project Addendum and for no other purpose. To the limited extent reasonably necessary for such permitted purposes, the foregoing right to use shall include the right to make a reasonable number of copies of the Confidential Information. As between the Parties, all Confidential Information shall remain the sole and exclusive property of the Discloser, and, other than via a Customer contract, no disclosure or permitted use of the Confidential Information under this Agreement shall be construed as the grant of any right, title or interest, by license or otherwise, in or to the Confidential Information. The term "Authorized Recipients" means those affiliates, employees, consultants, or agents of a Recipient to which disclosure is necessary for the performance under this Agreement or applicable Project Addendum and who have executed a confidentiality agreement comparable to the terms hereof or are otherwise bound to duties of nondisclosures and restrictions on use of Confidential Information at least as restrictive as those set forth in this Agreement, and who are not otherwise prohibited from receiving such information under this Agreement. The Recipient is solely liable to the Discloser for the acts or omissions of its Authorized Recipients. If the Recipient and/or its Authorized Recipients discloses any of the Discloser's Confidential Information (intentionally or inadvertently), the Recipient shall immediately notify the Discloser of the nature, extent, date and recipients of such disclosure and of the remedial measures taken to minimize and correct past, and prevent future, disclosure. The Recipient's failure to implement adequate remedial measures and/or to cure a breach of its confidentiality obligations herein, to the extent practicable, shall constitute a material breach of this Agreement. The Parties agree that an equitable remedy at law for any breach or threatened breach of this provision shall be inadequate, and that in addition to any other remedy available at law, in equity or under contract, the non-breaching party shall be entitled to seek injunctive relief and specific performance without first having to post a bond.
- 7.3 *Exclusions; Required Disclosures.* Notwithstanding anything herein to the contrary, Confidential Information shall not include information that: (a) was already known to it at the time of its receipt hereunder and not subject to a duty of confidentiality or other restrictions on disclosure; (b) is or becomes generally available to the public other than by means of breach of this Agreement; (c) is independently obtained from a third party (other than any Authorized Recipient) whose disclosure to the Recipient does not violate a duty of confidentiality; or (d) is independently developed by or on behalf of the Recipient without use of, reference to or reliance on any Confidential Information of Discloser. The Recipient may disclose Confidential Information that is legally compelled to be disclosed pursuant to a subpoena, summons, order, or other requirement of a court of competent jurisdiction or a government agency or as otherwise required by applicable law, rule or regulation, provided that the Recipient (i) gives the Discloser prompt written notice (to the extent legally permissible) of any such subpoena or other requirement to allow the Discloser the opportunity to seek a protective order or other appropriate limitation (except to the extent the Recipient's compliance with the foregoing would cause it to violate a court order or other legal requirement), (ii) discloses only such information as is required by the court or governmental entity or otherwise required by law, and (iii) uses commercially reasonable efforts to obtain confidential treatment for any Confidential Information so disclosed and reasonably cooperates with Discloser in seeking a protective order or other appropriate remedy (provided that the Discloser reimburses the Recipient for any costs (including reasonable attorneys' fees) incurred in connection with such efforts).
- 7.4 *Acknowledgment of Confidentiality.* Each Party acknowledges that the other Party considers its Confidential Information to be highly confidential and to contain proprietary and trade secret information of it. Each Party shall promptly notify the other Party after learning of a breach of confidentiality by such first Party and shall, using its reasonable efforts, endeavor to protect the other Party from harm resulting from any breach of confidentiality by such first Party, whether or not such breach was inadvertent. Except in connection with this Agreement, neither Party shall duplicate or copy any Confidential Information of the other Party.
- 7.5 *Retention of Intellectual Property Rights.* Each Party shall retain all Intellectual Property Rights in its Confidential Information supplied to the other Party (to the extent that such Intellectual Property Rights exist).

- 7.6 *Regulated Information.* Except as expressly contemplated in a Project Addendum, the Discloser does not intend to disclose and the Recipient does not desire to receive any “Non-public Personal Information”, “Protected Health Information”, “Personal Data” or other information about individuals governed by the Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act, the European Union’s Directive on Data Privacy or other state, provincial or federal data privacy law (the “Regulated Information”). If, however, Regulated Information is required to be disclosed due to the nature of the Joint Offerings provided, the Recipient shall treat it as Confidential Information and, to the extent the Recipient knows or reasonably should know it is Regulated Information: (a) follow the Discloser’s reasonable instructions for its protection and/or disposition (including any Customer requirements); and (b) comply with all applicable laws governing each specific type of Regulated Information disclosed even if more restrictive than this Agreement. The Discloser with respect to any Regulated Information shall notify the Recipient prior to disclosure or delivery of any Regulated Information to the Recipient in order to permit the Recipient to treat and handle such Regulated Information as such and in accordance with the terms hereof.
- 7.7 *Public Announcements.* Any press release or other public announcement of the existence of this Agreement, Proposal, or Project Addendum or any of their contents, in whole or in part, shall require the prior written approval of both Parties, including as to the contents thereof, provided that Company shall be permitted to make required public filings related to this Agreement.
- 7.8 The Parties’ obligations under this Section shall extend to the non-publicizing of any dispute arising out of this Agreement.
- 7.9 The terms of this Section 7 shall continue in full force and effect for the term of this Agreement and for a period of five years from the date of termination of this Agreement, except that with respect to Confidential Information consisting of trade secrets, the obligations hereunder shall remain in effect for so long as the owner of such trade secret(s) maintains the confidentiality thereof.
- 7.10 *Return or Destruction of Confidential Information.* In the event of termination of this Agreement and otherwise upon written request of the other Party, each Party shall immediately return the requesting Party’s Confidential Information, or at the requesting Party’s option destroy any remaining Confidential Information and an authorized officer shall certify in writing that such destruction has taken place, provided however that either Party may retain a minimum of one copy of all work products and relevant Project documentation for archival and audit purposes to the extent required by law or the applicable Party’s internal policies.

7. Warranty and Liability

- 8.1 *Mutual Representations and Warranties.*
- a. Each Party represents and warrants to the other that (i) it has the necessary rights, power and authority to enter into this Agreement and each Project Addendum to which it becomes a Party; and (ii) neither its execution, delivery nor performance of this Agreement or any Project Addendum to which it becomes a party will violate or conflict with any other contract or obligation to which it is a party or by which it is bound.
 - b. Except as expressly set forth herein or in any Project Addendum, the execution of this Agreement shall in no way serve to create, on the part of either the Company or Wipro, a license to use, or any proprietary rights in, the Wipro Offerings or Company Offerings, as applicable.
- 8.2 *DISCLAIMER.* EXCEPT AS SET FORTH IN SECTION 8.1(a) OR AS MAY BE SET FORTH IN A PROJECT ADDENDUM, NEITHER PARTY MAKES ANY WARRANTIES, WHETHER EXPRESS, IMPLIED OR STATUTORY, REGARDING OR RELATING TO THIS AGREEMENT, ANY PROJECT OR ANY OFFERINGS PROVIDED HEREUNDER OR THEREUNDER. EACH PARTY SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR PURPOSE.

- 8.3 *Mutual Indemnity.* Each Party agrees to defend, indemnify and hold harmless the other Party for any third party claims (including a claim brought by a Customer) for: liability, damages, penalties or settlement amounts (“Claim”) where such Claim is arising or resulting from (a) such Party’s breach of the confidentiality or intellectual property ownership provisions hereof, (b) such Party’s gross negligence or willful misconduct in its performance hereunder or under any Project Addendum or (c) personal or bodily injury caused by the acts or omissions of such Party or its agents. In the event of claims arising from either Party’s respective Offerings or the use of Joint Brand New Materials, the Parties’ indemnification obligations will be as set forth in the applicable Project Addendum or other applicable documentation referred to in Section 6.3, it being understood that each Party will indemnify and hold harmless the other Party with respect to third party claims resulting in a final determination that the indemnifying Party’s Offerings or use thereof as authorized pursuant to the applicable Project Addendum resulted in infringement or misappropriation of third party Intellectual Property Rights, provided that the Party seeking indemnification provides the indemnifying Party with prompt written notice of any such Claim. The indemnifying Party shall have sole control over the defense and/or settlement of any such Claim. The indemnified Party at its option and expense may participate in the defense of any such Claim. .
- 8.4 *EXCLUSION OF DAMAGES.* NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTAL, SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY KIND OR NATURE, WHETHER ALLEGED TO BE ATTRIBUTED TO A BREACH OF THIS AGREEMENT, TORT OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, LOST PROFITS RESULTING FROM AN ALLEGED BREACH OF THIS AGREEMENT OR ANY PROJECT PLAN OR PROJECT ADDENDUM OR FAILURE TO BE AWARDED THE PROJECT, EVEN IF UNDER APPLICABLE LAW SUCH LOST PROFITS WOULD NOT BE CONSIDERED CONSEQUENTIAL OR SPECIAL DAMAGES.
- 8.5 Notwithstanding anything to the contrary, with the exception of each Party’s respective indemnification obligations for Claims under Section 8.3, the aggregate liability of each Party and its respective affiliates, licensors, and suppliers in connection with, arising out of, or relating to this Agreement, whether based upon warranty, contract, tort, strict liability, or otherwise, shall not exceed the fees paid to such Party by the other Party in connection with the affected Project Addendum during the 12 months immediately preceding such claim.
- 8.6 *Expenses.* Except as may otherwise be set forth in a Project or Project Addendum, each Party will bear its own costs and expenses incurred by it arising out of its performance hereunder, including in connection with any Proposal or Project.

8. Term and Termination

- 9.1 *Initial and Renewal Terms.* This Agreement shall come into effect on Closing, as defined in the Securities Purchase Agreement entered into between Company and Wipro (“Effective Date”) and Subject to Section 9.2, will be effective for an initial period commencing on the Effective Date and ending on the fifth anniversary thereof (the “Initial Term”), and thereafter may be renewed subject to the mutual consent of both Parties, on a year to year basis. Notwithstanding any expiration or termination of this Agreement, the applicable terms of this Agreement shall continue to apply to any Project Addendum then in effect for the duration of the Project thereunder.
- 9.2 *Termination.* The Parties’ obligations and responsibilities hereunder with respect to a particular Proposal will terminate and expire immediately upon: (a) the Customer’s selection of other vendor(s) for the Project; or (b) the Customer’s notification of either Party that it will not accept or agree to the Proposal (which the receiving Party will promptly communicate to the other Party). Further, this Agreement will terminate immediately upon: (x) one Party’s written notice of termination to the other Party, following the other Party’s material breach of this Agreement that, if curable, is not cured within 30 days after receipt of written notice reasonably detailing such breach from the terminating Party; or (y) written agreement of the Parties.
- 9.3 *Failure to Terminate.* Failure of either Party to terminate this Agreement or any Project Addendum due to a breach on the part of the other Party shall not prejudice its rights to terminate for a subsequent breach on the part of the defaulting Party.

9.4 *Effect of Termination.* Any ongoing Projects where Parties have executed Project Addenda shall continue to be in force unless terminated for breach of obligations under the applicable Project Addenda or as otherwise permitted in this Agreement. Notwithstanding anything to the contrary in this Agreement or any Project Addendum, the payment provisions under the Project Addenda, this Section 9.4 and the provisions of Sections 5.1, 5.2, 5.4, 6.1, 6.2, 6.3, 7, 8, 10.1, 10.3, 10.4, 10.7 and 10.9 through 10.11 hereof will survive the expiration or termination of this Agreement in accordance with their terms, regardless of the reason for such expiration or termination.

9. General Terms and Conditions

10.1 *Compliance with Laws.* Each Party is responsible for its compliance with all statutes, laws, treaties, ordinances, regulations and other legal requirements, and for procurement and maintenance of any necessary permits or licenses, applicable to its performance under this Agreement or any Project Addendum. Each Party represents and warrants that, in connection with its performance under this Agreement and each Project Addendum, it will not on behalf of other Party give, offer, promise to offer, or authorize the offer, directly or indirectly (proxy bribing), anything of value (such as money, shares, goods or service, gifts or entertainment) to government officials, government customers, potential government customers or foreign government officials including officials of any public international organizations or officials of any political party either in India or abroad (“Officials”) with an intent to influence any act or decision in his or her official capacity, induce the Official to do or omit to do any act in violation of his or her lawful duty to obtain any improper advantage, or Induce to use such Official’s influence improperly to affect or influence an act or decision. Each Party understands and acknowledges that any non-adherence to the warranty as stated hereinabove will be violative of the provisions of the U.S. Foreign Corrupt Practices Act, 1977, U.K. Bribery Act 2010 and the Indian Prevention of Corruption Act, 1988 or any other anti – corruption laws that may be applicable for the purpose of this Agreement (“Anti-bribery Laws”). Additionally, each Party shall promptly report to the other Party of any incident of breach or potential breach of this Section 10.1.

10.2 *Assignment.* Neither this Agreement nor a Party’s rights or obligations hereunder may be assigned, delegated or otherwise transferred by either Party in whole or in part without the other Party’s prior express written consent. Notwithstanding the foregoing, each Party acknowledges that the Parties may fulfill any of their respective obligations hereunder and under Project Addendum and Customer contracts hereunder directly or indirectly through their respective subsidiaries, unless otherwise specified in the applicable Project Addendum.

10.3 *Entire Agreement.* This Agreement constitutes the entire agreement between the Parties with respect to the Co-marketing activities described herein and supersedes any prior or contemporaneous oral or written agreement, term sheet, letter of intent, offer, undertaking, arrangement, representation or communication with regard to the subject matter hereof. Except as otherwise permitted hereunder, this Agreement shall not be modified except by a written instrument signed by both Parties. For clarity, this Agreement does not supersede, modify or replace the separate services agreements between the parties.

10.4 *Unenforceability.* If any provision of this Agreement is determined to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate or render unenforceable the Agreement, but rather the Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions, and the rights and obligations of the Parties shall be construed and enforced accordingly. The Parties hereby agree to cooperate to replace the invalid or unenforceable provision(s) with valid and enforceable provision(s) intended to achieve the same result (to the maximum legal extent) as the provision(s) determined to be invalid or unenforceable.

10.5 *Waivers.* No waiver of rights arising under this Agreement shall be effective unless in writing and signed by the Party against which such waiver is sought to be enforced. No failure or delay by either Party in exercising any right, power or remedy under this Agreement shall Operate as a waiver of any such right, power or remedy and/or prejudice any rights of such Party.

10.6 *Notices.* Except as set forth in this Agreement and/or in any Project Plan or Project Addendum, any notice, demand or communication contemplated hereunder shall be in writing and shall be delivered by courier service, by certified or registered first class mail, return receipt requested, or by facsimile (electronic confirmation required) or any other delivery service requiring signature of receipt, addressed to the respective Party or such other address(es) of which a Party may notify the other Party in writing. Notwithstanding the foregoing, communications relating to the day-to-day conduct of the Strategic Partnership or relating to specific Projects, Proposals and/or Project Addenda may be directed via email to the Parties’ Practice Heads, as appropriate, at their respective contact information.

- 10.7 *Headings.* Headings and sub-headings used in this Agreement are for convenience only and shall not affect the interpretation of any provision hereof.
- 10.8 *Governing Law; Dispute Resolution.* This Agreement will be governed exclusively by and construed under the laws of the State of New York, USA excluding its conflict of laws principles.
- 10.9 *Informal Dispute Resolution.* The Parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between executives who have authority to settle the controversy and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement. Either Party may give the other Party written notice of any dispute not resolved in the normal course of business. Within ten business days after delivery of the notice, the receiving Party shall submit to the other a written response. The notice and response shall include: (i) a statement of that Party's position and a summary of arguments supporting that position; and (ii) the name and title of the executive who will represent that Party and of any other person who will accompany the executive. Within 30 days after delivery of the initial notice, the executives of both Parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. The Parties may agree to conduct such meetings by telephone or other technical means rather than in person. All negotiations pursuant to this Section 10.10 are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.
- 10.10 *Arbitration.* If a dispute referred to in Section 10.10 has not been resolved by negotiation as provided in Section 10.10 within 45 business days after delivery of the initial notice, the dispute may be settled under the Rules of the International Chamber of Commerce, if arbitration is agreed to by both parties. The place of arbitration will be New York. The language of the arbitration shall be English. The Parties agree that the Arbitrator shall not make any award for exemplary, punitive or indirect damages. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction. Notwithstanding the foregoing, if the parties mutually agree to arbitration, and one Party fails to participate in good faith in the dispute resolution process set forth in Section 10.10, the other Party can commence arbitration prior to the expiration of the time period set forth above. Nothing in this provision or otherwise in this Agreement shall prevent either Party from seeking temporary or permanent injunctive relief at any time in any court of competent jurisdiction.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have caused this Co- Marketing Agreement to be executed as of the Effective Date set forth above.

HARTE HANKS, INC. WIPRO, LLC

By: /s/ Robert L. R. Munden By: /s/ Ashish Onawla

Name: Robert L. R. Munden Name: Ashish Onawla

Title: Vice President, General Counsel
& Secretary Title: Chief Financial Officer

Schedule-1

Sample Terms and Conditions for a Project Addendum

[When Wipro is acting as Prime Contractor]

This Project Addendum ("Addendum") is made effective this __ day of _____, 20__ ("Effective Date") by and between WIPRO, LLC, with a place of business at 2 Tower Center Boulevard, Suite 2200, East Brunswick, NJ 08816 and its subsidiaries and affiliates (hereinafter referred to as "Wipro"), [name of the applicable Harte Hanks contracting entity], a _____ corporation with its principal office at _____, (the "Company," which shall be deemed to include its successors and assigns to the extent permitted hereunder), *and is made pursuant to, and has been customised to incorporate relevant terms from the*

[include name applicable Customer Agreement (as defined in the Co-Marketing Agreement dated _____) and effective date of the Customer Agreement as well as the Co-Marketing Agreement by and between Wipro, LLC and Harte Hanks, Inc. dated the ____ day of January, 2018 ("Agreement"). Each of Wipro and Company may be referred to as a "Party" or collectively as "the Parties."

WHEREAS

- A. The parties desire to combine their complementary skills and expertise in the preparation of one or more Proposals (defined below) to be submitted in response to one or more Requests (defined below) issued by the end Customer [and its controlled affiliates if any] (each, a "Customer").
- B. From time to time, the parties may identify Requests they intend to jointly pursue pursuant to the terms of this Addendum.
- C. In connection with each such Request, Prime (defined below), in consultation with Sub (defined below), intends to submit a Proposal to the Customer. The Proposal will designate Prime as the prime contractor and Sub as the subcontractor for the products and services to be provided.
- C. If the Proposal is selected, Prime expects to enter into a Prime Contract (defined below) with Customer.

In consideration of the mutual covenants and Addendums contained herein, Wipro and Company agree as follows:

1 DEFINITIONS

- 1.1. "Statement of Work" is defined in Section 2.1.
- 1.2. "Prime" means the party designated as the prime contractor in the applicable Statement of Work.
- 1.3. "Sub" means the party designated as the subcontractor in the applicable Statement of Work.
- 1.4. "Work Product" shall mean any database content, data or materials which are expressly designed or produced by Sub exclusively for Prime and/or the Customer in accordance with the services performed by Sub under the applicable Statement of Work and as identified in the Statement of Work as "Work Product" to be owned by Prime and/or the applicable Customer.
- 1.5. "Deliverables" shall mean any deliverables other than Work Product stipulate to be delivered under a Statement of Work which shall be subject to any licensing rights or other restrictions stipulated in the applicable Statement of Work.

2. SERVICES AND PROJECT MANAGEMENT

2.1 Statement of Work. Prime agrees to provide certain information technology or outsourcing services (the "Services") to Sub that are mutually agreed from time to time between the Parties under the statement of work which will reference and be made pursuant to the applicable services agreement between the Parties (as determined by the Party acting as Prime). The specific Services will be set forth in one or more Statements of Work that the Parties may execute pursuant to this Addendum ("Statement of Work" or "SOW"), substantially in the form attached hereto as Appendix 1. Each SOW shall be incorporated into and become part of the applicable Project Addendum between the Parties and be governed by the provisions of such applicable Project Addendum between the Parties. In the event of a conflict between the terms and conditions of this Addendum and a SOW, the provisions of this Addendum shall prevail to the extent necessary to resolve the conflict, unless the Parties have expressly agreed in the SOW to deviate from the terms and conditions of the Addendum in which case the terms of the SOW shall prevail. Prime shall not be required to commence work under this Addendum unless a Statement of Work is fully executed. To the extent applicable, "Deliverables" shall mean those items described and itemized in the SOW as final work products to be delivered by Prime pursuant to such SOW.

2.2 Project Management. Prime and Sub will each designate an individual in the Statement of Work to act as a primary point of contact between the Parties with respect to the Services ("Project Managers"). Such Project Managers will have the power to make technical and project-level decisions within the scope of this Addendum (including, for example, staffing decisions, Change Orders, and Acceptance of Deliverables) that are binding on their respective entities. Amendments to this Project Addendum or any Local Addendum, however, must be made in accordance with the clause hereto governing contract amendments.

- 2.3 Project-Level Communication. Prime and Sub will communicate about the Services in a manner that ensures the timely and accurate exchange of technical, managerial and project-related information between them. Such communications may include periodic teleconferences, written status reports and such other communications as the Parties deem appropriate for the particular Services and as may be set forth in a SOW.
- 2.4 Changes to Services. Either Party may request a change order (“Change Order”) in the event of actual or anticipated change(s) to the agreed scope of Services, Deliverables, project schedule, fee, or any other aspect of the Statement of Work. Prime will prepare a Change Order reflecting the proposed changes, including but not limited to the impact on the Deliverables, project schedule, and fee. Absent a Change Order signed by the Parties, neither Party shall be bound to perform any additional or out-of-scope services beyond what is stated in the SOW. The Parties agree to negotiate all Change Order requests expeditiously and in good faith. The Parties further agree that: (a) Prime may at its discretion undertake and accomplish tasks of a *de minimis* nature necessary to perform its obligations under any SOW at no additional cost and without requiring the execution of a Change Order.
- 2.5 Acceptance. Following submission of any Deliverable(s) by Prime, testing and review will be performed by Sub in accordance with previously agreed testing standards and procedures (as may be set forth in the SOW), with such testing to be completed within a time agreed by the Parties in the SOW, or in the absence of a prescribed period within 15 days from the date of submission. The standard of review of the Deliverable(s) shall be material conformance with the agreed specifications. By the expiration of such review period, Sub will submit a written statement (a “Deliverable Review Statement”) to the Prime Project Manager indicating acceptance of the Deliverable(s) (“Acceptance”) or specifying in detail how the submitted Deliverable(s) fails to materially conform to the agreed specification, in which case Prime shall be afforded a commercially reasonable period of time not less than 30 days to correct any nonconformities, whereupon the review cycle will recommence. Deliverables will be deemed to be fully and finally accepted by Sub in the event Sub has not submitted a Deliverable Review Statement to Prime before the expiration of the applicable review period, or when Sub uses the Deliverable in its business, whichever occurs first (“Deemed Acceptance”). Unless specifically agreed in an SOW, Prime’s invoicing will be on a periodic basis and not linked to Acceptance.
- 2.6 Sub Inputs and Responsibilities. Sub will supply in a timely manner information, materials and actions necessary to the project including as applicable data, designs, programs, specifications, management decisions, approvals, acceptance criteria, and other information and material, at Sub’s cost, for Prime’s use in carrying out the Services (“Inputs”). Further Sub responsibilities may be set out in a Local Addendum, Statement of Work or project planning document agreed between the Parties. Sub may further provide equipment and software (“Project Tools”) to Prime in order for Prime to provide the Services. Sub shall bear all license, procurement and maintenance expenses related to the Project Tools. Prime’s failure to perform or delay in performing its contractual responsibilities (in whole or in part), to perform any part of the Services (whether in conformance with the Addendum or at all), or to meet any agreed service levels shall be excused if and to the extent Prime’s non-performance is contributed to by Sub’s act or omission to act, delay, wrongful action, failure to provide Inputs, or failure to perform its obligations under this Addendum. The Sub shall in this regard also be responsible for the acts and omissions of its affiliates and other suppliers and advisors to the same extent to which Sub is liable for its own acts or omissions.
- 2.7 Records. Prime will maintain accurate records relating to the Services performed hereunder. Sub will have the right to inspect and audit Prime’s records at Prime’s place of business during normal business hours at a mutually acceptable time during each respective SOW and for a period of one year thereafter. Sub agrees to give Prime at least 30 days prior written notice of its intent to inspect Prime’s records. Sub may not exercise this inspection right more than once each calendar year.

3. PERSONNEL

- 3.1 Team Composition. For Services performed on a fixed-price basis or in which Prime is bound to create Deliverables in accordance with a fixed schedule, and based on the requirements of the particular Services, Prime shall determine, after consultation with Sub, the size, composition and distribution of the resource team, which may change from time to time based upon the scope and complexity of the Services. For Services performed on a time and materials basis in which Prime is not contracted to create Deliverables in accordance with a fixed schedule, Sub shall have the discretion to screen and select individuals for key project positions.

3.2 Removal. Sub may require Prime to remove a team member if, after due consultation with Prime, Sub reasonably determines that the individual is not suitable to perform the Services. Any such removal shall be effective after a minimum of two weeks written notice. Prime shall assign a replacement resource to the Services as soon as practicable. Sub understands and acknowledges, however, that removal of a resource in fixed-price or fixed-schedule engagements may affect the fees and project schedule for the affected Services and agrees to execute appropriate Change Orders to accommodate such removal.

3.3 Non-Hire and Non-Solicitation. Sub agrees that for the term of this Addendum and for a period of one year thereafter, Sub will not directly or indirectly, recruit, solicit, discuss employment with, hire, employ or engage any Prime personnel then assigned to provide any aspect of the Services to Sub or its affiliates or who were so assigned within the previous one year period, or induce any such individual to leave the employ of Prime.

4. CONFIDENTIALITY

4.1 The Parties agree that with respect to any business information of the disclosing Party which (i) is marked as “confidential,” “proprietary” or some similar indication; (ii) is expressly advised by the disclosing Party to be confidential through some contemporaneous written means; or (iii) which the receiving Party would reasonably construe to be confidential information under the circumstances (collectively referred to as “Confidential Information”):

- (a) not to disclose any such Confidential Information or any part thereof to a person outside the Party's business organization for any purposes unless expressly authorized by the owner of such Confidential Information;
- (b) to limit dissemination of such Confidential Information to persons within the Party's business organization who have a need to receive such Confidential Information;
- (c) to safeguard the Confidential Information to the same extent that it safeguards its own confidential materials or data.

4.2 Confidential Information shall not include information that:

- (d) is as of the time of its disclosure part of the public domain;
- (e) is subsequently learned from a third Party without a duty of confidentiality;
- (f) at the time of disclosure was already in the possession of the receiving Party;
- (g) was developed by employees or agents of the receiving Party independently of and without reference to any information communicated to the receiving Party; or
- (h) is required to be disclosed pursuant to a court order or government authority, whereupon the receiving Party shall, at its earliest opportunity, provide written notice to the disclosing Party prior to such disclosure and where feasible giving the disclosing Party a reasonable opportunity to secure a protective order or take other action as appropriate.

4.3 The Parties’ obligations under this Section shall extend to the non-publicizing of any dispute arising out of this Addendum.

4.4 Notwithstanding the provisions of this Section 4,(Confidentiality), Prime shall be entitled to disclose Confidential Information received from Sub or developed in connection with this Addendum or the Agreement to its internal audit/quality assurance teams (and other similar internal or third party bodies/users), finance and HR functions, financial and professional advisors or auditors, finance providers, for the purposes of statutory compliance (e.g. re: immigration purposes) and to its subcontractors to the extent reasonably required in connection with this Addendum, Statement of Work or the Agreement or the provision of the Services.

4.5 The terms of this clause shall continue in full force and effect for a period of three (3) years from the date of disclosure of such Confidential Information.

4.6 In the event of termination of this Addendum, upon written request of the disclosing Party, the receiving Party shall immediately return the disclosing Party’s Confidential Information, or at the disclosing Party’s option destroy any remaining Confidential Information and certify that such destruction has taken place, provided however that Prime may retain a minimum of one copy of all work product and relevant project documentation for archival and audit purposes.

5. PROPRIETARY RIGHTS

5.1 Rights. Each Party owns, and will continue to own all right, title and interest in and to any inventions however embodied, know how, works in any media, software, information, trade secrets, materials, property or proprietary interest, that it owned prior to this Addendum, or that it created or acquired independently of its obligations pursuant to this Addendum, and in respect of any modifications or enhancements made thereto (collectively, “Retained Rights”). All Retained Rights not expressly transferred or licensed herein are reserved to the respective owner.

- 5.2 Work Product. Subject to the terms of this Addendum, and upon payment in full of the applicable fee Sub assigns and will assign to Prime the intellectual property rights in the Work Product created pursuant to this Addendum which is expressly designated as being Work Product". The Sub shall in the interim have a limited and revocable licence to utilise the Work Product pending payment in accordance with this Project Addendum. Sub shall retain the intellectual property rights in all other Deliverables, and shall grant Prime a licence to use and sublicense such Deliverables to the Customer for its and its Customer's internal business purposes only.
- 5.3 Sub Materials. To the extent material that is used in, enhanced, or developed in the course of providing services hereunder and such material is not identified as a Work Product, is of a general abstract character, or may be generically re-used, Sub owns (or will own) such material, including without limitation: methodologies; delivery procedures; manuals; generic software tools, routines, frameworks, and components; generic content, research and background materials; templates; analytical models; project tools; and development tools, in addition to all materials in which it owns the Retained Rights in accordance with Section above (collectively, "Sub Materials"). To the extent any Sub Materials are necessarily required for the proper functioning of the Deliverables (such that the Deliverables will not function without the Sub Materials) or are embedded into the Deliverables, Sub grants to Prime a perpetual, non-exclusive, non-transferable, royalty free, licence to use such Sub Materials solely in conjunction with its use of such Deliverables and not separate and apart from such Deliverables. Prime acknowledges that the Sub Materials are Confidential Information of Sub, regardless of whether so designated. If agreed between the Parties, the Parties may also enter into fee-based licensing of certain intellectual property of Sub, in which event the licence set out above shall not apply to such licensed materials and instead the applicable licence terms shall be set out in the applicable SOW.
- 5.4 If and to the extent that Sub is requested to provide any materials (including but not limited to software) to Prime in respect of which the relevant intellectual property rights are owned by a third party, Sub will notify the Prime of any licence restrictions pertaining to such third party materials (which shall then apply to all usage made of such third party materials).
- 5.5 Residual Knowledge. Sub may use for any purpose any information which may be retained in the unaided memories of personnel performing the Services such as ideas, concepts, know-how, experience and techniques which do not contain any Prime and/or Customer Confidential Information. An employee's memory is unaided if the employee has not intentionally memorized the information for the purpose of retaining and subsequently using or disclosing it.
- 5.6 Open Source. In the event Sub is engaged by the Prime to use software which falls with the "Open Source Definition" as promulgated by the Open Source Initiative ('Open Source Software') in the Deliverables, Prime shall use such Open Source Software as an agent of the Sub, and any open source licensing shall be between Sub and the open source licensor. The Sub shall be solely responsible for compliance of all terms and conditions of the applicable Open Source License as it relates to the incorporation of the same in the Deliverables. Prime agrees that notwithstanding anything contained in this Addendum, Sub does not provide any warranty or representations on the Open Source Software used in the Deliverables. Sub shall indemnify, defend, and hold harmless Prime from and against any third party claims for damages, costs, liabilities, or expenses ("Claim") , to the extent such Claim arises out of Prime's authorized use of Open Source Software approved by the Prime or any non-compliance with the Open Source license obligations by the Sub, provided that the Prime provides Sub with prompt written notice of any such Claim. Sub shall have sole control over the defense and/or settlement of any such Claim. Prime shall likewise indemnify, defend, and hold harmless Sub from and against any damages, costs, liabilities, or expenses incurred in connection with any claim brought by a third party against Sub to the extent such claim arises out of Prime's non-compliant and unapproved use of Open Source Software.

6. INDEMNIFICATION

6.1 Each Party (the "Sub" as applicable) shall indemnify, defend, and hold harmless the other Party (the "Prime" as applicable) and its officers and directors, employees, agents, and representatives from and against any third party claims for: damages, costs, attorneys' fees, penalties, fines, liabilities, or expenses that arise from third Party actions or claims against the Prime (collectively, "Claims"), to the extent the Sub has caused:

(a) death or personal/physical injury to persons;

(b) any allegation that the Services provided by Sub infringe a valid patent claim or violate any copyright. Notwithstanding the foregoing, the Sub shall not have any liability to Prime under this Section to the extent that any infringement or claim thereof is attributable to:

(1) the combination, operation or use of a Deliverable with equipment or software supplied by Sub where the Deliverable would not itself be infringing;

(2) compliance with designs, specifications, materials, inputs, or instructions provided by Prime;

(3) use of a Deliverable provided by the Sub in an application or environment for which it was not designed or contemplated under this Addendum; or (4) modifications of a Deliverable provided by the Sub by anyone other than Sub where the unmodified version of the Deliverable would not have been infringing. Sub will completely satisfy its obligations hereunder if, after receiving notice of a Claim, Sub obtains for Prime the right to continue using such infringing

Deliverables as provided without infringement, or replace or modify such Deliverables so that they become non-infringing. Without limiting the foregoing, Sub shall have no obligation to indemnify Prime under this clause (b) above with respect to any claim alleging that the Sub's or its Customer's actions or use of the Services or Deliverables in whole or in part, and whether directly, indirectly, or on or in combination with systems, software or applications not supplied by Sub infringes or induces the infringement of a patent claim or copyright if such Claim would have been avoided if not for such actions or use of the Services or Deliverables by Prime and/or its Customer.

(c) Official fines or sanctions levied against the Prime and arising as a direct consequence of the Sub's breach of applicable laws.

Subject to the cap on liability contained in clause 10 (Limitation of Liability) of this Addendum, Sub agrees to indemnify and hold harmless Prime from and against any proven or alleged third party claims, demands, suits, losses, damages, liabilities, fines, penalties and expenses (including attorney's fees) that are not covered by the indemnities listed above, and in any way arise out of, relate to or result from the fault or negligence of Sub in the provision of Products/ Services by the Sub, its affiliates, and each of their officers, directors, employees, suppliers, contractors or successors in the performance of this Addendum

6.2 Promptly after an Prime receives notice of any Claim for which it will seek indemnification pursuant to this Addendum, the Prime will promptly notify the Sub of the Claim in writing. No failure to so notify the Sub will abrogate or diminish the Sub's obligations under this Section if the Sub has or receives knowledge of the Claim by other means or if the failure to notify does not materially prejudice its ability to defend the Claim. Within 15 days after receiving an Prime's notice of a Claim, but no later than ten days before the date on which any formal response to the Claim is due, the Sub will notify the Prime in writing as to whether the Sub acknowledges its indemnification obligation and elects to assume control of the defense and settlement of the Claim (a "Notice of Election"). In issuing a Notice of Election, the Sub waives any right of contribution against the Prime unless the Notice of Election expressly states that Sub believes in good faith that the Prime may be liable for portions of the Claim that are not subject to indemnification by the Sub, in which case the Prime will have the right to participate in the defense and settlement of the Claim at its own expense using counsel selected by it.

6.3 If the Sub timely delivers a Notice of Election, it will be entitled to have sole control over the defense and settlement of the claim except as provided in the immediately preceding paragraph. After delivering a timely Notice of Election, the Sub will not be liable to the Prime for any attorneys' fees subsequently incurred by the Prime in defending or settling the claim. In addition, the Sub will not be required to reimburse the Prime for any amount paid or payable by the Prime in settlement of the claim if the settlement was agreed to without the written consent of the Sub.

6.4 If the Sub does not deliver a timely Notice of Election for a Claim for which it is obligated to indemnify, the Prime may defend and/or settle the Claim in such manner as it may deem appropriate, and the Sub will promptly reimburse the Prime upon demand for all actual damages, costs, attorneys' fees, penalties, fines, liabilities, or expenses suffered or incurred by the Prime with respect to the defense and/or settlement of any such Claim.

7. TERM AND TERMINATION

7.1 This Addendum shall remain effective from the Effective Date until termination as provided under this Section.

7.2 Either party may, without cause and/or for convenience, terminate any SOW and/or this Addendum upon written notice of three (3) months to the other party.

7.3 Either Party may terminate any SOW and/or the entire Addendum upon written notice to the other in the event that: (a) the other Party commits a material breach of the Addendum or Statement of Work and fails to cure such default to the non-defaulting Party's reasonable satisfaction within thirty (30) days after receipt of notice; or (b) the other Party becomes insolvent or bankrupt, assigns all or a substantial part of its business or assets for the benefit of creditors, permits the appointment of a receiver for its business or assets, becomes subject to any legal proceeding relating to insolvency or the protection of creditors' rights or otherwise ceases to conduct business in the normal course. For the avoidance of doubt, non or late payment of fees which are not subject to a bona fide dispute shall constitute a material breach of this Addendum.

7.4 In the event of termination of a SOW hereunder, Prime shall pay Sub: (1) all fees as specified in the SOW and expenses up to the effective date of the termination, including work in progress, plus fees for the applicable notice period irrespective of whether Prime requires Sub's services during such period; and (2) any termination charges agreed by the Parties or as may have been set out in the applicable SOW. If this Addendum is terminated before all SOW's executed hereunder are terminated or completed, the terms of this Addendum shall remain in full force until the termination or completion of such Statements of Work.

8. WARRANTIES

- 8.1 The Parties each warrant that they have obtained all necessary corporate approvals to enter into this Addendum and that no consent, approval, or withholding of objection is required from any external authority with respect to the entering into of this Addendum. The Parties further warrant that they are under no obligation or restriction, nor will they assume any such obligation or restriction, that would in any way interfere or conflict with any obligations under this Addendum.
- 8.2 The Parties warrant that they will comply with all applicable laws and regulations in their conduct pursuant to this Addendum. The Parties further covenant that a change in laws that materially alters the assumptions upon which Vendor entered this Addendum or a particular SOW shall warrant a Change Order.
- 8.3 Prime warrants that it will perform the Services in a professional and workmanlike manner and that its personnel have the requisite skills and experiences to perform the elements of the Services which are assigned to them.
- 8.4 Sub warrants that it will correct any material deficiencies in any software Deliverable(s) during the period of 30 days following actual or deemed Acceptance, provided that Prime must notify Sub in writing of such deficiency and specify in detail the nature of the deficiency, and provided further that Sub shall be afforded a commercially reasonable period of time to correct such deficiency. Sub shall have no obligation to correct deficiencies to the extent caused by: (1) third Party software or services relating to the Deliverable(s); (2) fault or negligence of Prime or its Customer; (3) improper or unauthorized use of the Deliverable; (4) use of the Deliverable in a manner for which it was not designed, including, without limitation, use of the Deliverable in connection with a technical environment other than as specified in the Statement of Work or agreed by the Parties; (5) modifications of the Deliverable by anyone other than Sub or its employees or agents; or (6) causes external to the operation of the Deliverable. The obligations set forth in this clause shall not apply to Services provided on a time and materials basis, however Prime may elect to contract for such additional services from Sub on mutually agreed commercial terms. Upon expiration of the period stated in this clause, Prime shall be solely responsible for the management, maintenance and support of the Deliverable(s) unless such services are separately contracted with Prime.

EXCEPT FOR THE FOREGOING, SUB EXCLUDES AND DISCLAIMS ALL WARRANTIES, CONDITIONS OR STATEMENTS, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR THAT DELIVERABLES WILL BE ERROR-FREE.

9. FEES, INVOICING & PAYMENT

9.1 Fees. Projects performed on a time and materials basis will be billed in accordance with the rates stated in Appendix 3 (Pricing) and/or the SOW. Rates stated in Appendix 3 shall be valid for one year from the Effective Date of this Addendum and will be subject to annual adjustment by Prime, provided however that the rates that govern an SOW will be valid for the remainder of the SOW unless otherwise provided therein. Projects performed on a fixed-price basis will be charged as set forth in the applicable SOW. In addition to the fees for Services, Sub will reimburse Prime for ordinary and necessary out-of-pocket expenses incurred in the performance of the Services.

9.2 Invoicing & Payment. Prime will pay Sub's invoices within 30 days from the date of invoice, except for those portions of any invoice that the Prime disputes in good faith and in writing. Sub may charge interest at the rate of 1.5% per month for delayed payments. Invoices shall be deemed to have been accepted if Prime does not furnish a written objection specifying the nature of the dispute within 15 days from the date of invoice. Prime may assign the benefit of its rights to receive payment to a third party as part of its debt factoring or other legitimate business arrangements, and Sub expressly consents to such assignments. Any disputed, pending resolution, amounts shall be paid into an independent interest bearing escrow account.

a. LIMITATION OF LIABILITY

10.1 In no circumstances will either Party be liable to the other in contract, tort (including negligence), for breach of warranty, or otherwise, for any special, indirect or consequential, exemplary, or punitive damages, nor for loss of revenue, business profits, interest or anticipated savings, loss of goodwill or reputation, loss of or damage to records or data, penalties or third party claims for loss or damage or other compensation arising from any act or omission of such party, or its Affiliates, officers,

agents, and employees, even if it has been advised of the possibility of such losses or damages, and regardless of the basis on which the related claim may be made.

10.2 Subject to the terms contained in section 6 of this Addendum, the aggregate liability of one Party to the other under this Addendum (and/or any Local Addendum) whether arising under contract, tort (including negligence), breach of statutory duty, contribution or otherwise shall not in any event exceed in the aggregate and in respect of each SOW formed hereunder an amount equal to the fees paid to Sub by Prime under the relevant SOW in the twelve months preceding the Claim for liability. The foregoing shall not serve to limit Sub's indemnification obligations or Confidentiality obligations unless stated otherwise in clause 6 of this Addendum.

10.3 Sub shall not be liable to Prime for any breach of its obligations under this Statement of Work if that breach is caused or contributed to by:

- (i) any failure or delay of Prime and/or its Customer, its affiliates or their respective employees in the performance of its obligations pursuant to the Addendum or this Statement of Work;
- (ii) any negligent or unlawful act or omission of Prime, its affiliates or their respective employees;
- (iii) any breach of contract or negligent act or omission on the part of any third party contractor or advisor employed by Prime or its affiliates;
- (iv) service or resource reductions requested or approved by Prime through the Contract Change Control Procedure;
- (v) the failure of any software, tools or materials supplied to Sub by the Prime or its affiliates.

10.4 Both parties will in all circumstances use their reasonable endeavours to mitigate any losses which are said to arise by reason of the breach, negligence or other default on the part of the other party.

10. RELATIONSHIP OF PARTIES

It is understood and agreed that Prime and/or Sub as applicable, will provide Services under this Addendum as an independent contractor and that during the performance of Services under this Addendum, Prime's employees will not be considered employees of Sub (and vice versa) for any purpose whatsoever. Accordingly, Prime and/or Sub, as applicable shall be solely responsible for the compensation of its respective employees and all employment-related taxes. Further, nothing herein shall be construed to entitle either Party to be a representative, agent, partner or joint venturer of the other.

11. PUBLICITY

Prime shall have the express permission to use Sub's name and logo in identifying Sub as a subcontractor of Prime, but neither Party without the express written consent of the other Party may divulge the terms of the Addendum or make any public statement about the specifics of the Services performed hereunder.

12. FORCE MAJEURE

If either Party's ability to perform any of its obligations under this Addendum is adversely affected because of circumstances beyond the reasonable control of the Party, such as an act of God, fire, casualty, flood, war, terrorist act, failure of public utilities, injunction or any act, exercise, labor or civic unrest, assertion or requirement of any governmental authority, epidemic, or destruction of production facilities (a "Force Majeure Event"), the Party who has been so affected shall immediately give notice to the other Party and shall do everything reasonably practicable to resume performance. . Upon receipt of such notice, all affected obligations under this Addendum shall be immediately suspended for the period of such Force Majeure Event. If the period of non-performance exceeds 60 days from the receipt of notice of the Force Majeure Event, the Party whose ability to perform has not been so affected may give written notice to terminate any affected SOW's. This Section shall not excuse Prime from implementing any disaster recovery plan or business continuity plan that has been agreed between the Parties.

13. DISPUTE RESOLUTION

- a. All disputes arising out of or in connection with this Addendum shall be attempted to be settled through good-faith negotiation between senior management of both Parties, followed if necessary (and only if agreed by the Parties) by professionally-assisted mediation. Any mediator so designated must be acceptable to each Party. The mediation will be conducted as specified by the mediator and agreed upon by the Parties. The Parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the dispute. The mediation will be treated as a settlement discussion and therefore will be confidential and may not be used in a later evidentiary proceeding. The mediator may not testify for either Party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings. Each Party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the Parties. In the event that negotiation or mediation does not result in a resolution of the dispute, the Parties shall proceed to binding arbitration as set forth below.
- b. All disputes arising out of or in connection with this Addendum shall be finally settled under the Rules of Arbitration of the American Arbitration Association by a single arbitrator appointed in accordance with the said rules.
- c. The place of arbitration will be New York. The language of the arbitration shall be English. If permitted by the applicable rules, limited discovery will be permitted in connection with the arbitration upon Addendum of the Parties or upon a showing of substantial need by the Party seeking discovery. The arbitrator's decision shall follow the plain and natural meaning of the relevant documents and shall be final and binding. The arbitrator will have no power to award (i) damages inconsistent with the Addendum or (ii) punitive damages or any other damages not measured by the prevailing Party's actual direct damages, and the Parties expressly waive their right to obtain such damages in arbitration or in any other forum. All aspects of the arbitration will be confidential. Neither the Parties nor the arbitrator may disclose the existence, content or results of the arbitration, except as necessary to comply with legal or regulatory requirements. Each Party will promptly pay its share of all arbitration fees and costs and shall be responsible for its own attorneys' fees.
- d. Notwithstanding the determination by the Parties to utilize arbitration as specified above for resolution of disputes arising out of or in connection with this Addendum, nothing herein shall preclude either Party from seeking and obtaining from a court of competent jurisdiction appropriate equitable relief, including without limitation, a temporary restraining order or other injunctive relief, to prevent a breach of this Addendum relating to intellectual property, confidentiality, or non-hire and non-solicitation, or to otherwise maintain the status quo pending outcome of any arbitration.

14. GENERAL

- a. This Addendum shall be interpreted and construed in accordance with the laws of New York, without regard to its conflicts of laws provisions.
- b. The headings used in this Addendum are for the convenience of the Parties only and shall not be deemed a part of, or referenced in, construction of this Addendum.
- c. This Addendum will be binding on the Parties hereto and their respective successors and assigns. Neither Party may assign the Addendum or SOWs without the prior written consent of the other. Any assignment by operation of law, order of any court, or pursuant to any plan of merger, consolidation or liquidation, will be deemed an assignment for which prior consent is required and any assignment made without any such consent will be void and of no effect as between the Parties.
- d. A delay or omission by either Party to exercise any right or power under this Addendum will not be construed to be a waiver thereof. A waiver by either of the Parties of any of the covenants to be performed by the other or any breach thereof will not be construed to be a waiver of any succeeding breach thereof or of any other covenant in this Addendum.
- e. This Addendum, including its Appendices, schedules, exhibits, or SOWs entered into pursuant to its terms, constitutes the entire Addendum between the Parties with respect to the subject matter contained in this Addendum and supersedes all prior Addendums, whether written or oral, with respect to such subject matter.

- f.No amendment or change to this Addendum or any waiver or discharge or any rights or obligations under this Addendum will be valid unless in writing and signed by an authorized representative of the Party against which such amendment, change, waiver or discharge is sought to be enforced.
- g.In the event that any provision of this Addendum conflicts with the law under which this Addendum is to be construed or if any such provision is held invalid by a competent authority, such provision will be deemed to be restated to reflect as nearly as possible the original intentions of the Parties in accordance with applicable law. The remainder of this Addendum will remain in full force and effect.
- h.No person who is not a party to this Addendum shall have any rights to enforce any term of this Addendum.
- i.Any provision of this Addendum that contemplates performance or observance subsequent to termination or expiration of the Addendum will survive termination or expiration of the Addendum and continue in full force and effect, including the following:

Non-Hire and Non-Solicitation

Payment

Confidentiality

Proprietary Rights

Warranties

Indemnification

Limitation of Liability

Dispute Resolution

General

- j. All notices, requests, demands and determinations under the Addendum other than routine operational communications will be in writing through (i) hand delivery, (ii) express overnight courier with a reliable system for tracking delivery, or (iii) confirmed facsimile or electronic mail with a copy sent by another means specified herein, to the following:

If to Prime: [insert Prime info]

If to Sub: [insert Sub info]

15.11 The Addendum may be executed in several counterparts, all of which taken together will constitute one single Addendum between the Parties.

ACCEPTED AND AGREED BY THE FOLLOWING AUTHORIZED REPRESENTATIVES OF THE PARTIES AS OF THE EFFECTIVE DATE:

Wipro:

Signature _____

Name _____

Title _____

Company:

Signature _____

Name _____

Title _____

Appendix 1

Form of Statement of Work

[When Wipro is acting as Prime Contractor]

This Statement of Work Number _____ (“Statement of Work” or “SOW”) dated the _____ day of _____, 20__ (“Effective Date”) is made by and between Wipro, LLC (“Wipro” or “Prime”) and Harte-Hanks _____. (“Company” or “Sub”) and is issued pursuant to and incorporates by reference the terms and conditions of the Project Addendum the _____ day of _____, 20__ [“Addendum”) and the Co-Marketing Agreement dated the ___ day of January, 2018 (“Agreement”) between Wipro and Harte Hanks.

Prime: Wipro LLC

Sub: Harte Hanks [enter legal name of Harte Hanks contracting entity]

Work described in Addendum:

Portion of Work to be performed by Sub:

The relationship between WIPRO and Company with respect to the Request referred to in this Statement of Work shall be: [exclusive/non-exclusive]

Project Schedule for Proposal (if applicable):

Deliverables:

Work Product (if any):

Responsibility Table:

Task	Description	Primary Responsibility	Support

Other terms:

Except for the provisions of the Addendum that are amended by the parties pursuant to this Statement of Work, the Addendum shall

remain in full force and effect and is hereby ratified and confirmed in all respects. This Statement of Work may be executed in multiple counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

Agreed to and accepted:

ACCEPTED AND AGREED as of the first date above written by the following authorized party representatives.

Wipro Company

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Appendix 2

Form of Statement of Work

[When Harte Hanks is acting as Prime Contractor]

Work Order Number _____

Contract Number _____

This Work Order Number _____ (“Order”) dated the _____ day of _____, 20__ (“Effective Date”) is made by and between Wipro, LLC (“Supplier”) and Harte-Hanks _____. (“Harte Hanks”) and is issued pursuant to and incorporates by reference the terms and conditions of the Supplier Supply and Services Agreement dated the 22nd day of July, 2016 (“Agreement”) between Supplier and Harte Hanks.

1. Products/Services and Pricing

NOTE IF SERVICE LEVELS ARE REQUIRED AND NEED TO BE DEVELOPED FOR THIS RELATIONSHIP

2. Term of Order: The term of this Order shall commence upon the Effective Date of the Order and continue thereafter for a period of ___ (__) year. Thereafter, this Order shall renew automatically for additional one-year periods unless either party terminates this Order upon written notice to the other party 30 days prior to the end of the initial term or any one-year renewal term.

This Order incorporates and is subject to all of the terms and provisions of the Agreement, and is valid only if signed by authorized representatives of both parties. Each party represents that the individual signing on its behalf has read this Order, understands it, and has full authority to bind such party.

Harte Hanks

Wipro, LLC

By: By:

Name: Name:

Title: Title:

Date: Date:

Appendix 3

Pricing The Parties understand and mutually agree that Projects performed will be billed in accordance with the rates specified in the applicable Statement of Work.

Schedule-2

Overall revenues from Wipro-Harte Hanks relationship

(In \$M, Mar y/e)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Sell-to (Harte Hanks)	[**]	[**]	[**]	[**]	[**]	[**]
Sell-through (Harte Hanks)	[**]	[**]	[**]	[**]	[**]	[**]
Sell-with	[**]	[**]	[**]	[**]	[**]	[**]
Total revenues	[**]	[**]	[**]	[**]	[**]	[**]

Schedule-3

List of Customers identified by both Harte Hanks and Wipro for Co-Marketing agreement. This list will be updated based on progress and mutual understanding of both teams from time to time.

Category of Customer	Harte Hanks Existing account	Wipro existing accounts	Existing Joint accounts
Account name identified for Co-Marketing (sell-with)	[**]	[**]	[**]
	[**]	[**]	[**]
	[**]	[**]	[**]
	[**]	[**]	[**]
		[**]	
		[**]	
		[**]	
		[**]	

Schedule-4

Initial set of offerings identified by both teams are as following:

1. Blueprint: Assess & Fix
2. Marketing Operations
3. Customer Discovery
4. Customer Insights
5. Customer Experience
6. Marketing Innovation and Martech

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Karen A. Puckett, President and Chief Executive Officer of Harte Hanks, Inc. (the "Company"), hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 officer 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 most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 function):
 - 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 controls over financial reporting.

August 9, 2018

Date

/s/ Karen A. Puckett

Karen A. Puckett
President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jon C. Biro, Executive Vice President and Chief Financial Officer of Harte Hanks, Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 officer 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 most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 function):
 - 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 controls over financial reporting.

August 9, 2018

Date

/s/ Jon C. Biro

Jon C. Biro

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Karen A. Puckett, President and Chief Executive Officer of Harte Hanks, Inc. (the "Company"), hereby certify that the accompanying report on Form 10-Q for the quarter ended June 30, 2018 and filed with the Securities and Exchange Commission on the date hereof pursuant to Section 13(a) 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.

August 9, 2018

Date

/s/ Karen A. Puckett

Karen A. Puckett

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.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jon C. Biro, Executive Vice President, Chief Financial Officer, and General Counsel and Secretary of Harte Hanks, Inc. (the "Company"), hereby certify that the accompanying report on Form 10-Q for the quarter ended June 30, 2018 and filed with the Securities and Exchange Commission on the date hereof pursuant to Section 13(a) 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.

August 9, 2018

Date

/s/ Jon C. Biro

Jon C. Biro

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.

