

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 1996 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 0-13163

Acxiom Corporation
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

71-0581897

(I.R.S. Employer
Identification No.)

P.O. Box 2000, 301 Industrial Boulevard,
Conway, Arkansas

(Address of Principal Executive Offices)

72033-2000

(Zip Code)

(501) 336-1000

(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 X No

The number of shares of common stock, \$ 0.10 par value per share, outstanding as of August 5, 1996, was 25,563,145.

Form 10-Q

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Company for which report is filed:

ACXIOM CORPORATION

The consolidated financial statements included herein have been prepared by Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Registrant's management, however, all adjustments necessary for a fair statement of the results for the periods included herein have been made and the disclosures contained herein are adequate to make the information presented not misleading. All such adjustments are of a normal recurring nature.

ACXIOM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 1996 -----	March 31, 1996 -----
Assets		
Current assets:		
Cash and cash equivalents	\$ 536,000	3,469,000
Trade accounts receivable, net	58,094,000	44,474,000
Refundable income taxes	---	1,537,000
Other current assets	6,813,000	4,534,000
	-----	-----
Total current assets	65,443,000	54,014,000
	-----	-----
Property and equipment	171,606,000	153,224,000
Less - Accumulated depreciation and amortization	68,783,000	64,123,000
	-----	-----
Property and equipment, net	102,823,000	89,101,000
	-----	-----
Software, net of accumulated amortization	13,413,000	10,524,000
Excess of cost over fair value of net assets acquired	41,191,000	13,982,000
	-----	-----
Other assets	29,010,000	26,428,000
	-----	-----
	\$ 251,880,000	194,049,000
	=====	=====
 Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term notes payable	1,000,000	646,000
Current installments of long-term debt	4,053,000	3,866,000
Trade accounts payable	15,907,000	13,596,000
Accrued interest	352,000	435,000
Accrued payroll and related expenses	6,980,000	5,111,000
Other accrued expenses	10,502,000	7,189,000
Advances from customers	434,000	316,000
Income taxes	1,046,000	---
	-----	-----
Total current liabilities	40,274,000	31,159,000
	-----	-----
Long-term debt, excluding current installments	72,544,000	26,885,000
	-----	-----
Deferred income taxes	10,933,000	10,933,000
	-----	-----
Deferred revenue	1,472,000	2,331,000
	-----	-----
Stockholders' equity:		
Preferred stock	---	---
Common stock	2,613,000	2,435,000
Additional paid-in capital	58,519,000	54,514,000
Retained earnings	68,471,000	68,978,000
Foreign currency translation adjustment	(638,000)	(863,000)
Treasury stock, at cost	(2,308,000)	(2,323,000)
	-----	-----
Total stockholders' equity	126,657,000	122,741,000
	-----	-----
Commitments and contingencies	\$ 251,880,000	194,049,000
	=====	=====

See accompanying condensed notes to consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF EARNINGS
 (Unaudited)

	For the Three Months Ended	
	----- June 30, -----	
	1996	1995
	-----	-----
Revenue	\$ 93,953,000	59,182,000
Operating costs and expenses:		
Salaries and benefits	35,532,000	22,785,000
Computer, communications and other equipment	12,821,000	8,121,000
Data costs	18,781,000	15,500,000
Other operating costs and expenses	17,608,000	7,259,000
	-----	-----
Total operating costs and expenses	84,742,000	53,665,000
	-----	-----
Income from operations	9,211,000	5,517,000
	-----	-----
Other income (expense):		
Interest expense	(818,000)	(392,000)
Other, net	(1,492,000)	(67,000)
	-----	-----
	(2,310,000)	(459,000)
	-----	-----
Earnings before income taxes	6,901,000	5,058,000
Income taxes	2,656,000	1,922,000
	-----	-----
Net earnings	\$ 4,245,000	3,136,000
	=====	=====
Earnings per share	\$ 0.15	0.12
	=====	=====
Weighted average shares outstanding	29,253,000	25,822,000
	=====	=====

See accompanying condensed notes to consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended	
	----- June 30, -----	
	1996	1995
	-----	-----
Cash flows from operating activities:		
Net earnings	\$ 4,245,000	3,136,000
Non-cash operating activities:		
Depreciation and amortization	6,660,000	5,065,000
Loss on impairment of assets	1,000,000	---
Other, net	1,256,000	153,000
Changes in assets and liabilities:		
Accounts receivable	(5,471,000)	(167,000)
Other assets	231,000	(1,202,000)
Accounts payable and other liabilities	(1,316,000)	(455,000)
	-----	-----
Net cash provided by operating activities	6,605,000	6,530,000
	-----	-----
Cash flows from investing activities:		
Sale of assets	---	131,000
Cash acquired in acquisition	21,000	1,624,000
Development of software	(1,004,000)	(250,000)
Capital expenditures	(18,740,000)	(10,481,000)
	-----	-----
Net cash used by investing activities	(19,723,000)	(8,976,000)
	-----	-----
Cash flows from financing activities:		
Proceeds from debt	22,481,000	4,199,000
Payments of debt	(13,516,000)	(2,295,000)
Sale of common stock	1,220,000	636,000
Cash dividends paid by acquired company prior to merger	---	(468,000)
Acquisition and retirement of common stock by acquired company prior to merger	---	(1,010,000)
	-----	-----
Net cash provided by financing activities	10,185,000	1,062,000
	-----	-----
Effect of exchange rate changes on cash	---	(24,000)
	-----	-----
Net decrease in cash and short-term cash investments	(2,933,000)	(1,408,000)
Cash and short-term cash investments at beginning of period	3,469,000	3,149,000
	-----	-----
Cash and short-term cash investments at end of period	\$ 536,000	1,741,000
	=====	=====
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 901,000	740,000
Income taxes	73,000	316,000
	=====	=====

See accompanying condensed notes to consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In April 1996, the Company purchased certain assets of Direct Media/DMI, Inc. ("DMI") for \$25,000,000 and the assumption of certain liabilities of DMI. The \$25,000,000 purchase price, payable in three (3) years, is collateralized by a letter of credit, and may, at DMI's option, be paid in one million shares of Acxiom common stock in lieu of cash plus accrued interest. Headquartered in Greenwich, Connecticut, DMI provides list brokerage, management, and consulting services to business-to-business and consumer list owners and mailers. At April 1, 1996 the liabilities assumed by the Company exceeded the fair value of the assets acquired from DMI by \$2,673,000 (unaudited). The resulting excess of purchase price over fair value of net assets acquired of \$27,673,000 is being amortized over its estimated economic life of 20 years. The acquisition has been accounted for as a purchase and the results of operations of DMI are included in the consolidated results of operations from the date of acquisition. The purchase price for DMI has been allocated as follows:

Trade accounts receivable	\$ 7,558,000
Property and equipment	2,010,000
Excess of cost over fair value of net assets acquired	27,673,000
Other assets	1,340,000
Short-term payable to bank	(11,594,000)
Accounts payable and other liabilities	(1,700,000)
Long-term debt	(287,000)

	\$ 25,000,000
	=====

The following consolidated pro forma financial information (which includes adjustments to reflect the accounting bases recognized in recording the purchase and to eliminate the effects of transactions between the Company and DMI) shows the results of the Company's operations for the quarter ended June 30, 1995 as if the purchase of DMI had occurred at the beginning of the period:

Revenue	\$ 70,117,000
	=====
Net earnings	\$ 4,118,000
	=====
Earnings per share	\$ 0.15
	=====

2. On April 9, 1996, the Company issued approximately 1.7 million shares of its common stock for all of the outstanding common stock and common stock options of Pro CD, Inc. ("Pro CD"). Headquartered in Danvers, Massachusetts, Pro CD is a publisher of reference software on CD-ROM. The acquisition is accounted for as a pooling of interests.

The stockholders' equity and operations of Pro CD are not material in relation to those of the Company. As such, the Company has recorded the combination by restating stockholders' equity as of April 1, 1996, without restating prior year statements of earnings to reflect the pooling of interests combination. For the year ended December 31, 1995, Pro CD had revenues and a net loss of approximately \$21,675,000 and \$970,000, respectively. At April 1, 1996, Pro CD's liabilities exceeded its assets by approximately \$1,775,000.

3. Effective March 31, 1994 the Company sold substantially all of the assets of its former Acxiom Mailing Services operating unit ("AMS") to MorCom, Inc. ("MorCom") in exchange for the assumption of certain liabilities, \$4,500,000 in cash, a mortgage note receivable, and \$1,000,000 of preferred stock issued by MorCom. Additionally, the Company sold MorCom a software license to use certain applications of the Company's software. At June 30, 1996 the assets remaining on the Company's books related to this transaction were as follows:

Mortgage note receivable (other assets)	\$ 3,912,000
Software license receivable (other assets)	640,000
Preferred stock (other assets)	1,000,000
Trade accounts receivable	491,000

	\$ 6,043,000

In June 1996, MorCom ceased operations. The Company has established valuation reserves for the full amount of the software license receivable, preferred stock, and trade accounts receivable. The Company is currently evaluating various alternatives related to the property. Management believes that any further loss associated with this event will not be material to the financial statements.

4. Long term debt consists of the following:

	June 30, 1996	March 31, 1996
Unsecured revolving credit agreement	\$ 34,476,000	11,995,000
Convertible note, payable April 30, 1999 together with interest at 3.12%; collateralized by letter of credit; convertible at maturity into 1 million shares of common stock	25,000,000	---
9.75% Senior Notes, due May 1, 2000, payable in annual installments of \$2,143,000 each May 1; Interest is payable semiannually	8,571,000	10,714,000
8.94% note payable due in monthly installments of principal and interest of \$50,000 with remaining balance due June 30, 1997; collateralized by real estate	4,208,000	4,264,000
Other notes and capital lease obligations payable	4,342,000 -----	3,778,000 -----
Total long term debt	76,597,000	30,751,000
Less current installments	4,053,000 -----	3,866,000 -----
Long-term debt, excluding current installments	\$ 72,544,000 =====	\$ 26,885,000 =====

Subsequent to June 30, 1996 the unsecured credit agreement was increased to provide for revolving loans up to \$50,000,000 and now expires on July 30, 2001. The 8.94% note payable which is due June 30, 1997 continues to be classified as long-term debt because the Company intends to use available funding under the credit agreement to refinance the note on a long-term basis.

5. Earnings per share computations are based upon the weighted average number of shares outstanding, including the dilutive effect of stock options and warrants and the convertible debt issued for the purchase of DMI, all of which are considered common stock equivalents. For purposes of calculating earnings per share, the interest expense on the convertible note is eliminated. The calculation of earnings per share for the periods presented is as follows:

	For the Three Months Ended	
	June 30, 1996	June 30, 1995
Net earnings	\$ 4,245,000	\$ 3,136,000
Interest expense (net of tax effect)	120,000	---
Adjusted net earnings	\$ 4,365,000	\$ 3,136,000
Earnings per share	\$.15	\$.12
Weighted average shares outstanding	29,253,000	25,822,000

6. On July 25, 1995, a customer of the Company, Highlights for Children, Inc. (Highlights"), filed a demand for arbitration with the American Arbitration Association. The demand alleges, among other things, breaches of express warranties in connection with a software license agreement for the Company's GS/2000 software product. The demand seeks compensatory damages of approximately \$22,000,000 and punitive damages of \$44,000,000 plus attorneys' fees and costs.

The Company believes that the action is substantially without merit. Highlights is and has been using the GS/2000 software in the daily operation of its business for over three years. Highlights accepted the software as operational as of September 1, 1993 and paid the final license fee payment. Acxiom's software license fee and other related fees invoiced to Highlights for the GS/2000 software totaled approximately \$2,000,000. The Company intends to vigorously defend the arbitration claim. Management believes that the ultimate outcome of the arbitration case will result in a final settlement which would not be material to the financial statements and which would be substantially lower than the amount noted above.

The Company is involved in various other claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or its expected future consolidated results of operations.

7. Trade accounts receivable are presented net of allowances for doubtful accounts, returns, and credits of \$4,489,000 and \$1,880,000 at June 30, 1996 and March 31, 1996, respectively.

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

Results of Operations

Consolidated revenue was a record \$93,953,000 for the quarter ended June 30, 1996, a 59% increase over revenue of \$59,182,000 for the same quarter a year ago. Excluding the effects of the Pro CD and DMI acquisitions which were completed effective April 1, 1996, revenue was up 38% over the prior year. By industry sector, the direct marketing industry revenue grew 168% including the additional revenue from DMI, and information and communications revenue grew 118%, which includes the additional revenue from Pro CD. Financial services revenue grew 13% and insurance revenue grew 19% while the media/publishing industry sector was flat compared to the prior year.

Operating costs and expenses increased 58% compared to the same quarter a year ago. Salaries and benefits increased 56%, but after adjusting for the effects of the acquisitions noted above, the increase was only 28%, principally as a result of new contracts with The Polk Company ("Polk") and Trans Union Marketing Services. Computer, communications and other equipment costs were up 58%, primarily attributable to the new contracts noted above. Data costs were up 21%, reflecting increased revenue under the Allstate contract. Other operating costs and expenses were up 143% or \$10,349,000. After adjusting for the impact of the acquisitions noted above, the increase is 52% or \$3.8 million which principally relates to higher facility costs on newly constructed facilities and volume-related increases. Income from operations was 10% of revenue compared to 9% for the first quarter of the prior year.

Interest expense increased due to increased levels of debt during the quarter when compared to the year earlier period. Other expense in the quarter included a charge of \$1,000,000 for the write-off of the preferred stock investment in MorCom (see discussion below).

The Company's effective income tax rate was 38.5% for the quarter, compared to 38% for the first quarter in the prior year. The Company expects the actual effective rate for the full fiscal year to remain in the 37-39% range.

Net earnings for the quarter increased 35% over the previous year. Earnings per share increased 25% on a 13% increase in the weighted average number of shares outstanding. The increase in the number of shares from the same period in the prior year is primarily due to the acquisitions of Pro CD and DMI during the first quarter of this year.

Capital Resources and Liquidity

Working capital at June 30, 1996 was \$25,169,000 compared to \$22,855,000 at March 31, 1996. At June 30, 1996 the Company had arranged for a temporary increase in its revolving credit agreement from \$30,000,000 to \$40,000,000, giving the Company total available credit lines of \$41,000,000 of which \$35,476,000 was outstanding. Subsequent to June 30, 1996 the Company has completed the negotiation of a new \$50,000,000 revolving credit agreement. As the new revolving credit agreement has a 5-year life, the Company has continued to classify the entire balance as long-term debt.

In addition, the Company continues to classify as long-term debt the note payable, totaling \$4,208,000, which is due in full on June 30, 1997 because it is the Company's intention to pay this loan with additional proceeds from the revolving credit agreement.

The Company's debt-to-capital ratio (capital defined as long-term debt plus stockholders' equity) was 36% at June 30, 1995 compared to 18% at March 31, 1996. The increase in the ratio is due to the issuance of a convertible note in the amount of \$25,000,000 for the purchase of DMI as well as additional funding drawn on the revolving credit agreement during the quarter. Cash provided by operating activities was \$6,605,000 for the three months ended June 30, 1996 compared to \$6,530,000 for the same period a year earlier. In the current quarter, \$19,723,000 was used by investing activities and \$10,185,000 was provided by financing activities. Investing activities included \$18,740,000 in capital expenditures compared to \$10,481,000 in the prior year's quarter. A significant amount of the first quarter capital expenditures related to the acquisition of data center equipment for the Polk data center outsourcing contract. Management expects capital expenditures to be substantially lower in the second quarter of the fiscal year. Financing activities included paying off short-term bank debt incurred when the Company acquired DMI and proceeds from additional borrowings under the revolving credit agreement.

While the Company does not have any material contractual commitments for capital expenditures, additional investments in facilities and computer equipment will continue to be necessary to support the anticipated growth of the business. In addition, new outsourcing or facilities management contracts frequently require substantial up-front capital expenditures in order to acquire existing assets. Management believes that the combination of existing working capital, anticipated funds to be generated through future operations and the Company's available credit lines is sufficient to meet the Company's current operating needs as well as to fund the anticipated levels of capital expenditures. If additional funds are required, the Company would use existing credit lines to generate cash, followed by either additional borrowings to be secured by the Company's assets or the issuance of additional equity securities in either public or private offerings. Management believes that the Company has significant unused capacity to raise capital which could be used to support future growth.

Effective March 31, 1994 the Company sold substantially all of the assets of its former Acxiom Mailing Services unit ("AMS") in exchange for the assumption of certain liabilities, \$4,500,000 in cash, a mortgage note receivable, and \$1,000,000 of preferred stock issued by the buyer, MorCom, Inc. Additionally the Company sold MorCom a software license to use certain of the Company's software. In June, 1996, MorCom ceased operations. The Company has established valuation reserves for the full amount of the software license receivable, preferred stock, and trade accounts receivable and is currently evaluating various alternatives related to the property. Management believes that any further loss associated with this event will not be material to the financial statements.

ACXIOM CORPORATION
PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of the Company was held on July 24, 1996. The following matters were voted upon at the meeting:

- (1) Shareholders approved the election of three directors. Voting results for each individual nominee were as follows: William T. Dillard II, 21,421,690 votes for and 185,218 withheld; Harry C. Gambill, 21,418,167 votes for and 188,741 withheld; and Walter V. Smiley, 21,605,513 votes for and 1,395 withheld.
- (2) Shareholders approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock, \$.10 par value per share, from 60,000,000 to 200,000,000, with 18,708,820 votes for, 3,183,989 votes against, 478,931 votes withheld, and no broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- 3(i) Amended and Restated Certificate of Incorporation
- 10 Amended and Restated Key Associate Stock Option Plan of Acxiom Corporation
- 27 Financial Data Schedule

(b) Reports on Form 8-K filed during the first quarter:

A report was filed on May 14, 1996, as amended by a Form 8-K/A filed on July 12, 1996, which reported the acquisition of substantially all of the assets and assumption of certain liabilities of Direct Media/DMI, Inc.

ACXIOM CORPORATION AND SUBSIDIARIES

SIGNATURE

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

Acxiom Corporation

Dated: August 13, 1996

By: /s/ Robert S. Bloom

(Signature)
Robert S. Bloom
Chief Financial Officer
(Chief Accounting Officer)

EXHIBIT INDEX

Exhibits to Form 10-Q

Exhibit Number	Exhibit
3(i)	Amended and Restated Certificate of Incorporation
10	Amended and Restated Key Associate Stock Option Plan of Acxiom Corporation
27	Financial Data Schedule

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
ACXIOM CORPORATION

Acxiom Corporation (the "Corporation"), acting pursuant to Sections 245 and 242 of the General Corporation Law of the State of Delaware, hereby adopts the following Amended and Restated Certificate of Incorporation. The following Amended and Restated Certificate of Incorporation amends, restates, integrates, and supersedes, in its entirety, the Amended and Restated Certificate of Incorporation of Acxiom Corporation originally filed with the Delaware Secretary of State on August 21, 1995. The original Certificate of Incorporation was incorporated under the name of CCX NETWORK, INC. on September 28, 1983.

FIRST: NAME. The name of the Corporation is:

ACXIOM CORPORATION

SECOND: REGISTERED AGENT AND OFFICE. The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, in the County of Newcastle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

THIRD: PURPOSES. The purpose or purposes for which the Corporation is organized are:

(a) To own, operate, sell, lease and otherwise deal in goods and services related to data processing, letter services, electronic computer operations, business machines, forms and procedures; to buy, rent, sell, lease and otherwise deal in computers.

(b) To borrow money in such amount, for such times and upon such terms and conditions as is deemed wise and expedient; from time to time to draw, make, accept, endorse, discount, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and transferable instruments, and evidences, as well as to secure the same by mortgages, pledge, deed of trust, or otherwise.

(c) To have one or more offices, to carry on all or any of its operations and business, and without restriction or limit as to amount to purchase or otherwise acquire, hold, own, mortgage, sell, lease, convey or otherwise dispose of real and personal property of every class and description.

(d) To enter into, make and perform contracts of any and every kind with any person, firm, corporation, association, partnership or body politic.

(e) To own, purchase, lease, or otherwise acquire lands and real estate, and to sell and develop lands and real estate, and to equip and operate buildings and structures of every kind and character for the manufacturing, storing and protection of goods and properties of every character and kind.

(f) To conduct, promote or engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: AUTHORIZED SHARES. The total number of shares of stock which the Corporation shall have authority to issue is:

Two hundred million (200,000,000) shares of Common Stock, ten cents (\$.10) Par Value per common share.

One million (1,000,000) shares of Preferred Stock, one dollar (\$1.00) Par Value per preferred share. The Board of Directors of the Corporation is authorized to provide for the issuance of shares of Preferred Stock in series and to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof.

FIFTH: DURATION. The Corporation is to have perpetual existence.

SIXTH: DIRECTORS.

(a) Number, Election and Terms of Directors. The number of directors shall be not less than three (3) nor more than fifteen (15) persons. The exact number of directors of the Corporation shall be fixed from time to time by the Board of Directors. The directors shall be classified with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible, one class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1991, another class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1992, and another class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1993, with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director.

(b) Manner of Election. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

(c) Stockholder Nomination of Director Candidates and Advance Notice of Matters to Be Brought Before an Annual Meeting. Advance notice of nominations by stockholders of persons for election to the Board of Directors and advance notice of matters to be brought before an annual meeting by shareholders shall be given in the manner provided in the Bylaws.

(d) Newly Created Directorships and Vacancies. Newly created directorships resulting from any increase in the number of directors and any vacancies in the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the proceeding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(e) Removal of Directors. No director shall be removed from the Board of Directors by action of the stockholders of the Corporation during his appointed term other than for cause. For purposes hereof, cause shall mean final conviction of a felony, unsound mind, adjudication of bankruptcy, nonacceptance of office, or conduct prejudicial to the interest of the Corporation.

(f) Scope. The provisions of this Article shall apply only to the holders of Common Stock. Accordingly, this Article shall in no way limit or restrict the authority of the Board of Directors to fix the designation, power, preferences and rights of shares of Preferred Stock and the qualifications, limitations and restrictions thereof.

SEVENTH: MEETINGS OF HOLDERS OF COMMON STOCK AND ACTION BY HOLDERS OF COMMON STOCK WITHOUT A MEETING.

(a) Place of Meetings. Meetings of holders of Common Stock may be held within or without the State of Delaware, as the Bylaws may provide.

(b) Special Meetings. Special meetings of the holders of Common Stock may be called by such person or persons as may be authorized by the Bylaws.

(c) Stockholder Action. Any action required or permitted by the General Corporation Law of the State of Delaware to be taken at a meeting of holders of Common Stock may be taken without a meeting if one or more written consents, setting forth the action so taken, shall be signed by all of the holders of Common Stock entitled to vote with respect to the subject matter thereof. The consents signed under this provision, taken together, shall have the same force and effect as a unanimous vote of the holders of Common Stock.

EIGHTH: LOCATION OF BOOKS AND RECORDS. The books and records of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors in the Bylaws of the Corporation.

NINTH: BYLAWS. The Board of Directors shall have power to make, alter, amend and repeal the Bylaws, except so far as Bylaws adopted by the holders of Common Stock shall otherwise provide. Notwithstanding the foregoing, Bylaw provisions relating to informal action by holders of Common Stock without a meeting, nomination of director candidates by holders of Common Stock, notice of matters to be brought before an annual meeting by holders of Common Stock, the number, election and terms of directors elected by holders of Common Stock, the removal of directors elected by holders of Common Stock, the filling of vacancies on the Board of Directors created by an increase in the number of directors or by the death, resignation, removal or disqualification of directors elected by the holders of Common Stock, and the manner of calling and persons authorized to call special meetings of holders of Common Stock shall not be altered, amended or repealed, and no provisions inconsistent therewith shall be adopted, without (i) the approval of a majority of the Disinterested Directors, as defined in Article ELEVENTH hereof, or (ii) the affirmative vote of the holders of at least eighty percent (80%) of the votes entitled to be cast by the holders of Common Stock.

TENTH: FAIR PRICE PROVISION.

(a) Vote Required for Certain Business Combinations.

1. Higher Vote for Certain Business Combinations. In addition to any affirmative vote required by law or this Amended and Restated Certificate of Incorporation, and except as otherwise expressly provided in Section (b) of this Article,

(A) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Stockholder (as hereinafter defined) or (ii) any other person (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(B) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of \$10,000,000 or more; or

(C) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$10,000,000 or more; or

(D) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Stockholder or any Affiliate of any Interested Stockholder; or

(E) the adoption of any plan of share exchange between the Corporation or any Subsidiary with any Interested Stockholder or any other person which is, or after such share exchange would be, an Affiliate of any Interested Stockholder; or

(F) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of Equity Security (as hereinafter defined) of the Corporation or any Subsidiary (as hereinafter defined) or the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

shall require the affirmative vote of the holders of at least eighty percent (80%) of the votes entitled to be cast by the holders of Common Stock. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

2. Definition of "Business Combination". The term "Business Combination" used in this Article shall mean any transaction which is referred to in any one or more of clauses (A) through (F) of Paragraph 1 of this Section (a).

(b) When Higher Vote is Not Required. The provisions of Section (a) of this Article shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Amended and Restated Certificate of Incorporation, if all of the conditions specified in either of the following paragraphs 1 and 2 are met:

1. Approval by Disinterested Directors. The Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined).

2. Price and Procedure Requirements. All of the following conditions shall have been met:

(A) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per

share by holders of Common Stock in such Business Combination shall be at least equal to the higher of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it (a) within the two-year period immediately prior to the first public announcement of the terms of the proposed Business Combination (the "Announcement Date") or (b) in the transaction in which it became an Interested Stockholder, whichever is higher; and

(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date is referred to in this Article as the "Determination Date"), whichever is higher.

(B) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any other class of outstanding stock shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph 2(B) shall be required to be met with respect to every class of outstanding stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of stock):

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of stock acquired by it (a) within the two-year period immediately prior to the Announcement Date or (b) in the transaction in which it became an Interested Stockholder, whichever is higher;

(ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class of stock are entitled in the event of any voluntary liquidation, dissolution or winding up of the Corporation; and

(iii) the Fair Market Value per share of such class of stock on the Announcement Date or on the Determination Date, whichever is higher.

(C) The consideration to be received by holders of a particular class of outstanding stock (including Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of stock. If the Interested Stockholder has paid for shares of any class of stock with varying forms of consideration, the form of consideration for such class of stock shall be either cash or the form used to acquire the largest number of shares of such class of stock previously acquired by it. The price determined in accordance with paragraph 2(A) and 2(B) of this Section (b) shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(D) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (i) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding stock having preference over the Common Stock as to dividends or upon liquidation; (ii) there shall have been (a) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Disinterested Directors, and (b) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (iii) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Common Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(E) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation or any Subsidiary whether in anticipation of or in connection with such Business Combination or otherwise.

(F) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the

Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

(c) Certain Definitions. For the purpose of this Article:

1. A "person" shall mean any individual, firm, corporation or other entity.

2. "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(A) is the beneficial owner, directly or indirectly, of 5% or more of the voting power of the outstanding Common Stock; or

(B) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 5% or more of the voting power of the then outstanding Common Stock; or

(C) is an assignee of or has otherwise succeeded to any shares of Common Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended.

3. A person shall be a "beneficial owner" of any Common Stock:

(A) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns directly or indirectly; or

(B) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or

(C) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Common Stock.

4. For the purpose of determining whether a person is an Interested Stockholder pursuant to paragraph 2 of this Section (c), the number of shares of Common Stock deemed to be outstanding shall include shares deemed owned through application of paragraph 3 of this Section (c) but shall not include any other shares of Common Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

5. "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1990.

6. "Disinterested Director" means any member of the Board of Directors who is unaffiliated with the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

7. "Equity Security" shall have the meaning ascribed to such term in Section 3(A)(11) of the Securities Exchange Act of 1934, as in effect on January 1, 1990.

8. "Fair Market Value" means: (A) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (B) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

9. "Subsidiary" means any corporation of which a majority of any class of Equity Security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph 2 of this Section (c), the term "Subsidiary"

shall mean only a corporation of which a majority of each class of Equity Security is owned, directly or indirectly, by the Corporation.

10. In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in paragraphs 2(A) and (B) of section (b) of this Article EIGHTH shall include the shares of Common Stock and/or the shares of any other class of outstanding stock retained by the holders of such shares.

(d) Powers of the Board of Directors. A majority of the Directors shall have the power and duty to determine for the purposes of this Article, on the basis of information known to them after reasonable inquiry, (1) whether a person is an Interested Stockholder, (2) the number of shares of Common Stock beneficially owned by any person, (3) whether a person is an Affiliate or Associate of another, (4) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$10,000,000 or more. A majority of the Directors shall have the further power to interpret all of the terms and provisions of this Article.

(e) No Effect on Fiduciary Obligations of Interested Shareholders. Nothing contained in this Article shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

ELEVENTH: STOCKHOLDER VOTE ON EXTRAORDINARY MATTERS. Any merger or consolidation of the Corporation with any other person, any sale, lease, exchange, mortgage, pledge, transfer or other disposition by the Corporation of its property or assets, and any dissolution or liquidation of the Corporation or revocation thereof that the General Corporation Law of the State of Delaware requires be approved by the holders of Common Stock must be approved by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the votes entitled to be cast by the holders of Common Stock.

TWELFTH: LIMITATION OF DIRECTOR LIABILITY.

(a) To the fullest extent permitted by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

(b) Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

THIRTEENTH: INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES. Any person who was or is a party or is threatened to be a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal,

administrative or investigative (including any action or suit by or in the right of the Corporation to procure a judgment in its favor) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the corporation, if, as and to the extent authorized by the laws of the State of Delaware, against expenses (including the attorneys' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by him, in connection with the defense or settlement of such action, suit, investigation or proceeding. The indemnification expressly provided by statute in a specific case shall not be deemed exclusive of any other rights to which any person indemnified may be entitled under any lawful agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

FOURTEENTH: AMENDMENTS. From time to time any of the provisions of this Amended and Restated Certificate of Incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted by the affirmative vote of the holders of at least a majority of the votes entitled to be cast by the holders of the outstanding stock of the Corporation entitled to vote thereon; provided, however, the affirmative vote of the holders of at least eighty percent (80%) of the votes entitled to be cast by the holders of Common Stock shall be required to alter, amend, repeal, or adopt any provision inconsistent with Articles SIXTH, SEVENTH, NINTH, TENTH and FOURTEENTH hereof.

The above Amended and Restated Certificate of Incorporation was adopted and approved by the Board of Directors of the Corporation on the 29th day of May, 1996 and by the stockholders of the Corporation, in the manner and by the vote prescribed by Section 242 of the General Corporation Law of the State of Delaware, this 24th day of July, 1996.

/s/ Charles D. Morgan, Jr.

Charles D. Morgan, Jr.,
Chairman of the Board, CEO and President

ATTEST:

/s/ Catherine L. Hughes

Catherine L. Hughes, Secretary

AMENDED AND RESTATED KEY ASSOCIATE STOCK OPTION PLAN
OF
ACXIOM CORPORATION
as of July 23, 1996

1. Establishment, Continuation, and Purpose. On November 9, 1983, the Board of Directors (the "Board") and the shareholders of Acxiom Corporation (formerly CCX Network, Inc.) (the "Company") approved the adoption of the CCX Network, Inc. Incentive Stock Option Plan and the CCX Network, Inc. Nonstatutory Stock Option Plan. Such plans were amended and restated effective as of April 22, 1987 so as to combine the two separate plans into one plan (the "Plan") and to comply with certain provisions of the Tax Reform Act of 1986. Subsequent amendments were adopted on July 20, 1988; January 30, 1991; May 26, 1993; May 24, 1995 and July 23, 1996. The purpose of the Plan is to further the growth and development of the Company and any of its present or future subsidiary corporations, as hereinafter defined, by granting to certain key associates of the Company and any subsidiary corporation, as an incentive and encouragement to stock ownership, options to purchase shares of common stock of the Company, \$.10 par value ("Common Stock"), thereby offering such key associates a proprietary interest in the Company's business and a more direct stake in its continuing welfare, and aligning their interests with those of the Company's stockholders.

2. Administration. The Plan shall be administered by a committee (the "Committee") of no less than two "disinterested" (as that term is defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Act")) members of the Company's Board of Directors. The Committee is authorized to grant options on behalf of the Company as hereinafter provided, to interpret the Plan and options granted pursuant to the Plan, and to make and amend such regulations as it may deem appropriate.

3. Grant of Options. Options to purchase shares of Common Stock shall be granted on behalf of the Company by the Committee from time to time and within the limits of the Plan. The Committee shall determine the key associates ("Optionees" or "Participants") of the Company and of any subsidiary corporation to whom options are to be granted, the number of shares to be granted to each, the option price, the option period(s), and the number of shares that may be exercised during such option period(s). Options granted under the Plan may be either non-qualified stock options or incentive stock options, as defined by Section 422A of the Internal Revenue Code of 1986, as amended (the "Code"). The Committee, at the time each option is granted, shall designate such option as either a non-qualified stock option or an incentive stock option. Any incentive stock option granted under the Plan must be exercisable within ten (10) years of the date upon which it is granted. For incentive options granted after December 31, 1986, the aggregate fair market value (as determined at the time the option is granted) of the stock with respect to which incentive options granted herein are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company and its subsidiaries) shall not exceed \$100,000.

4. Shares Subject to the Plan. The shares which may be granted pursuant to the Plan shall be authorized and unissued shares of Common Stock not exceeding in the aggregate 7,600,000 shares.

5. Eligible Participants. All key associates of the Company and any subsidiary corporation of the Company shall be eligible to receive options and thereby become Participants in the Plan. In granting options, the Board may include or exclude previous Participants in the Plan. As used herein, the terms "subsidiary corporation" and "parent corporation" shall mean a "subsidiary corporation" or "parent corporation" as defined in Section 425 of the Code.

For purposes of this Plan, a "key associate" shall mean employees of the Company or its affiliates, directors, officers (whether or not they are directors), independent contractors and consultants who render those types of services which tend to contribute materially to the success of the Company or an affiliate or which reasonably may be anticipated to contribute materially to the future success of the Company or an affiliate.

No executive officer named in the Summary Compensation Table of the Company's then current Proxy Statement shall be eligible to receive in excess of 300,000 options in any three-year period.

6. Option Price. (a) The price for each share of Common Stock purchasable under any incentive option shall be not less than one hundred

percent (100%) of the fair market value per share on the date of grant. The price for each share of Common Stock purchasable under any non-qualified option shall be any price determined by the Committee in its sole discretion. All such prices shall be subject to adjustment as provided for in paragraph 17 hereof. For purposes of determining the fair market value of the Common Stock, the following rules shall apply:

(i) If the Common Stock is at the time listed or admitted to trading on any stock exchange, then the fair market value shall be either (a) the closing sales price of the Common Stock on the date in question on the principal exchange on which the Common Stock is then listed or admitted to trading, or (b) the average bid and ask price for the ten (10) trading days preceding the week during which the Committee grants options. With respect to (a), if no reported sale of the Common Stock takes place on the date in question on the principal exchange, then the fair market value shall be determined as of the closest preceding date on which such principal exchange shall be have been open for business and shares of the Common Stock were traded.

(ii) If the Common Stock is not at the time listed or admitted to trading on a stock exchange, the fair market value shall be the mean between the closing bid and asked quotations for the Common Stock on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Company and regularly reporting the market price of the Common Stock in such market. If there are no bid and asked quotations for the Common Stock on such date, the fair market value shall be deemed to be the mean between the closing bid and asked quotations in the over-the-counter market for the Common Stock on the closest date preceding the date in question for which such quotations are available.

(b) If any Optionee to whom an incentive option is to be granted under the Plan is on the date of grant the owner of stock (as determined under Section 425(d) of the Code) possessing more than 10% of the total combined voting power of all classes of stock of the Company or any one of its subsidiaries, then the following special provisions shall be applicable to any options granted to such individual:

(i) The option price per share of Common Stock subject to such option shall not be less than 110% of the fair market value of one share of Common Stock on the date of grant; and

(ii) The option shall not have a term in excess of five (5) years from the date of grant.

7. Exercise Period. Subject to paragraph 18, the period for exercising an option (the "Exercise Period") shall be such period of time as may be designated by the Committee at the time of grant, except that:

(a) If a Participant retires during the Exercise Period, such option shall be exercisable only during the three months following the effective date of retirement, but in no event after the expiration of the Exercise Period, unless the Committee in its discretion provides otherwise.

(b) If a Participant terminates his or her employment by reason of disability, such option shall be exercisable only during the six months following such termination, but in no event after the expiration of the Exercise Period, unless the Committee in its discretion provides otherwise.

(c) If a Participant dies during the Exercise Period, such option shall be exercisable by the executors, administrators, legatees or distributees of the Participant's estate only during the twelve months following the date of death, but in no event after the expiration of the Exercise Period, unless the Committee in its discretion provides otherwise.

(d) If a Participant ceases to be an associate of the Company for any cause other than retirement, disability or death, such option shall be exercisable only during the three months following such termination, but in no event after the expiration of the Exercise Period, unless the Committee in its discretion provides otherwise.

The maximum duration of any incentive stock option granted under the Plan shall be ten (10) years from the date of grant, although such options may be granted for a lesser duration. The Committee shall have the right to accelerate, in whole or in part, from time to time, conditionally or unconditionally, a Participant's rights to exercise any option granted hereunder.

8. Exercise of Option. Subject to paragraphs 7(a), 7(b), 7(c), 7(d) and 18, an option may be exercised at any time and from time to time during the Exercise Period. If one of the events referred to in paragraphs 7(a), 7(b), 7(c) or 7(d) occurs, the option shall be exercisable (subject to paragraph 18) under this paragraph 8 during the three months following retirement, during the six months following termination by reason of disability, during the twelve months following death, or during the three months following termination for any other reason, only as to the number of shares, if any, as to which the option was exercisable immediately prior to said retirement, disability, death or other termination, unless the Committee in its discretion provides otherwise.

Notwithstanding the foregoing, with respect to any incentive stock option granted under the Plan prior to January 1, 1987, no such incentive stock option shall be exercisable by a Participant while there is outstanding any other incentive stock option which was previously granted to the Participant to purchase shares in the Company or in a corporation which (at the time of the granting of such option) is a parent or subsidiary corporation of the Company, or is a predecessor corporation of any such corporation. This provision shall not apply to any options granted after December 31, 1986. For purposes of this paragraph 8, any incentive stock option shall be treated as outstanding until such option is exercised in full or expires by reason of lapse of time.

9. Payment for Shares. Full payment for shares purchased, together with the amount of any tax or excise due in respect of the sale and issue thereof, shall be made in such form of property (whether cash, securities or other consideration) as may be acceptable to the

Committee. The Company will issue no certificates for shares until full payment therefor has been made, and a Participant shall have none of the rights of a shareholder until certificates for the shares purchased are issued to him or her. In lieu of cash, a Participant may pay for the shares purchased with shares of the Company's Common Stock having a fair market value on the date upon which the Participant exercises his or her option equal to the option price, or with a combination of cash and shares of Common Stock equal to the aggregate option price. For purposes of determining fair market value, the rules set forth in paragraph 6 shall apply.

10. Withholding Taxes. The Company may require a Participant exercising a non-qualified option granted hereunder to reimburse the Company (or the subsidiary which employs such Participant) for taxes required by any government to be withheld or otherwise deducted and paid by such corporation in respect of the issuance of the shares. For purposes of determining fair market value, the rules set forth in Paragraph 6 shall apply. A Participant may elect to satisfy such withholding requirements by any one of the following methods:

(a) A Participant may request that the Company (or the subsidiary which employs such Participant) withhold from the number of shares which would otherwise be issued to the Participant that number of shares (based upon the fair market value of the Common Stock on the date of exercise) which would satisfy the withholding requirement. If such an election is made, the Participant must notify the Company that he or she is so electing either (i) six months prior to the date the option exercise becomes taxable (which will either be the date of exercise or, if an election under Section 83(b) of the Code is made, six months before the date of exercise), or (ii) during any period beginning on the third business day following the date upon which any quarterly or annual sales and earnings statement is released by the Company and ending on the thirtieth day following the release of any such statement, such notice provisions being applicable only to those Participants who are "executive officers," as defined in the Act, or directors of the Company.

(b) A Participant may deliver previously-owned shares of Common Stock (based upon the fair market value of the Common Stock on the date of exercise) in an amount which would satisfy the withholding requirement.

(c) A Participant may deliver cash in an amount which would satisfy the withholding requirement.

11. Stock Appreciation Rights. The Committee may, under such terms and conditions as it deems appropriate, authorize the surrender by an Optionee of all or part of an unexercised option and authorize a payment in consideration therefor of an amount equal to the difference obtained by subtracting the option price of the shares then subject to exercise under such option from the fair market value of the Common Stock represented by such shares on the date of surrender, provided that the Committee determines that such settlement is consistent with the purpose of the Plan. Such payment may be made in shares of Common Stock valued at their fair market value on the date of surrender of such option or in cash, or partly in shares and partly in cash. Acceptance of such a surrender and the manner of payment shall be in the discretion of the Committee, subject to the limitations contained in Section 422A of the Code and Section 16b(3) of the Act. For purposes of determining fair market value, the rules set forth in Paragraph 6 shall apply. If an option is surrendered pursuant to this Paragraph 11, the shares covered by the surrendered option will not thereafter be available for grant under the Plan.

12. Loans or Guarantee of Loans. The Committee may authorize the extension of a loan to an Optionee by the Company (or the guarantee by the Company of a loan obtained by an

Optionee from a third party) in order to assist an Optionee to exercise an option granted under the Plan. The terms of any loans or guarantees, including the interest rate and terms of repayment, will be subject to the discretion of the Committee. Loans and guarantees may be granted without security, the maximum credit available being the exercise price of the option sought to be executed plus any federal and state income tax liability incurred upon exercise of the option.

13. Nonassignability. Each option by its terms shall not be transferable otherwise than by will or the laws of descent and distribution, and shall be exercisable during a Participant's lifetime only by him.

14. Conditions to Exercise of Options. The Committee may, in its discretion, require as conditions to the exercise of options and the issuance of shares thereunder either (a) that a registration statement under the Securities Act of 1933, as amended, with respect to the options and the shares to be issued upon the exercise thereof, containing such current information as is required by the Rules and Regulations under said Act, shall have become, and continue to be, effective; or (b) that the Participant (i) shall have represented, warranted and agreed, in form and substance satisfactory to the Company, both that he or she is acquiring the option and, at the time of exercising the option, that he or she is acquiring the shares for his/her own account, for investment and not with a view to or in connection with any distribution; (ii) shall have agreed to restrictions on transfer, in form and substance satisfactory to the Company; and (iii) shall have agreed to an endorsement which makes appropriate reference to such representations, warranties, agreements and restrictions both on the option and on the certificate representing the shares.

15. Conditions to Effectiveness of the Plan. No option shall be granted or exercised if the grant of the option, or the exercise and the issuance of shares pursuant thereto, would be contrary to law or the regulations of any duly constituted authority having jurisdiction.

16. Alteration, Termination, Discontinuance, Suspension, or Amendment. The Board, in its discretion, may alter, terminate, discontinue, suspend or amend the Plan at any time. The Board may not, however, without shareholder approval (except as provided below in paragraph 17), (i) materially increase the maximum number of shares subject to the Plan, (ii) materially increase the benefits accruing to Participants under the Plan, or (iii) materially modify the requirements as to eligibility for participation in the Plan or, without the consent of the affected Participant, change, alter or impair any option previously granted to him under the Plan (except as provided below in paragraph 18). The Committee shall be authorized to amend the Plan and the options granted thereunder to permit the options to qualify as incentive stock options under Section 422A of the Code and the regulations promulgated thereunder. The rights and obligations under any option granted before amendment of the Plan or any unexercised portion of such option shall not be adversely affected by amendment of the Plan or the option without the consent of the holder of the option.

17. Effect of Changes in Common Stock. If the Company shall combine, subdivide or reclassify the shares of Common Stock which have been or may be subject to the Plan, or shall declare thereon any dividend payable in shares of Common Stock, or shall reclassify or take any other action of a similar nature affecting the Common Stock, then the number and class of shares of Common Stock which may thereafter become subject to options (in the aggregate and to any Participant) shall be adjusted accordingly, and, in the case of each option outstanding at the time of any such action, the number and class of shares which may thereafter be purchased pursuant to such option and the option price per share shall be adjusted to such extent as may be determined by the Committee to be necessary to preserve unimpaired the rights of the Participants, and each and every such determination shall be conclusive and binding upon such Participants.

18. Reorganization. In case of any one or more reclassifications, changes or exchanges of outstanding shares of Common Stock or other stock (other than as provided in paragraph 17), or consolidations of the Company with, or mergers of the Company into other corporations, or other recapitalizations or reorganizations (other than transactions in which the Company continues to exist and which do not result in any reclassification change or exchange of outstanding shares of the Company), or in case of any one or more sales or conveyances to another corporation of the property of the Company as an entirety, or substantially an entirety (any and all of which are referred to in this paragraph 18 as "Reorganization(s)"), the holder of each option then or thereafter outstanding shall have the right, upon any subsequent exercise thereof, to acquire the same kind and amount of securities and property which such holder would then hold if such holder had exercised the option immediately before the first of any such Reorganization, and continued to hold all securities and property which came to such holder as a result of that and any subsequent Reorganization, less all securities and property surrendered or canceled pursuant to any of same, the adjustment rights in paragraph 17 and this paragraph 18 being continuing and cumulative; provided, that notwithstanding any provisions of paragraph 7 to the contrary, the Committee shall have the right in connection with any such Reorganization, upon not less than thirty (30) days, written notice to the holders of outstanding options, to terminate the Exercise Period, and in such event all outstanding options (other than options as to which one of the events referred to in paragraph 7 has occurred) may be exercised only to the extent thereby permitted, in each case only at a time prior to such Reorganization. A liquidation shall be deemed a Reorganization for the foregoing purpose.

19. Use of Proceeds. Proceeds realized from the sale of Common Stock pursuant to options granted hereunder shall constitute general funds of the Company.

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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	3-MOS	
MAR-31-1997		
JUN-30-1996		536
	0	
	58,094	
	4,489	
	0	
	65,443	
		171,606
	68,783	
	251,880	
40,274		
		72,544
0		
		0
		2,613
		124,044
251,880		
		0
	93,953	
		0
	84,742	
	1,492	
	0	
	818	
	6,901	
	2,656	
4,245		
	0	
	0	
		0
	4,245	
	.15	
	.15	