SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2002

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 8180, 1 Information Way, Little Rock, Arkansas (Address of Principal Executive Offices)	72203 (Zip Code)

(501) 342-1000
(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 8, 2002 was 88,026,023.

ACXIOM CORPORATION AND SUBSIDIARIES
INDEX
REPORT ON FORM 10-Q
JUNE 30, 2002

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands)

	June 30, 2002	March 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 2,279	$ 5,676
Trade accounts receivable, net	185,883	185,579
Deferred income taxes	48,716	48,716
Refundable income taxes	3,406	41,652
Other current assets	85,780	78,602
Total current assets	326,064	360,225
Property and equipment, net of accumulated depreciation and amortization	179,757	181,775
Software, net of accumulated amortization	66,525	61,437
Goodwill	181,941	174,655
Purchased software licenses, net of accumulated amortization	170,219	169,854
Unbilled and notes receivable, excluding current portions	34,547	40,358
Deferred costs, net of accumulated amortization	119,961	125,843
Other assets, net	38,078	42,687
	$ 1,117,092	$ 1,156,834
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term debt	29,398	23,274
Trade accounts payable	26,946	29,472
Accrued expenses:		
Restructuring and impairment costs	2,456	3,022
Payroll	12,258	17,612
Other	33,377	43,176
Deferred revenue	60,358	61,114
Total current liabilities	164,793	177,670
Long-term debt, excluding current installments	343,327	396,850
Deferred income taxes	78,828	71,383
Commitments and contingencies		
Stockholders' equity:		
Common stock	8,794	8,734
Additional paid-in capital	287,876	281,355
Retained earnings	242,256	231,791
Accumulated other comprehensive loss	(6,029)	(8,609)
Treasury stock, at cost	(2,753)	(2,340)
Total stockholders' equity	530,144	510,931
	$ 1,117,092	$ 1,156,834

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per share amounts)

	For the Three Months Ended June 30, 2002	2001
Revenue	$ 225,406	$ 205,038
Operating costs and expenses:		
Salaries and benefits	74,792	93,548
Computer, communications and other equipment	63,026	81,727
Data costs	28,944	30,789
Other operating costs and expenses	37,413	46,408
Gains, losses and nonrecurring items, net	(457)	45,342
Total operating costs and expenses	203,718	297,814
Income (loss) from operations	21,688	(92,776)
Other income (expense):		
Interest expense	(5,327)	(6,742)
Other, net	(9)	(791)
	(5,336)	(7,533)
Earnings (loss) before income taxes	16,352	(100,309)
Income taxes	5,887	(36,670)
Net earnings (loss)	$ 10,465	$ (63,639)
Earnings (loss) per share:		
Basic	$ 0.12	$ (0.71)
Diluted	$ 0.12	$ (0.71)

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	For the Three Months Ended June 30, 2002	For the Three Months Ended June 30, 2001
Cash flows from operating activities:		
Net earnings (loss)	$ 10,465	$ (63,639)
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	28,174	42,446
Loss on disposal or impairment of assets, net	-	45,354
Deferred income taxes	7,552	(34,742)
Changes in operating assets and liabilities:		
Accounts receivable	85	15,654
Other assets	34,079	(5,194)
Accounts payable and other liabilities	(19,546)	(37,024)
Restructuring and impairment costs	(566)	(2,135)
Net cash provided (used) by operating activities	60,243	(39,280)
Cash flows from investing activities:		
Proceeds from the disposition of assets	45	127
Capitalized software development costs	(8,652)	(5,935)
Capital expenditures	(1,916)	(8,867)
Deferral of costs	(3,240)	(8,612)
Investments in joint ventures and other investments	(1,052)	(3,689)
Net cash paid in acquisitions	(772)	-
Net cash used by investing activities	(15,587)	(26,976)
Cash flows from financing activities:		
Proceeds from debt	73,707	102,113
Payments of debt	(127,972)	(20,861)
Sale of common stock, net of repurchases	6,168	3,210
Payments on equity forward contracts	-	(22,544)
Net cash (used) provided by financing activities	(48,097)	61,918
Effect of exchange rate changes on cash	44	(9)
Net decrease in cash and cash equivalents	(3,397)	(4,347)
Cash and cash equivalents at beginning of period	5,676	14,176
Cash and cash equivalents at end of period	$ 2,279	$ 9,829
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	$ 6,702	$ 6,714
Income taxes	(39,906)	12,192
Noncash investing and financing activities:		
Enterprise software licenses acquired under software obligation	2,828	-
Acquisition of property and equipment under capital lease	2,310	-

See accompanying notes to condensed consolidated financial statements.

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

These condensed consolidated financial statements have been prepared by Acxiom Corporation ("Registrant", "Acxiom" or "the Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC" or "the Commission"). In the opinion of the Registrant's management, however, all adjustments necessary for a fair presentation of the results for the periods included have been made and the disclosures are adequate to make the information presented not misleading. All such adjustments are of a normal recurring nature. Certain note information has been omitted because it has not changed significantly from that reflected in Notes 1 through 21 of the Notes to Consolidated Financial Statements filed as a part of Item 14 of the Registrant's 2002 annual report on Form 10-K, as filed with the Commission on May 15, 2002. This report and the accompanying financial statements should be read in connection with the annual report for the fiscal year ended March 31, 2002. The financial information contained in this report is not necessarily indicative of the results to be expected for any other period or for the full fiscal year ending March 31, 2003.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates. Certain of the accounting policies used in the preparation of these condensed consolidated financial statements require management to make complex judgments and/or significant estimates regarding amounts reported or disclosed in these financial statements. Additionally, the application of certain of these accounting policies is governed by complex accounting principles and interpretations thereof. A full discussion of the Company's significant accounting principles and the application thereof is discussed in note 1 and in management's discussion and analysis of financial condition and results of operations to the Company's annual report on Form 10-K.

Effective January 1, 2001, the Company changed its method of accounting for certain transactions, retroactive to April 1, 2000, in accordance with SEC Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements." The cumulative effect of the change resulted in a charge to earnings of $37.5 million, net of income taxes, and was included in the Company's condensed consolidated financial statements for the three months ended June 30, 2000 (not included herein). For the quarters ended June 30, 2002 and 2001, the Company recognized approximately $4.2 million and $5.1 million, respectively, in revenue that was included in the cumulative effect adjustment.

2. IMPAIRMENT CHARGES

Restructuring and Impairment Charges
On June 25, 2001, the Company announced a restructuring plan ("Restructuring Plan") for significant cost-reduction efforts, including workforce reductions, the sale and leaseback of a significant amount of its computer equipment, and certain other restructuring activities, asset impairments and other adjustments and accruals totaling $45.3 million. The charges recorded by the Company and included in gains, losses and nonrecurring items, net in the June 30, 2001 condensed consolidated financial statements include a loss on the sale-leaseback transaction of $31.2 million; $8.3 million in associate-related reserves, principally employment contract termination and severance costs; $3.6 million for lease and contract termination costs and $2.2 million for abandoned or otherwise impaired assets and transaction costs.

In addition to the above charges, the Company recorded accelerated depreciation and amortization and certain other charges of approximately $25.8 million during the quarter ended June 30, 2001, on certain software and long-lived assets that are no longer in service or have otherwise been deemed impaired under the appropriate accounting literature, primarily Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed," or SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

Sale Leaseback Transaction
On June 29, 2001, in connection with the Restructuring Plan, the Company entered into an agreement whereby it sold equipment with a net book value of $50.7 million to Technology Investment Partners, LLC ("TIP") and recorded a loss on this sale of $31.2 million. Simultaneous with the sale of this equipment, the Company also agreed to lease the equipment under a capital lease from TIP for a period of thirty-six months. The Company received $2.0 million of the sale proceeds from TIP during July 2001 and received an additional $4.0 million of the sales proceeds during December 2001. The remaining sales proceeds have been applied as a prepayment of the lease. Included in property and equipment at June 30, 2002 and March 31, 2002, is equipment of $13.0 million and $14.7 million, respectively, net of accumulated depreciation and amortization, related to the assets under this leaseback arrangement. Included in long-term debt at June 30, 2002 and March 31, 2002, is a capital lease obligation in the amount of $5.2 million and $5.6 million, respectively, representing sales proceeds to be repaid to TIP under the leaseback provision of the agreement.

Montgomery Wards Bankruptcy
During the fourth quarter of the year ended March 31, 2001, the Company recorded a charge totaling $34.6 million relating to the bankruptcy filing of Montgomery Ward ("Wards"), a significant customer of the Information Technology ("IT") Management segment, for the write-down of impaired assets and for certain ongoing obligations that have no future benefit to the Company. As of June 30, 2001, the Company is no longer providing services to Wards.

The following table shows the balances related to the Restructuring Plan and to Wards that were included in the restructuring and impairment accruals as of March 31, 2002 and the changes in those balances during the period ended June 30, 2002 (dollars in thousands):

	March 31, 2002	Less payments	June 30, 2002
Associate-related reserves	$ 600	$ (325)	$ 275
Contract termination costs	2,025	(200)	1,825
Transaction costs and other accruals	397	(41)	356
	$ 3,022	$ (566)	$ 2,456

The remaining accruals will be paid out over periods ranging up to three years.

3. ACQUISITIONS

Effective June 1, 2002, the Company entered into an agreement with Publishing & Broadcasting Limited ("PBL") whereby Acxiom purchased PBL's 50% ownership interest in an Australian joint venture ("JV") for cash of $0.8 million (net of cash acquired) and a note payable of $1.4 million, such that Acxiom now owns 100% of the JV operations. Additionally, the purchase agreement provides that Acxiom may pay PBL additional consideration, based on a percentage of the JV's operating results through March 31, 2007, and also provides PBL the option to repurchase between 25% and 49% of the JV subsequent to March 31, 2007, at an option price specified in the purchase agreement. The following table shows the total investment in the JV and the allocation of the investment to assets acquired and liabilities assumed (dollars in thousands):

Cash (net of cash acquired)	$ 772
Note payable	1,364
Previous investment in JV	5,662
	$ 7,798
Goodwill	$ 5,828
Other assets acquired	3,047
Liabilities assumed	(1,077)
	$ 7,798

The results of operations of the JV are included in the Company's condensed consolidated financial statements beginning June 1, 2002. Prior to that time, the Company accounted for the JV as an equity investment in accordance with the provisions of Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." The pro forma effect of this acquisition is not material to the Company's consolidated results for any of the periods presented. Management believes the Australian market is an important and potentially lucrative component of the Company's long-term global strategy. Sole ownership of the JV will enable the Company to more quickly and effectively capitalize on that opportunity.

4. DIVESTITURES

During the year ended March 31, 2002, the Company sold three of its business operations, including SIGMA, a database marketing operation headquartered in Rochester, New York; Buckley Dement, a list brokerage and fulfillment operation located in Skokie, Illinois; and a minor portion of its U.K. operations located in Spain and Portugal. Additionally, during the quarter ended June 30, 2002, the Company sold the remaining portion of its assets located in Spain, primarily its tax loss carryforwards. Gross proceeds from the sale of these operations were \$15.9 million, consisting of cash of \$6.8 million and notes receivable of \$9.1 million. At June 30, 2002 and March 31, 2002, notes receivable of \$5.8 million and \$5.2 million, respectively, are included in the accompanying condensed consolidated financial statements. The Company recorded a net loss of \$0.9 million during the year ended March 31, 2002 and a gain of \$0.5 million during the quarter ended June 30, 2002, associated with these dispositions. The aggregate net loss of \$0.4 million recorded by the Company reflects the write-off of \$1.9 million of goodwill during fiscal 2002, and the write-off of \$0.1 million of goodwill during the quarter ended June 30, 2002 (see note 6).

5. OTHER CURRENT AND NONCURRENT ASSETS AND LIABILITIES

Unbilled and notes receivable are from the sales of software, data licenses, equipment sales and from the sale of divested operations (see note 4), net of the current portions of such receivables. Certain of the unbilled and notes receivable from software and data licenses and equipment sales have no stated interest rate and have been discounted using an imputed interest rate that approximates the fair market rate, generally 8%, based on the customer, type of agreement, collateral and payment terms. The term of these notes is generally three years or less. This discount is being recognized into income using the interest method and is included as a component of other, net in the accompanying condensed consolidated statements of operations.

Other current assets include the current portion of the unbilled and notes receivable of \$39.5 million and \$38.4 million at June 30, 2002 and March 31, 2002, respectively. Other current assets also include prepaid expenses, non-trade receivables and other miscellaneous assets of \$46.3 million and \$40.2 million at June 30, 2002 and March 31, 2002, respectively.

Deferred revenue consists of amounts billed in excess of revenue recognized on sales and/or licensing of software, data licenses, services and equipment. Deferred revenues are recorded as revenue in accordance with the Company's revenue recognition policies (see note 1 to the Company's 2002 annual report on Form 10-K).

Other noncurrent assets consist of the following (dollars in thousands):

	June 30, 2002	March 31, 2002
Investments in joint ventures and other companies, net of unrealized loss on available-for-sale marketable securities	\$ 21,253	\$ 27,394
Other, net	16,825	15,293
	\$ 38,078	\$ 42,687

The Company defers costs associated with a customer once work is begun, after obtaining a signed contract or other definitive agreement. These deferred costs primarily consist of up-front costs and generally include salary and related costs and certain other costs, all of which are both direct and incremental to the associated contract, and are amortized over the service period of the contract. In the event that it is determined that these deferred costs will not be recovered under a contract, the costs are written off in the period such determination is made.

6. GOODWILL

The changes in the carrying amount of goodwill, by business segment, for the quarter ended June 30, 2002, are as follows (dollars in thousands):

	Services	Data and Software Products	IT Management	Total
Balance at March 31, 2002	$ 97,833	$ 1,533	$ 75,289	$ 174,655
Acquisition (note 3)	5,828	—	—	5,828
Disposal (note 4)	(84)	—	—	(84)
Change in foreign currency translation adjustment	1,542	—	—	1,542
Balance at June 30, 2002	$ 105,119	$ 1,533	$ 75,289	$ 181,941

7. LONG-TERM DEBT

Long-term debt consists of the following (dollars in thousands):

	June 30, 2002	March 31, 2002
Convertible subordinated notes due 2009; interest at 3.75%	$ 175,000	$ 175,000
Software license liabilities payable over terms up to seven years; effective interest rates at approximately 6%	89,391	88,444
Term note, due 2005	64,169	64,169
Convertible subordinated notes repaid April 2002	—	62,589
Capital leases on land, buildings and equipment payable in monthly payments of principal plus interest at approximately 8%; remaining terms up to fifteen years	18,542	18,878
Revolving credit agreement	13,023	—
Other capital leases, debt and long-term liabilities	12,600	11,044
Total long-term debt	372,725	420,124
Less current installments	29,398	23,274
Long-term debt, excluding current installments	$ 343,327	$ 396,850

Borrowings under the revolving credit facility of $13.0 million at June 30, 2002 (none at March 31, 2002) bear interest at LIBOR plus 2.25%, or at an alternative base rate plus 0.75% or at the Federal funds rate plus 1.75%, depending upon the type of borrowing. At June 30, 2002, the average interest rate under this credit facility was approximately 3.81% per annum. All borrowings under this credit facility are secured by substantially all of the Company's assets and are due January 2005.

On September 21, 2001, the Company executed an agreement for the settlement of certain equity forward contracts through borrowings of $64.2 million from a bank under a term loan facility. The borrowings under this term loan bear interest, payable semiannually, at LIBOR plus 3.75% or an alternative base rate. At June 30, 2002, the interest rate under this facility was 5.61%. The borrowings under this facility are secured by substantially all of the Company's assets.

Under the terms of some of the above borrowings, the Company is required to maintain certain tangible net worth levels, debt-to-cash flow and debt service coverage ratios, among other restrictions. At June 30, 2002, the Company was in compliance with these covenants and restrictions. Accordingly, the Company has classified all portions of its debt obligations due beyond June 30, 2003 as long-term in the accompanying condensed consolidated financial statements.

8. STOCKHOLDERS' EQUITY

Below is the calculation and reconciliation of the numerator and denominator of basic and diluted earnings (loss) per share (in thousands, except per share amounts):

	For the quarter ended June 30,	
	2002	2001
Basic earnings (loss) per share:		
Numerator – net earnings (loss)	$ 10,465	$ (63,639)
Denominator – weighted-average shares outstanding	87,781	89,931
Basic earnings (loss) per share	$ 0.12	$ (0.71)
Diluted earnings (loss) per share:		
Numerator:		
Net earnings (loss)	$ 10,465	$ (63,639)
Interest expense on convertible debt (net of tax benefit)	1,050	—
	$ 11,515	$ (63,639)

	For the quarter ended June 30, 2002	2001
Denominator:		
Weighted-average shares outstanding	87,781	89,931
Dilutive effect of common stock options and warrants, as computed under the treasury stock method	2,468	—
Dilutive effect of convertible debt, as computed under the if-converted method	9,589	—
	99,838	89,931
Diluted earnings (loss) per share	$ 0.12	$ (0.71)

All stock options, stock warrants, equity forward contracts and convertible debt were excluded from the above calculations for the quarter ended June 30, 2001, because such items were antidilutive. The equivalent share effect of convertible debt and the equivalent share effect of the common stock options and stock warrants excluded for the quarter ended June 30, 2001, were 5.8 million and 2.0 million, respectively. Interest expense on convertible debt (net of income tax effect) excluded in computing diluted loss per share for the quarter ended June 30, 2001, was $0.9 million.

At June 30, 2002, the Company had options and warrants outstanding providing for the purchase of approximately 19.5 million shares of its common stock. Options and warrants to purchase shares of common stock that were outstanding during the quarter ended June 30, 2002, but were not included in the computation of diluted earnings (loss) per share because the exercise price was greater than the average market price of the common shares are shown below (in thousands, except per share amounts):

	For the quarter ended June 30, 2002
Excluded number of shares outstanding under options and warrants	9,563
Range of exercise prices	$17.49 – 62.06

9. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade accounts receivable are presented net of allowances for doubtful accounts, returns, and credits of $6.6 million and $6.3 million, respectively, at June 30, 2002 and March 31, 2002.

10. MAJOR CUSTOMERS

No single customer accounted for more than 10% of revenue during the quarter ended June 30, 2002. During the quarter ended June 30, 2001, the Company had one customer, Allstate Insurance Company, which accounted for $24.4 million (11.9%) of revenue.

11. SEGMENT INFORMATION

The following tables present information by business segment (dollars in thousands):

	For the quarter ended June 30, 2002	2001
Revenue:		
Services	$ 169,369	$ 149,427
Data and Software Products	38,372	32,850
IT Management	56,461	52,966
Intercompany eliminations	(38,796)	(30,205)
	$ 225,406	$ 205,038
Income from operations:		
Services	$ 20,962	$ (13,040)
Data and Software Products	2,670	(3,243)
IT Management	1,072	(278)
Intercompany eliminations	(3,025)	3,243
Corporate and other	9	(79,458)
	$ 21,688	$ (92,776)

Substantially all of the nonrecurring charges incurred with the Restructuring Plan discussed in note 2 have been recorded in Corporate and other, since the Company does not hold individual segments responsible for these charges. During the quarter ended June 30, 2002, the Company revised certain of its internal cost allocations to distribute substantially all recurring costs to the business segments. Accordingly, the prior year's segment information has been restated to conform to the current year presentation.

12. COMPREHENSIVE INCOME (LOSS)

The balance of accumulated other comprehensive loss, which consists of foreign currency translation adjustments and unrealized depreciation on marketable securities classified as available-for-sale, was $6.0 million and $8.6 million at June 30, 2002 and March 31, 2002, respectively. Comprehensive income (loss) was income of $12.2 million for the quarter ended June 30, 2002, and was a loss of $64.1 million for the quarter ended June 30, 2001.

13. CONTINGENCIES

Refer to Part II, Item 1 for a description of legal proceedings.

14. SUBSEQUENT EVENTS

Effective August 12, 2002, the Company acquired the assets and assumed certain liabilities of an employment screening business owned by Trans Union, LLC ("Trans Union"), a related party. This employment screening business offers a range of services including criminal and civil records search, education and reference verification, and other verification services for its customers. Management believes the acquired business will provide the Company with additional products and services and will support the Company's initiatives in the identification and security arena, including with governmental agencies. The aggregate purchase price of $35 million consisted of cash of $10 million (of which $7.5 million was paid at closing and $2.5 million is payable on October 1, 2002) and 664,562 shares of common stock valued at $10.5 million and warrants to purchase 1,272,024 shares of common stock valued at $14.5 million. If the value of the 664,562 shares of common stock twelve months after the closing date is less than $10 million, the Company will be required to pay additional cash consideration in the amount of the deficit, but not more than $5 million. If the value of those shares twelve months after the closing date is greater than $13 million, Trans Union will be required to return shares of common stock in the amount of the excess, but not more than $5 million worth of common stock. The Company has not yet completed the allocation of the purchase price to the net assets acquired. The results of operations of this acquired business will be included in the Company's consolidated results from the date of acquisition. The acquired business generates annual revenues of approximately $14 million. The pro forma effect of this acquisition is not material to the Company's consolidated results for any of the periods presented.

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

Introduction

Acxiom Corporation ("Acxiom" or "the Company") integrates data, services and technology to create and deliver customer and information management solutions for many of the largest, most respected companies in the world. The core components of Acxiom's innovative solutions are customer data integration ("CDI") technology, data content, database services, information technology ("IT") outsourcing, consulting and analytics, and privacy leadership. Founded in 1969, Acxiom is headquartered in Little Rock, Arkansas, with locations throughout the United States, and in the United Kingdom ("U.K."), France and Australia.

Results of Operations

For the quarter ended June 30, 2002, consolidated revenue was $225.4 million, reflecting a 10% increase from the previous year. Adjusting 2001 for divested operations (see note 4 to the condensed consolidated financial statements), the increase in revenue was 16%. The increase in revenue for the quarter reflects increases in customer demand for Acxiom products and services and the layering effect of recognition of subscription revenue from contracts signed in current and prior quarters as the Company provides service.

The table below shows the Company's revenue by business segment for the quarters ended June 30, 2002 and 2001 (dollars in millions).

	June 30, 2002	June 30, 2001	% Change
Services	$ 169.4	$ 149.4	+13%
Data and Software Products	38.4	32.8	+17
IT Management	56.4	53.0	+ 7
Intercompany eliminations	(38.8)	(30.2)	+28
	$ 225.4	$ 205.0	+10%

The Services segment, the Company's largest segment, provides data warehousing, list processing and consulting services to large corporations in a number of vertical industries. Segment revenue of $169.4 million in the current quarter increased 13% over the prior year. Excluding divested operations, this segment grew 21% as compared to the same quarter a year ago. The increase in revenues year over year reflects increased customer demand and layering of contracts signed in current and prior quarters as discussed above. The Company also experienced a return of some project-based revenue, primarily in the financial services industry, which some customers had previously delayed in the past three quarters.

The Data and Software Products segment provides data content and software primarily in support of the Services segment customers' activities. Segment revenue of $38.4 million during the quarter ended June 30, 2002 increased 17% as compared to the quarter ended June 30, 2001. The increase in segment revenue as compared to the prior year amount is primarily attributable to an increase in data and data licenses sales.

The IT Management segment consists of outsourcing services primarily in the areas of data center, client server and network management. IT Management segment revenue of $56.4 million in the June 30, 2002 quarter reflects an increase of 7% over the prior year's June quarter. This increase is primarily attributable to additional outsourcing contracts signed over the last year.

Certain revenues, including certain data and software product revenue, are reported both as revenue in the segment which owns the customer relationship (generally the Services segment) as well as the Data and Software Products segment which owns the product development, maintenance, sales support, etc. These duplicate revenues are eliminated in consolidation. The intercompany elimination increased 28% for the quarter, reflecting the increase in data and software product revenue recorded through the Services segment.

The following table presents operating expenses for the quarters ended June 30, 2002 and 2001 (dollars in millions):

	June 30,		
	2002	2001	% Change
Salaries and benefits	$ 74.8	$ 93.6	- 20%
Computer, communications and other equipment	63.0	81.7	- 23
Data costs	29.0	30.8	- 6
Other operating costs and expenses	37.4	46.4	- 19
Gains, losses and nonrecurring items, net	(0.5)	45.3	-101
	$ 203.7	$ 297.8	- 32%

Salaries and benefits for the quarter decreased 20% from the prior year. This decrease is primarily attributable to the work force reductions that were a component of the restructuring plan discussed below and certain mandatory and voluntary salary reductions effective April 2001. The Company's associates received stock options at the time of these mandatory and voluntary salary reductions. The voluntary portion of the salary reduction was reinstated on April 1, 2002, and one-half of the involuntary portion of the salary reduction was reinstated August 1, 2002. The remaining portion of the involuntary salary reduction is scheduled to be reinstated on November 1, 2002, contingent upon the Company achieving certain performance targets. The net impact of reinstatement of the voluntary and involuntary salary reductions is expected to be approximately $16 million during fiscal 2003, of which approximately $9.5 million relates to the April voluntary reinstatement.

Computer, communications and other equipment costs decreased 23% over the same quarter in the prior year. Adjusting for divested operations and for the additional depreciation and amortization taken during the quarter ended June 30, 2001, these costs increased 34%. The increase reflects increases in leased data processing equipment and software amortization. Capitalized software, including purchased and internally developed, is evaluated for impairment on an annual basis, or when events or changes in circumstances indicate the carrying amount of the asset might not be recoverable. At June 30, 2002, the Company's most recent impairment analysis of its software indicates that no impairment exists. However, no assurance can be given that future analysis of the Company's capitalized software will not result in an impairment charge.

Data costs for the quarter decreased 6% from the prior year. Decreases in data costs are primarily the result of lower Allstate Insurance Company ("Allstate") business in the current quarter, offset in part by increases in data and data licenses sales.

Other operating costs and expenses for the quarter decreased by 19% compared to a year ago, primarily as a result of lower expenses for advertising (down 55%), travel and entertainment (down 23%), consulting costs (down 47%) and administrative costs (down 35%). These lower expenses primarily reflect initiatives taken to reduce the Company's cost structure.

Gains, losses and nonrecurring items, net was a gain of $0.5 million for the current quarter as a result of the disposal of the remaining assets located in Spain, primarily tax loss carryforwards (see note 4 to the condensed consolidated financial statements).

On June 25, 2001, the Company announced a restructuring plan ("Restructuring Plan") for significant cost-cutting efforts, including workforce reductions, the sale and leaseback of a significant amount of its computer equipment, and certain other restructuring activities, asset impairments, and other adjustments and accruals. The aggregate amount of these Restructuring Plan charges recorded by the Company totaled $45.3 million and is included in gains, losses and nonrecurring items, net for the quarter ended June 30, 2001 (see note 2 to the condensed consolidated financial statements). In addition, during the quarter ended June 30, 2001, the Company recorded accelerated depreciation and amortization and other charges of approximately $25.8 million on certain other assets that are no longer in service or were otherwise deemed impaired.

Income from operations for the quarter of $21.7 million increased $114.5 million from the prior year. Excluding gains, losses and nonrecurring items, net; the accelerated depreciation and amortization discussed above; divested operations; and approximately $18 million of operating expenses incurred during the first quarter of the prior year that will not recur as a result of the Restructuring Plan, operating income increased $26.1 million for the current quarter from a loss of $(4.9) million in the prior year quarter to income of $21.2 million in the current quarter. Interest expense for the quarter of $5.3 million decreased from $6.7 million last year reflecting a combination of lower average debt levels this year and lower weighted-average interest rates. Other, net decreased from $0.8 million expense in last year's first quarter to $9 thousand expense this year. The current year includes interest income of $1.3 million, largely offset by losses from the Australian joint venture.

Earnings before income taxes of $16.4 million for the quarter increased $116.7 million over the same quarter a year ago. Excluding the gains, losses and nonrecurring items, net from both years; excluding the accelerated depreciation and amortization recorded during the quarter ended June 30, 2001; excluding divested operations; and excluding approximately $18 million of operating expenses incurred during the first quarter of the prior year that will not recur as a result of the Restructuring Plan, the change from the prior year would have been an increase of approximately $27.1 million for the three months ended June 30, 2002 to earnings of $15.9 million from a loss of $(11.2) million for the quarter ended June 30, 2001.

The Company's effective tax rate was 36% in the current quarter and 36.6% in the prior year. The Company currently expects its effective tax rate to remain at approximately 36% for fiscal 2003. This estimate is based on current tax law and current estimates of earnings.

Basic and diluted earnings (loss) per share for the quarter was $0.12 compared to a loss of $(0.71) a year ago. Excluding the special charges included in gains, losses and nonrecurring items, net; the accelerated depreciation and amortization recorded during the prior year; divested operations; and approximately $18 million of operating expenses incurred during the first quarter of the prior year that will not recur as a result of the Restructuring Plan, diluted earnings (loss) per share would have been a loss of $(0.07) for the quarter ended June 30, 2001.

Capital Resources and Liquidity

Working capital at June 30, 2002 totaled $161.3 million compared to $182.6 million at March 31, 2002. At June 30, 2002, the Company had available credit lines of $175 million of which $13.0 million was outstanding. The Company's debt-to-capital ratio (capital defined as long-term debt plus stockholders' equity) was 39% at June 30, 2002, compared to 44% at March 31, 2002. The decrease largely relates to strong cash flow during the current quarter and the payoff of the 5.25% convertible subordinated notes ("5.25% Notes") in April 2002. Included in long-term debt at both June 30, 2002 and March 31, 2002 are the 3.75% convertible notes in the amount of $175 million. The conversion price for the convertible notes is $18.25 per share. If the price of the Company's common stock increases above the conversion price, this debt may be converted to equity. Total stockholders' equity has increased to $530.1 million at June 30, 2002 from $510.9 million, primarily due to the net income reported during the current quarter and proceeds from the sale of common stock.

Cash provided by operating activities was $60.2 million for the quarter ended June 30, 2002, compared to $39.3 million used by operating activities for the same period in the prior year. Operating cash flow was increased by $14.1 million in the current year, and was reduced by $28.7 million in the prior year due to the net change in operating assets and liabilities. The change in the current period primarily reflects a refund of Federal income taxes received in June 2002 in the amount of approximately $40 million as a result of the utilization of Federal tax loss carrybacks. Accounts receivable days sales outstanding of 72 days at June 30, 2002, compared to 63 days at March 31, 2002 and 75 days at June 30, 2001, increased primarily as a result of lower than expected collections at the end of June.

Investing activities used $15.6 million for the quarter ended June 30, 2002, compared to $27.0 million a year previously. Investing activities in the current year include capitalized software development costs of $8.7 million ($5.9 million in 2001), capital expenditures of $1.9 million ($8.9 million in 2001) and $3.2 million of cost deferrals ($8.6 million in 2001). Capitalized software costs in the current quarter include capitalization of the Company's recently announced new data products, new security products and Acxiom's new customer data integration technology. Capital expenditures decreased compared to the previous year due to measures the Company initiated to control costs, as well as the Company's decision to generally lease equipment which is required to support customers to match cash inflows from customer contracts and cash outflows. Deferral of costs, which are primarily salaries and benefits and other direct and incremental third party costs, are being amortized over the life of the related service agreement. Deferral of costs in the prior year was higher due to capitalization under certain customer projects that have now been completed. Investing activities during the current year also include advances made to fund certain investments and joint ventures operations of $1.1 million, compared to $3.7 million in the prior year, and $0.8 million of cash paid in the current quarter for the acquisition of the Australian joint venture discussed below (net of cash acquired).

Effective June 1, 2002, the Company entered into an agreement with Publishing & Broadcasting Limited ("PBL") whereby Acxiom purchased PBL's 50% ownership interest in an Australian joint venture ("JV") for cash of $0.8 million (net of cash acquired) and a note payable of $1.4 million, such that Acxiom now owns 100% of the JV operations. Additionally, the purchase agreement provides that Acxiom may pay PBL additional consideration, based on a percentage of the JV's operating results through March 31, 2007, and also provides PBL the option to repurchase between 25% and 49% of the JV subsequent to March 31, 2007, at an option price specified in the purchase agreement. The JV purchase price, together with Acxiom's previously recorded investment in the JV, resulted in an excess of the purchase price over the fair value of net assets acquired of $5.8 million (see note 4 to these condensed consolidated financial statements).

With respect to certain of its investments, Acxiom has provided cash advances to fund losses and cash flow deficits of $1.1 million during the quarter ended June 30, 2002. Although Acxiom has no commitment to continue to do so, the Company may continue to fund such losses and deficits until such time as certain of these investments become profitable. Additionally, Acxiom may, at its discretion, discontinue providing financing to these investments during future periods. In the event that Acxiom ceases to provide funding and these investments have not achieved profitable operations, the Company may be required to record an impairment charge up to the amount of the carrying value of its investments ($21.3 million at June 30, 2002). Also, during the current quarter, the Company recorded unrealized losses on certain of its investments as a component of other comprehensive income (loss) in the amount of $0.3 million, net of related income tax effect. In the event that declines in the value of its investments continue, the Company may be required to record further unrealized losses as a component of other comprehensive income (loss) and/or "other than temporary" impairment as a charge to earnings.

Financing activities in the current year used $48.1 million, a large portion of which relates to net repayments of the Company's revolving credit facility and certain other of the Company's credit facilities. Proceeds from the sale of common stock through stock options and the employee stock purchase plan were $6.2 million and $3.2 million, respectively, during the quarters ended June 30, 2002 and 2001. Financing activities in the prior year provided $61.9 million primarily due to proceeds received from debt.

The Company has entered into certain synthetic operating lease facilities for computer equipment, furniture and an aircraft. These synthetic operating lease facilities are accounted for as operating leases under generally accepted accounting principles and are treated as capital leases for income tax reporting purposes. These synthetic lease arrangements provide the Company with a more cost-effective way to acquire equipment than alternative financing arrangements and better match inflows of cash from customer contracts to outflows related to lease payments. Lease terms under the computer equipment and furniture facility range from three to seven years, with the Company having the option at expiration of the initial term to return, or purchase at a fixed price, or extend or renew the term of the leased equipment. Monthly payments under these facilities are approximately $4 million. The Company's potential future purchase commitment over the next twelve months, should it elect to purchase the equipment upon expiration of the initial term, is approximately $12.9 million.

The lease term under the aircraft facility expires in January 2010, with the Company having the option at expiration to either purchase the aircraft at a fixed price, renew the lease for an additional twelve month period (with a nominal purchase price being paid at the expiration of the renewal period) or return the aircraft in the condition and manner required by the lease.

As of June 30, 2002, the total amount drawn under these synthetic operating lease facilities was $177.5 million and the remaining capacity for additional funding (for computer equipment and furniture only) was $76.0 million. The Company has made aggregate payments of $86.1 million through June 30, 2002, and has a remaining commitment under these synthetic operating lease facilities of $77.6 million payable over the next nine years.

The Company has also entered into a real estate synthetic lease arrangement with respect to a facility under construction in Little Rock, Arkansas and land in Phoenix, Arizona. This synthetic lease arrangement provides the Company with more desirable terms than other alternative construction financing options. Under the arrangement, the Company has agreed to lease each property for an initial term of five years with an option to renew for an additional two years, subject to certain conditions. The lessors have committed to fund up to a maximum of $45.8 million for the construction of the Little Rock building and acquisition of the land at both sites. At June 30, 2002, the remaining amount of the commitment available from the lessors was approximately $9.4 million. The Little Rock building is expected to cost approximately $30 to $35 million, including interest during construction, and is expected to be completed in October 2002. The impact of the leasing arrangement is expected to reduce operating cash flow by approximately $3 million per year over the term of the lease, which will be offset by reductions in current leased facilities. At any time during the term of the lease, Acxiom may, at its option, purchase the land and building for a price approximately equal to the amount expended by the lessors. If the Company does not purchase the land and building, the Company has guaranteed a residual value of 87% of the construction costs or approximately $40 million at the end of the lease term. During June 2002, the Financial Accounting Standards Board ("FASB") issued an exposure draft entitled "Consolidation of Certain Special-Purpose Entities." The provisions of this exposure draft, in its current form, could impact the Company's accounting for this real estate synthetic lease arrangement, as discussed in the New Accounting Pronouncements portion of this report.

For a full discussion of future cash obligations, including obligations under the synthetic lease arrangements discussed above, see Item 7 of the Company's 2002 annual report on Form 10-K.

In connection with the construction of certain of the Company's other buildings and facilities, the Company has entered into 50/50 joint ventures with local real estate developers. In each case, the Company is guaranteeing portions of the loans for the buildings. The aggregate amount of the guarantees at June 30, 2002 was $5.8 million. The Company has not recorded the guarantee obligation or the underlying assets in the accompanying condensed consolidated financial statements.

While the Company does not have any other material contractual commitments for capital expenditures, minimum levels of investments in facilities and computer equipment continue to be necessary to support the growth of the business. It should be noted, however, that the Company has spent considerable capital over recent years building the AbiliTec infrastructure. It is the Company's current intention generally to lease any new required equipment to better match cash outflows with customer inflows. In some cases, the Company also sells software and hardware to customers. In addition, new outsourcing or facilities management contracts frequently require substantial up-front capital expenditures in order to acquire or replace existing assets. We believe that our existing available debt and cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future. The Company also evaluates acquisitions from time to time, which may require up-front payments of cash. Depending on the size of the acquisition it may be necessary to raise additional capital. If additional capital becomes necessary as a result of any material variance of our operating results from our projections or from potential future acquisitions, the Company could use available borrowing capacity under its revolving credit agreement, and/or the issuance of other debt or equity securities. However, no assurance can be given that the Company would be able to obtain funding through the issuance of other debt or equity securities at terms favorable to the Company, or that such funding would be available.

The Company has never paid cash dividends on its common stock. The Company presently intends to retain its earnings to provide funds for its business and for the expansion of its business. Thus, it does not anticipate paying cash dividends in the foreseeable future.

Other Information

No single customer accounted for more than 10% of revenue during the quarter ended June 30, 2002. During the quarter ended June 30, 2001, the Company had one customer, Allstate, which accounted for $24.4 million (11.9%) of revenue.

Effective August 12, 2002, the Company acquired the assets and assumed certain liabilities of an employment screening business owned by Trans Union, LLC ("Trans Union"), a related party. This employment screening business offers a range of services including criminal and civil records search, education and reference verification, and other verification services for its customers. Management believes the acquired business will provide the Company with additional products and services and will support the Company's initiatives in the identification and security arena, including with governmental agencies. The aggregate purchase price of $35 million consisted of cash of $10 million (of which $7.5 million was paid at closing and $2.5 million is payable on October 1, 2002) and 664,562 shares of common stock valued at $10.5 million and warrants to purchase 1,272,024 shares of common stock valued at $14.5 million. If the value of the 664,562 shares of common stock twelve months after the closing date is less than $10 million, the Company will be required to pay additional cash consideration in the amount of the deficit, but not more than $5 million. If the value of those shares twelve months after the closing date is greater than $13 million, Trans Union will be required to return shares of common stock in the amount of the excess, but not more than $5 million worth of common stock. The Company has not yet completed the allocation of the purchase price to the net assets acquired. The results of operations of this acquired business will be included in the Company's consolidated results from the date of acquisition. The acquired business generates annual revenues of approximately $14 million. The pro forma effect of this acquisition is not material to the Company's consolidated results for any of the periods presented.

In accordance with a data center management agreement dated July 27, 1992 between Acxiom and Trans Union, Acxiom (through its subsidiary, Acxiom CDC, Inc.) acquired all of Trans Union's interest in its Chicago data center and agreed to provide Trans Union with various data center management services. The current term of the agreement expires in 2005. In a 1992 letter agreement, Acxiom agreed to use its best efforts to cause one person designated by Trans Union to be elected to Acxiom's board of directors. Trans Union designated its CEO and President, Harry C. Gambill, who was appointed to fill a vacancy on the board in November 1992 and was elected at the 1993 annual meeting of stockholders to serve a three-year term. He was elected to serve additional three-year terms at the 1996, 1999 and 2002 annual stockholders meetings. Under a second letter agreement, executed in 1994 in connection with an amendment to the 1992 agreement, Acxiom agreed to use its best efforts to cause two people designated by Trans Union to be elected to Acxiom's board of directors. In addition to Mr. Gambill, Trans Union designated Robert A. Pritzker, an executive officer of Marmon Industrial Corporation, who was appointed to fill a newly created position on Acxiom's board of directors in October 1994. Mr. Pritzker was elected to serve a three-year term at the 1995 annual meeting and was elected to serve a second three-year term at the 1998 annual meeting. Mr. Pritzker resigned from the board in May 2000, to attend to other business obligations. While these undertakings by Acxiom are in effect until the end of the current term of the agreement, Acxiom has been notified that Trans Union does not presently intend to designate another individual to serve as director. During the quarter ended June 30, 2002, Acxiom recorded approximately $12.9 million in revenue from Trans Union. All revenues received from Trans Union have been in accordance with the pricing terms established under the agreements.

Effective April 1, 2002, Acxiom and Trans Union entered into a marketing joint venture that will serve as a sales agent for both parties for certain existing mutual clients. The purpose of the joint venture is to provide these joint clients with leading-edge solutions that leverage the strengths of both parties. Expected to serve a small number of financial service clients, the joint venture will market substantially all of the products and services currently offered by Acxiom and Trans Union, as well as any new products and services that may be agreed upon. The parties have agreed to share equally the aggregate incremental increase (or decrease) in revenue and direct expenses generated from any client supported by the joint venture. If either party determines that its participation in the joint venture is economically disadvantageous, it may terminate the arrangement after certain negotiation procedures specified in the agreement have occurred. The results of operations from this joint venture were not material for the quarter ended June 30, 2002.

New Accounting Pronouncements

The FASB currently has outstanding in exposure draft format, a proposed Statement of Financial Accounting Standards ("SFAS"), "Accounting for Financial Instruments with Characteristics of Liabilities, Equity or Both." This exposure draft, in its current form, could have a significant impact on the Company's accounting for its convertible debt obligations by requiring some amount of those convertible debt obligations to be classified as equity. The issuance of a final SFAS is expected during fiscal 2003. The Company will continue to monitor the progress of this exposure draft and its potential impact on the Company's financial position and/or results of operations.

In May 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." Under the provisions of SFAS No. 145, gains and losses from the early extinguishment of debt are no longer classified as an extraordinary item, net of income taxes, but are included in the determination of pretax earnings. The effective date for SFAS No. 145 is for fiscal years beginning after May 15, 2002, with early application encouraged. Upon adoption, the Company will reclassify all gains and losses from the extinguishment of debt previously reported as an extraordinary item to pretax earnings.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses accounting and reporting for costs associated with exit or disposal activities by requiring that a liability for a cost associated with an exit or disposal activity be recognized and measured at fair value only when the liability is incurred. SFAS No. 146 also nullifies Emerging Issues Task Force Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002.

As previously discussed, the FASB issued an exposure draft in June 2002 entitled "Consolidation of Certain Special-Purpose Entities." Under the provisions of the exposure draft, the underlying assets, liabilities and results of activities of a large number of special-purpose entities ("SPE's") would be required to be consolidated into the financial statements of its primary beneficiary. Accordingly, Acxiom may be required to record on its consolidated balance sheet the underlying real estate asset and the related debt associated with the real estate synthetic lease arrangement discussed above should the exposure draft be issued in its current form. The provisions of the exposure draft, in its current form, would be effective and applied to all SPE's existing as of the beginning of the year of the first fiscal year or interim period beginning after March 15, 2003. However, no final authoritative pronouncement has been issued and the exposure draft may change prior to issuance in its final form. The Company will continue to monitor this exposure draft and the potential impact on its consolidated financial statements.

Forward-looking Statements

This document and other written reports and oral statements made from time to time by us and our representatives contain forward-looking statements. These statements, which are not statements of historical fact, may contain estimates, assumptions, projections and/or expectations regarding our financial position, results of operations, market position, product development, growth opportunities, economic conditions, and other similar forecasts and statements of expectation. We generally indicate these statements by words or phrases such as "anticipate," "estimate," "plan," "expect," "believe," "intend," "foresee," and similar words or phrases. These forward-looking statements are not guarantees of future performance and are subject to a number of factors and uncertainties that could cause our actual results and experiences to differ materially from the anticipated results and expectations expressed in such forward-looking statements.

The factors and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements include but are not limited to the following:

- the complexity and uncertainty regarding the development of new high technologies;
- the possible loss of market share through competition or the acceptance of our technological offerings on a less rapid basis than expected;
- the possibility that economic or other conditions might lead to a reduction in demand for our products and services;
- the possibility that the current economic slowdown may worsen and/or persist for an unpredictable period of time;
- the possibility that economic conditions will not improve as rapidly as expected;
- the possibility that significant customers may experience extreme, severe economic difficulty;
- the possibility that sales cycles may lengthen;
- the continued ability to attract and retain qualified technical and leadership associates and the possible loss of associates to other organizations;
- the ability to properly motivate our sales force and other associates;
- the ability to achieve cost reductions and avoid unanticipated costs;
- the continued availability of credit upon satisfactory terms and conditions;
- the introduction of competent, competitive products, technologies or services by other companies;
- changes in consumer or business information industries and markets;
- our ability to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms;
- the difficulties encountered when entering new markets or industries;

- changes in the legislative, accounting, regulatory and consumer environments affecting our business, including but not limited to litigation, legislation, regulations and customs relating to our ability to collect, manage, aggregate and use data;

- the possibility that data suppliers might withdraw data from us, leading to our inability to provide certain products and services;

- the effect of our short-term contracts on the predictability of our revenues or the possibility that customers may cancel or modify their agreements with us;

- the possibility that the amount of ad hoc project work will not be as expected;

- the potential loss of data center capacity or interruption of telecommunication links or power sources;

- postal rate increases that could lead to reduced volumes of business;

- the potential disruption of the services of the United States Postal Service;

- the successful integration of acquired businesses and strategic alliances;

- with respect to the providing of products or services outside our primary base of operations in the United States, all of the above factors and the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations; and

- other competitive factors.

In light of these risks, uncertainties and assumptions, we caution readers not to place undue reliance on any forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Acxiom's earnings are affected by changes in short-term interest rates primarily as a result of its revolving credit agreement and term note, which bear interest at a floating rate. Acxiom does not use derivative or other financial instruments to mitigate the interest rate risk. Risk can be estimated by measuring the impact of a near-term adverse movement of 10% in short-term market interest rates. If short-term market interest rates average 10% more during the next four quarters than during the previous four quarters, there would be no material adverse impact on Acxiom's results of operations. Acxiom has no material future earnings or cash flow expenses from changes in interest rates related to its other long-term debt obligations as substantially all of Acxiom's remaining long-term debt instruments have fixed rates. At both June 30, 2002 and March 31, 2002, the fair value of Acxiom's fixed rate long-term obligations approximated carrying value.

Although Acxiom conducts business in foreign countries, principally the United Kingdom, foreign currency translation gains and losses are not material to Acxiom's consolidated financial position, results of operations or cash flows. Accordingly, Acxiom is not currently subject to material foreign exchange rate risks from the effects that exchange rate movements of foreign currencies would have on Acxiom's future costs or on future cash flows it would receive from its foreign investment. To date, Acxiom has 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On September 20, 1999, the Company and certain of its directors and officers were sued by an individual shareholder in a purported class action filed in the United States District Court for the Eastern District of Arkansas ("the Court"). The action alleges that the defendants violated Section 11 of the Securities Act of 1933 ("the 1933 Act") in connection with the July 23, 1999 public offering of 5,421,000 shares of the common stock of the Company. In addition, the action seeks to assert liability against the Company Leader pursuant to Section 15 of the 1933 Act. The action seeks to have a class certified of all purchasers of the stock sold in the public offering. Two additional suits were subsequently filed in the same venue against the same defendants and asserting the same allegations. On March 29, 2001, the Court granted the defendants' motion to dismiss. The plaintiffs appealed the decision to dismiss to the United States Court of Appeals for the Eighth Circuit. On July 15, 2002, the Eighth Circuit upheld the Court's motion to dismiss. Subsequent to the Eighth Circuit's decision, the plaintiffs have filed a petition for rehearing, which is currently pending

The Company is involved in various other claims and litigation matters that arise in the ordinary course of the business. None of these, however, are believed to be material in their nature or scope.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed with this report:

10(h) Acxiom Corporation Leadership Team Compensation Plan – Fiscal Year 2003

99.1 Certification of Company Leader (principal executive officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.2 Certification of Company Financial Operations Leader (principal financial officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

A report was filed on May 16, 2002, which reported that the Audit Committee of the Board of Directors of the Company dismissed the Company's independent auditors, Arthur Andersen LLP, and engaged the services of KPMG LLP as its independent auditors, effective May 16, 2002.

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 14, 2002

By: /s/ Jefferson D. Stalnaker
(Signature)
Jefferson D. Stalnaker
Company Financial Operations Leader
(principal financial and accounting officer)

Exhibit 99.1

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

In connection with the accompanying Quarterly Report of Acxiom Corporation (the Company) on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Charles D. Morgan, Company Leader (principal executive officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Charles D. Morgan
Company Leader
(principal executive officer)
August 14, 2002

Exhibit 99.2

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

In connection with the accompanying Quarterly Report of Acxiom Corporation (the Company) on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jefferson D. Stalnaker, Financial Operations Leader (principal financial officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Jefferson D. Stalnaker
Company Financial Operations Leader
(principal financial officer)
August 14, 2002

Exhibit 10(h)

Acxiom Corporation
Leadership Team Compensation Plan
Fiscal Year 2003

PLAN OBJECTIVE

- The objective of the Leadership Team compensation plan is to implement a pay plan that reflects the leader's responsibility, provide compensation that is both equitable and competitive, and which will:

  - Align the leader's interests with shareholder/investor's interest.
  - Motivate leaders to achieve the highest level of performance.
  - Retain key leaders by linking leadership team compensation to company performance.
  - Attract the best leaders through competitive, growth-oriented plans.
  - Enable sharing of growth and success between associates, leaders and shareholders.

ELIGIBILITY OF PARTICPANTS

- For purposes of the Leadership Team Compensation Plan, eligible associates will include Peer Groups 2, 3 and 4.

COMPONENTS AND PLAN STRUCTURE

- The components of the Leadership Team Compensation Plan are as follows:

  - Base salary (not at-risk)
  - Base salary (at-risk)
  - Long-term incentive (stock options)
  - Retention/Recruiting Bonus (Special Situations Only)

- Exhibit 1 of this document reflects the above components for each level of the Leadership Team Compensation Plan. In addition, it reflects the Sales Leadership Plan.

- Each level of the plan has the following:

  - Base salary based on comparable market salary for the equivalent position.
  - Plan structure reflects percentages for each plan component as a percent of base salary, as well as, number of years for which options are granted under the long-term incentive component of the plan.

- Each leader is slotted into a level based on experience, scope of responsibility and past performance. The individual to whom the leader reports is responsible for managing his/her respective slotting. Peer Group 4 leaders must approve all level 6 - 10 slottings. Additionally, Peer Group 4 leaders must approve all slotting of individuals on levels 6-8 of the Sales Leadership Compensation Plan. The Company leader must approve all slottings of levels 11 and 12.

BASE SALARY (NOT AT-RISK)

- Based on market data, guidelines have been established for base salary ranges and base salary increases for leaders. The target market for senior leaders is the 75th percentile. The target market for all other leaders is the 50th percentile.

- The percentage increase guidelines are revised / validated annually.

BASE SALARY (AT-RISK)

General

- Base salary at-risk (referred to as at-risk throughout the remainder of this document) is determined based on the level in which the leader is slotted. At-risk is based on the eligible associate's August 1, 2002 base salary (plus any mandatory reduction reinstatements) or March 31, 2001 base salary, whichever is greater. No adjustment is made to at-risk amounts during the plan year unless the leader moves from one plan level to another or is assigned a different job role that warrants a change. In the event there is a change in at-risk, it will be prorated based on the date of the change.

- Eligible associates must be employed on the date of the actual payment to receive payment for the semi-annual and/or year-end at-risk. The at-risk for eligible associates who joined the Leadership Team after the beginning of the quarter will be pro-rated based on hire date. Additionally, the year-end at-risk amount will be prorated in the same manner.

- Organization leaders have the right to withhold a leader's at-risk payment if the leader is on a performance improvement plan or has failed to deliver against his/her objectives.

At-Risk Attainment

- At-risk attainment is determined based on performance targets set for each Organization and Peer Group.

At-Risk Pool Funding

- At-risk pool is funded from earnings after meeting the Company's target EPS gate.

- All at-risk payments are subject to EPS gate except the commission/specific objective component of the Sales Leadership plans.

- At-risk pool funding is subject to pro rata reduction if full funding above EPS Gate is not achieved.

- EPS targets for the two semi-annual payment periods are shown below.

- EPS Targets – FY2003

Q1 and Q2 Combined:	***TBD***
Q3 and Q4 Combined:	***TBD***
Full Year:	***TBD***

At-Risk Pool Distribution

- Distribution of the at-risk pool to each Organization will be determined by the CLT at the end of Q2 and Q4.

Mid-Year At-Risk Pool Distribution

- CLT will discuss attainment versus guideline criteria.

- Compensation Committee will make recommendation for distribution.

- CLT will make the final determination of distribution of the funded at-risk pool to each of the Organizations.

Annual At-Risk Pool Distribution

- CLT will discuss attainment versus guideline criteria.
- CLT will rate each Organization's performance against criteria (anonymously).
- Compensation Committee will rate each Organization's performance.
- CLT will make the final determination of distribution of the funded at-risk pool to each of the Organizations.

Allocation of At-Risk to Each Individual

- Individual at-risk attainment is to be determined by the performance targets set for each Organization and Peer Group.
- Any excess over targeted at-risk is retained until year-end and will be distributed at the discretion of the Company's internal Compensation Committee.

Method of Payment

- It is Acxiom's intention to pay at-risk in cash. However, from time to time the Company Leadership Team (CLT) may elect to pay at-risk in stock options if conditions of the business justify it. In the event this decision is made, the CLT will make every effort to notify the Leadership Team members within 5 business days of the decision being finalized. If at-risk is paid in stock options in lieu of cash, the Black-Scholes model will be used to calculate the option value and number of options. A two-year valuation will be used for the calculation. All of the options will be issued at the market price and will be 100% vested.
- Payments will be made semi-annually based on attainment of financial objectives up to the target incentive and are subject to the EPS funding gate calculation, as follows:
  - Q1 and Q2 combined – 1/3rd of total opportunity
  - Full Year – 2/3rd of total opportunity
- All payments will be made within 60 days of the end of the Q2 and Q4.
- All EPS gate calculations will be done on a year-to-date, cumulative basis.
- For each semi-annual payment period, the objectives are equal to the year-to-date financial targets as of the end of each respective quarter and are subject to the EPS gate calculation.

LONG-TERM INCENTIVE

- For purposes of determination of the long-term incentive (LTI), eligible associates must be employed and be a member of the Leadership Team on the date the LTI grants are approved for that year. For FY03, this will occur in August. These options fall under the Acxiom stock option plan and will be subject to all standard provisions.
- The long-term incentive will be in the form of stock options and other performance vehicles as necessary. The current year vehicle will be stock options.
- Stock options will be awarded under three categories:

  Category A - Fair market value at date of grant
  Category B - 25% above fair market value
  Category C - 50% above fair market value

- Using the Black-Scholes stock options pricing model, the mix of options to be awarded as an approximate percentage of the total long-term incentive are:

  Category A - 50% of total long-term incentive
  Category B - 25% of total long-term incentive
  Category C - 25% of total long-term incentive

- Under the long-term incentive plan, participants will be awarded a grant of stock options on a cycle corresponding to the level of compensation plan to which the leader has been assigned. Multi-year grants are awarded for Group Leaders and all job roles in Peer Group 4.

- In the event a leader is assigned a level with multi-year grants, they will be awarded the number of years of options necessary to put them on the same cycle as all other leaders on that level.

- Stock options awarded will vest over 6 years, 20% after years 2, 3, 4, 5, & 6 respectively, following the date of grant. Stock options may not be exercisable later than fifteen years after their date of grant.

- Stock options may also be granted in October. The October options include new Leadership Team members as well as adjustments for those moving from one level to another.

- It is the current intent of the Board of Directors to continue this plan (or a similar plan) in future years. The Board of Directors reserves the right to modify or cancel this plan in at any time for any reason at its sole discretion.

RETENTION/RECRUITING BONUS

Retention Bonus

- The objective of the retention bonus is to provide a vehicle to retain key senior leaders who we are at risk of losing.

- Each Retention Bonus Plan for a senior leader must by approved by Charles Morgan and Rodger Kline.

- In addition to the standard at-risk plan, a retention bonus can be put in place for a leader with the following plan provisions:
  - Up to 25% of base salary (determined by Organization leader, Rodger Kline and Charles Morgan)
  - To be paid at same time as at-risk payments
  - Not subject to Corporate gate
  - Based on achieving predetermined, documented, individual objectives
  - Distribution amounts to be determined by Organization leader

Recruiting Bonus

- With the current demand for talent, it may be necessary to pay a one-time recruiting bonus to recruit key leaders to Acxiom.

- In addition to the standard at-risk plan, a recruiting bonus can be put in place for a leader with the following plan provisions:
  - Up to 25% of base salary (determined by Organization leader, Rodger Kline and Charles Morgan)
  - To be paid upon hiring
  - Not subject to Corporate gate

PLAN MODIFICATIONS

The Company's internal Compensation Committee is authorized to make such non-substantive modifications to this plan as deemed necessary in their discretion to most effectively implement the plan. The Compensation Committee of the Board of Directors is authorized to modify the plan in any respect as deemed necessary and in the best interest of the Company.